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re: **NEW ANALYSIS OF WISCONSIN WAIVER BILL & MEDICAID COVERAGE**

June 5, 1996

In anticipation of the House's consideration tomorrow of the bill approving Wisoncon's welfare waiver, we've produced the attached analysis. While the waiver could, in the short run, expand health care coverage, it would eliminate the guarantee of health care under Medicaid to nondisabled children, pregnant women and poor families. In addition, the piece notes that some Medicaid recipients could lose their coverage while others would have to pay premiums to retain their benefits.

Hope this is useful.

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Robert Greenstein, Executive Director

CENTER ON BUDGET AND POLICY PRIORITIES

June 5, 1996

THE WISCONSIN WAIVER SEEKS TO MAKE FUNDAMENTAL CHANGES IN THE MEDICAID PROGRAM

by
Cindy Mann

Those aspects of the Wisconsin waiver that would replace AFDC with a work-based system have received a great deal of attention. Little attention, however, has been paid to those parts of the waiver that would make fundamental changes to the Medicaid program. Yet, the Wisconsin plan seeks a number of unprecedented Medicaid waivers, including permission to *eliminate the federal and state guarantee to Medicaid coverage for all nondisabled children, low-income families and pregnant women.*

There are several positive aspects of the W-2 health plan that could expand health care coverage to persons who are now uninsured. Subject to the limitations discussed below, the state plans to provide Medicaid coverage to families with children whose income is below 165 percent of the federal poverty line. Those who initially qualify based on the 165 percent of poverty standard would remain eligible for coverage until their income rose above 200 percent of the poverty line. These changes would increase the income eligibility limit for many people and eliminate current rules that deny coverage to most parents in low-income, two-parent families.

The waiver would also, however, make many people who currently have Medicaid coverage ineligible for Medicaid and make health care coverage unaffordable for others. Among those who could lose coverage under this waiver proposal are the following groups:

- Children over age 11 in working poor families could be denied Medicaid if their parent is offered employer-based coverage even if the employer plan is unaffordable.

- Pregnant women and families, including those with very low incomes, would be required to pay premiums as a condition of receiving Medicaid. When combined with the new W-2 child care copayments, the premiums could impose heavy burdens on families with very modest earnings.

Most important, the Wisconsin waiver would fundamentally alter the basic commitment to provide health care coverage to low-income pregnant women and families, including children, by eliminating the federal and state entitlement to coverage. *No other state has received a waiver to eliminate the guarantee of coverage.*

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Summary of Key Waiver Provisions

The waiver would end the guarantee of Medicaid coverage for all nondisabled children, pregnant women, and low-income families.

Although Wisconsin plans to provide health care coverage under the Medicaid program to certain low-income children, families, and pregnant women, it is seeking an unprecedented waiver for permission to get out from under any legal obligation to provide such coverage. If the waiver is approved as submitted, the federal and state assurance of health care coverage for these groups would end.

If costs in Wisconsin rose above projected levels, because, for example, the state's economy experienced a downturn, Wisconsin could deny coverage to some or all of the low-income children, parents and pregnant women who must be covered under current law. The W-2 waiver would explicitly grant the Wisconsin Department of Health and Family Services authority to restrict coverage for children, families and pregnant women who are entitled to Medicaid under current law.

The waiver would deny coverage to older poor children whose parents are offered insurance through the workplace

Under the waiver, parents and children over age 11 would lose Medicaid coverage immediately if the parent is offered employer-subsidized health insurance, and they would lose Medicaid after 12 months of work if the parent is offered an unsubsidized plan. A plan is considered to be subsidized if the employer pays at least half the cost of the plan. 4

The Wisconsin Legislative Fiscal Bureau estimates that the average cost to employees of the premium for an employer-subsidized plan would be $140 per month, or $1680 per year. This would amount to 16 percent of gross earnings for people working for $5.00 per hour. The cost of an unsubsidized private insurance plan that offers benefits comparable to the Wisconsin W-2 health plan is estimated to be about $360 per month, well out of reach for most low-wage workers. Despite these costs, under the Wisconsin plan, Medicaid coverage would be denied without regard to whether the family could afford to purchase the private insurance.

The waiver would depart from current law in several ways. Under current law, all children with family income under the poverty line are or will be covered under Medicaid in coming years, under a phase-in requirement adopted in 1990 with strong bipartisan support. Currently, poor children through age 12 are covered; by the year 2002 all poor children under 19 will be covered. The waiver, by contrast would deny coverage to poor children over age 11 if their parents are offered insurance through the workplace.

In addition, under current law, families with earnings that cause them to lose eligibility for welfare are assured up to 12 months of transitional Medicaid coverage. Under the waiver, neither the parent nor any child over age 11 would receive the benefit of transitional assistance if the parent was offered an employer-subsidized plan. And finally, under current law, a state can require the parent to enroll in a private plan, but Medicaid must pay the premium and other cost-sharing requirements and supplement the benefits available under the plan. Under the Wisconsin waiver, parents and older children would be denied Medicaid coverage on the grounds that private coverage was available, without these cost-sharing and benefit protections.

Wisconsin thus would depart significantly from current law in ways that would cause many older children and some parents to lose Medicaid coverage to which they are entitled under current law. Ironically, the children adversely affected by this provision would be the children of parents who are doing exactly what is expected of them under W-2 — parents who are working but nonetheless have incomes too low to afford private coverage.

Other features of the Wisconsin waiver

The W-2 health plan creates winners and losers. As noted, the people who could gain eligibility under the plan are primarily parents and children who become eligible for coverage under the new income limits and who are not disqualified on the basis of the employer-based insurance rules discussed above. Various other groups of people could lose coverage under provisions in the waiver including the following:[1]

- The waiver would require all children, pregnant women and low-income families, no matter how poor, to pay a Medicaid premium. Copayments and deductibles also may be charged. (Premiums are not allowed under current law. Copayments, to the extent allowed, generally must be "nominal.") For low-income wage earners with child care expenses, these new health care costs would be in addition to substantial new child care copayments that would be imposed by other aspects of the W-2 plan. Together, these costs could impose very high burdens on working families with very modest incomes.

[1] The Wisconsin Legislative Fiscal Bureau projects that about the same number of people who qualify for Medicaid under current rules will qualify under the W-2 health plan if the waiver is granted, but cautions that this projection rests on assumptions which may or may not prove to be accurate. Little is known about how the vast changes in Medicaid rules proposed by the W-2 waiver would affect enrollment or access to care.

- The income of stepparents would be counted as available to children applying for coverage even if the stepparent does not support and has no legal obligation to support the child.

- Teen parents and their babies would be denied coverage if they are not living with the teen's parents or in a supervised setting. If the teen is living with her family, the family's income is counted in determining the baby's eligibility even if the grandparent is not supporting the baby.

In addition, the waiver would dispense with current rules requiring the timely provision of coverage, and it would restrict the benefits available under the program for those who would retain coverage.

- Over-the-counter medications that are prescribed by a doctor, other than insulin, would no longer be covered, even for children.

- Special medical services for children now guaranteed under federal "EPSDT" rules would no longer be covered.

(S) Hv we ever waived?

- Benefits for home health services, skilled nursing home care and alcohol and drug treatment all would be capped.

Conclusion

There is nothing new about a state applying for a Medicaid waiver to expand coverage for some people while restricting coverage for others. What distinguishes Wisconsin's Medicaid waiver is its request to waive the entitlement to coverage for all nondisabled children, pregnant women and low-income families. Although Wisconsin projects that coverage will be provided to a broad group of families under W-2, the plan makes no commitment to assure that any poor Wisconsin child, pregnant woman or family receives Medicaid coverage. If approved as proposed, the waiver would give Wisconsin broad authority to deny, delay or restrict coverage in virtually any way it saw fit if budget or political pressures eventually push in that direction.

