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WISCONSIN W2 COALITION:

**A FRAMEWORK FOR IMPROVING THE EFFECTIVENESS OF THE WISCONSIN WORKS (W2)
PROGRAM**

BACKGROUND AND OVERVIEW

After 12 years it is now time for a complete review, reassessment and redesign of the Wisconsin Works (W2) program. Much has changed in the economy, the W2 population, funding and administration of the program. (See Attachment A for additional details.)

With these changes serving as a context, a state-wide coalition of organizations was convened to:

Redesign the W2 program so that it more fully addresses family needs, better leads to wage based employment with increased earning potential, and supports employers' needs for appropriate workers in future years.

The basic **principles** identified **to guide the redesign** effort include:

- Better Services Should Be Provided to Customers
- Better Outcomes Should Be Achieved for Families
- More effective Use of Funds Should Occur
- Improved Return of W2 investment to the Community and Taxpayers Should Result

W-2 is the gateway for assistance to thousands of Wisconsin families. In 2007, nearly 20,000 families were assisted by W2. While these families are and will continue to be the focus of W2 program efforts, it is also recognized that W2 touches many additional thousands of families. W2 Agencies determine eligibility for the nearly 50,000 families assisted by child care. W2 agencies are the door to thousands of others who receive Emergency Assistance for housing, energy and other crises. W2 must provide services that help families move toward self-sufficiency, effectively using funds and providing the results and returns that the community and taxpayers deserve.

As evidenced in the recommendations below, the Coalition's focus is on W2 improvements. At the same time, W2 must work with others who support low income families, in particular child care providers who offer quality and affordable child care.

In the pages that follow, the Coalition presents its initial recommendations. They serve as starting points to begin the redesign of W2 needed to achieve valuable outcomes in the future.

COALITION RECOMMENDATIONS

The initial coalition recommendations are presented in six general categories.

1. **Increasing Family Earnings**
2. ***Better Meeting Customer Needs***
3. ***Better Addressing Employer and Community Workforce Needs***
4. ***Better Program Collaboration to Meet the Needs of Children and Families***
5. ***Achieving a Strong and More Effective Partnership of W2 providers with the State W2 Administrative Agency, the new Department of Children and Families***

A summary of the individual recommendations is presented in the paragraphs that follow.

1. **Increasing Family Earnings and Earnings Potential**

Addressing the ability of W2 customers to meet their families' needs is a basic and critical program element. In many ways, additional income and family stability comes from a viable economic base. In this regard, the Coalition is recommending two major actions: wage supplements and increasing the base W2 grant.

A. Employment Supporting Wage Supplement

W-2 benefits end when a participant obtains a full time job. A wage supplement (up to a 115% of Federal Poverty Level) or gradual grant reduction (decrease W-2 benefits by \$1 for every \$2 earned through employment) eases the transition to employment, provides more income to the family, and promotes long term family stabilization.

It is recommended that additional state resources for Participant Benefits be provided to fund a wage supplement and/or gradual grant reduction mechanism to improve the transition from the W-2 program into employment.

B. Individual Benefits Increased

The existing W-2 benefit amounts paid to participants have not changed in the twelve years since the creation of the W-2 program. Economic inflation over this period has eroded the purchasing power for basic family needs. The significant increases, particularly in the last two years, for items such as housing, food and transportation are creating substantial hardships for low-income children and families.

The original relationship of the benefit amounts to the minimum wage has also changed as the minimum wage has been adjusted upward; the calculation of required W-2 participation hours times the minimum wage now substantially exceeds the monthly W-2 benefit amount.

It is recommended that the benefit amounts paid to participants for successful program participation be increased to reflect the cost of living or the change of minimum wage while maintain current funding levels for W2 service and administration.

It is recognized that the above recommendations would add to the cost of W2 but this is balanced by the improved ability to assist W2 to reach its goals of family self-sufficiency and stability. As noted below, these recommendations (Recommendations 1A and 1B) are made in conjunction with the recommendation that the service and administration for the program be held at least current levels (Recommendation 5).

