

A REVIEW

*Wisconsin Works  
(W-2) Expenditures*

*Department of Workforce Development*

99-3

*February 1999*

**1999-2000 Joint Legislative Audit Committee Members**

Senate Members:

Gary R. George, Co-chairperson  
Judith Robson  
Brian Burke  
Peggy Rosenzweig  
Mary Lazich

Assembly Members:

Carol Kelso, Co-chairperson  
Stephen Nass  
John Gard  
Robert Ziegelbauer  
David Cullen

## **LEGISLATIVE AUDIT BUREAU**

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 131 W. Wilson Street, Suite 402, Madison, WI 53703, call (608) 266-2818, or send e-mail to [Leg.Audit.Info@legis.state.wi.us](mailto:Leg.Audit.Info@legis.state.wi.us). Electronic copies of current reports are available on line at [www.legis.state.wi.us/lab/windex.htm](http://www.legis.state.wi.us/lab/windex.htm).

State Auditor - Janice Mueller

Editor of Publications - Jeanne Thieme

Audit Prepared by

Paul Stuber, Director and Contact Person  
Robin Lecoanet  
Jennifer Blumer  
Alice Boyle  
Desiree Morris  
Philip Sautebin

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b>	1
<b>SUMMARY</b>	3
<b>INTRODUCTION</b>	11
Program Funding and Eligibility Requirements	13
Program Contracting	14
Start-up Contracts	15
Requests for Supplemental Funding	16
<b>PROGRAM EXPENDITURES</b>	17
Variations in Program Expenditures	17
Cash Benefit Expenditures	19
Direct Services and Administrative Expenditures	23
Effect of Caseload on Expenditures	25
<b>ISSUES RELATED TO UNEXPENDED FUNDS</b>	31
Distributing Agency Profits and Community Reinvestment Amounts	31
Modifications Affecting Profits and Community Reinvestment	36
Long-Term Participant and Refugee Funding	36
Supplemental Benefit Funding	37
Supplemental Funding for Staff Costs	37
Sanctions	38
<b>FUTURE CONSIDERATIONS</b>	41
Enhancing Legislative Oversight	41
Improving Future W-2 Contracting	42
<b>APPENDIX I – START UP CONTRACT AMOUNTS AND EXPENDITURES</b>	
<b>APPENDIX II – W-2 CONTRACT VALUES AND REPORTED EXPENDITURES BY CONTRACTING COUNTIES, PRIVATE AGENCIES, AND TRIBES</b>	
<b>APPENDIX III – W-2 EXPENDITURES FOR CASH BENEFITS BY JOB TYPE</b>	
<b>APPENDIX IV – CASES RECEIVING CASH BENEFITS</b>	
<b>APPENDIX V – W-2 CASH BENEFIT PAYMENTS BY CATEGORY</b>	

**APPENDIX VI – PROFIT AND REINVESTMENT FUNDS**

**APPENDIX VII – RESPONSE FROM THE DEPARTMENT OF WORKFORCE  
DEVELOPMENT**

\*\*\*\*





State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER  
STATE AUDITOR

SUITE 402  
131 WEST WILSON STREET  
MADISON, WISCONSIN 53703  
(608) 266-2818  
FAX (608) 267-0410

February 22, 1999

Senator Gary R. George and  
Representative Carol Kelso, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

We have completed a review of Wisconsin Works (W-2) program expenditures, based on our preliminary work to complete a comprehensive program evaluation by July 2000. W-2 is a time-limited employment assistance program that replaced the cash entitlements available through Aid to Families with Dependent Children on September 1, 1997. It is administered by the Department of Workforce Development, which has contracted with 75 counties, private agencies, and tribes for local program implementation. From September 1997 through August 1998, expenditures for statewide implementation of W-2 totaled \$188.4 million. Contractors expended an additional \$28.7 million in state and federal funding on start-up activities to prepare for program implementation.

Program implementation expenditures were only 59.7 percent of the amount the State agreed to pay contractors for the first year, primarily because of lower-than-expected caseloads. While the Department estimated there would be 41,402 W-2 cases statewide in September 1997, the total enrollment in that month was only 23,182, which was 56.0 percent lower than anticipated. During the program's first year, caseloads declined 55.2 percent statewide, and 77.9 percent outside of Milwaukee County.

W-2 contracts allow unspent funds to be distributed to contractors as profits, to be used without restriction, and as community reinvestment funds, to be used for additional services for eligible low-income individuals. Because of the lower-than-expected caseloads, W-2 contractors have the potential to receive \$33.0 million in profits and \$47.2 million in community reinvestment funds. Actions by the Legislature and the Department have increased the amount of potential profits and community reinvestment funds for some agencies. We include options the Legislature may wish to consider to reduce future program costs, including restricting profits to more reasonable levels.

We appreciate the courtesy and cooperation extended to us by the Department of Workforce Development and the staff of W-2 agencies we contacted during our review. The Department's response is Appendix VII.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/PS/ao

---

## SUMMARY

---

The Wisconsin Works program, more commonly known as W-2, was created by 1995 Wisconsin Act 289 to help participants achieve self-sufficiency through employment. Under the program, which replaced cash entitlements available through Aid to Families with Dependent Children (AFDC), participants either are paid wages that may be partially subsidized with public funds, or they receive cash benefits. In addition, participants have access to a variety of support services, including child care subsidies, transportation assistance, case management services, and short-term loans to help meet expenses related to obtaining or maintaining employment. Federal funding for W-2 is available through September 30, 2002, and includes a five-year lifetime limit on benefits received in a subsidized job.

The Department of Workforce Development administers W-2 statewide and has entered into contracts with 75 counties, private agencies, and tribes for local program implementation. The initial contracts, which expire December 31, 1999, have a value of \$653.3 million for a period of 28 months. Many believe their value was established on the basis of reasonable assumptions about program costs and participation levels. However, contractors reported expending only \$188.4 million, or 59.7 percent of the amount the State agreed to pay them for program implementation through August 1998. Reported start-up expenditures, which totaled \$28.7 million, also fell short of contract amounts. Reported expenditures will be subject to audit.

W-2 contracts are funded with both federal aid and state general purpose revenue. Federal aid is made available through the Temporary Assistance to Needy Families (TANF) block grant program, under which Wisconsin has the potential to obtain approximately \$317.0 million in each of six years. However, in order to receive these funds, the State must document that it has maintained a level of state-funded spending equal to approximately \$168.0 million in each year. This maintenance of effort spending, combined with the federal funds available in each year, results in approximately \$485.0 million being available to fund W-2 and related programs in federal fiscal year (FFY) 1997-98 and in FFY 1998-99.

Because contracts currently in force require counties, private agencies, and tribes to assume financial responsibility for any program costs that exceed contract values, they include provisions for contractors to profit if any program funds are not expended. Under these contracts, unexpended funds equal to 7 percent or less of a contract's value are to be distributed as profits that may be used in any manner the contractor chooses. Unexpended funds in excess of 7 percent of a contract's value are to be

divided between the Department and the contracting county, private agency, or tribe; contractors must reinvest a minimum of 45 percent of these funds in the community to fund services for eligible low-income individuals.

Since W-2 took effect, questions have been raised about levels of contract funding, the amounts expended on various program activities, and the number of participants served. To address these questions and provide basic information for the Legislature to use in projecting funding levels for the next biennium, we analyzed expenditures, caseloads, and the effect that lower-than-expected expenditures have had on contractors' potential profits and the amount of funding available for community reinvestment.

Statutes directed the Department of Workforce Development to contract with counties and tribes that met certain standards and wished to implement the W-2 program locally, and to develop a competitive process for awarding W-2 contracts for those counties that did not want implementation responsibilities or did not meet these standards. Milwaukee County, which has the largest public assistance caseload, did not meet the standards and chose not to compete with a number of private organizations for contract implementation. The Department divided Milwaukee County into six regions to facilitate access to services.

In 1997, the Department awarded a total of 75 W-2 contracts for a 28-month period to:

- 58 county human or social service agencies;
- 8 private agencies, 2 of which were for-profit organizations, for implementation of W-2 in Forest, Juneau, Kewaunee, Oneida, Shawano, Vilas, Walworth, and Waukesha counties;
- 5 private agencies, 2 of which were for-profit organizations, for implementation in the six Milwaukee County regions;
- 1 consortium of county human and social services agencies, for administration of W-2 in five counties—Grant, Green, Iowa, Lafayette, and Richland; and
- 3 tribes—the Bad River and Lac du Flambeau bands of Chippewa and the Oneida Nation—that decided to participate in the State's W-2 program.



An additional \$34.1 million was made available under start-up contracts that provided these counties, private agencies, and tribes with funding for personnel, staff training, facilities improvements, developing a plan for moving participants from AFDC to W-2, developing procedures for resolving any disputes that might arise between the contractors and W-2 participants, and computer-related expenses. As of August 1998, only \$28.7 million in start-up funds had been expended, apparently because contractors did not incur anticipated facilities costs. Any state funds included in the \$5.4 million in unexpended start-up funds may not be counted toward the State's maintenance of effort requirement. However, the unexpended funds remain part of the undrawn TANF account balance and may be used in the future to support allowable activities.

Contracts for local implementation of W-2 include budgets for three categories of expenditures:

- cash benefits the contractors paid to participants in W-2 positions, to employers who hired participants in trial jobs, and to caretakers of infants—typically new mothers—who are not required to work outside the home until the infants are older than 12 weeks;
- direct service expenditures, which include the contractors' spending for case management, training, education, and other similar activities; and
- administrative expenditures, such as salaries, fringe benefits, the cost of space and data processing, and other overhead.

During the first year of statewide W-2 implementation, nearly half of the \$188.4 million in program expenditures funded cash benefits. Direct services accounted for 41.6 percent of program expenditures, and administration accounted for 8.9 percent. Private agencies under contract to implement W-2 in Milwaukee County spent the largest proportion of their budgets, 80.8 percent.

W-2 participants who are expected to work outside the home are categorized in one of four job types, based on their level of preparedness for employment:

- transitional jobs, which do not require participants to perform independent, self-sustaining work but allow them to participate in work practice and training, and for which the monthly benefit is \$628;

- community service jobs, which are designed to improve employability and to give participants work experience and job-related training, and for which the monthly benefit is \$673;
- trial jobs, which are subsidized positions that provide work experience and training and may become permanent, unsubsidized positions, and for which the participant earns not less than the state or federal minimum wage for every hour worked and the employer is subsidized no more than \$300 per month for each participant who works full-time; and
- unsubsidized employment, which includes jobs for which a W-2 agency provides no subsidy to the employer, and for which the participant earns a market wage.

Caretakers of infants who are not required to work outside the home until the infants are older than 12 weeks receive a monthly benefit of \$673. It is expected that W-2 participants will progress from their original categories to independent, unsubsidized employment before leaving the program.

During the first year of statewide program implementation, 89.3 percent of total cash benefits were paid for community service jobs and to caretakers of infants, who represented approximately 10 percent of the individuals receiving monthly cash benefits of \$673. Less than 1 percent of program expenditures for cash benefits funded trial jobs. W-2 contractors have indicated the strong economy and large number of available jobs has reduced the need for trial jobs.

The primary reason for expenditures being significantly lower than contract budgets is that the number of W-2 participants receiving cash benefits has been much lower than expected. In September 1997, when statewide W-2 implementation began, cash benefit caseloads were only 56.0 percent of anticipated levels. Twelve months later, in August 1998, caseloads were 28.7 percent of anticipated levels. Statewide, the caseload declined from 23,182 to 10,383 (55.2 percent) during the first year of program implementation. Outside Milwaukee County, the decline was 77.9 percent, while in Milwaukee County it was 46.7 percent. In September 1997, Milwaukee County accounted for 72.8 percent of Wisconsin's W-2 cash benefit cases; in August 1998, that share had increased to 86.6 percent.

It should be noted that although the contracts include profit incentives for the counties, private agencies, and tribes implementing W-2, they also include provisions to discourage contractors from increasing unexpended

funds by failing to serve eligible participants. The contracts prescribe two steps for determining how unexpended contract funds are to be distributed. Funds that are 7 percent or less of the contract value are to be paid to the contractor as profit for use in any manner the contractor chooses. Any unexpended funds remaining after the 7 percent profit is calculated are to be distributed as follows:

- 10 percent is to be paid as profit to the contracting county, private agency, or tribe, with no restriction on its use;
- 45 percent is to be paid to the contracting county, private agency, or tribe for reinvestment in the community, to fund services for eligible low-income individuals; and
- 45 percent is to be retained by the Department of Workforce Development for use in any manner it determines appropriate in accordance with the State's approved TANF plan.

For example, if a county, private agency, or tribe that entered into a contract for \$1.0 million expended only \$700,000, the \$300,000 in unexpended funds would be 30 percent of the contract's value. The contractor would therefore be entitled to a profit of \$70,000, or 7 percent of the contract's value. After this \$70,000 in profit is deducted from unexpended contract funds, the contractor would be entitled to receive \$23,000 (10 percent of the remaining \$230,000) as profit and \$103,500 (45 percent of the remaining \$230,000) in funds for community reinvestment. In total, the contractor would be entitled to receive \$93,000 in profits and \$103,500 in community reinvestment funds. The Department would retain the remaining \$103,500.