PRELIMINARY Wisconsin Issues

WHAT IT IS

1. **No entitlement.** Entitlement to health care is ended for people qualifying for the Wisconsin welfare program along with current law welfare recipients (note: it looks like there is not a state responsibility to enforce the guarantee, unlike the Commerce bill).

2. **The W2 Health Plan eligibility:**
   - o W2 welfare eligibles are eligible for the Health Plan. Families who participate in W2 are required to participate in the Health Plan and pay premiums, deducted from job wages or W2 benefits;
   - o Individuals are ineligible if they have had access to employer-sponsored insurance with at least a 50 percent premium contribution in any of the previous 18 months;
   - o Individuals are ineligible if their current job offers employer-sponsored insurance with at least a 50 percent premium contribution;
   - o Individuals are ineligible if their current job offers employer-sponsored insurance with no contribution if they have worked in this job for 12 months or longer.

3. **The W2 Health plans and benefits:**

Premiums

- o All participants pay monthly premium:

  Families with income less than 160% of poverty: $20 / month

  Families who become eligible below 165%, but then earn income above that, (160-200% of poverty): $20 + $3 for every percentage point above 160%. Maximum premium per month is $143.

Benefits

"Similar to that offered state employees": Estimated value of $399 / month for 1997.
Explicit limitations:

- o No "T" in EPSDT
- o Long-term care-like and substance abuse benefits: limited to state private minimums, less extensive than Medicaid.

Lock in and choice

- o If a family withdraws from its HMO, it loses eligibility for W2 Health Plan for 6 months.

IMPLICATIONS

- **Ends guaranteed health care for poor families.** Explicitly, the Wisconsin waiver calls their health program a "nonentitlement". This means that while they set up program, individuals have no legal recourse to ensure that they get health coverage.

- **Disconnecting Medicaid from welfare will reduce coverage.** In theory, most children and pregnant women who currently get Medicaid through AFDC are also eligible for Medicaid through the poverty expansions. However, since (a) different offices will administer the new welfare program and Medicaid, and (b) it is much less expensive for the State to enroll dual eligibles in the new welfare health plan, it is likely that many will lose Medicaid coverage.

- **Taking from welfare to pay for health care.** Because participants are required to pay a premium, and that premium is deducted from benefits or pay, the Wisconsin welfare plan is even less generous than it claims. It is like giving a benefit with one hand and taking it away with the other.

- **Discourages employment in "socially responsible" firms.** The Wisconsin welfare plan says that if a worker is in a firm that pays for at least half of the health insurance premium, they cannot receive the Wisconsin welfare health plan. So, either they take a job with insurance and pay half an estimated $400 per month premium — $200 per month — or find a job without insurance and pay $20 per month if their income is below 160% of poverty. The incentive is clear.

- **Families with sick children will avoid the welfare program.** Medicaid is a critical source of health coverage for children with illnesses. In part, this is because it covers the treatment for conditions discovered in screening. However, under the welfare health plan, treatment is not covered. If families are required to participate in the scaled back welfare health plan to get welfare, then they might have to forego in order to qualify for Medicaid for their child.

Welfare Reform

HANDSNET

Wisconsin Works: Significant Experiment, Troubling Features

from Center for Law and Social Policy
Date posted: Mon Jun 3 17:01:11 PDT 1996

Wisconsin's recently enacted legislation would initiate a redesigned welfare system that, in significant ways, would differ from any other in the nation. Under the Wisconsin Works (W-2) legislation, instead of offering cash aid, a W-2 agency would offer eligible families a subsidized job or a position in a work program. Much initial attention has focused on the program's basic premise: aid would only be provided in return for work, with limited exceptions. For many people, the basic premise is very attractive. However, when one examines the Wisconsin Works (W-2) legislation, there are a number of very troubling features. Among the principal concerns about the W-2 Program:

W-2 would provide no assurance of work slots for unemployed parents or of needed child care assistance. Under the legislation, no family would be entitled to benefits or services. As a result, there would be no responsibility to offer a work slot to a parent who needed one. If program costs were higher than anticipated, or an economic downturn resulted in an unanticipated increase in the number of needy families, the state would have no responsibility to provide employment positions or guarantee the availability of child care assistance for W-2 participants or any other working family. Even if there is no funding shortfall, there is no assurance of employment positions or needed child care under the legislation.

Time limits may result in denial of aid to parents who are willing to work and unable to find a job. A family's access to an employment position could be terminated as a result of a two-year limit on participation in individual program components or a five-year limit on overall participation. The program would make no assurance of continued access to an employment position when a parent has fully complied with program rules but has been unable to attain unsubsidized employment despite her best efforts.

Many families in need of aid will be made poorer even though the parent is working and fully complying with all program requirements. For most program participants, W-2 would provide a flat grant (either $555 or $518) a month if the parent fully complied with program rules. The same grant amount would be paid regardless of family size. The result would be a reduction in the assistance level to all families with four or more members (currently about 28% of Wisconsin's AFDC families). Families with three members could also be poorer if they incur child care costs, since all families are required to contribute to the cost of child care under W-2.

Many families in which a parent is working and earning minimum wage will be made poorer. Under current law, a parent earning minimum wage may qualify for AFDC as an income supplement; as an AFDC recipient, the family qualifies for child care assistance and Medicaid. Under W-2, the family will no longer qualify for an AFDC income supplement, and will face copayment requirements for child care and health care. As a result, one effect of W-2 is to make the poorest working poor families poorer.

Families with disabled parents will be poorer under W-2. Under current law, if a parent with two children is disabled and receiving Supplemental Security Income (SSI), the state makes a month assistance payment of $440 for the children. Under W-2, that payment would be reduced to $154.

W-2 reduces assistance to many families in which a parent or child is incapacitated. Under W-2, families in which a parent or other family member is incapacitated would receive a grant of $518, subject to a 40-

hour-a-week participation requirement and reduced by $4.25 for each hour of nonparticipation without good cause. For any family with two or more children, the effect will be to reduce aid for those in full compliance with program rules. 56% of Wisconsin AFDC families have two or more children.

While W-2 significantly increases child care spending, it also sharply increases child care copayments in a way which may make licensed or regulated care unaffordable for working poor families. For a parent with gross income of $1000 a month with one child in licensed child care in Milwaukee, the maximum monthly child care copayment would increase from $35 to $256. For a parent with gross income of $1200 a month, the monthly child care copayment would increase from $46 to $446.

Taken together, the child care, health care, tax, and other assistance policies of W-2 result in a system where a family with a parent earning $12 an hour may have less disposable income than a family where the parent earns $4.25 an hour. Because the availability of subsidies phases out rapidly as a family's earnings increase, a parent will essentially be forced to choose between shifting to lower-cost child care or facing a reduction in disposable income as her earnings increase.

To a great extent, many of the problems in the W-2 design graphically illustrate the problems of attempting to move to a work-based system without adequate resources to meet the increased costs. The child care costs of a work-based system are substantial, and it appears that the state sought to offset those costs through a range of direct and indirect reductions in eligibility and amount of assistance for poor families. It may be that much of the initial enthusiasm for W-2 stems from people who are not aware that a principal effect of the program is to deepen the poverty of many participating families, working poor families, and families with disabled parents.

The remainder of this document briefly summarizes the key features of W-2 and discusses the above and other concerns in more detail.

W-2: A Brief Summary

AFDC Terminated: Wisconsin Works (W-2) would replace the state's AFDC Program. Under W-2, a poor family needing assistance could apply for an employment position from the local W-2 agency (which might be the county or another entity). Despite meeting eligibility conditions, no individual would be entitled to services or benefits under W-2.