2. Better Meeting Customer Needs/Segment the Population to Provide Appropriate and Focused services

There has been a fundamental change in the composition of the W-2 program caseloads since 1996. A “one size fits all” approach that is embodied in W2 today is not likely to be effective in moving the bulk of the remaining participants toward employment.

- Nearly 30% of the remaining program participants have serious and multiple issues that realistically limit their prospects for family-sustaining employment. Some of these participants have sufficient disabilities to qualify for SSI, while others will not meet that criterion but will realistically never obtain stable employment. Many have utilized the maximum 60 months of their TANF benefits. A broader range of long-term services is required for this segment.
- Mothers of newborns (38% of cases in outstate/non Milwaukee counties) obtain 12 weeks W-2 maternity benefits with minimal connection to the work goals of the program. The services required by this segment of the caseload are significantly different and requires re-examination.
- The remaining 30-40% of the current statewide caseload is likely to benefit from the strong employment and training focus currently in operation. This population’s service needs differ greatly from the two other segments previously mentioned.

It is recommended that a flexible, segmented approach that redefines W-2 requirements and redirects resources be crafted to focus on the specialized needs of these subgroups and achievement of outcomes that make short and long term improvements in their lives. Performance monitoring must be correspondingly tailored to these segmented populations.

Also, new collaborations must be created where the needs of the participants dictate services that are provided by and resources are leveraged from the appropriate non W-2 programs such as DVR or WIA.

3. Addressing Employer and Community Workforce Needs

Employers face a shortage of adequately trained workers and are anticipating an escalated recruitment need as many employees retire from their workforces. Workforce agencies need to have the resources and program approaches that develop the skills of the pool of potential workers.

The reduction of resources to the W-2 program has resulted in a large scaling back of needed job training. Service providers are poised to fill this gap if investment are made in targeted education and training. A continuum of training is needed ranging from soft skills (basic workplace communication, attendance requirements, respect for supervisors and co-workers, etc.) and basic skill development for those in the W2T program, to bridge training that incorporates basic skills and/or language skills as applied in the workplace, to short term customized training that offers immediate employment to specialized one year curricula to meet the needs of employer clusters need to be offered. With this broad range of development opportunities tailored to the individual, a set of outcomes that fit both those who are immediately job ready and those who require longer term assistance can be put in place.

It is recommended that additional resources be invested in a broad range of training to ready the available workforce and meet the needs of Wisconsin employers.

4. Enhancing Service Partnerships through Collaborative Efforts

The creation of the new Department of Children and Families (DCF) presents a unique opportunity to integrate the respective programs for the benefit of the families in the many programs the Department administers. Families are frequently involved in one or more of the TANF, child support, and child welfare systems. There are often conflicting reporting and participation requirements within W2 as well as across the programs that the involved parent and service organizations find difficult to resolve. Different data systems are used for each program and information is not shared across programs. The timely coordination of services focused on a family could have dramatic impacts on their well being. The recommended focus within the W-2 program on population segments presented above would lead to more effective collaborative efforts among DCF programs and programs in other state structures serving the same family participants. "Braiding" of other non-TANF resources from other programs to support the legitimate needs of the children and parents could offer major benefits.

It is recommended that local service agencies in these systems be invited by DCF to mutually craft new collaborative programs and, as appropriate, joint funding aimed at improved integration of child and family programs.