Because caseloads and expenditures were lower than anticipated in the first year of statewide W-2 implementation, all 75 contracting counties, private agencies, and tribes are likely to earn profits. Contractors' preliminary profits totaled \$33.0 million, which is approximately 10.4 percent of total contract value. Contractors also earned \$47.2 million for reinvestment in community programs, which represents approximately 14.9 percent of total contract value. In the unlikely event that agency expenditures through December 31, 1999 exceed contract amounts, agencies will have to reimburse any already-distributed profits and community reinvestment funds to pay for these costs.

Contracts will also allow the Department to retain \$47.2 million in unexpended program funds. Officials in the Department have indicated

they intend to spend some of these funds in Milwaukee County and possibly in areas of the state with emerging problems, such as those experiencing large layoffs.

Because a W-2 contract's value serves as the basis for calculating both profits and community reinvestment funds, a contractor's potential profit increases with contract size. During the first year of statewide W-2 implementation, the profits of counties, private agencies, and tribes will likely increase by \$7.1 million, and available community reinvestment funds will likely increase by 7.2 million, because:

- \$9.4 million in additional funding for long-term and refugee cases was added to 26 contracts statewide during the budget process;
- \$9.1 million in additional funding was provided to contractors in Milwaukee County so that sufficient funding would be available for higher cash benefit levels than had been budgeted when contracts were developed;
- \$5.2 million—representing the cost of Milwaukee County staff who make food stamp and Medical Assistance eligibility determinations that the private agencies are not permitted to perform—was added to the Milwaukee County contracts for the purpose of calculating contractor profits; and
- \$3.8 million in sanctions imposed on W-2 participants by the Milwaukee County contractors was treated as unexpended contract funds.

In the upcoming Legislative session, the Legislature will face a number of policy issues related to the W-2 program, including whether to adjust benefit payment levels or require co-payments for some services. This report identifies additional fiscal issues the Legislature may wish to consider, including:

- setting more restrictive limits on the amount of profits contractors may earn;
- requiring contracting agencies to contribute a portion of their profits under the first contract to offset expenditures for the second;
- withholding the allotment of any supplemental funds until a need for them is established;

- considering alternative incentives for prospective contractors, such as providing bonuses only if specific performance criteria are met; and
- shortening contract periods to ensure that modifications can be made quickly when caseloads change.

\*\*\*



---

## INTRODUCTION

---

---

### **The W-2 program replaced AFDC in 1997.**

On September 1, 1997, the Wisconsin Works program, more commonly known as W-2, replaced cash entitlements available to Wisconsin residents through Aid to Families with Dependent Children (AFDC). W-2 emphasizes work as a means to self-sufficiency. Participants either are paid wages, which may be partially subsidized with public funds, or they receive cash benefits. In addition, participants have access to a variety of support services to help them find or maintain employment, including child care subsidies, transportation assistance, case management services, and short-term loans to help them meet expenses related to obtaining or maintaining employment.

The program was created by 1995 Wisconsin Act 289 and is administered by the Department of Workforce Development. The Department has entered into 75 contracts with county human and social service agencies, private agencies, and tribes for local implementation of W-2. Through August 1998, \$28.7 million in state and federal funding was reported to have supported start-up activities that helped these contractors prepare for full program implementation. In addition, during the first 12 months of the program's operation, the W-2 contractors reported expending a total of \$188.4 million in state and federal funds. Reported expenditures will be subject to audit. Program implementations expenditures supported:

- cash benefits the contractors paid to participants in W-2 positions, to employers who hired participants in trial jobs, and to caretakers of infants—typically new mothers—who are not required to work outside the home until the infants are older than 12 weeks;
- direct service expenditures, which include contractors' spending for case management, training, education, and other similar activities; and
- administrative expenditures, such as salaries, fringe benefits, the cost of space, data processing, and other overhead.

The \$188.4 million in reported program expenditures represents only 59.7 percent of the \$315.8 million the State agreed to pay the W-2 contractors for program implementation from September 1997 through August 1998. Because contracts currently in force require counties, private agencies, and tribes to assume financial responsibility for any program costs that exceed contract values, they include provisions for contractors to profit if any program funds are not expended. Contracts

allow for surpluses of 7 percent or less of a contract's value to be distributed to the contractor as profit that may be used in any manner the county, private agency, or tribe chooses. Unexpended funds in excess of 7 percent of a contract's value are to be divided between the Department and the contractors:

- 10 percent is to be paid as profit to the contractor, with no restriction on its use;
- 45 percent is to be paid to the contractor for reinvestment in the community to fund services for eligible low-income individuals; and
- 45 percent is to be retained by the Department for use in any manner it determines appropriate in accordance with the State's approved plan.

In the unlikely event that agency expenditures through December 31, 1999, exceed contract amounts, agencies will have to reimburse any already-distributed profits and community reinvestment funds to pay for these costs.

Since W-2 was implemented, questions have been raised about the level of contract funding, the amount spent on various activities, and the number of participants served. The program's enabling legislation directs the Legislative Audit Bureau, by July 1, 2000, to conduct a comprehensive program evaluation that addresses child care services and the wages paid to participants in different job components. This review, which is based on our preliminary work to complete that evaluation, is intended to address some of the initial questions legislators raised during the program's first year of statewide implementation and to provide basic information about expenditures that may be useful in projecting funding levels for the next biennium. In conducting this review, we analyzed:

- available data on program expenditures and participants;
- underspending during the program's first year; and
- the effects of lower-than-expected spending on both the profits earned by contractors and the amount of funding available for reinvestment in the community to fund services for eligible low-income individuals.

We also analyzed relevant federal and state statutes affecting the W-2 program, documents related to budget projections, and expenditure and caseload reports prepared by the Department of Workforce Development. In addition, we interviewed staff in the Department and in 22 contracting counties, private agencies, and tribes.



## Program Funding and Eligibility Requirements

In 1996, shortly after 1995 Wisconsin Act 289 took effect under federal waivers, but before W-2 was implemented statewide, the federal Personal Responsibility and Work Opportunity Reconciliation Act replaced AFDC nationwide with block grants to states known as Temporary Assistance to Needy Families (TANF). Both TANF, which was based to some extent on W-2, and W-2 impose a five-year lifetime limit on benefits received in a subsidized job, include work requirements for benefit recipients, and eliminate the federal entitlement to public assistance that was provided under AFDC.

---

**Approximately \$317.0 million in federal block grant funds will be available each year through FFY 2001-2002.**

The TANF legislation also determines the level of federal funding for W-2 and other states' block grant programs. Under AFDC, Wisconsin had been reimbursed approximately 58 percent of program costs on a matching basis, with no limit on the amount of state expenditures eligible for reimbursement. In contrast, TANF legislation provides Wisconsin with the potential to obtain approximately \$317.0 million in block grant funding in each year of a six-year period that ends with federal fiscal year (FFY) 2001-02.

In order to receive these federal funds, Wisconsin must document that it has maintained the level of state support it provided in FFY 1993-94 under AFDC and related programs, such as AFDC-related child care and the Job Opportunities and Basic Skills Program. Federal TANF legislation allows a state to reduce its maintenance of effort funding by meeting certain minimum work participation rates. For Wisconsin to qualify, 25 percent of all families participating in W-2 must have been working in FFY 1996-97. The minimum work participation rate increased to 30 percent for FFY 1997-98 and FFY 1998-99, and it will increase to 35 percent in FFY 1999-2000.

---

**Current GPR and federal funding for W-2 and related programs totals \$485.0 million.**

Wisconsin has met the minimum work participation rates, and thereby reduced its maintenance of effort requirements for FFY 1996-97. The Department believes the minimum rates for FFY 1997-98 have also been met. It estimates Wisconsin's maintenance of effort requirement to be approximately \$168.0 million in each of these years. These amounts, which are funded with general purpose revenue (GPR), combined with the \$317.0 million in federal funds available each year, result in available funding of approximately \$485.0 million for W-2 and related programs in FFY 1997-98 and again in FFY 1998-99.

A W-2 family, commonly referred to as a case or assistance group, typically consists of a mother and one or more children. To receive W-2 program benefits, applicants must meet two financial eligibility requirements:

- the family's income must be at or below 115 percent of the federal poverty level, which is currently \$15,698 for a family of three; and
- the family must have assets at or below \$2,500, excluding the combined equity of vehicles valued at up to \$10,000 and one home that serves as the homestead.

Additional eligibility criteria include that an applicant must:

- be a custodial parent;
- be 18 years of age or older;
- be a United States citizen or a qualified alien;
- have lived in Wisconsin for at least 60 consecutive days immediately prior to applying for the W-2 program and, unless the applicant is a migrant worker, demonstrate an intent to live in the state;
- not receive Supplemental Security Income or state supplemental payments; and
- not receive Social Security Disability Income.

### **Program Contracting**

---

**Counties, private agencies, and tribes were awarded 75 W-2 contracts.**

Section 49.143, Wis. Stats., directed the Department of Workforce Development to contract with counties and tribes that met certain standards and wished to implement the W-2 program locally, and to develop a competitive process for awarding W-2 contracts for those counties that did not want implementation responsibilities or did not meet these standards. Milwaukee County, which has Wisconsin's largest public assistance caseload, did not meet the standards and chose not to compete with a number of private organizations for contract implementation. The Department divided Milwaukee County into six regions to facilitate access to services. In 1997, the Department awarded a total of 75 W-2 contracts for a 28-month period to:

- 58 county human or social service agencies;
- 8 private agencies, 2 of which were for-profit organizations, for implementation of W-2 in Forest, Juneau, Kewaunee, Oneida, Shawano, Vilas, Walworth, and Waukesha counties;

- 5 private agencies, 2 of which were for-profit organizations, for implementation in the six Milwaukee County regions;
- 1 consortium of county human and social services agencies, for administration of W-2 in five counties—Grant, Green, Iowa, Lafayette, and Richland; and
- 3 tribes—the Bad River and Lac du Flambeau bands of Chippewa and the Oneida Nation—that decided to participate in the State’s W-2 program.

Contracting counties, private agencies, and tribes received funding under start-up contracts intended to provide them with the financial resources necessary for implementing W-2 effectively, as well as under the contracts for program implementation. In addition, supplemental funding was provided to allow for computerized communication within and between the six W-2 regions in Milwaukee County.

### **Start-up Contracts**

---

**\$34.1 million was available to counties, agencies, and tribes for start-up activities.**

Contracts for W-2 start-up were awarded based on state budget assumptions developed in early 1996, as were the contracts for program implementation. Eligible start-up costs included those related to personnel, staff training, improvements in facilities, developing a plan for moving participants from AFDC to W-2, developing procedures for resolving disputes between contractors and W-2 participants, and computer-related expenses. The original contracts covered the six-month period prior to statewide implementation of the W-2 program and budgeted \$34.1 million for start-up activities.

All budgeted start-up funds have not been spent. Initially, the contractors indicated they required more time to complete the start-up activities included in contract budgets. The Department therefore extended the start-up contract period—which had been March 1 through August 31, 1997—to March 31, 1998. In March 1998, 25 contracts were again amended to provide more time for some counties, private agencies, and tribes to complete start-up activities. These contractors were allowed to carry forward \$3.4 million in budgeted start-up funds until the end of August 1998. However, not all of the carryover amount was expended by that date.

---

**Approximately \$5.4 million in budgeted start-up funds had not been expended at the end of August 1998.**

At the end of August 1998, contracting counties, private agencies, and tribes reported start-up expenditures totaling only \$28.7 million, apparently because anticipated costs to improve facilities were not incurred. While additional start-up expenditures incurred through August 1998 may still be reported, especially for those contractors allowed to carry funds forward, a portion of the \$5.4 million that had not been expended through August will remain unspent.

Any state funds included in the \$5.4 million may not be counted toward Wisconsin's maintenance of effort requirement. However, the unexpended funds remain part of the undrawn federal TANF account that may be used in the future to support activities that are allowable under the State's TANF plan, which was developed by the Department and approved by the federal Department of Health and Human Services. Appendix I provides detail on start-up contract amounts, expenditures, carryover, and unexpended start-up funds through August 1998.

### **Requests for Supplemental Funding**

In its calculation of W-2 agency contract amounts, the Department of Workforce Development did not take into account the costs of developing computerized networks that would allow for communication within and between the six W-2 regions in Milwaukee County. Such networks were believed to be necessary to provide direct communication between the primary and satellite sites of the five private agencies under contract to implement W-2 in Milwaukee County; to allow for communication between these contractors and the Department through the Milwaukee Private Industry Council, which is responsible for providing oversight, coordination, and administration for the five W-2 private contractors; and to facilitate communication between each of the five contractors and some of their subcontractors, who provide community service jobs or specialized education and training services.

---

**An additional \$10.0 million was provided to develop computerized networks in Milwaukee County.**

Officials in the Department of Workforce Development indicated that start-up contracts did not initially include funding for computerized networks because the Department did not know the details of how W-2 services would be provided in Milwaukee County until after contracts were in place. In April 1998, the Legislature's Joint Committee on Finance approved an additional \$10.0 million to develop computerized network services through July 2000. These funds were divided equally among the six Milwaukee County regions. Through August 1998, the Milwaukee County contractors reported having expended \$2.5 million of the supplemental funding provided.

\*\*\*\*

---

## PROGRAM EXPENDITURES

---

---

**First-year expenditures for implementation were significantly lower than budgeted.**

The Department of Workforce Development's 28-month program implementation contracts with 75 counties, private agencies, and tribes are effective through December 31, 1999, and total \$653.3 million. As noted, first-year contract budgets totaled \$315.8 million, but contractors expended only \$188.4 million through August 1998.