Employment Positions: For those unable to attain unsubsidized employment, the W-2 agency would provide three types of positions:

- trial jobs, in which the W-2 agency would provide a wage subsidy of up to $300 a month for full-time employment for employers who employ the individual at a rate of pay no less than the minimum wage, and who agree to make good faith efforts to retain participant after the wage subsidy terminates;

- community service jobs designed to provide work experience and training. Individuals could be required to work up to 30 hours a week in a community service job (CSJ) and could be required to participate in education and training for up to 10 hours a week. The individual would be paid a monthly grant of $555, with the amount reduced by $4.25 for each hour that the participant fails to participate in a required activity without good cause;

- transitional placements for those who have been or will be incapacitated for at least 60 days, are needed in the home because of illness or incapacity of others, or are incapable of performing a trial job or CSJ. Individuals may be required to participate for up to 28 hours a week in work activities (such as a community rehabilitation program, a job similar to a CSJ, or a volunteer activity) and in other activities such as alcohol or drug evaluation, assessment and treatment; mental health activities;

counseling or physical rehabilitation; or other activities consistent with individual's capabilities. Individuals may also be required to participate in education or training activities for up to 12 hours a week. Participants will receive $518 a month, reduced by $4.25 for each hour that participant fails to participate in a required activity without good cause.

Parents of Infants: Under W-2, the only exception to the requirement to participate in an employment position to receive a grant will be for families with a child less than 12 weeks old.

Time Limits: Participation in each W-2 component would generally be limited to 24 months, with case-by-case exceptions possible. After sixty months, an individual would be ineligible for any W-2 employment position, with case-by-case exceptions possible. Since there is no legislative requirement that eligible families receive an employment position, it is possible that assistance for an eligible family could be terminated before the family reached a 24-month or 60-month limit.

Child Care: As part of the overall W-2 design, child care subsidies would be made available to families with incomes below 165% of poverty, subject to available resources. All families receiving child care subsidies, including those in W-2 employment positions, would be required to make a sliding fee scale contribution to the cost of care. The amount of the sliding fee scale contribution would vary both with family income and with the cost of care; this would mean, for example, that families with a child in a licensed child care center would face a higher copayment than families with a child in a family day care home.

Health Care: The W-2 legislation would also replace the state's Medicaid Program with a new W-2 health program for W-2 participants as well as for children, pregnant women, and low income families not participating in W-2 employment positions. Under the new health program, some families would gain, and others would lose eligibility, and certain benefits would no longer be covered. All families would be required to make a sliding fee scale payment to qualify for W-2 Health Plan coverage.

Concerns about the W-2 Model

There are many unresolved questions about the feasibility and cost of the W-2 model. No state has attempted to implement a work program affecting virtually all families seeking assistance. The state's fiscal projections assume that the program will involve initial increased costs, but even those projections are based on what may be a set of highly optimistic assumptions.

A threshold question involves the wisdom of the basic approach of providing aid only in return for work on a near-universal basis. Many recent proposals involve a requirement to engage in immediate job search and to participate in a work program after some period of receiving cash aid, e.g., after reaching a two-year limit. The rationale for that approach is that when a family seeks aid, the state and family should initially make all efforts to place the family in an unsubsidized job, and limit the use of work program slots to those who cannot attain unsubsidized employment. The concern has been that operating a work program is potentially complex and costly, and may divert the resources of the state and the family away from job placement efforts.

A further concern is that restricting aid to slots in a work program may be inappropriate for families in the initial month or months of receipt of assistance. Many new applicants for aid come into the system with immediate emergency needs (such as unpaid rent and imminent homelessness) or under severe stress from crises such as domestic violence. Many new applicants ultimately only receive aid for very limited periods of time. For families where the parent has an extensive work history and an emergency need, a program of cash aid and job placement assistance may be a far more effective use of resources than the creation of a work slot. Under W-2, a family needing immediate cash assistance could seek a job access loan. However, numerous questions about how the loan system would work are not addressed in the state legislation.

There are also unresolved questions about how the state will operationalize the idea of providing aid only in return for work. Under the legislation, individuals will have their assistance reduced by $4.25 for each hour of program participation missed without good cause. "Good cause" has not yet been defined. In practice, the process of determining "good cause" may involve both complexity and inequity. For example, is the illness of a parent or child "good cause?" What level of documentation will be required? Is the breakdown of a child care arrangement good cause? What about the unavailability or unaffordability of transportation? Will missing an hour of work to attend a job interview be good cause? There is a basic tension between the rules of the workplace (in which workers in jobs without sick pay or vacation policies may only be paid for hours of work) and the reality that families seeking welfare assistance often have few or no resources, often face multiple problems, and have sought aid from the program of last resort.

Accordingly, there are serious questions about the advisability of the basic approach of "aid only in return for work" with few or no exceptions. Unfortunately, though, the specific features of the W 2 plan create an additional set of concerns. The principal concerns that emerge from a review of the state legislation are:

In the W-2 legislation, the state has made no commitment to provide aid to families in need, to provide work slots for unemployed parents, or to provide needed child care assistance. The legislation explicitly provides that "Notwithstanding fulfillment of the eligibility requirements for any component of Wisconsin Works, an individual is not entitled to services or benefits under Wisconsin Works." This means that the state is making no commitment to provide employment positions or other assistance to parents who are willing to work. If program costs are higher than anticipated, or an economic downturn results in an unanticipated increase in the number of needy families and a decline in the number of available jobs, the W-2 agency would have no responsibility to provide employment positions for families in need under the legislation. Even if there were no funding shortfall, there would be no responsibility to provide employment slots to families in need. Similarly, the legislation makes no commitment to guarantee child care assistance for W-2 participants or any other working family.

Time limits may result in denial of aid to parents who are willing to work and unable to find a job. Under the legislation, a family could lose eligibility due to a five-year lifetime limit on overall eligibility, or due to a 24-month lifetime limit on eligibility for a particular component, e.g., community service job, transitional placement. While initial press accounts have noted the five-year limit, families reaching a 24-month limit in one component might not be provided a position in another program component, so that they would effectively face a 24-month limit. In granting waivers for time-limited programs, the Clinton Administration has insisted that states continue aid (or make available a work program position) when a parent has fully complied with program rules but has been unable to attain unsubsidized employment despite her best efforts W-2 does not assure continuation of eligibility under such circumstances.

Families in which a parent is working will be left deep in poverty because they will not qualify for the federal Earned Income Tax Credit. Most participants in W-2 employment positions will be paid a grant rather than wages. Participants in trial jobs will receive wages, but the state estimates that most participants unable to find unsubsidized employment will be in community service jobs or transitional placements, where wages are not paid. These program participants will not qualify for the federal earned income tax credit. If a family of three was instead paid a wage of $555 per month, the family would have gross annual earnings of $6660, and qualify for a federal Earned Income Tax Credit of $2664. However, since such a family will not not qualify for the EITC, the family will be left with earnings far below the poverty line of $12,980 for a family of three.

why not

Families in which a parent works all scheduled hours could be compensated at a rate below the minimum wage. Under the W-2 legislation, a parent in a community service job could be required to work up to 30 hours a week and participate in education or training for up to 10 hours a week as a condition of receiving a grant. While some parents may wish to participate in an additional 10 hours of education and training after 30 hours of work, others (such as parents of a 13-week-old infant) may find it difficult or impossible to do so. However, if the parent participates in every required hour of work but does not participate in required education and training, the grant would be reduced by $4.25 for every hour she does not do so, i.e., a $183 reduction in assistance. In such a case, the parent would be paid $372, which would translate to $2.88 per hour of work.