5. *Achieving a Strong and More Effective Partnership of W2 providers with the State W2 Administrative Agency, the new Department of Children and Families*

A. *Maintaining W2 Program Funding*

The TANF funding allocated directly to support W-2 administration, services and benefits continues on a pattern of steady decline. The ongoing caseload on January 1st of the years 2000 and 2008 is almost exactly the same (6,700). However, funding has been reduced from \$458 million to \$185 million. This \$273 million cut equates to a 59.6% loss of resources to support W-2 programs for the same number of participants. However, as outlined previously, the needs of the individuals remaining in W-2 in 2008 are vastly different than those that were served in 2000. Across the state agencies have reduced or eliminated training opportunities, direct case management support to customers, and support services important to customers' success

This reduction results in substantially fewer resources to assist participants in addressing their issues in entering the workforce. These reductions are particularly dramatic as economic difficulties drive caseloads upward and transportation cost increases reach unprecedented levels. There is growing concern about vulnerable families across the state. More than 11% of Wisconsin households are now in poverty, compared to 9% in 1999. This increase of over 29% impacts 131,000 more families. FoodShare families now total 178,000, which is up more than 10% just in the past year.

The pattern of reducing W-2 programming contrasts with the opposite trend in steadily increasing child care funding as federal TANF dollars are reallocated to underwrite the child care expansion. The needs of a growing and susceptible W-2 population must be addressed by stabilizing W-2 program and administration funding and considering investment of non-TANF revenue sources.

It is recommended that investment in W-2 and related program service and administration be at a minimum be stabilized for the next biennium to meet the needs of a vulnerable caseload in a changing economy.

B. *Contract scope of work specifically defined*

The state has chosen to deliver W-2 services by contracting with both public and private service organizations. It is essential that the contracts with these entities define the specific services to be purchased and reflect the need for a working partnership, balancing the need to provide quality and comprehensive services with limited financial resources.

W-2 providers concerns from the past include:

- a pattern of unilateral changes in policies directly impacting contract requirements,
- the retroactive application of performance requirements not initially defined in the procurement process, and

- the imposition of service definitions not supported with appropriate issuance of policy and procedure.

Service providers have had continuing difficulties responding to the changing and sometimes conflicting state directives within the limited resources provided. The lack of partnership results in the erosion of quality services to customers, and a diminishing pool of counties and organizations that can shoulder the increasing financial risk associated with W-2 contracts.

It is important that the desired program outcomes be defined and negotiated between the state and the organizations providing the service. The state and provider organizations desire to maximize the positive outcomes and meet federal funding requirements; the service providers need to assure achievable performance outcomes that are defined in advance, and are not administratively burdensome.

It is recommended that the W-2 contract scope of work be specifically defined in the procurement process, with changes in contractual requirement mutually negotiated between service providers and the state.

C. Sharing Risk for W-2 Benefits

Existing State budget practice for W-2 programs is based on revenue targets with little consideration of the underlying need. The State projects a W-2 caseload level for each budget period, estimates the caseload for each county or region, and contractually requires the W-2 contractor to be responsible for benefit spending related to caseload within the defined regions.

A difficult economy results in generally increased W-2 caseloads, and in addition, high impact local employment reductions cause dramatic caseload increases above projections. In addition, changes in state program requirements that are outside the control of the W-2 agencies often have significant impact on benefit spending.

The uncontrolled financial risk where counties and W-2 providers must solely shoulder the escalating costs of participant benefits will have predictable results in more programming cuts, a sizable local tax impact, and additional counties/providers ending their involvement in the program. A new risk sharing partnership with the state is suggested whereby benefit spending above the budget allocation is underwritten by the state, while providers can still shift monies within their individual budgets to best meet local conditions.

It is recommended that local W-2 agency responsibility for benefit payments be capped and supplemented with State funding when benefit expenditures rise above the designated benefit allocations. Flexibility for local agencies to move monies between benefit, service and administrative allocations to respond to changing economic conditions and program changes should be maintained.