Although expenditures were only 59.7 percent of the amount the State agreed to pay contractors during the first year of statewide W-2 implementation, many believe the Department's funding decisions were based on reasonable assumptions. Actual expenditures fell short of projections used to establish contract budgets primarily because the W-2 caseload was significantly lower than anticipated.

### Variations in Program Expenditures

The counties, private agencies, and tribes under contract to implement W-2 are permitted to spend funds as needed within their overall budgets as long as two conditions are met:

- during the term of the contract, no contractor is allowed to spend more than 10 percent of the contract value on administration; and
- a contractor whose costs exceed the contract amount is responsible for the continued provision of services and must finance the shortfall out of local or private funds.

Expenditures were expected to be higher at the beginning of the contract period, as the W-2 program was being implemented, because caseloads were expected to decline with time as individuals obtained full-time employment and left the program. However, expenditures were consistently lower than budgeted throughout the first 12 months of program implementation.

---

**Milwaukee County contractors spent the largest proportion of their budgets, 80.8 percent.**

Expenditures also varied by the type of contractor implementing W-2. As shown in Table 1, private agencies under contract to implement the program in Milwaukee County spent the largest proportion of their budgets during the first year of program implementation. Appendix II provides budget and expenditure detail for each of the W-2 agencies.

Table 1

**Percentage of W-2 Contractor Budgets Expended**  
September 1997 through August 1998

<u>Contractor Type</u>	<u>Percentage of Total Budget Expended</u>
Private Agencies in Milwaukee County	80.8%
Tribal Agencies	51.7
Private Agencies in Other Counties	39.5
County Agencies	39.2

**Milwaukee County's caseload ranged from 73 to 87 percent of the statewide caseload.**

In addition, as shown in Table 2, expenditures by private agencies in Milwaukee County represent two-thirds of all expenditures made during the program's first year. These expenditures reflect Milwaukee County's large caseload volume, which ranged from 73 percent to 87 percent of the total statewide caseload over the course of the program's first year.

Table 2

**Total W-2 Expenditures by Contractor Type**  
September 1997 through August 1998

<u>Contractor Type</u>	<u>Expenditures</u>	<u>Percentage of Total Expenditure</u>
Private Agencies in Milwaukee County	\$125,068,108	66.4%
County Agencies	57,858,752	30.7
Private Agencies in Other Counties	4,659,719	2.5
Tribal Agencies	<u>851,840</u>	<u>0.4</u>
Total	\$188,438,419	100.0%

## Cash Benefit Expenditures

---

**Cash benefits were almost half of total expenditures during the first year.**

As noted, the W-2 contracts included budgets for three categories of expenditures: cash benefits, direct services, and administration. As shown in Table 3, approximately half of first-year expenditures for statewide implementation of W-2 were cash benefits paid to participants in W-2 positions, to employers who employed participants in trial jobs, and to caretakers of infants—typically new mothers—who are not required to work outside the home until the infants are older than 12 weeks.

---

Table 3

### Reported W-2 Expenditures by Category September 1997 through August 1998

<u>Type of Expenditure</u>	<u>Expenditures</u>	<u>Percentage of Total Expenditures</u>
Cash Benefits	\$ 93,330,704	49.5%
Direct Services	78,314,293	41.6
Administration	<u>16,793,422</u>	<u>8.9</u>
Total	\$188,438,419	100.0%

---

W-2 participants who are expected to work outside the home are placed in one of four job types, based upon their level of preparedness for employment:

- transitional jobs, for which the monthly benefit is \$628;
- community service jobs, for which the monthly benefit is \$673;
- trial jobs, for which the participant earns not less than the state or federal minimum wage for every hour worked, and the employer is subsidized no more than \$300 per month for each participant who works full-time; and
- unsubsidized employment, for which the participant earns a market wage and the contractor does not pay a cash benefit.

Caretakers of infants who are not required to work outside the home until the infants are older than 12 weeks receive a monthly benefit of \$673 and represent approximately 10 percent of the individuals receiving benefits at that level. It is expected that W-2 participants will progress from their original categories to independent, unsubsidized employment before leaving the program. As noted, W-2 imposes a five-year lifetime limit on benefits received in a subsidized job.

Transitional jobs, which are placements for individuals who are unable to perform independent, self-sustaining work but able to participate in work practice and training, are available to participants if the W-2 contractor determines they have been or will be incapacitated for a period of at least 60 days, are needed in the home because of the illness or the incapacity of another member of the W-2 group, or are incapable of performing a community service or a trial job. The transitional participant is assigned to activities such as participating in a community rehabilitation program or performing volunteer activities. The contracting county, private agency, or tribe may also require the individual to participate in an evaluation, assessment, or treatment program (such as an alcohol and other drug abuse treatment program or physical rehabilitation activities) or in other activities determined to be consistent with the individual's capabilities. An individual may participate in a transitional placement for a maximum of 24 months.

Community service jobs, which are placements designed to improve the employability of participants able to perform some job duties, provide work experience and training to help participants move into trial jobs or unsubsidized employment. Community service jobs are limited to projects that the Department determines serve a useful public purpose, or to projects whose cost is partially or wholly offset by the revenue they generate. After six months of participation in a community service job and at the conclusion of each assignment, the contractor is required to reassess the individual's employability. A W-2 participant may participate in a community service job placement for a maximum of six months, with the possibility of a three-month extension. An individual may participate in several community service job placements but may not exceed a total of 24 months of participation in all community service job placements.

Trial jobs are subsidized positions that provide work experience and training and may become permanent, unsubsidized positions. The W-2 agency pays a wage subsidy to an employer that agrees to make good-faith efforts to retain a W-2 participant as a permanent, unsubsidized employee after the wage subsidy is terminated. A W-2 participant may participate in a trial job for a maximum of three months, with the possibility of a three-month extension. An individual may participate in several trial job placements but may not exceed a total of 24 months of participation in all trial job placements.



Table 4

**W-2 Cash Benefits by Job Type**  
September 1997 through August 1998

<u>Contractor Type</u>	<u>Transitional Job Expenditures</u>	<u>Percentage of Cash Benefits</u>	<u>Community Service Job Expenditures</u>	<u>Percentage of Cash Benefits</u>	<u>Trial Job Expenditures</u>	<u>Percentage of Cash Benefits</u>	<u>Cash Benefits</u>
Private Agencies in Milwaukee County	\$5,344,600	6.9%	\$72,015,649	93.0%	\$ 57,439	0.1%	\$77,417,688
County Agencies	3,900,120	28.5	9,635,843	70.4	146,337	1.1	13,682,300
Private Agencies in Other Counties	428,062	35.0	788,490	64.4	7,040	0.6	1,223,592
Tribal Agencies	<u>68,011</u>	19.7	<u>275,772</u>	80.0	<u>1,045</u>	0.3	<u>344,828</u>
Total*	\$9,740,793	10.5	\$82,715,754	89.3	\$211,861	0.2	\$92,668,408*

\* Does not include \$662,296 in sanctions reported as expenditures for all contractors except those operating in Milwaukee County.

---

**89.3 percent of cash benefits were paid for community service jobs.**

As shown in Table 4, 89.3 percent of cash benefits were paid for community service jobs, and less than 1 percent of cash benefit expenditures funded trial jobs. Representatives from W-2 agencies with whom we spoke indicated that there has been little need to pay employers to hire W-2 participants because of the strong economy, including the low unemployment rate and the large number of available jobs in Wisconsin. Appendix III provides information on the amount each W-2 agency spent on cash benefits for each type of job.

---

**Only 48.1 percent of budgeted cash benefits were spent.**

As shown in Figure 1, statewide expenditures for cash benefits declined in every month but 1 of the first 12 months of W-2 implementation. The December 1997 increase may have been the result of incomplete reporting by W-2 agencies. In addition, statewide cash benefit expenditures were much less than budgeted for the program's first year. As shown in Table 5, less than half of the \$194.2 million that had been budgeted was spent or committed by the end of the first 12 months of the program's operation. At 78.5 percent, private agencies under contract to implement W-2 in Milwaukee County expended the largest proportion of their allocations.

---

Figure 1

**Comparison Between Cash Benefits Budget and Reported Cash Benefits Expenditures**  
September 1997 through August 1998

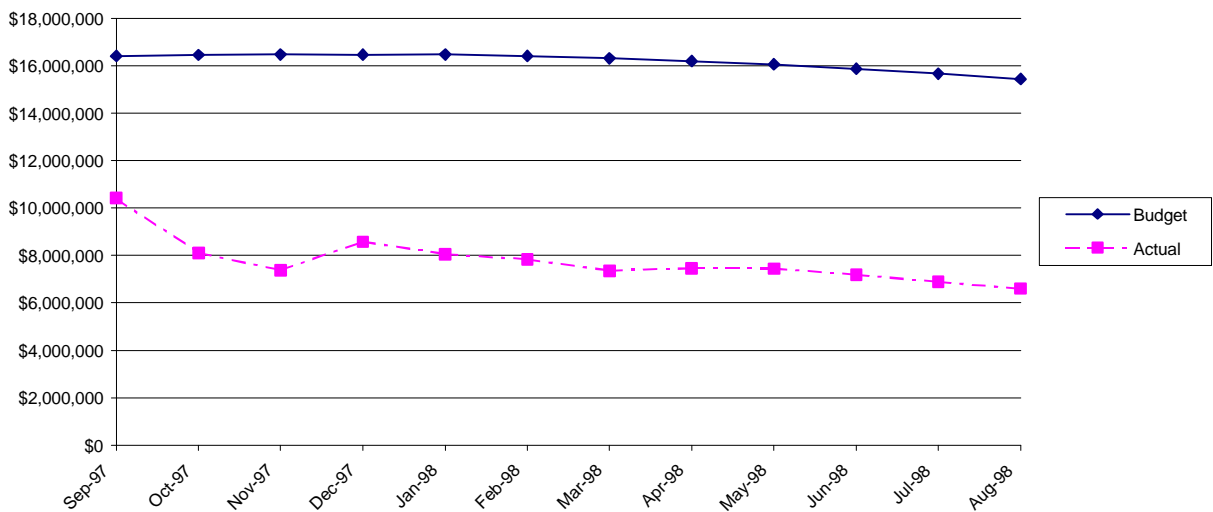


Table 5

**W-2 Cash Benefits Budgeted and Expended**  
September 1997 through August 1998

<u>Contractor Type</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Percentage of Budget Expended</u>
Private Agencies in Milwaukee County	\$ 98,647,300	\$77,417,688	78.5%
Tribal Agencies	871,793	350,031	40.2
Private Agencies in Other Counties	6,971,769	1,250,241	17.9
County Agencies	<u>87,740,792</u>	<u>14,312,744</u>	16.3
Total	\$194,231,654	\$93,330,704	48.1

**Direct Services and Administrative Expenditures**

**W-2 contracts also pay for direct services and administrative costs.**

In addition to providing cash benefits, W-2 contracts provide funding for two types of office expenditures: administrative expenditures—which include the costs of salaries and fringe benefits for staff, space, data processing, and other overhead—and direct services expenditures for case management, training, education, and similar activities. Direct services include activities such as:

- determining eligibility for W-2 services;
- enrolling W-2 participants and developing an employability plan;
- providing orientation to and skills assessment of new W-2 participants;
- providing counseling, job search, and educational services;
- providing transportation assistance, such as bus fare, so individuals can go to their jobs; and
- providing post-employment services to encourage and support job retention.

Payments for subsidized child care, which are available to both W-2 participants and other low-income families, totaled \$84.5 million in FY 1997-98 and are funded through a separate appropriation. An evaluation of this funding will be one of the issues addressed in our comprehensive program evaluation, which is due in July 2000.

Direct services may be provided to:

- individuals who are eligible for W-2 and who are already working but need help in finding a job with higher pay, more hours, or benefits, and who may be eligible to receive child care, transportation while looking for a job, and food and nutrition program benefits;
- W-2 participants who found unsubsidized jobs and who are eligible for at least 60 days of case management services to help them deal with difficulties that may be encountered in a new job;
- individuals who are not eligible for W-2 cash benefits but meet W-2 eligibility requirements and request services to help find or keep a job, who may receive general case management services such as information on job openings and training that addresses interviewing skills, completing a job application, and writing a resume or letter of application, and who then may be eligible for subsidized child care and transportation while looking for a job;
- minor parents, who are provided help in identifying services available in the community and in planning for the future, including information on child care services, high school and general education diploma programs, employment and financial planning services, food and nutrition programs, and other community programs;
- eligible pregnant women, who may receive information on finding and keeping a job, child support rights, and other services; and
- eligible non-custodial parents, who may receive case management services to help them find or keep a job.

---

**78.2 percent of the direct services and administration budget was expended.**

As shown in Table 6, the \$95.1 million that was expended for direct services and administration during the first year of W-2 program implementation accounts for 78.2 percent of the amount budgeted for these costs. As with cash benefit expenditures, the private agencies under contract to implement W-2 in Milwaukee County spent the largest percentage of what had been budgeted.

Although the contracts allow no more than 10 percent of their total value to be spent for administrative purposes, the tribes exceeded their administration budgets by 69.2 percent during the first year of program implementation. If the 10 percent limit is exceeded at the end of the contract term, the difference must be paid with local or private funds. Staff in the Department will have to monitor this situation closely.