Needy families with four or more members will be poorer under W-2 when fully complying with program rules. In the AFDC Program, assistance payments vary by family size; states wishing to impose a family cap (in which no aid is paid for children conceived after the family begins receiving aid) are able to attain federal waivers to do so. However, for families not in trial jobs, the W-2 structure involves a single payment amount (either $555 for community service jobs or $518 for trial jobs) regardless of family size. Under Wisconsin's current AFDC benefit level, the state provides aid of $517 to a family of three with no other income, $617 for a family of four, and larger amounts for larger families. As a result of the flat assistance structure under W-2, all families with four or more members (including two-parent families with two or more children) will be poorer when participating in community service jobs or transitional placements, even when working every hour available to them under the program. In FY 93, 28% of Wisconsin AFDC families had four or more persons in the assistance unit.

Needy families with three members may be poorer under W-2 if the family incurs child care costs for the parent's participation in W-2. Under W-2 , all families must make a minimum $20 monthly payment to qualify for the W-2 Health Plan. In addition, families must contribute to the cost of child care; families with incomes below 75% of the poverty line must pay 7.5% of the cost of care. In Milwaukee, depending on the type of care chosen, a family participating in a community service job or transitional placement would face a copayment of $20 (for provisionally certified care) to $46 (for licensed center care) a month for one child in care, with a larger copayment for two children in care. If one child is in center-based care, a family of three in Milwaukee with a community service job would have disposable income of $489 (below the current grant for three of $517). If the parent was in a transitional placement and had two children in a licensed center, disposable income would be $418, nearly $100 below the current AFDC grant.

Many families in which the parent is working and earning minimum wage will be poorer under W-2. Under current law, if a parent of two children is working and earning $600 a month (about 33 hours a week at minimum wage), the family qualifies for AFDC of $197 for the first four months on the job, and $37 a month in subsequent months. The family also qualifies for child care assistance and Medicaid. Under W-2, the family will no longer qualify for an AFDC income supplement, and will face copayment requirements for child care and health care. As a result, a basic effect of W-2 is to make the poorest working poor families poorer.

Families with disabled parents will be poorer under W-2. A disabled parent may qualify to receive Supplemental Security Income (SSI), a program of assistance primarily funded by the federal government. Under current law, when a parent is receiving SSI, the children still may qualify for AFDC. An SSI parent with two children in Wisconsin may receive a $440 AFDC payment for the children. Under the W-2 legislation, the parent would instead receive a payment of $77 per child, structured as an SSI supplement. Effectively, the assistance for the children would be reduced from $440 to $154 per month. It has been estimated that in Milwaukee, 3652 cases with 7305 children would face an average monthly income loss of $228 under this provision.

In many cases, children living with grandparents or other relatives would be made poorer under W-2. Under current law, when a child is residing with a non-legally responsible relative (e.g., grandparent, uncle, aunt), the relative may seek aid for the child and (if the relative meets financial need standards) the relative may receive aid for him or herself. Under the W-2 legislation, these families would not be eligible for W-2 employment positions. Instead, there would be a Kinship Care program under the administration of child welfare programs, in which authorized placements would be paid at the rate of $215 per month per child. For families with two or fewer children, the amount paid would be less than the AFDC grant under current law (of $248 for one person receiving aid, $440 for two.) For families with more than two children, the amounts paid would be higher than current law. However, an analysis of from $35 to $256. If she has gross monthly income of $1200, the maximum monthly copayment will increase from $46 to $446.

- Since the W-2 fee scale structure requires payment of a percentage of the cost of care, it creates a strong incentive for a parent to use the least regulated forms of care. A single parent with one child and gross monthly income of $1000 will face a maximum copayment of $256 for center-based care, but of only $110 for provisionally certified providers. The incentive to shift to lower-cost providers increases as a parent's earnings increase. For a single parent with gross monthly income of $1200, the maximum copayment for center-based care is $446 while the copayment for provisionally certified care is $191.

- The rapid escalation of a family's sliding fee obligation means that a very large share of any increased earnings will simply go to meeting the increased sliding fee scale obligation. For example, a single parent with a child in center-based care in Milwaukee will find that as her income increases $800 to $900, her sliding fee scale obligation increases by $95. As her income increases by $300 - from $800 to $1100 - her sliding fee obligation increases by $284.

Taken together, the child care, health care, tax, and other assistance policies of W-2 result in a system where a family with a parent earning $12 an hour may have less disposable income than a family where the parent earns $4.25 an hour. The Wisconsin Legislative Fiscal Bureau conducted an analysis to determine how a family's disposable income changes as its earnings increase, taking into account the combined effects of tax policy, Food Stamp eligibility, child care subsidy phase-outs, and health care subsidy phase-outs.

The Fiscal Bureau concluded that the net effect is that a parent of two children in Milwaukee would have lower disposable income when earning $12 an hour ($11,852) than when earnings $4.25 an hour ($15,179). Taking all of the policies together, such families would often face implicit marginal tax rates exceeding 100%. As a practical matter, many parents facing these implicit marginal tax rates would likely by forced to shift to lowest-cost, no-cost, or no child care as a way of managing under this structure.

Conclusion

There is broad support for work-based welfare, but W-2 raises serious concerns. Some of those concerns could readily be addressed in the waiver process if the Clinton Administration holds to the principles that have guided the waiver process so far: the federal government could insist that the state has a responsibility to provide assistance (which could be in the form of an employment position) to those who qualify, a responsibility to ensure that extensions are available for those in compliance with program rules, and a responsibility to ensure basic due process protections.

Other concerns involve circumstances in which the plan results in reduced or no assistance to categories of families currently receiving aid. Those concerns, too, could be addressed, although there would be a fiscal impact of doing so. To a great extent, many of the problems in the W-2 design graphically illustrate the problems of attempting to move to a work-based system while minimizing the increased costs. The child care costs of a work-based system are substantial, and it appears that the state has sought to offset those costs through a broad range of direct and indirect reductions in eligibility and amount of assistance for poor families. There is nothing inherent in the principle of a work-based system that would force the state to design rules under which a broad array of families in full compliance with program rules become poorer. It may be that much of the initial enthusiasm for W-2 stems from people who are not aware that a principal effect of the program is to deepen the poverty of many participating families, working poor families, and families with disabled parents.

W-2 will pose a critical test for the Clinton Administration. There is much that sounds attractive in the principle of "aid only in return for work." However, once again, the devil is in the details, and amidst the pressures of an election year, it is essential to look at the details.

For more information, contact:
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Date posted: Mon Jun 3 17:01:11 PDT 1996
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MEDICAID PROVISIONS

W-2 PROVISIONS	DESCRIPTION OF PROVISION	WAIVER CITATIONS
1. Entitlement status of MA	W-2 provides separate eligibility determinations for all programs and benefits are provided upon payment of required premiums. There is no entitlement or categorical eligibility as under current provisions except that W-2 employment position participants are required to participate in the W-2 Health Plan.	1902(a)(10)(A)(I)
2. Elimination of MA extension	In general, W-2 provides an unlimited extension to families until they reach 200 percent of poverty, as long as premiums are paid. Under the MA program AFDC recipients who have received benefits in three of the last six months and who lose eligibility because of increased hours, increased income or loss of the earned income disregards are guaranteed an extension of MA benefits.	1902(a)(10) & (52) 1925
3. HMOs	The W-2 Health Plan will incorporate a mandatory HMO enrollment or primary provider program for all W-2 recipients. In most areas, there will be a choice of HMO organizations. This requires a waiver of the related SSA that guarantees the freedom of choice of MA recipients.	1915(b)
4. Maintenance of Effort MA	W-2 Health Plan expands eligibility to previously ineligible groups of individuals. Previously ineligible groups that could be eligible for W-2 are not entitled to the 60 percent federal match for MA without a waiver.	1902 1903(I)
5. Loss of W-2 Health benefits when employer health plan is available	W-2 Health Plan eligibility ends when the participant becomes eligible for employer health benefits. The SSA has no similar provisions.	1902(a)(10) 1912
6. W-2 Health Plan premiums	W-2 Health Plan has a mandatory premium for all recipients. The federal law states that MA recipients cannot be charged a premium.	1916
7. MA Income Eligibility Limits	The W-2 Health Plan tests income eligibility for all using 165 percent of the federal poverty level. Waivers are needed to allow consistent treatment of all families.	1902(r)(2) 1903(f)(4)