**Attachment A:
A Changing W2 Landscape**

This paper reviews in a summary fashion the numerous changes that have occurred over the past 12 years that impact the W2 outcomes and services. These changes provide the factual context used in identifying W2 improvements. Briefly stated, the changes are:

- Major Changes in Workforce Composition
- Growing Unmet Employer Needs
- Radically changing composition of customers in W2
- Changes in other programs related to W2 customers needs
- Fewer Resources available for W2 Services
- State Program and Local Program Administration

MAJOR CHANGES IN WORKFORCE COMPOSITION

- The number of Wisconsin manufacturing jobs has decreased while service sector employment has increased. Based on all available data this trend will continue for at least the next 6 years. Job creation will occur primarily in the health, service and financial sectors.
- The majority of new jobs that have been created have been low-wage jobs, i.e. providing wages that are less than the State's median income.
- Jobs in all sectors that provide close to State median wage require higher skill levels. The vast majority of newly created jobs will be low wage jobs. Many employers are concerned that they will not be able to hire replacement employees as incumbent skilled workers retire.
- **(Note:** Most believe that an economic downturn is now occurring and may continue. Wisconsin historically has lagged in experiencing downturns as well as rebounding.)

GROWING UNMET EMPLOYER NEEDS

- Employers of entry level jobs desire job seekers with additional soft skills, e.g. attendance, communication, taking instructions, etc. and often cannot find workers who can meet these requirements.

- Employers seeking skilled workers to expand or to replace skilled workers leaving the workforce cannot find workers with the core skills they need to carry out the job.

RADICALLY CHANGING COMPOSITION OF CUSTOMERS IN W2

- With a somewhat decreased overall population over the span of the last eight years, the composition of the W2 population is changing significantly. Allowing for differences, overall **W2 is increasingly becoming a program that serves CMC (mothers of newborn children) and W2T (individuals with major obstacles to employment) populations.**
- **The overall W2 program design is focused primarily on a service approach to a CSJ (more job ready) population** which is benefiting from and normally leaving the program for employment within 24 months.
- Within this statewide pattern, there were clear differences between Milwaukee and the Balance of State (BOS). In the BOS, CMC cases increased by 13%; CSJ cases decreased by 7% and W2T cases decreased by 6%. In Milwaukee CMC cases increased by 5%; while CSJ cases decreased by 9% and W2T cases increased by 4% (what is the time period reviewed?)
- As we entered 2008, 76% of the Balance of State unduplicated caseload was either W2T (24%) or CMC (62%); in Milwaukee 57% of the caseload was either W2T (33%) or CMC (24%). Both balance of state and Milwaukee had reductions in CSJ population, the Milwaukee CSJ population decreased by 2,563 (33%) and BOS population decreased by 237 (20%).
- In 2008, statewide, the percentage of the population in W2 over 24 months was 32%. In the BOS, the percentage with 24 months or more was only 11%. In Milwaukee this percentage was 37%. The vast majority of those with 24 months or more are W2T participants.

FUNDING LEVEL FOR W2

- Since 2001 the W2 funding allocation has been reduced by approximately 42% while program expectations and workload continue to increase.

CHANGES IN OTHER PROGRAMS RELATED TO W2 CUSTOMERS NEEDS

- The FoodShare program has expanded significantly.
- Publically funded health care continues to expand, especially through Badger Care and Badger Care plus.
- Publically funded child care has experienced major growth, both through center and in-home providers.

MAJOR CHANGES IN PROGRAM ADMINISTRATION

- In 2008 the FoodShare program was transferred from the Department of Workforce Development (DWD) to the Department of Health and Social Services (DHSS) and as of March 1, 2008 became a voluntary program.
- Effective July 1, 2008 W2 and child care were transferred from DWD to the newly established Department of Children and Families (DCF) and Child Support and Child Welfare will be transferred to DCF.

LACK OF COORDINATION

- Over the period of 12 years more and more performance and funding restrictions have been put in place to hinder collaboration, further promoting a “silo” approach of individual programs.
- Federal regulatory obstacles to collaboration have grown and the State has not taken an active role to obtain waivers that would promote effective and coordinated collaborative efforts.