### **Effect of Caseload on Expenditures**

---

**A primary reason for lower expenditures is lower-than-anticipated cash benefit caseloads.**

As noted, the primary reason for expenditures being significantly lower than contract budgets is that the number of W-2 cash benefit participants has been much lower than expected. Although the Department recognized that its initial caseload projections were too high and modified them to some extent, the final caseload estimates included in the requests for proposals issued in August 1996 remained too high. It is unlikely that anyone could have predicted how overstated the estimates were, given that the program was new. However, significant concerns have been raised about the effects of lower-than-anticipated caseloads on profits earned by the counties, private agencies, and tribes that contracted to administer W-2.

A comparison of projected and actual caseloads from September 1997 through August 1998 demonstrates that actual W-2 caseloads during the program's first 12 months were much lower than had been anticipated during budget preparations. Funds were budgeted based on projections of 41,402 cases receiving cash benefits in September 1997; the actual caseload of 23,182 was 56.0 percent of the anticipated statewide caseload. By August 1998, the difference between projected and actual caseloads was even greater: funds had been budgeted for 36,209 cases statewide, but only 10,383 (28.7 percent of the number anticipated) actually received cash benefits. Figure 2 shows the decline in the cash benefit caseloads during the first 12 months of program implementation.

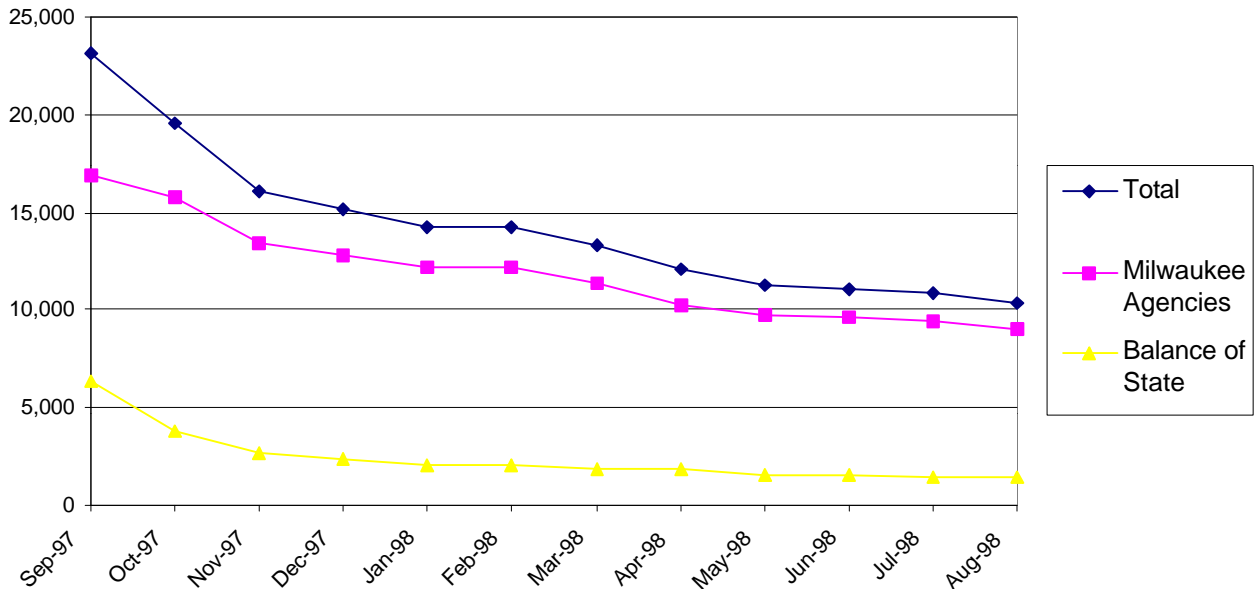
Table 6

**W-2 Direct Services and Administration  
Budget and Expenditures**  
September 1997 through August 1998

<u>Contractor Type</u>	<u>Budget for Direct Services</u>	<u>Expenditures for Direct Services</u>	<u>Percentage Expended</u>	<u>Budget for Administration</u>	<u>Expenditures for Administration</u>	<u>Percentage Expended</u>	<u>Total Expenditures for Direct Services and Administration</u>	<u>Total Percentage Expended</u>
Private Agencies in Milwaukee County	\$41,133,660	\$41,321,442	100.5%	\$15,072,620	\$ 6,328,978	42.0%	\$47,650,420	84.8%
County Agencies	44,992,127	33,877,655	75.3	14,748,109	9,668,353	65.6	43,546,008	72.9
Private Agencies in Other Counties	3,656,053	2,892,114	79.1	1,180,868	517,364	43.8	3,409,478	70.5
Tribal Agencies	<u>610,768</u>	<u>223,082</u>	36.5	<u>164,728</u>	<u>278,727</u>	169.2	<u>501,809</u>	64.7
Total	\$90,392,608	\$78,314,293	86.6	\$31,166,325	\$16,793,422	53.9	\$95,107,715	78.2

Figure 2

**Monthly Cash Benefit Caseload Trends**  
September 1997 through August 1998



**Cash benefit caseloads declined 59.5 percent in the first year of statewide program implementation.**

To provide an additional perspective on the decline in cash benefit caseloads, we performed an analysis of the number of cases in August 1997, the month prior to statewide implementation of W-2, and August 1998, the twelfth month of the program. Statewide, the number of cases receiving cash benefits declined by 59.5 percent over this period, as shown in Table 7. It should be noted that the August 1997 caseload figures can be compared to the August 1998 totals because neither includes nonlegally responsible relative and Supplemental Security Income cases. Appendix IV provides information on changes in caseload for each of the W-2 agencies.

It should be noted that during the period the statewide caseload declined 55.2 percent, and 77.9 percent when Milwaukee County was excluded, the Milwaukee County caseload declined by 46.7 percent. Consequently, Milwaukee County represents an increasing percentage of the W-2 caseload. In September 1997, Milwaukee County accounted for 72.8 percent of Wisconsin's W-2 cases; in August 1998, that share had increased to 86.6 percent.

Table 7

**Number of W-2 Cash Benefit Cases**  
August 1997 and August 1998

<u>Contractor Type</u>	<u>August 1997*</u>	<u>August 1998</u>	<u>Percentage Reduction</u>
Tribal Agencies	181	26	85.6%
Private Agencies in Other Counties	585	105	82.1
County Agencies	7,038	1,264	82.0
Private Agencies in Milwaukee County	<u>17,851</u>	<u>8,988</u>	49.6
Total	25,655	10,383	59.5

\* To permit comparison, cash benefit caseload numbers do not include nonlegally responsible relative and Supplemental Security income cases.

**Almost 80 percent of participants were placed in community service jobs.**

As shown in Table 8, the percentage of participants for whom cash benefits were paid varied based on the job category in which they had been placed. Statewide, 79.7 percent of participants for whom cash benefits were paid were in community service jobs, while only 0.9 percent were in trial jobs. Appendix V provides information on cash benefit payments by job category and for each W-2 agency in August 1998.

Table 8

**Distribution of W-2 Cash Benefit Cases by Job Type**  
April through August 1998\*

<u>Contractor Type</u>	<u>Transitional Job</u>	<u>Community Service Job</u>	<u>Trial Job</u>
County Agencies	46.8%	49.2%	4.0%
Private Agencies in Other Counties	45.8	52.2	2.0
Tribal Agencies	39.3	60.0	0.7
Private Agencies in Milwaukee County	15.2	84.3	0.5
Total	19.4	79.7	0.9

\* Represents those who received benefits in at least one month.



It was expected that many more individuals would be placed in trial jobs, for which employers would request payments from W-2 contractors to defray the costs of employment. However, both state and local W-2 staff indicated to us that employers were hiring potential W-2 participants without requesting subsidies, presumably because of the strong economy. During the first year of statewide program implementation, only \$211,861 was spent on trial jobs. In addition, the smaller-than-anticipated number of individuals in need of trial jobs reduced the overall caseload.

\*\*\*



---

## ISSUES RELATED TO UNEXPENDED FUNDS

---

The State's contracts for local administration of W-2 require the contracting counties, private agencies, and tribes to assume financial responsibility for any program costs that exceed contract values. As noted, in exchange for assuming this risk, the contractors are allowed to retain unexpended program funds. Contractors that successfully place participants in unsubsidized jobs have an opportunity to increase their levels of unexpended funds, a portion of which may then become available as profits or for community reinvestment. However, to ensure that contractors do not attempt to increase their unexpended funds by reducing their services to participants, the contracts also allow the Department of Workforce Development to impose penalties on any contractors that fail to serve eligible participants.

---

**Some unexpended funds have already been distributed as contractor profits.**

The contracts did not anticipate that unexpended program funds would amount to approximately 40 percent of total contract values in the first year of W-2 implementation. In accordance with the contracts, the Department has already distributed some of the unexpended first-year funds to contractors as profits. In addition, it has recently developed criteria for contractors to follow in using unexpended funds that have been earmarked for community reinvestment in programs developed by contractors.

### **Distributing Agency Profits and Community Reinvestment Amounts**

---

**Contract amounts affect contractors' total profits and community reinvestment amounts.**

As noted, contracts prescribe two steps for determining how unexpended funds are to be distributed. Funds that are 7 percent or less of the total contract value are to be paid to the contractor as profit for use in any manner the contractor chooses. If unexpended funds exceed 7 percent of the contract's value, those funds remaining after the initial profit is calculated are to be distributed as follows:

- 10 percent is to be paid as profit to the contracting county, private agency, or tribe, with no restriction on its use;
- 45 percent is to be paid to the contracting county, private agency, or tribe for reinvestment in the community, to fund services for eligible low-income individuals; and

- 45 percent is to be retained by the Department of Workforce Development for use in any manner it determines appropriate in accordance with the State's approved TANF plan.

For example, if a county, private agency, or tribe that entered into a contract for \$1.0 million expended only \$700,000, the \$300,000 in unexpended funds would be 30 percent of the contract's value. The contractor would therefore be entitled to a profit of \$70,000, or 7 percent of the contract's value. This \$70,000 profit would then be deducted from unexpended contract funds, and the contractor would be entitled to receive \$23,000 (10 percent of the remaining \$230,000) as profit and \$103,500 (45 percent of the remaining \$230,000) for community reinvestment. In total, the contractor would be entitled to receive \$93,000 in profits and \$103,500 in community reinvestment funds. The Department would retain the remaining \$103,500.

---

**In the first year of the program, contractors earned \$33.0 million in profits.**

Because caseloads and expenditures were lower than anticipated in the first year of statewide W-2 implementation, all 75 contracting counties, private agencies, and tribes earned profits. As shown in Table 9, contractors' profits totaled \$33.0 million, which is approximately 10.4 percent of total contract values.

---

Table 9

**W-2 Administrative Agency Profits**  
September 1997 through August 1998  
(in millions)

<u>Contractor Type</u>	<u>Contract Value</u>	<u>Expenditures</u>	<u>Total Profits</u>	<u>Profits as a Percentage of Contract Value</u>
County Agencies	\$147.5	\$ 57.9	\$18.2	12.3%
Private Agencies in Other Counties	11.8	4.6	1.5	12.7
Tribal Agencies	1.6	0.8	0.2	12.5
Private Agencies in Milwaukee County	<u>154.9</u>	<u>125.1</u>	<u>13.1</u>	8.4
Total	\$315.8	\$188.4	\$33.0	10.4

---

The original contracts specified that up to 75 percent of the 7 percent profit based on the first year's expenditures would be distributed by January 1, 1999, and that the remaining 25 percent of the 7 percent profit and any 10 percent profit and community reinvestment funds would be distributed at the end of the contract period. In October 1998, contracting counties, private agencies, and tribes were informed that they could also receive up to 75 percent of the 10 percent profit upon the Department's approval of a plan for use of the community reinvestment funds. Up to 75 percent of the community reinvestment funds payable to contractors will be distributed pursuant to the approved plan.

As shown in Table 10, W-2 contractors also earned \$47.2 million for community reinvestment. This amount represents approximately 14.9 percent of total contract values. However, private agencies serving Milwaukee County have a substantially smaller proportion of their contract values available for community reinvestment than do other contractors. Both profits and reinvestment amounts for each of the 75 W-2 contractors are presented in Appendix VI.

W-2 contractors have received some guidance from the Department of Workforce Development concerning allowable uses of the community reinvestment funds. In an October 1998 memorandum, the Department indicated these funds could be used for:

- providing services that are consistent with the authorized purposes of TANF, such as encouraging the formation and maintenance of two-parent families;
- serving families with incomes above the maximum for W-2 eligibility; and
- providing services in addition to those specified in the implementation contract and W-2 plan, or providing services to a broader group of individuals.

---

**The Department will retain \$47.2 million in unexpended program funds.**

As noted, contracts allow the Department to retain the remaining unexpended funds, which totaled \$47.2 million during the first full year of statewide program implementation. The Department intends to use these funds to address needs not met by local contractors. Officials in the Department have indicated some of these funds will be spent in Milwaukee County and possibly in areas of the state with emerging problems, such as those experiencing large layoffs.