Split
delay
- princ/grant

W-2 PROVISIONS	DESCRIPTION OF PROVISION	WAIVER CITATIONS
8. Income Disregards	W-2 simplifies income disregards currently used in the AFDC program. The W-2 Health Plan will use the new disregards established by W-2.	1902(a)(10)(A)
9. Assets	Asset limits under W-2 are increased for some assets (vehicles, liquid assets) and exclusions eliminated for some other assets that are excluded under the current AFDC policy, which also apply to MA.	1902(r)(2)
10. Privatization	W-2 local agency provider selected through a competitive bidding process (RFP) and non-competitive selection based on performance indicators of current providers. Allowing a non-government agency to determine eligibility for the W-2 Health Plan requires a waiver.	42 CFR 433.10
11. Treatment of Stepparent Income	Under W-2 stepparents income will always be considered in the gross income eligibility determination. Current MA eligibility only includes the income of a stepparent that is considered an essential person or deems stepparent income to the AFDC group.	1902(a)(17)(D) except that court ordered payments made to individuals not in the W-2 household will continue to not be counted.
12. Minor Parents Required to Live at Home	To be eligible for the W-2 Health Plan a minor parent must be living with a custodial parent or in an approved living arrangement. This requires further restrictions of the groups identified as eligible for MA under the federal regulations.	1902(a)(10)(I)
13. Agency Review of W-2 Cases	Under MA, an applicant or recipient can appeal an eligibility or benefit decision of a county or tribal economic support agency to the state. Under the W-2 program, agency reviews of eligibility or benefit decisions are limited to applicants or recipients of W-2 employment positions. There is no appeal or review process for the W-2 Health Plan.	1902(a)(3)

Premium
appeal
childspt
1/2 plan - private sector

W-2 PROVISIONS	DESCRIPTION OF PROVISION	WAIVER CITATIONS
14. Sanctions for Failing to Cooperate with Child Support	W-2 sanctions are more stringent than sanctions under the MA program. Pregnant women who fail to cooperate with child support may lose W-2 Health Plan eligibility whereas the current system maintains MA eligibility through the pregnancy plus an additional 60 days with no requirement to cooperate with child support. Under MA only the non-cooperating adult becomes ineligible for failure to cooperate with child support whereas under the W-2 Health Plan children whose parents do not cooperate with child support will also lose W-2 Health Plan eligibility.	1912(a)(1)(v)

Tommy G. Thompson
Governor

Joe Leean
Secretary

State of Wisconsin
Department of Health and Social Services

DIVISION OF ECONOMIC SUPPORT

1 WEST WILSON STREET
P.O. BOX 7935
MADISON WI 53707

May 17, 1996

Mr. Leonard Sternbach
Federal Project Officer
Office of Policy and Evaluation
Administration for Children and Families
Department of Health and Human Services
370 L'Enfant Promenade, S.W.
Washington DC 20447

Mark Fucello
401-4538

Dear Mr. Sternbach: Leonard

In response to the telephone conversation between Mark Fucello and Jean Sheil of my staff, Wisconsin is submitting the enclosed Revised Attachment I. This attachment should replace the current Attachment I to our letter dated May 3, 1996, regarding a request to amend the Pay for Performance and Work Not Welfare demonstration projects. Section II on page 2 is the only revision in the attachment.

We appreciate your immediate attention to our request and believe this revision addresses most of Mr. Fucello's questions. We look forward to further discussion of the request. If you have questions, please feel free to contact Jean Sheil, Section Chief, Project Planning and Development Section, at (608) 266-0613.

Thank you for your consideration.

Sincerely,

J. Jean Rogers
Administrator

Attachment

REVISED ATTACHMENT I
Waivers Requested

I. **Expand JOBS Participation for Parents of Young Children**

Problem: Currently, Wisconsin requires parents of children over age one to participate in the Job Opportunities and Basic Skills (JOBS) Training program under the approved State Plan. Staying out of the work force for a full year places these people at a disadvantage and places them at risk for losing valuable job skills and a recent work history which employers cite as important in making hiring decisions. This also does not replicate the reality of most working families. Women are increasingly returning to work within three months of a birth because jobs are only guaranteed for 12 weeks under Wisconsin's Family Leave Law, and because their income is required to support the family. The inequities between working women and women on Aid to Families with Dependent Children (AFDC) are becoming more visible as more women with children enter the work force.

Response: Waive section 402(a)(19)(C)(iii) of the Social Security Act and 45 CFR §250.30(b)(9). Waiving these sections will allow Wisconsin to require JOBS participation for women caring for children at least 12 weeks old. Good cause reasons for non-participation in employment activities would include lack of suitable child care. Wisconsin is substantially increasing expenditures for child care to ensure that adequate child care is available for working parents. The case manager will work with the participant to develop an employability plan that suits the needs of the parent. For example, participation might include parenting and life skills education. This waiver would require parents in both the Work Not Welfare (WNW) and Pay for Performance (PFP) demonstrations (experimental and non-experimental treatment groups) to participate in the JOBS program when their children are 12 weeks old.

Rationale: Evidence from Wisconsin's JOBS program and the California GAIN project demonstrate that immediate work force attachment leads to better outcomes. This is especially important for first-time mothers after they have completed their high school or GED educational requirements. Many of these women are young and have little, if any, demonstrated work force attachment. Fostering earlier work force attachment may help stem the high rates of second pregnancies in that first year following the birth of the first child. It will also allow these recipients to use that first year of assistance to gain work experience or participate in work force preparation activities, rather than learn a culture of dependence. And finally, the 12-week provision will make JOBS participation more like regular employment, where 12 weeks--or less--maternity leave is standard.

II. Strenghthen Participation Requirements in Community Work Experience Program (CWEP) and Alcohol and Other Drug Abuse (AODA) and Mental Health (MH) Treatment

Problem: Currently the Community Work Experience Program (CWEP) limits participation based on the amount of the AFDC benefit available to the family that is eligible. This limits the ability to use CWEP as an on-the-job training position to prepare a person for full-time unsubsidized employment. In most cases, the current calculation results in a prohibitively short participation requirement. Agencies are unwilling to sponsor participants for these short time periods. Also, under the current program restrictions, persons cannot be sanctioned for not participating in AODA/MH activities. This limits Wisconsin's ability to emphasize the importance of AODA/MH treatment and recovery in gaining self-sufficiency.

Response: Waive Section 402(a)(19)(C)(iii) and 402(a)(19)(A) of the Social Security Act and 45 CFR §250.63(f)(2). Waiving these sections will allow Wisconsin to require CWEP participants to work 40 hours per week and require participation in AODA/MH activities when a caseworker and client agree treatment is necessary.

Rationale: The ultimate goal of AFDC and JOBS in Wisconsin is to provide temporary economic assistance in exchange for participation in work or work related activities which will lead to unsubsidized employment and economic self-sufficiency. For many people, this is a gradual process and work activities are increased in hours and complexity according to the individual's capacity to participate. The ability to require full-time participation in CWEP would provide flexibility needed to simulate full-time unsubsidized work in a protected and supportive environment. The ability to require AODA/MH treament and recognize this requirement as an important and, therefore, sanctionable activity stresses the importance of treating substance abuse to achieving financial independence.

