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### **Wisconsin Works (W-2) Expenditures, Department of Workforce Development**

The Wisconsin Works program, more commonly known as W-2, was created to help participants achieve self-sufficiency through employment. Under W-2, which replaced the cash entitlements available under Aid to Families with Dependent Children, participants are paid either wages that may be subsidized with public funds or cash benefits. The program includes work requirements for benefit recipients and a five-year lifetime limit on benefits. Participants are given access to a variety of support services to help them find and maintain employment, including child care subsidies, transportation assistance, case management services, and short-term loans to help meet job-search and employment expenses.

W-2 is funded with federal grants and state general purpose revenue. It is administered by the Department of Workforce Development and implemented locally by 75 contractors, which include county human and social service agencies, private nonprofit and for-profit agencies, and tribes. From September 1997 through August 1998, contractors' start-up expenditures totaled \$28.7 million, and program implementation expenditures totaled \$188.4 million.

#### **Nearly Half of Program Expenditures Funded Cash Benefits for W-2 Participants**

During the first year of statewide program implementation, nearly half of the \$188.4 million in program expenditures funded cash benefits paid to W-2 participants working in community service and transitional jobs, employers who hired W-2 participants for subsidized trial jobs, and caretakers of infants 12 weeks of age or younger. Direct services accounted for 41.6 percent of program implementation expenditures, and administration accounted for 8.9 percent.

W-2 participants are placed in job categories based on their level of preparedness for employment. Most cash benefits were paid to participants in community service jobs, which are designed to improve employability and provide work experience and training. The monthly cash benefit for these jobs is \$673. Caretakers of infants 12 weeks of age or younger, who are not required to work outside the home, also receive benefits of \$673 per month. An additional 10 percent of cash benefit payments supported transitional jobs, which employ individuals who are unable to perform independent, self-sustaining work, and for which the monthly payment is \$628. Less than 1 percent of cash benefit payments supported trial jobs, for which employers receive subsidies and which may become permanent, unsubsidized positions.

#### **Expenditures and Caseloads Are Significantly Below Projections**

W-2 contractors are responsible for providing program services to all eligible individuals, even if the cost of doing so exceeds contract values. In exchange, the State has agreed to distribute any unspent funds to contractors as profits and as funds for community reinvestment. The \$188.4 million in reported first-year expenditures is 59.7 percent of the amount the State contracted to pay for program implementation. Contractors therefore have potentially earned \$33.0 million in first-year profits, which they may use for any purpose, and \$47.2 million in community reinvestment funds, which must be used to provide additional services to low-income individuals. The Department has the potential to retain \$47.2 million in program funds for use in any manner it determines appropriate in accordance with a state plan.

W-2 expenditures have been significantly lower than the contract budgets because caseloads have been significantly lower than anticipated. The contracts assumed 41,402 W-2 cases—which typically consist of a mother and one or more children—would receive cash benefits in September 1997; the actual statewide caseload of 23,182 was 56.0 percent of that amount. Twelve months later, in August 1998, W-2 caseloads were 28.7 percent of anticipated levels. They had

declined by 55.2 percent statewide: outside Milwaukee County, the decline was 77.9 percent, while in Milwaukee County it was 46.7 percent.

### **The Legislature Could Enhance Program Oversight and Limit Future Profits**

Private agencies under contract to serve Milwaukee County spent the greatest proportion of their W-2 budgets, 80.8 percent, during the first year of statewide program implementation. Tribes spent 51.7 percent, private contractors outside Milwaukee County spent 39.5 percent, and county social and human services departments spent 39.2 percent.

If the economy continues to be strong and caseloads continue to decline, contractors are likely to continue to spend less than the State has agreed to pay for program implementation during the current contract period, which ends December 31, 1999. To limit future profits to more reasonable levels, the Legislature may wish to establish more restrictive limits for profits under future W-2 contracts, to require contractors to contribute a portion of their profits under the first contract to offset expenditures for the second, or to consider alternative incentives, such as providing bonuses only if specific performance criteria are met. In addition, the Legislature may wish to provide the Department of Workforce Development with additional guidance for spending the \$47.2 million it is likely to retain after first-year profits and community reinvestment funds are paid to contractors.

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