Table 10

**W-2 Community Reinvestment Amounts**  
 September 1997 through August 1998  
 (in millions)

<u>Contractor Type</u>	<u>Contract Value</u>	<u>W-2 Agency Reinvestment</u>	<u>Community Reinvestment Funds as a Percentage of Contract Value</u>
County Agencies	\$147.5	\$35.7	24.2%
Private Agencies in Other Counties	11.8	2.8	23.7
Tribal Agencies	1.6	0.3	18.7
Private Agencies in Milwaukee County	<u>154.9</u>	<u>8.4</u>	5.4
Total	\$315.8	\$47.2	14.9

**Contractors have requested payment of \$18.9 million in profits and \$13.7 million in community reinvestment funds.**

Table 11 shows the maximum amounts that contractors may request as preliminary distributions of both profits and community reinvestment funds based on first-year expenditures. As of December 1998, 62 of the 75 contracting counties, private agencies, and tribes have requested \$18.9 million of their 7 percent and 10 percent profits based on first-year expenditures, as well as \$13.7 million of the \$35.4 million in first-year community reinvestment funds to which they are entitled. Those requesting funds included:

- 50 of the counties under contract, which requested 47.6 percent of the \$40.5 million in first-year profits and community reinvestment funds available to all of the contracting counties;
- one of the three tribes under contract, which requested 8.9 percent of the \$367,000 available to all of the contracting tribes;

- all five of the private agencies that contracted to implement W-2 in Milwaukee County, which requested 65.3 percent of the \$16.1 million available to them; and
- all eight of the other private agencies, which requested 86.0 percent of the \$3.2 million available to them.

Table 11

**Preliminary Profits and Community Reinvestment  
Funding Available to W-2 Contractors  
Based on First Year Program Expenditures\***

<u>Contractor Types</u>	<u>7% Profit</u>	<u>10% Profit</u>	<u>Community Reinvestment</u>
County Agencies	\$ 7,742,754	\$ 5,947,395	\$ 26,763,279
Private Agencies in Milwaukee County	8,405,391	1,393,371	6,270,171
Private Agencies in Other Counties	619,956	474,177	2,133,797
Tribal Agencies	<u>86,483</u>	<u>51,011</u>	<u>229,547</u>
Total	\$16,854,584	\$7,865,954	\$35,396,794

\* Amounts represent 75 percent of the maximum amount available after the first year of the program.

A total of \$16.3 million in 7 percent profits was paid by the end of December 1998. The Department has completed its review of community reinvestment plans and expects to pay an additional \$2.6 million in 10 percent profits in March 1999. In addition, the Department has approved \$13.7 million for distribution as community reinvestment funds, the entire amount requested. Community reinvestment funds will be paid pursuant to an approved schedule.

## Modifications Affecting Profits and Community Reinvestment

---

**Contract modifications will likely increase contractors' profits by \$7.1 million and community reinvestment funds by \$7.2 million.**

Because a W-2 contract's value serves as the basis for calculating both profits and community reinvestment funds when contract funding exceeds expenditures, the larger the contract, the larger the contractor's potential profit. During the first year of statewide W-2 implementation, the profits of counties, private agencies, and tribes will likely increase by \$7.1 million, and available community reinvestment funds will likely increase by \$7.2 million, because:

- \$9.4 million in additional funding for long-term and refugee cases was added to 26 contracts statewide during the budget process;
- \$9.1 million in additional funding was provided to the contractors in Milwaukee County so that sufficient funding would be available for higher cash benefit levels than had been budgeted when the contracts were developed;
- \$5.2 million—representing the cost of Milwaukee County staff who make food stamp and Medical Assistance eligibility determinations that the private agencies are not permitted to perform—was added to the Milwaukee County contracts for the purpose of calculating contractor profits; and
- \$3.8 million in sanctions imposed on W-2 participants by the Milwaukee County contractors was treated as unexpended contract funds.

## Long-Term Participant and Refugee Funding

During the budget process, the Legislature provided \$8.2 million in additional funding for fiscal year (FY) 1997-98, and \$9.8 million for FY 1998-99, as a supplement for long-term and refugee cases. Long-term participants are those who have participated in the AFDC program for more than three years, and refugees are individuals legally admitted to the country under refugee status as specified by immigration laws.

---

**Long-term participant and refugee funding will likely increase profits by \$4.4 million and reinvestment by \$2.5 million.**

The funding was provided in response to concerns that some program participants would be harder to place in full-time jobs, would encounter more difficulties moving from subsidized to unsubsidized jobs, and would have more difficulty remaining in a job. It resulted in 26 contractors receiving a total of \$9.4 million in additional funds from September 1997 through August 1998. These funds were not spent because of declining



caseloads. However, increasing the contract amounts will likely increase the 26 contractors' profits by a total of \$4.4 million and their community reinvestment funds by \$2.5 million.

### **Supplemental Benefit Funding**

---

**Supplemental benefit funding will likely increase profits by \$1.8 million and reinvestment by \$3.7 million.**

The Governor's 1997-99 Executive Budget proposed providing cash benefits to W-2 participants for community service jobs and transitional placements at rates higher than those proposed by the Department of Workforce Development. Although the W-2 contracts had been established using the lower amounts, it was believed that savings from lower caseloads would be sufficient to offset the increases in benefit payments. However, because Milwaukee County caseloads did not decrease at the rate of caseloads in other counties and Milwaukee County has represented over 70 percent of Wisconsin's caseload since W-2 implementation, and at the request of the Department of Administration, the Legislature's Joint Committee on Finance provided the private agencies under contract to implement W-2 in Milwaukee County with an additional \$18.2 million over the 28-month contract period. This amounted to \$9.1 million in the first year.

Because declining caseloads made these additional funds unnecessary, the supplemental benefit funding provided to all five Milwaukee County contractors will likely increase their profits by \$1.8 million in total. In addition, their total community reinvestment funding will likely increase by \$3.7 million.

### **Supplemental Funding for Staff Costs**

It had been expected that all W-2 contractors, including the private agencies, would conduct eligibility determinations for programs such as Food Stamps and Medical Assistance as part of their program implementation activities. However, the federal government has not responded to a waiver request that would have allowed private agency staff to do so. As a result, county human and social services staff must continue to provide these services.

The Department could have reduced contract values by the amounts needed to fund county staffs' efforts to determine eligibility for these programs. However, it instead allowed the private W-2 contractors outside of Milwaukee County to subcontract with county agencies for this service. As a result, their contract values were not reduced. Because the 7 percent profit calculation is based on the contract value, a higher contract value results in higher profits for these agencies.

The Department also asked the five private contractors in Milwaukee County to subcontract—as a group—for eligibility determination activities. When this could not be accomplished in a timely manner, the Department contracted directly with Milwaukee County to provide these services. As a result, the five Milwaukee County agencies' contract values were reduced by the amount the Department paid Milwaukee County for eligibility determination services.

---

**Funding for staff costs will likely increase Milwaukee County contractors' profits by \$330,693.**

Although this action should have reduced these contractors' 7 percent profits, the Department determined that it would be unfair to treat them differently from private contractors elsewhere in the state. Therefore, it included the cost of eligibility determination services in the contract values for calculating 7 percent profits. As a result, the 7 percent profits for the five private contractors implementing W-2 in Milwaukee County will likely increase by \$367,437. However, the 10 percent profits declined by \$36,744, resulting in a net increase of \$330,693 in potential profits. Potential community reinvestment funding would be reduced by \$165,347.

### **Sanctions**

A W-2 contractor may fine, or sanction, a participant for failing to comply with work requirements by decreasing the monthly cash benefit. During the contract negotiation process, both the Department of Workforce Development and prospective W-2 contractors believed that if cash benefit expenditures were reduced because of sanctions imposed against participants, contractors would benefit when any profits were calculated on the basis of unexpended funds. However, during development of the W-2 budget, it was believed that sanctions imposed against program participants would not be considered unexpended contract funds and, therefore, would not count toward the calculation of a contractor's profits but would be returned to the State.

A compromise reduced the funding available to contractors for cash benefit payments. The Department of Workforce Development estimated that 3.425 percent of each contractor's cash benefit budget would be imposed as sanctions on W-2 participants; therefore, at the end of the contract period, this amount is to be charged against all contracts, regardless of the actual amount of sanctions imposed. Most of the W-2 contractors were willing to accept what amounted to a reduction in their unexpended funds.

---

**Sanctions will likely increase Milwaukee County contractors' profits by \$0.6 million and their community reinvestment funds by \$1.2 million.**

The five private agencies responsible for implementing W-2 in Milwaukee County, however, did not agree to the compromise because their decrease in caseloads was less significant than the caseload decrease in the rest of the state. It was, therefore, agreed that all amounts saved when sanctions were imposed on W-2 participants in Milwaukee County would be considered unexpended funds that would benefit the Milwaukee County contractors when profits and community reinvestment funds were calculated. During the first year of W-2 implementation, the sanctions imposed by contractors in Milwaukee County totaled \$3.8 million. These contractors' profits are therefore likely to increase by a total of \$0.6 million, and their community reinvestment funds will likely increase by a total of \$1.2 million. Because the Legislature did not participate in determining the W-2 contract provisions that allow for profits and community reinvestment funds, it may wish to consider these issues in its current budget deliberations.

\*\*\*\*



---

## FUTURE CONSIDERATIONS

---

In the upcoming legislative session, the Legislature will face a number of policy issues related to the W-2 program, including whether to adjust cash benefit payment levels or required co-payments for some services, and whether to make program changes that will make child care and transportation services more readily available to participants. This report identifies fiscal issues related to unexpended program funds and to contracting that also will warrant legislative attention. These include the disposition of community reinvestment and other program funds, as well as issues related to new contracts with county human and social services agencies, private agencies, and tribes, which the Department of Workforce Development must negotiate before the current contracts expire on December 31, 1999.

### Enhancing Legislative Oversight

As noted, W-2 contractors have the potential to receive \$33.0 million in profits and \$47.2 million in community reinvestment funds by the end of the current contract period, based on first-year program expenditures, and the Department will have an additional \$47.2 million for its share of community reinvestment funds. If the economy continues to be strong and caseloads continue to decline, both the contractors' profits and community reinvestment funds will surely increase through the balance of the contract period.

---

**The Legislature could specify appropriate uses for unexpended funds.**

The Legislature had no direct role in establishing the W-2 contract provisions that allow for payment of contractor profits and community reinvestment funds if underspending occurs. However, the Legislature may now wish to provide additional guidance in the appropriate use of unexpended program funds by:

- reviewing the criteria contractors are expected to follow in spending funds earmarked for community reinvestment;
- determining how the funds retained by the Department should be used to best meet program needs; and
- determining the disposition of unexpended TANF funds, which are estimated to total \$57.3 million at the end of FY 1998-99.

## Improving Future W-2 Contracting

Those who negotiated the current contracts may not have been able to anticipate the magnitude of the caseload reductions that resulted in significant unexpended program funds and substantial profits for the contracting agencies. Now that program history information is available, the Legislature may wish to consider modifying the contracting process to ensure that if deep reductions in caseload again result in significant levels of unexpended funds, future contractor profits will be limited to more reasonable levels and based on performance.

---

**The contracting process could be modified to ensure profits are more reasonable.**

Contracting changes the Legislature may wish to consider include:

- setting more restrictive limits on the amount of profits contractors may earn;
- requiring contracting agencies to contribute a portion of their profits under the first contract to offset expenditures for the second;
- withholding the allocation of any supplemental funds until a need for them is established;
- considering alternative incentives for prospective contractors, such as providing bonuses only if specific performance criteria are met; and
- shortening contract periods to ensure that modifications can be made quickly when caseloads change.

Officials in the Department indicate they plan to address many of these issues as part of the second W-2 contracting process through the following provisions:

- contracts will require W-2 agencies to provide an array of services, with increased expectations for performance that will be quantitatively measured;
- profits will no longer be based on the difference between estimated budget and actual expenditures, but on specifically defined and measurable standards that reflect both the quality and the quantity of services delivered by the agencies; and
- the potential amount of profit will be capped at 7 percent.