III. Strengthening Consequences of Failure to Cooperate inJOBS

Problem: Wisconsin requires mandatory JOBS participants be engaged in a JOBS activity assigned through their employability plan. There is an emphasis on work components. However, as WNW and PFP performance requirements become more stringent, there is a small portion of the AFDC population that refuses to cooperate. The startegy they have learned to adopt is repeated intentional failure or quitting without a good reason. This results in the grant being reduced until the individual can be placed in a new slot. There are two problems with this situation. The person must be placed in an activity, so there is little penalty in terms of grant reduction. Second, and more importantly, the actions of a few irresponsible individuals is affecting organizational capacity to develop and maintain activities such as CWEP slots. Employers who have a bad experience with a person who is clearly uncooperative are reluctant to offer placements to participants who need them.

Response: Waive 45 CFR Section 250.34. Waiving this section will strengthen the definition of "failure to cooperate" and allow intentional failure or voluntary quit in a CWEP/OWE, work supplementation, or OJT position to qualify as "failure to cooperate." These actions would result in invoking the normal sanction process, except that the entire grant could be suspended as follows:

- in the first instance, until the individual resumes participation in the assigned activity for two weeks;
- in the second instance, for at least three months and until the individual resumes participation in the assigned activity for two weeks; and
- in the third instance, for at least six months and until the individual resumes participation in the assigned activity for two weeks.

Rationale: A few uncooperative individuals are compromising many valuable JOBS opportunities for parents who need and want a chance to participate. Fair sanctions as described above will ensure that JOBS agencies have a mechanism for dealing with uncooperative individuals.

IV. Time-Limited Benefits

Problem: The AFDC program is currently an unlimited entitlement. While Pay for Performance requires JOBS participation, it does not provide the urgency that the WNW time limit has demonstrated. In addition, there are many proposals at the federal level to impose time limits. In agreeing to support the Senate welfare reform bill, President Clinton also agreed to approve a five-year time limit. It would be valuable to know the implications of imposing such a time limit prior to making it a national policy. Wisconsin, with its low unemployment rate, would be an ideal test state.

Also problematic is the mandatory limit placed on "job search" for participants in the JOBS program. While we are trying to emphasize the need to constantly be looking for permanent unsubsidized employment, at a family supporting wage, current regulations do not allow states to require a JOBS enrolle to be continuously active in the job search component.

Response: Waive section 402(a) of the Social Security Act and 45 CFR as necessary to impose a 60-month lifetime limit on receipt of AFDC benefits and require continuous participation in some job search requirements. The limit will apply to individuals, 18 years and older, who are enrolled in the JOBS program. Extensions of the 60-month limit would be granted on a case-by-case basis when local labor market conditions preclude employment or extreme individual barriers are present. This would apply to both WNW and PFP. In the WNW demonstration, the 60-month time limit would run parallel to the existing WNW time limit. In other words, the WNW 24-month and 48-month time periods would still exist and in addition, the participant would have a separate 60-month lifetime limit. For the PFP expansion, the time limit would apply to PFP experimental and non-experimental treatment participants, and participants, over the age of 18, in both the Parental and Family and Responsibility and Learnfare demonstration projects. However, persons in Parental and Family Responsibility and Learnfare will not be expected to participate in continuous job search that would conflict with education requirements.

Rationale: Time limits underscore that AFDC is a temporary support for families, not a permanent source of income. Wisconsin's WNW project has shown that time limits creates a sense of urgency for families to actively seek alternatives to AFDC. Many applicants choose alternatives to AFDC in order to preserve the time limited cash benefits for a period of greater need. Currently, only five to seven families have received WNW benefits continuously since January 1, 1995, in the pilot counties. It is expected that even fewer will reach the 24-month time limit. This low rate of continuous participation is partly due to the existence of known time limits.

The keys to the success of WNW include the creation of Community Steering Committees (CSCs) and Children's Services Networks (CSNs). The CSCs have successfully identified and created job slots for WNW recipients while CSNs have consolidated supportive services for children. Both groups have served to address immediate barriers to self-sufficiency and will remain available to provide a safety net for children, in the event of the parents' refusal to accept employment.

In Wisconsin, effective supportive services and safeguards for children are coupled with time-limited benefits to ensure successful outcomes. Wisconsin will expand and intensify several service areas to go along with statewide implementation of time limits to ensure the existence of an adequate safety net:

- Establish the WNW Community Steering Committees and Children's Services Networks statewide. Wisconsin has already recommended that all local agencies establish Community Steering Committees. These two entities unite local educators, business representatives, and social service providers to help remove barriers to work. In the WNW counties, the Community Steering Committees and Children's Services Networks have successfully addressed transportation and child care for WNW recipients.
- Merge the current economic support and JOBS case manager functions to provide a more holistic approach to finding solutions for families in poverty. Allow the functions to be performed by governmental or non-governmental staff under contract with the State or local AFDC administrative agency. The JOBS program is now often administered by a non-governmental entity.
- Provide for continuous job search so that participants always have the opportunity to search for better employment.

- Continue to step-up child support enforcement efforts. Wisconsin recently adopted a child support awareness campaign that spotlights seriously delinquent obligers through media efforts.

- Work with counties and local communities to increase the supply of child care.

V. Child Care Eligibility Expansion

Problem: Under both PFP and WNW, Wisconsin is helping families to avoid AFDC by providing financial planning, intensive case management and job placement services. Under PFP, we are reducing the caseload by two percent or more, per month. However, we know from past experience that after transitional day care funding expires, many of these families return to AFDC due to the lack of ability to pay for child care. Though the At-Risk Child Care Program provides some additional funding to meet the needs of this population, funding is sum-certain and waiting lists are long. Ability to continue the success of PFP and WNW is dependent upon availability of sufficient day care funds. Failure to respond to these resource needs will limit Wisconsin's ability to help families reach self-sufficiency through employment and erase all the gains being made in PFP and WNW.

Response: Waive Section 402(g)(1)(A)(i) of the Social Security Act and 45 CFR §255.2(a). Waiving these sections would allow Wisconsin to provide IV-A day care for families up to 165 percent of poverty. This will help those parents who need the most help, the ones struggling to stay employed long enough to make it out of minimum wage jobs. In order to ease the transition, there would also be a co-pay system designed to emphasize parental responsibility and phase out assistance as families become more independent. Each family will choose the type of child care they determine is best for their child and consistent with their income. The choices include licensed center care, licensed group care, and certified family day care. Families would make the following co-payments:

- families with income equal to or less than 75 percent of the poverty line would pay 7.5 percent of the cost of child care;

- families with income between 75 and 95 percent of the poverty line would pay 10 percent of the cost of child care; and

- families with an income greater than 95 percent of the poverty line, would pay 10 percent, plus 1.2857 percent for every percentage point by which the individual's income exceeds 95 percent of the poverty line, up to the full cost of child care.

Rationale: Allowing Wisconsin to use IV-A funding for child care for more low-income families will assure that child care is available to all working families below certain income and asset limits, regardless of present or past participation in AFDC. This will particularly assist families who lose eligibility for Transitional Child Care assistance under 45 CFR Part 256 and are often unable to obtain child care assistance because of state funding constraints.

In addition, the philosophy of self-sufficiency implies that parents should make the highest reasonable contribution toward their own family's child care needs. Increasing child care co-payments on a gradual basis as family income increases reinforces living within "real world" budget constraints and helps families gain the knowledge and tools needed to achieve self-sufficiency.

VI. Create a Kinship Care Program

Problem: AFDC is available to children who are not living with a parent, but in the care of a non-legally responsible relative (NLRR). Lack of additional eligibility criteria for NLRRs requires the State and the federal government to pay for an out-of-home placement of a child often including the needs of the NLRR caretaker. There is increasing concern that some children are placed with an NLRR to create eligibility of the NLRR caretaker for an AFDC payment and not out of concern for the best interest of the child.

Since these are non-legally responsible relatives, they are exempt from AFDC work requirements. However, they are part of the AFDC caseload and, thus, fall into our research samples. Both PFP and WNW are comprehensive experiments designed to test the efficacy of the work force attachment model. Wisconsin would like to test whether moving them out of the AFDC system provides for a better targeted evaluation.

Response: Waive section 402(a) of the Social Security Act and 45 CFR §233.20(a)(1) to the extent necessary to allow Wisconsin to establish a Kinship Care program with a payment level per child that is not determined in accordance with AFDC payment standards. The Kinship Care program would be separated from the current AFDC program and placed under the administration of child welfare programs. Wisconsin proposes to transfer the funding for the costs of the Kinship Care assessments and benefit payment to Title IV-E of the Social Security Act. These placements, when authorized, will be paid at the rate of $215 per month for each child, with no payment provided for the relative caretaker. Once a Kinship Care placement is determined to be in the best interests of the child, approval of a payment will require, among other verification, home visits and criminal background checks. The approved statutory language can be found in Attachment III. This policy would apply to all Wisconsin NLRR caretakers.

Rationale: Persons who provide care for children who are appropriately removed from their parental home and for whom they are not legally responsible are providing a service to Wisconsin taxpayers and society as a whole. However, under the current AFDC program, few resources and services have been allocated to this population. In many cases, children are living with relatives because of problems at home. However, in these cases, the AFDC program does not always interact closely with child welfare officials equipped to assess the situation and ensure that the child has adequate care. Furthermore, as work is emphasized in the AFDC program, it makes less sense to serve these relatives through a work program. Kinship care will be administered with the foster care program by social work professionals equipped to assess and respond to the social service needs of the family. This approach would also remove these relatives from imposition of the time limits requested above and any other time limits that may be imposed by the federal government.

VII. Provide Supplemental Benefits for Children with Parents Receiving Supplemental Security Income (SSI) Benefits

Issue: SSI recipients under the age of 65 have been determined to have a disability that prevents them from engaging in gainful employment. As a result, it makes sense to isolate them from efforts targeted to motivating and assisting people to find employment. While SSI recipients are treated differently in both PFP and WNW, like NLRRs discussed above, it makes more sense to serve them under a different system.

Currently, AFDC benefits are available for children of parents who receive SSI benefits. In Wisconsin, AFDC benefits are based solely on household size. Increments in benefits are based on the assumption that the first person in the grant is an adult who is expected to provide for certain basic household expenses, like rent, regardless of how many additional people are in the family. Grants equal $248 for one person, $440 for two, $517 for three, etc. Since SSI is designed to cover the needs of the parent and basic household expenses, the child grants should be based on the payment amount needed to add a child to the household.

Response: Waive section 402(a)(24) of the Social Security Act and 45 CFR §233.20(a)(1)(ii). Waiving these sections would allow Wisconsin to make a payment for the AFDC child as an addition to the SSI state supplement. Under this proposal, children in households where the parent or parents are SSI recipients would be eligible for a child only grant of $77 per child. This payment would be added to the SSI payment in lieu of a standard AFDC benefit for a family of size one. Children in two-parent households in which only one parent receives SSI will continue to receive standard AFDC benefits if otherwise eligible. Children will retain non-financial eligibility for Medicaid benefits and food stamps. This policy would impact all Wisconsin families where all parents in the household are eligible for SSI.

Rationale: One reason Wisconsin has been able to successfully transition many people from welfare to work is the emphasis placed on the temporary nature of the program. The JOBS program is an important component that stresses attachment to the work force at the earliest opportunity. SSI recipients are exempt from the JOBS program due to disability and are not expected to become self-sufficient in the near future. Like the NLRR situation, it makes little sense to serve persons unable to work through a work program. The supplemental payment will bring households with SSI case heads in line with payments to non-SSI AFDC households. Payments would be similar to other states who set different benefit levels for "children only" grants.

VIII. Require Minor Parents to Live at Home

Problem: Current federal law allows states to require minor parents to live at home, but it also provides many good cause reasons that result in minor parents being allowed to establish their own households. The permissiveness of the good cause reasons is contrary to the intent requiring minor parents to live at home, and it allows children to live independently of adult supervision.

Response: Waive section 402(a)(43)(B) of the Social Security Act and 45 CFR §233.107. Waiving these sections would provide that minor parents may not be eligible for AFDC unless they live in a place maintained by his or her parent, legal guardian, or other adult relative's own home; or lives in a foster home, treatment foster home, maternity home; or other supportive living arrangement supervised by an adult. This would apply to all PFP and WNW experimental and non-experimental treatment group members.

Rationale: Current regulations recognize that it is important for minors to live at home wherever possible, but they also provide many loopholes that allow teens to set up their own household. Some experts believe that a primary reason minors have children is because it is a fast road to the avoidance of adult supervision. It is imperative that we not support that strategy. The Administration for Children and Families' current "Fast Track" waiver process includes this waiver as one option.

Minors are unprepared to care for children, set up a household, and continue to finish school or work to support their new family, all at the same time. In order to better address the needs of both children in the household, it is imperative that we require that they live in a supportive living arrangement with family, or under other adult supervision.

Wisc:

say direction of possible mitigation

bn; bg; ent: assert there's none, but depends on 2nd tier; but if they insist no entitlement, negot?

1. mandatory premiums of all participants; never permitted for categoricals; never w/o safety net

2. lose coverage if private avail; lose MA automatically; even if lose it, hard to get back in; could scale back a lot to make it liveable; - could propose only over 100%fpl

3. have always protected children and pregnant women in MA benefits if fail to cooperate w/child support

4. rural no freedom of choice on hmo; KY exception w/provider choice

5. qa/bene protection

6. T in EPSDT

7. reduced substance abuse

8. time limits: lose even if no sanction

RETURN

DEPARTMENT OF HEALTH & HUMAN SERVICES

Memo from John Monahan

Director for Intergovernmental Affairs

Date: 6/20/96

To: Melissa S. Rich T. MJ Bane Wendell P. Peter E. Bruce Reed Diana F. Kevin T.

☐ For necessary action

Date due: ____________

☑ For your information

☐ Comments/Recommendations ☐ Please see me

Remarks:

Here ~~are~~ ~~a copy~~ some quotes Hannah uncovered, as well as excerpts from an analysis by the WS Legislative Ref. Bureau (non-partisan) identifying the differences between the legislation + the waiver.

Room 600E, HHH Building, 202 690-6060, FAX: 2020 690-5672

Some quotes from Wisconsin Press by and for Thompson on W-2

August 15, 1995 The Capital Times
Jean Rogers, welfare reform spokesperson for Thompson, said exceptions to the mandatory work provision, for example, would be for a mother whose severely handicapped child would be institutionalized if the mother didn't remain at home.

September, 1995 Corporate Report Wisconsin
Thompson: "That's why we have put so much emphasis on education, on school-to-work and apprenticeship programs, and on getting people off welfare through programs such as my new W-2 proposal" (education is NOT part of W-2)

November 16, 1995 Cap Times
Headline: "W-2 cuts health care aid, Governor's Reform Plan trims $128.5 million

November 28, 1995 Cap Times
Rep. John Gard, Assembly author of W-2 addressed the issue of the high of W-2, "Even so, he said he expects the plan to be "cost neutral by its second or third year.

December 3, 1995 Milwaukee Journal Sentinel
Mark Bugher, Thompson's Secretary of Revenue: "There's a definite relationship between encouraging people to work and getting people off welfare" He continues to talk about the importance of EITC.

January 5, 1996 Milwaukee Journal
Joe Leean, Secretary of Health and Human Services: "The fact that the EITC and Food Stamps drop out at some point is not W-2's fault"

January 18, 1996 Milwaukee Journal
Stier, spokesperson for Thompson's W-2: If Congress does not act to permit the state to pay W-2 workers less than minimum wage by the time W-2 would be implemented now expected to be mid-1997, the state would have to reassess its position.