\*\*\*\*

APPENDIX I

**Start-Up Contract Amounts and Expenditures**  
 March 1997 through August 1998

<u>W-2 Contractor</u>	<u>Contract Amount</u>	<u>Reported Expenditures</u>	<u>Current Contract Carryover<sup>1</sup></u>	<u>Unspent Funds<sup>2</sup></u>
<b>Counties</b>				
Adams	\$ 149,736	\$ 77,175	\$ 0	\$ 72,561
Ashland	137,064	137,064	0	0
Barron	424,570	143,310	49,100	232,160
Bayfield	208,943	92,228	103,339	13,376
Brown	1,229,200	1,139,913	0	89,287
Buffalo	64,236	36,612	8,200	19,424
Burnett	228,739	68,076	15,000	145,663
Calumet	75,300	75,300	0	0
Chippewa	207,826	154,567	5,000	48,259
Clark	126,938	126,938	0	0
Columbia	160,648	160,648	0	0
Crawford	137,537	117,530	0	20,007
Dane	1,233,910	1,214,225	0	19,685
Dodge	230,204	8,228	221,976	0
Door	99,086	89,196	0	9,890
Douglas	503,420	314,492	0	188,928
Dunn	159,648	47,615	112,033	0
Eau Claire	237,325	94,197	2,600	140,528
Florence	52,313	52,313	0	0
Fond du Lac	265,981	265,980	0	1
Grant - SW Consortium <sup>3</sup>	752,978	306,952	400,000	46,026
Green Lake	108,681	108,681	0	0
Iron	77,926	72,276	5,650	0
Jackson	57,699	9,329	48,370	0
Jefferson	192,176	4,685	187,491	0
Kenosha	1,138,258	1,138,258	0	0
La Crosse	146,456	146,456	0	0
Langlade	204,174	159,795	0	44,379
Lincoln	120,367	99,806	0	20,561
Manitowoc	283,285	283,284	0	1
Marathon	500,101	402,939	0	97,162
Marinette	234,340	234,340	0	0
Marquette	57,146	27,836	0	29,310
Menominee	182,951	172,751	10,200	0
Monroe	119,540	94,430	0	25,110
Oconto	222,397	222,397	0	0
Outagamie	340,744	350,744	0	0
Ozaukee	125,500	50,500	75,000	0
Pepin	48,157	48,157	0	0

<u>W-2 Contractor</u>	<u>Contract Amount</u>	<u>Reported Expenditures</u>	<u>Current Contract Carryover<sup>1</sup></u>	<u>Unspent Funds<sup>2</sup></u>
Pierce	\$ 49,995	\$ 27,953	\$ 0	\$ 22,042
Polk	165,239	74,536	5,000	85,703
Portage	185,418	63,977	35,000	86,441
Price	51,151	50,913	0	238
Racine	1,629,740	1,626,838	0	2,902
Rock	1,569,382	1,569,382	0	0
Rusk	176,382	36,983	0	139,399
St. Croix	138,885	132,949	0	5,936
Sauk	242,546	194,623	0	47,923
Sawyer	147,484	74,382	0	73,102
Sheboygan	591,354	293,892	278,600	18,862
Taylor	112,454	20,448	0	92,006
Trempealeau	95,896	64,930	3,278	27,688
Vernon	163,933	12,031	151,902	0
Washburn	147,005	147,005	0	0
Washington	214,538	119,518	20,000	75,020
Waupaca	248,326	180,385	0	67,941
Waushara	114,459	106,170	0	8,289
Winnebago	768,666	217,598	550,000	1,068
Wood	<u>304,810</u>	<u>299,276</u>	<u>0</u>	<u>5,534</u>
Subtotal	\$17,963,163	\$13,653,012	\$2,287,739	\$2,022,412
<b>Tribes</b>				
Bad River	\$ 7,173	\$ 19,277	\$23,800	\$ 4,096
Lac du Flambeau	98,702	73,016	0	25,686
Oneida	<u>141,884</u>	<u>100,123</u>	<u>0</u>	<u>41,761</u>
Subtotal	\$287,759	\$192,416	\$23,800	\$71,543
<b>Private Agencies in Milwaukee County <sup>4</sup></b>				
Empl. Solutions	\$ 4,749,836	\$ 4,749,836	\$ 0	\$ 0
MAXIMUS	3,306,516	3,028,062	278,454	0
OIC-GM	2,389,202	2,389,202	0	0
UMOS	2,132,532	1,998,403	134,129	0
YW Works	<u>1,536,173</u>	<u>1,182,914</u>	<u>353,259</u>	<u>0</u>
Subtotal	\$14,114,259	\$13,348,417	\$765,842	\$ 0



<u>W-2 Contractor</u>	<u>Contract Amount</u>	<u>Reported Expenditures</u>	<u>Current Contract Carryover<sup>1</sup></u>	<u>Unspent Funds<sup>2</sup></u>
<b>Private Agencies in Other Counties<sup>4</sup></b>				
Forest - Fwd. Serv.	\$ 120,062	\$ 41,521	\$ 0	\$ 78,541
Juneau - W. WI PIC	140,865	140,865	0	0
Kewaunee - Fwd. Serv.	79,227	79,227	0	0
Oneida - Fwd. Serv.	206,503	85,303	0	121,200
Shawano - Job Center	207,236	207,236	0	0
Vilas - Fwd. Serv.	85,918	37,750	0	48,168
Walworth - Kaiser	348,511	348,511	0	0
Waukesha - Curtis	<u>536,980</u>	<u>533,986</u>	<u>0</u>	<u>2,994</u>
Subtotal	<u>\$ 1,725,302</u>	<u>\$ 1,474,399</u>	<u>\$ 0</u>	<u>\$ 250,903</u>
Total	\$34,090,483	\$28,668,244	\$3,077,381	\$2,344,858

<sup>1</sup> Carryover amounts exclude expenditures reported through August 1998.

<sup>2</sup> Unspent funds equal the contract amount less both reported expenditures through August 1998 and the current carryover amount.

<sup>3</sup> Includes Grant County, Green County, Iowa County, Lafayette County, and Richland County.

<sup>4</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

Milwaukee County	
Region I	YW Works
Region II	United Migrant Opportunity Services, Inc.
Region III	Opportunities Industrialization Center of Greater Milwaukee
Region IV	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region V	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region VI	MAXIMUS, Inc.
Forest County	Forward Service Corporation
Juneau County	Western Wisconsin Private Industry Council, Inc.
Kewaunee County	Forward Service Corporation
Oneida County	Forward Service Corporation
Shawano County	Shawano County Job Center Incorporated
Vilas County	Forward Service Corporation
Walworth County	Kaiser Group, Inc.
Waukesha County	Curtis & Associates, Inc.



APPENDIX II

**W-2 Contract Values and Reported Expenditures  
by Contracting Counties, Private Agencies, and Tribes  
September 1997 through August 1998**

<u>W-2 Contractor</u>	<u>12-Month Contract Value</u>	<u>Cash Benefit Expenditures<sup>1</sup></u>	<u>Direct Services Expenditures<sup>2</sup></u>	<u>Administration Expenditures</u>	<u>Total Expenditures</u>	<u>Percentage Spent</u>
<b>Counties</b>						
Adams	\$ 1,151,509	\$ 65,781	\$ 256,219	\$ 79,750	\$ 401,750	34.9%
Ashland	1,028,769	41,767	211,770	33,993	287,530	27.9
Barron	1,368,704	46,583	525,136	95,040	666,759	48.7
Bayfield	371,378	17,942	209,701	17,672	245,315	66.1
Brown	9,152,990	466,011	2,012,013	906,352	3,384,376	37.0
Buffalo	620,766	77,183	96,560	26,189	199,932	32.2
Burnett	870,490	47,195	133,328	30,433	210,956	24.2
Calumet	684,767	34,212	162,265	54,146	250,623	36.6
Chippewa	2,767,905	173,014	477,811	135,261	786,086	28.4
Clark	794,050	16,058	128,755	34,005	178,818	22.5
Columbia	1,289,807	56,186	362,301	90,683	509,170	39.5
Crawford	511,172	10,826	159,450	53,525	223,801	43.8
Dane	13,430,493	3,246,357	3,718,311	809,335	7,774,003	57.9
Dodge	1,645,030	192,054	472,293	96,949	761,296	46.3
Door	561,991	80,565	236,865	62,077	379,507	67.5
Douglas	3,945,773	498,917	599,768	260,513	1,359,198	34.4
Dunn	2,044,151	171,056	429,305	140,378	740,739	36.2
Eau Claire	5,543,123	549,377	832,941	501,028	1,883,346	34.0
Florence	347,488	11,121	66,571	37,381	115,073	33.1
Fond du Lac	1,946,330	269,329	388,968	163,149	821,446	42.2
Grant - SW Consortium <sup>3</sup>	3,444,938	136,215	1,025,604	276,653	1,438,472	41.8
Green Lake	625,834	46,333	167,788	32,388	246,509	39.4
Iron	314,783	1,256	70,937	24,725	96,918	30.8
Jackson	990,476	40,582	220,587	92,746	353,915	35.7
Jefferson	1,659,307	77,145	848,302	0	925,447	55.8
Kenosha <sup>4</sup>	9,405,807	1,321,176	3,040,874	1,013,990	5,376,040	57.2
La Crosse	5,991,369	388,812	1,014,821	231,324	1,634,957	27.3
Langlade	1,035,559	78,276	204,063	96,669	379,008	36.6
Lincoln	1,047,922	60,251	198,019	33,972	292,242	27.9
Manitowoc	2,381,218	93,109	636,456	217,898	947,463	39.8
Marathon	5,497,851	709,263	1,581,854	237,964	2,529,081	46.0
Marinette	2,004,755	36,217	235,010	102,534	373,761	18.6
Marquette	397,330	13,223	106,106	31,920	151,249	38.1
Menominee	1,340,311	362,182	243,858	36,681	642,721	48.0
Monroe	1,949,504	156,120	282,752	120,994	559,866	28.7
Oconto	1,092,414	21,491	232,356	61,512	315,359	28.9
Outagamie	3,601,083	494,657	477,837	144,307	1,116,801	31.0
Ozaukee	728,325	27,721	213,926	47,710	289,357	39.7
Pepin	225,227	11,963	141,540	13,319	166,822	74.1
Pierce	702,705	42,978	339,376	77,371	459,725	65.4

<u>W-2 Contractor</u>	<u>12-Month Contract Value</u>	<u>Cash Benefit Expenditures<sup>1</sup></u>	<u>Direct Services Expenditures<sup>2</sup></u>	<u>Administration Expenditures</u>	<u>Total Expenditures</u>	<u>Percentage Spent</u>
Polk	\$ 1,499,887	\$ 29,894	\$ 323,521	\$ 72,783	\$ 426,198	28.4%
Portage	2,782,688	182,273	509,481	49,217	740,971	26.6
Price	612,727	38,508	237,819	52,730	329,057	53.7
Racine	13,774,969	1,612,189	2,472,569	746,216	4,830,974	35.1
Rock	9,891,744	657,971	2,216,425	614,533	3,488,929	35.3
Rusk	990,153	18,319	158,159	64,090	240,568	24.3
St. Croix	1,138,493	40,519	313,656	48,387	402,562	35.4
Sauk	1,731,238	174,279	351,787	96,338	622,404	36.0
Sawyer	1,484,569	64,790	188,258	61,155	314,203	21.2
Sheboygan	2,714,789	159,150	741,545	76,308	977,003	36.0
Taylor	613,220	36,336	120,371	8,705	165,412	27.0
Trempealeau	1,014,771	78,004	216,830	78,027	372,861	36.7
Vernon	759,364	66,003	225,636	119,806	411,445	54.2
Washburn	823,200	28,001	203,449	88,623	320,073	38.9
Washington	2,017,349	159,123	527,464	184,609	871,196	43.2
Waupaca	1,586,188	112,513	351,856	237,553	701,922	44.3
Waushara	1,049,838	19,509	163,575	62,586	245,670	23.4
Winnebago	5,103,651	395,887	1,141,310	319,928	1,857,125	36.4
Wood	<u>3,378,785</u>	<u>248,972</u>	<u>651,547</u>	<u>164,223</u>	<u>1,064,742</u>	31.5
Subtotal	\$147,481,028	\$14,312,744	\$33,877,655	\$9,668,353	\$57,858,752	39.2
<b>Tribes</b>						
Bad River	\$ 350,133	\$ 81,914	\$ 95,831	\$ 0	\$177,745	50.8%
Lac du Flambeau	623,173	156,599	122,322	55,086	334,007	53.6
Oneida	<u>673,983</u>	<u>111,518</u>	<u>4,929</u>	<u>223,641</u>	<u>340,088</u>	50.5
Subtotal	\$1,647,289	\$350,031	\$223,082	\$278,727	\$851,840	51.7
<b>Private Agencies in Milwaukee County<sup>5</sup></b>						
Empl. Solutions	\$ 54,151,785	\$30,112,538	\$14,052,402	\$1,479,007	\$ 45,643,947	84.3%
MAXIMUS	28,321,487	13,950,497	9,405,579	1,914,234	25,270,310	89.2
OIC-GM	28,011,676	14,426,533	6,254,488	1,046,909	21,727,930	77.6
UMOS	24,772,216	10,402,299	6,616,637	896,604	17,915,540	72.3
YW Works	<u>19,596,416</u>	<u>8,525,821</u>	<u>4,992,336</u>	<u>992,224</u>	<u>14,510,381</u>	74.0
Subtotal	\$154,853,580	\$77,417,688	\$41,321,442	\$6,328,978	\$125,068,108	80.8

<u>W-2 Contractor</u>	<u>12-Month Contract Value</u>	<u>Cash Benefit Expenditures</u> <sup>1</sup>	<u>Direct Services Expenditures</u> <sup>2</sup>	<u>Administration Expenditures</u>	<u>Total Expenditures</u>	<u>Percentage Spent</u>
<b>Private Agencies in Other Counties</b> <sup>5</sup>						
Forest - Fwd. Serv.	\$ 550,064	\$ 59,855	\$ 146,029	\$ 11,906	\$ 217,790	39.6%
Juneau - W. WI PIC	1,108,860	191,950	178,002	11,559	381,511	34.4
Kewaunee - Fwd. Serv.	448,153	32,681	147,611	26,119	206,411	46.1
Oneida - Fwd. Serv.	1,386,830	119,292	318,218	45,144	482,654	34.8
Shawano - Job Center	1,207,175	173,563	370,571	70,460	614,594	50.9
Vilas - Fwd. Serv.	513,798	90,793	152,922	13,487	257,202	50.1
Walworth - Kaiser	2,054,645	197,556	450,687	102,268	750,511	36.5
Waukesha - Curtis	<u>4,539,165</u>	<u>384,551</u>	<u>1,128,074</u>	<u>236,421</u>	<u>1,749,046</u>	38.5
Subtotal	<u>\$ 11,808,690</u>	<u>\$ 1,250,241</u>	<u>\$ 2,892,114</u>	<u>\$ 517,364</u>	<u>\$ 4,659,719</u>	39.5
Total	\$315,790,587	\$93,330,704	\$78,314,293	\$16,793,422	\$188,438,419	59.7

<sup>1</sup> Reported sanctions are included as expenditures for all contractors except those operating in Milwaukee County.

<sup>2</sup> Includes expenditures from the long-term participant and refugee supplement.

<sup>3</sup> Includes Grant County, Green County, Iowa County, Lafayette County, and Richland County.

<sup>4</sup> Direct services expenditures in the amount of \$1,334,141 have been disallowed.

<sup>5</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

Milwaukee County

- Region I YW Works
- Region II United Migrant Opportunity Services, Inc.
- Region III Opportunities Industrialization Center of Greater Milwaukee
- Region IV Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
- Region V Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
- Region VI MAXIMUS, Inc.

- Forest County Forward Service Corporation
- Juneau County Western Wisconsin Private Industry Council, Inc.
- Kewaunee County Forward Service Corporation
- Oneida County Forward Service Corporation
- Shawano County Shawano County Job Center Incorporated
- Vilas County Forward Service Corporation
- Walworth County Kaiser Group, Inc.
- Waukesha County Curtis & Associates, Inc.



APPENDIX III

**W-2 Expenditures for Cash Benefits by Job Type<sup>1</sup>**  
 September 1997 through August 1998

<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Community Service Job</u>	<u>Trial Job</u>
<b>Counties</b>			
Adams	\$ 28,816	\$ 32,726	\$ 2,230
Ashland	13,459	28,076	0
Barron	12,082	32,404	0
Bayfield	6,187	11,402	62
Brown	190,268	262,182	6,365
Buffalo	25,356	50,810	600
Burnett	21,397	25,798	0
Calumet	10,741	22,582	600
Chippewa	89,076	81,733	1,156
Clark	10,434	5,301	168
Columbia	21,556	34,114	0
Crawford	628	10,198	0
Dane	609,894	2,359,414	42,169
Dodge	59,636	121,353	0
Door	38,970	39,828	1,251
Douglas	186,305	297,478	900
Dunn	95,010	74,306	1,272
Eau Claire	211,221	323,484	5,140
Florence	2,710	7,240	0
Fond du Lac	116,523	148,042	0
Grant - SW Consortium <sup>2</sup>	46,096	89,337	0
Green Lake	16,478	27,967	1,356
Iron	465	791	0
Jackson	13,269	26,603	0
Jefferson	51,017	24,102	0
Kenosha	222,735	986,057	7,028
La Crosse	201,011	184,754	0
Langlade	25,862	51,421	900
Lincoln	11,048	49,203	0
Manitowoc	35,170	55,998	0
Marathon	119,941	571,279	14,883
Marinette	1,774	32,717	1,726
Marquette	3,261	9,936	0
Menominee	23,910	302,945	2,433
Monroe	41,821	110,855	1,383
Oconto	7,797	13,447	0
Outagamie	183,923	296,977	9,168
Ozaukee	324	26,487	0
Pepin	4,584	7,379	0

<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Community Service Job</u>	<u>Trial Job</u>
Pierce	\$ 16,418	\$ 26,560	\$ 0
Polk	10,004	18,164	395
Portage	107,624	73,332	0
Price	4,590	31,846	2,072
Racine	208,878	1,259,227	27,213
Rock	139,237	486,270	1,331
Rusk	1,887	16,329	0
Sauk	20,391	19,176	0
Sawyer	69,273	102,612	885
Sheboygan	13,973	44,237	0
St. Croix	60,697	95,695	0
Taylor	9,817	23,983	0
Trempealeau	43,086	33,920	282
Vernon	32,862	31,235	1,329
Washburn	12,281	13,325	0
Washington	83,325	73,270	479
Waupaca	35,418	73,385	0
Waushara	1,337	17,809	363
Winnebago	175,523	210,407	7,870
Wood	<u>92,744</u>	<u>148,335</u>	<u>3,328</u>
Subtotal	\$3,900,120	\$9,635,843	\$146,337
<b>Tribes</b>			
Bad River	\$ 7,335	\$ 73,930	\$ 0
Lac du Flambeau	7,563	144,217	1,045
Oneida	<u>53,113</u>	<u>57,625</u>	<u>0</u>
Subtotal	\$68,011	\$275,772	\$1,045
<b>Private Agencies in Milwaukee County<sup>3</sup></b>			
Empl. Solutions	\$1,411,258	\$28,681,670	\$19,610
MAXIMUS	1,421,663	12,528,834	0
OIC-GM	645,583	13,777,350	3,600
UMOS	1,388,572	8,987,201	26,526
YW Works	<u>477,524</u>	<u>8,040,594</u>	<u>7,703</u>
Subtotal	\$5,344,600	\$72,015,649	\$57,439



<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Community Service Job</u>	<u>Trial Job</u>
<b>Private Agencies in Other Counties<sup>3</sup></b>			
Forest – Fwd. Serv.	\$ 10,563	\$ 45,257	\$ 759
Juneau – W. WI PIC	69,476	118,384	4,059
Kewaunee – Fwd. Serv.	18,329	13,307	0
Oneida – Fwd. Serv.	49,274	68,421	417
Shawano – Job Center	78,094	82,304	1,805
Vilas – Fwd. Serv.	34,820	55,973	0
Walworth – Kaiser	77,412	117,129	0
Waukesha – Curtis	<u>90,094</u>	<u>287,715</u>	<u>0</u>
Subtotal	<u>\$ 428,062</u>	<u>\$ 788,490</u>	<u>\$ 7,040</u>
Total	\$9,740,793	\$82,715,754	\$211,861

<sup>1</sup> Does not include \$662,296 in sanctions reported as expenditures for all contractors except those operating in Milwaukee County.

<sup>2</sup> Includes Grant County, Green County, Iowa County, Lafayette County, and Richland County.

<sup>3</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

**Milwaukee County**

Region I	YW Works
Region II	United Migrant Opportunity Services, Inc.
Region III	Opportunities Industrialization Center of Greater Milwaukee
Region IV	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region V	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region VI	MAXIMUS, Inc.
Forest County	Forward Service Corporation
Juneau County	Western Wisconsin Private Industry Council, Inc.
Kewaunee County	Forward Service Corporation
Oneida County	Forward Service Corporation
Shawano County	Shawano County Job Center Incorporated
Vilas County	Forward Service Corporation
Walworth County	Kaiser Group, Inc.
Waukesha County	Curtis & Associates, Inc.



APPENDIX IV

**Cases Receiving Cash Benefits<sup>1</sup>**  
 August 1997 and August 1998

<u>W-2 Contractor</u>	<u>August 1997</u>	<u>August 1998</u>	<u>Percentage Reduction</u>
<b>Counties</b>			
Adams	28	6	78.6%
Ashland	44	3	93.2
Barron	33	6	81.8
Bayfield	14	0	100.0
Brown	372	26	93.0
Buffalo	17	13	23.5
Burnett	26	5	80.8
Calumet	21	2	90.5
Chippewa	89	10	88.8
Clark	11	1	90.9
Columbia	22	4	81.8
Crawford	5	2	60.0
Dane	1,146	275	76.0
Dodge	113	22	80.5
Door	20	8	60.0
Douglas	288	26	91.0
Dunn	100	17	83.0
Eau Claire	251	30	88.0
Florence	5	0	100.0
Fond du Lac	71	30	57.7
Grant - SW Consortium <sup>2</sup>	110	14	87.3
Green Lake	20	8	60.0
Iron	2	0	100.0
Jackson	41	2	95.1
Jefferson	40	11	72.5
Kenosha	637	141	77.9
La Crosse	243	50	79.4
Langlade	42	8	81.0
Lincoln	39	8	79.5
Manitowoc	60	3	95.0
Marathon	249	60	75.9
Marinette	90	0	100.0
Marquette	5	1	80.0
Menominee	98	24	75.5
Monroe	96	17	82.3
Oconto	26	3	88.5
Outagamie	166	44	73.5
Ozaukee	15	4	73.3
Pepin	9	1	88.9
Pierce	13	6	53.8
Polk	22	2	90.9

<u>W-2 Contractor</u>	<u>August 1997</u>	<u>August 1998</u>	<u>Percentage Reduction</u>
Portage	70	22	68.6%
Price	25	5	80.0
Racine	883	145	83.6
Rock	438	49	88.8
Rusk	21	1	95.2
St. Croix	17	5	70.6
Sauk	89	17	80.9
Sawyer	64	4	93.8
Sheboygan	88	15	83.0
Taylor	25	5	80.0
Trempealeau	44	6	86.4
Vernon	31	5	83.9
Washburn	22	3	86.4
Washington	75	12	84.0
Waupaca	59	11	81.4
Waushara	20	1	95.0
Winnebago	208	35	83.2
Wood	<u>160</u>	<u>30</u>	81.3
Subtotal	7,038	1,264	82.0
<b>Tribes</b>			
Bad River	31	9	71.0
Lac du Flambeau	61	8	86.9
Oneida	38	9	76.3
Redcliff <sup>3</sup>	39	0	100.0
Stockbridge <sup>3</sup>	<u>12</u>	<u>0</u>	100.0
Subtotal	181	26	85.6
<b>Milwaukee County Private Agencies<sup>4,5</sup></b>			
Empl. Solutions of Greater Milwaukee		3,600	
MAXIMUS		1,725	
Opportunities Industrialization Center of Greater Milwaukee		1,594	
United Migrant Opportunity Services		1,104	
YW Works		954	
Milwaukee - No Region		<u>11</u>	
Subtotal	17,851	8,988	49.6

<u>W-2 Contractor</u>	<u>August 1997</u>	<u>August 1998</u>	<u>Percentage Reduction</u>
<b>Other Private Agencies<sup>4,5</sup></b>			
Forest - Fwd. Serv.	32	4	87.5%
Juneau - W. WI PIC	40	21	47.5
Kewaunee - Fwd. Serv.	8	8	0.0
Oneida - Fwd. Serv.	81	12	85.2
Shawano - Job Center	68	14	79.4
Vilas – Fwd. Serv.	23	6	73.9
Walworth - Kaiser	86	15	82.6
Waukesha - Curtis	<u>247</u>	<u>25</u>	89.9
Subtotal	<u>585</u>	<u>105</u>	82.1
Total	25,655	10,383	59.5

<sup>1</sup> Caseload numbers do not include those cases receiving only case management services and no cash benefit.

<sup>2</sup> Includes Grant County, Green County, Iowa County, Lafayette County, and Richland County.

<sup>3</sup> These tribes elected to operate their own TANF-funded public assistance programs.

<sup>4</sup> AFDC program administered by county in August 1997 and not by private agency.

<sup>5</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

Milwaukee County

Region I	YW Works
Region II	United Migrant Opportunity Services, Inc.
Region III	Opportunities Industrialization Center of Greater Milwaukee
Region IV	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region V	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region VI	MAXIMUS, Inc.

Forest County	Forward Service Corporation
Juneau County	Western Wisconsin Private Industry Council, Inc.
Kewaunee County	Forward Service Corporation
Oneida County	Forward Service Corporation
Shawano County	Shawano County Job Center Incorporated
Vilas County	Forward Service Corporation
Walworth County	Kaiser Group, Inc.
Waukesha County	Curtis & Associates, Inc.



APPENDIX V

**W-2 Cash Benefit Payments by Category**  
August 1998

<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Payments to New Mothers</u>	<u>Community Service Job</u>	<u>Trial Job</u>	<u>Total</u>
<b>Counties</b>					
Adams	3	1	2	0	6
Ashland	1	1	1	0	3
Barron	1	4	1	0	6
Bayfield	0	0	0	0	0
Brown	15	6	5	0	26
Buffalo	6	0	5	2	13
Burnett	5	0	0	0	5
Calumet	1	1	0	0	2
Chippewa	5	2	1	2	10
Clark	1	0	0	0	1
Columbia	2	1	1	0	4
Crawford	1	1	0	0	2
Dane	127	56	88	4	275
Dodge	15	3	4	0	22
Door	3	3	2	0	8
Douglas	20	4	2	0	26
Dunn	13	2	1	1	17
Eau Claire	21	1	6	2	30
Florence	0	0	0	0	0
Fond du Lac	17	6	7	0	30
Grant - SW Consortium <sup>1</sup>	9	2	3	0	14
Green Lake	6	2	0	0	8
Iron	0	0	0	0	0
Jackson	1	0	1	0	2
Jefferson	8	1	2	0	11
Kenosha	44	44	52	1	141
La Crosse	32	13	5	0	50
Langlade	6	1	1	0	8
Lincoln	4	1	3	0	8
Manitowoc	3	0	0	0	3
Marathon	26	6	22	6	60
Marinette	0	0	0	0	0
Marquette	1	0	0	0	1
Menominee	3	0	20	1	24
Monroe	9	5	2	1	17
Oconto	3	0	0	0	3
Outagamie	26	3	14	1	44
Ozaukee	2	1	1	0	4

<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Payments to New Mothers</u>	<u>Community Service Job</u>	<u>Trial Job</u>	<u>Total</u>
Pepin	0	0	1	0	1
Pierce	3	2	1	0	6
Polk	1	1	0	0	2
Portage	12	5	5	0	22
Price	1	3	1	0	5
Racine	51	37	49	8	145
Rock	26	10	11	2	49
Rusk	0	1	0	0	1
St. Croix	3	2	0	0	5
Sauk	13	1	3	0	17
Sawyer	2	1	1	0	4
Sheboygan	6	6	3	0	15
Taylor	3	1	1	0	5
Trempealeau	3	1	2	0	6
Vernon	0	4	1	0	5
Washburn	3	0	0	0	3
Washington	8	2	2	0	12
Waupaca	6	4	1	0	11
Waushara	1	0	0	0	1
Winnebago	20	11	3	1	35
Wood	<u>16</u>	<u>11</u>	<u>2</u>	<u>1</u>	<u>30</u>
Subtotal	618	274	339	33	1,264
<b>Tribes</b>					
Bad River	3	0	6	0	9
Lac du Flambeau	1	2	4	1	8
Oneida	<u>6</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>9</u>
Subtotal	10	3	12	1	26
<b>Private Agencies in Milwaukee County<sup>2</sup></b>					
Empl. Solutions of Greater Milwaukee	459	218	2,902	21	3,600
MAXIMUS	370	124	1,229	2	1,725
Opportunities Industrialization Center of Greater Milwaukee	225	102	1,256	11	1,594
United Migrant Opportunity Services	323	73	699	9	1,104
YW Works	174	69	702	9	954
Milwaukee - Region Unknown	<u>9</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>11</u>
Subtotal	1,560	586	6,790	52	8,988



<u>W-2 Contractor</u>	<u>Transitional Job</u>	<u>Payments to New Mothers</u>	<u>Community Service Job</u>	<u>Trial Job</u>	<u>Total</u>
<b>Private Agencies in Other Counties<sup>2</sup></b>					
Forest - Fwd. Serv.	0	2	2	0	4
Juneau - W. WI PIC	6	4	9	2	21
Kewaunee - Fwd. Serv.	6	0	2	0	8
Oneida - Fwd. Serv.	6	0	6	0	12
Shawano - Job Center	8	2	4	0	14
Vilas - Fwd Serv.	4	1	1	0	6
Walworth - Kaiser	11	2	2	0	15
Waukesha - Curtis	<u>11</u>	<u>9</u>	<u>5</u>	<u>0</u>	<u>25</u>
Subtotal	<u>52</u>	<u>20</u>	<u>31</u>	<u>2</u>	<u>105</u>
Total	2,240	883	7,172	88	10,383

<sup>1</sup> Includes Grant Count, Green County, Iowa County, Lafayette County, and Richland County.

<sup>2</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

Milwaukee County	
Region I	YW Works
Region II	United Migrant Opportunity Services, Inc.
Region III	Opportunities Industrialization Center of Greater Milwaukee
Region IV	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region V	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region VI	MAXIMUS, Inc.
Forest County	Forward Service Corporation
Juneau County	Western Wisconsin Private Industry Council, Inc.
Kewaunee County	Forward Service Corporation
Oneida County	Forward Service Corporation
Shawano County	Shawano County Job Center Incorporated
Vilas County	Forward Service Corporation
Walworth County	Kaiser Group, Inc.
Waukesha County	Curtis & Associates, Inc.



APPENDIX VI

**Profit and Reinvestment Funds**  
September 1997 through August 1998

<u>W-2 Contractor</u>	<u>Contract Value</u>	<u>Expenditures</u>	<u>Total Profit</u>	<u>W-2 Agency Reinvestment</u>
<b>Counties</b>				
Adams	\$ 1,151,509	\$ 401,750	\$ 147,521	\$ 301,119
Ashland	1,028,769	287,530	138,936	301,151
Barron	1,368,704	666,759	156,423	272,761
Bayfield	371,378	245,315	36,003	45,030
Brown	9,152,990	3,384,376	1,153,500	2,307,557
Buffalo	620,766	199,932	81,192	169,821
Burnett	870,490	210,956	120,794	269,370
Calumet	684,767	250,623	86,555	173,795
Chippewa	2,767,905	786,086	372,560	804,630
Clark	794,050	178,818	111,548	251,842
Columbia	1,289,807	509,170	159,322	310,658
Crawford	511,172	223,801	60,941	113,215
Dane	13,430,493	7,774,003	1,411,770	2,122,360
Dodge	1,645,030	761,296	192,010	345,862
Door	561,991	379,507	53,654	64,415
Douglas	3,945,773	1,359,198	507,241	1,039,667
Dunn	2,044,151	740,739	259,123	522,145
Eau Claire	5,543,123	1,883,346	715,194	1,472,291
Florence	347,488	115,073	45,133	93,641
Fond du Lac	1,946,330	821,446	235,107	444,888
Grant – SW Consortium	3,444,938	1,438,472	417,678	794,394
Green Lake	625,834	246,509	77,360	150,982
Iron	314,783	96,918	41,618	88,124
Jackson	990,476	353,915	126,056	255,253
Jefferson	1,659,307	925,447	177,922	277,969
Kenosha <sup>1</sup>	9,405,807	5,376,040	995,543	1,517,113
La Crosse	5,991,369	1,634,957	813,097	1,771,657
Langlade	1,035,559	379,008	130,895	262,828
Lincoln	1,047,922	292,242	141,587	307,046
Manitowoc	2,381,218	947,463	293,392	570,182
Marathon	5,497,851	2,529,081	643,242	1,162,764
Marinette	2,004,755	373,761	289,399	670,798
Marquette	397,330	151,249	49,640	98,221
Menominee	1,340,311	642,721	154,199	271,696
Monroe	1,949,504	559,866	261,783	563,928
Oconto	1,092,414	315,359	146,528	315,264
Outagamie	3,601,083	1,116,801	475,296	1,004,493
Ozaukee	728,325	289,357	89,781	174,593
Pepin	225,227	166,822	20,030	19,188
Pierce	702,705	459,725	68,568	87,206
Polk	1,499,887	426,198	201,862	435,914

<u>W-2 Contractor</u>	<u>Contract Value</u>	<u>Expenditures</u>	<u>Total Profit</u>	<u>W-2 Agency Reinvestment</u>
Portage	\$ 2,782,688	\$ 740,971	\$ 379,481	\$ 831,118
Price	612,727	329,057	66,969	108,351
Racine	13,774,969	4,830,974	1,762,223	3,590,886
Rock	9,891,744	3,488,929	1,263,461	2,569,677
Rusk	990,153	240,568	137,338	306,124
St. Croix	1,138,493	402,562	145,318	295,306
Sauk	1,731,238	622,404	219,951	444,441
Sawyer	1,484,569	314,203	210,564	479,901
Sheboygan	2,714,789	977,003	344,810	696,488
Taylor	613,220	165,412	83,414	182,197
Trempealeau	1,014,771	372,861	128,122	256,894
Vernon	759,364	411,445	82,632	132,644
Washburn	823,200	320,073	102,174	200,476
Washington	2,017,349	871,196	241,708	452,222
Waupaca	1,586,188	701,922	188,356	347,955
Waushara	1,049,838	245,670	146,557	328,805
Winnebago	5,103,651	1,857,125	646,183	1,300,172
Wood	<u>3,378,785</u>	<u>1,064,742</u>	<u>444,268</u>	<u>934,888</u>
Subtotal	\$147,481,028	\$57,858,752	\$18,253,532	\$35,684,376
<b>Tribes</b>				
Bad River	\$ 350,133	\$177,745	\$ 39,297	\$ 66,545
Lac du Flambeau	623,173	334,007	68,176	110,495
Oneida	<u>673,983</u>	<u>340,088</u>	<u>75,850</u>	<u>129,022</u>
Subtotal	\$1,647,289	\$851,840	\$183,323	\$306,062
<b>Private Agencies in Milwaukee County<sup>2</sup></b>				
Empl. Solutions	\$ 54,151,785	\$ 45,643,947	\$ 4,379,913	\$2,063,963
MAXIMUS	28,321,487	25,270,310	2,148,999	451,089
OIC-GM	28,011,676	21,727,930	2,450,513	1,916,616
UMOS	24,772,216	17,915,540	2,302,192	2,277,242
YW Works	<u>19,596,416</u>	<u>14,510,381</u>	<u>1,783,399</u>	<u>1,651,318</u>
Subtotal	\$154,853,580	\$125,068,108	\$13,065,016	\$8,360,228

<u>W-2 Contractor</u>	<u>Contract Value</u>	<u>Expenditures</u>	<u>Total Profit</u>	<u>W-2 Agency Reinvestment</u>
<b>Private Agencies in Other Counties<sup>2</sup></b>				
Forest - Fwd. Serv.	\$ 550,064	\$ 217,790	\$ 67,881	\$ 132,196
Juneau - W. WI PIC	1,108,860	381,511	142,593	292,378
Kewaunee - Fwd. Serv.	448,153	206,411	52,408	94,667
Oneida - Fwd. Serv.	1,386,830	482,654	177,788	363,194
Shawano - Job Center	1,207,175	614,594	135,310	228,635
Vilas - Fwd. Serv.	513,798	257,202	58,029	99,284
Walworth - Kaiser	2,054,645	750,511	259,856	522,139
Waukesha - Curtis	<u>4,539,165</u>	<u>1,749,046</u>	<u>564,979</u>	<u>1,112,570</u>
Subtotal	\$ <u>11,808,690</u>	\$ <u>4,659,719</u>	\$ <u>1,458,844</u>	\$ <u>2,845,063</u>
Total	\$315,790,587	\$188,438,419	\$32,960,715	\$47,195,729

<sup>1</sup> Expenditures in the amount of \$1,334,141 have been disallowed.

<sup>2</sup> Names of the 10 private agencies that implemented W-2 in 9 counties are listed below without abbreviations.

Milwaukee County	
Region I	YW Works
Region II	United Migrant Opportunity Services, Inc.
Region III	Opportunities Industrialization Center of Greater Milwaukee
Region IV	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region V	Employment Solutions, Inc., a subsidiary of Goodwill Industries of Southeastern Wisconsin, Inc.
Region VI	MAXIMUS, Inc.
Forest County	Forward Service Corporation
Juneau County	Western Wisconsin Private Industry Council, Inc.
Kewaunee County	Forward Service Corporation
Oneida County	Forward Service Corporation
Shawano County	Shawano County Job Center Incorporated
Vilas County	Forward Service Corporation
Walworth County	Kaiser Group, Inc.
Waukesha County	Curtis & Associates, Inc.

Note: An additional \$47.2 million will be retained by the Department and may be used in any manner the Department determines to be appropriate.



**Tommy G. Thompson**  
Governor

**Linda Stewart, Ph.D.**  
Secretary



**State of Wisconsin**

**OFFICE OF THE SECRETARY**

201 East Washington Avenue  
P.O. Box 7946  
Madison, WI 53707-7946  
Telephone: (608) 266-7552  
Fax: (608) 266-1784  
<http://www.dwd.state.wi.us/>

---

**Department of Workforce Development**

---

February 17, 1999

Janice Mueller, State Auditor  
Legislative Audit Bureau  
131 West Wilson Street  
Madison WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to review and provide a response to the Legislative Audit Bureau (LAB) report on the first year of operation of the Wisconsin Works (W-2) program. The Department appreciates the professional manner in which LAB staff approached this topic.

First, the Department wishes to emphasize that profits referred to in the report are projections, not actual figures. Profits drawn to date by W-2 agencies for moving people from welfare to work are actually 50 percent less than the profits identified in the report.

Second, agency profits are the result of unprecedented caseload reductions due to better than expected performance on the part of contractors. Wisconsin's dramatic and national trend-setting caseload reductions were made possible by the dedication and performance of these pioneering agencies that accepted the challenge to eradicate the AFDC legacy of intergenerational poverty and to assist families in achieving economic self-sufficiency. This is an extraordinary achievement.

Third, the significant decrease in the cash benefit caseload has also meant that funds are available to support expanded services for low income families, as announced by Governor Thompson on February 16, 1999. Included are initiatives to:

- Lower child care co-pay from 16 percent to 12 percent of family income.
- Increase child care eligibility to 185 percent of the federal poverty level.
- Expand child care services for disabled children.
- Increase training and scholarships for child care workers.
- Create a Community Youth grant program.
- Support workforce attachment for families up to 200 percent of the federal poverty level.

Fourth, unlike most public sector contracts, W-2 contracts required agencies to assume a substantial risk. The risk agencies took in agreeing to implement W2 was unprecedented in the 60-year history of the federal government's troubled welfare program. Under the failed

Janice Mueller, State Auditor  
February 17, 1999  
Page 2

AFDC system, no limits were placed on the amount of funds available to provide cash assistance to recipients.

This all changed under the first round of W2 contracts. No longer were contractors simply reimbursed because they spent money. The W-2 contracts required agencies to provide services to all eligible persons within the limited funds provided. The W2 agencies were expected to perform within established budget limits, and the measure of performance under the contracts was moving people from welfare to work.

For the next round of contracts, the Department will restrict the amounts of total profit available to agencies and move to a performance bonus model. Contracts will include a variety of performance standards that address both the quality and quantity of service provided. The Department is proposing that a cap of seven percent of the total contracts be reserved for performance bonuses. It will be necessary for an agency to achieve minimum levels of performance to receive bonus funding. Two percent of the total contract funds will be available for meeting the base performance criteria, and the remaining five percent will be available to recognize exceptional performance.

In conclusion, I would like to highlight something that was indicated in the report. That is, that the information presents a snapshot view of activity through the 12th month of a 28 month contract. The calculations of profit and community reinvestment are preliminary until the contract is closed out. Agencies are responsible for meeting their contract obligations through the full 28 months, so to the extent expenditure patterns differ in the last 16 months of the contract compared to the first 12, the impressions contained in the report will need to be modified.

We believe strongly that W-2 contractors should be commended for their outstanding performance in reducing caseloads and assisting individuals enter the world of work.

Thank you again for the opportunity to review and comment on your report.

Sincerely,

Linda Stewart, Ph.D.  
Secretary