February 1, 1996 Milwaukee Journal
Thompson: "We're done experimenting. We're replacing the welfare check with a paycheck, creating an entirely new system for helping families in trouble."

January 31, 1996 Cap Times
Thompson: It would require able-bodied people to work, but it also would end coverage of health care needs of thousands of children. "The jobs are there," Thompson said, also contending that children "willbe covered by health insurance."

February 4, 1996 Milwaukee Journal
Gov. Thompson is considering whether a key part of his welfare reform plan should be changed to allow the minimum wage for welfare recipients whose employment options are limited to

community service jobs. "There may be changes" in the current plan, Thompson told editors... Thompson made a careful distinction on grant recipients. Grant should be paid to those who are being trained to work, because they've had little or no previous work experience. But he said it would be difficult to argue that people who take a community service job until finding other employment should be paid less than the minimum wage.

February 9, 1996 Milwaukee Journal
Thompson conceded that the area of health insurance may be one part of W-2 in which "we may have to make some modifications"

March 1, 1996 Milwaukee Journal
Shalala: To win the Administration's support, the governor's plan would have to be changed to require states to contribute more of their own money for welfare, provide more guaranteed protection for children, and provide vouchers for in-kind services to families cut off welfare, among other things.

March 18, 1996 Milwaukee Journal
Thompson: "He has rubbed salt in our wounds twice" said T, adding that a Republican president would make it easier for the state to launch the governor's sweeping W-2 welfare overhaul...

April 4, 1996 Milwaukee Journal
At the recent National Education Summit in Palisades, NY, Gov. Thompson said, "We want to bring education to the forefront" he provides no resources for W-2 participants in school, and makes them leave school to work

April 25, 1996 Cap Times
Thompson eliminated a requirement that the state keep records on homelessness among W-2 recipients. Thompson said the reports "would not shed any light on the W-2 program".

April 29, 1996 Milwaukee Journal
"The days of something for nothing are over," Thompson said. "The welfare check is history."... Thompson admitted that in some respects the program is still a work in progress and that further legislation might be needed to fine-tune the program. "This to me is visionary," he said of W-2. "But there will be some bumps. We will have to back and review it."

May 21, 1996 Cap Times
Senator Gwen Moore: "I think that when he (Clinton) negotiates the waivers, he's not going to let Thompson get away with forcing people to work for subminimum wages. I think he's going to have major problems with the health care component, and with substandard child care."

May 25, 1996 Cap Times
Diana Mutz, a UW Professor of Poli Sci: "There's certainly a lot of research showing that increased press attention usually brings with it greater scrutiny. That means not only more good press, but also more bad press, so more people are more aware of more sides of an issue. And that's a good thing."

A. BENEFIT FOR DEPENDENT CHILDREN OF PARENTS RECEIVING SUPPLEMENTAL SECURITY INCOME

1. Application

The detailed waiver provisions of the *Application* seek approval to operate W-2 so that families headed solely by a parent or parents receiving Supplemental Security Income (SSI) will be eligible for a supplemental payment of $77 per month per dependent child rather than an Aid to Families with Dependent Children (AFDC) grant for the dependent child. The *Application* also indicates that the income and assets of dependent children will continue to be budgeted against the supplement. [*Application*, p. VIII-3.]

2. Act

Corresponding language in the Act relating to benefits for dependent children whose parent or parents receive SSI was vetoed by the Governor because those provisions in the Act did not reflect the administration's intent [SECTIONS 175 and 209 of the Act]. However, in his veto message, the Governor stated:

> A federal waiver is necessary before the department can make this supplemental SSI payment in lieu of an AFDC payment for the child. I am vetoing these sections because the provision in Assembly Bill 591 (the Act) would require the department to make this payment beginning July 1, 1996 whether the waiver had been approved or not and whether the dependent child was receiving AFDC or not. [*Veto Message to the Assembly*, April 26, 1996.]

The Governor went on to make it clear that he is directing the department administering W-2 to pursue the legislation needed to implement the provision as originally intended.

B. 60-DAY RESIDENCY REQUIREMENT

1. Application

In describing the 60-day residency requirement, the detailed waiver provisions of the *Application* indicate that the residency of the W-2 group is to be based on the residency of the "adult member(s) of the group." [*Application*, p. VIII-3.]

2. Act

The Act contemplates the 60-day residency requirement as being applicable only to the applicant for W-2 benefits [s. 49.145 (2) (d)].

> [*Note:* Pages III-1 and 2 more accurately describe the residency requirement as being applicable to "applicants."]

C. ELIMINATION OF CHILD CARE DISREGARD

1. Application

The detailed waiver provisions of the *Application* indicate that all participants will make child care copayments based on a percentage of the cost of care and on income and family size. [*Application*, p. VIII-10.]

2. Act

The Act contains broader language and specifies only that participants are required to pay a percentage of the cost of the child care as specified by the department [s. 49.155 (5)].

> [*Note:* Other provisions of the *Application* provide a better indication of what the copayment structure will look like. The Tables on pages IV-4 and 5 of the *Application* detail a child care copayment structure of 7.5% of the cost of care for those with incomes at or below 75% of the federal poverty level, 10.0% of the cost of care for those with incomes from 76% to 95% of the federal poverty level and an increasing percentage of the cost of care corresponding to increased income for those with incomes over 95% of the federal poverty level, topping off at 100% of the cost of care for those with incomes at 165% of the federal poverty level.]

D. FRAUD PENALTIES; INTENTIONAL PROGRAM VIOLATIONS

1. Application

The detailed waiver provisions of the *Application* indicate that if a court finds or it is determined after an administrative hearing that a member of a W-2 group applying for or receiving W-2 employment positions, job access loans, education and training or health care benefits, or for the purposes of increasing or maintaining those benefits, has intentionally violated, on three separate occasions, any W-2 provision or policy, the W-2 agency may permanently deny all W-2 employment positions and job access loans to the individual. [*Application*, p. VIII-12.]

2. Act

The Act authorizes a W-2 agency to permanently deny all W-2 benefits, including health care and child care benefits, for such intentional program violations, not just employment positions and job access loans [s. 49.151 (2)].

> [*Note:* Page VI-7 of the *Application* notes that the penalty for the third intentional program violation is ineligibility for W-2 benefits and services.]

E. MINOR PARENTS REQUIRED TO LIVE AT HOME

1. Application

The detailed waiver provisions of the *Application* indicate that only teen parents who live at home, presumably with their parents, will be eligible for some W-2 benefits, such as services of the financial and employment planners. [*Application*, p. VIII-12.]

2. Act

Although the Act limits the availability of many W-2 benefits and services to minor parents, the Act does not limit access to a financial and employment planner to minor parents living with their parents. The Act specifically provides that a minor custodial parent is eligible to meet with a financial and employment planner regardless of the minor's income or his or her parent's income. It does not require the minor to live with his or her parents. The Act authorizes a financial and employment planner to provide the minor parent with information regarding W-2 eligibility, available child care services, employment and financial planning, family planning services, community resources, eligibility for food stamps and other food and nutrition programs [s. 49.159 (2)].

> [*Note:* Page VI-5 of the *Application* indicates that all minor parents, regardless of income, assets or current living arrangements, will have access to the services of a financial and employment planner.]

F. LOSS OF W-2 HEALTH BENEFITS; EMPLOYER PLAN

1. Application

The detailed waiver provisions of the *Application* state that eligibility for the W-2 health plan ends when the participant becomes eligible for employer health benefits. [*Application*, p. VIII-20.]

2. Act

Although under the Act access to ***employer subsidized*** health care coverage terminates W-2 health care coverage, W-2 health care coverage is terminated for ***unsubsidized*** employer health care coverage only after 12 consecutive months of W-2 coverage [s. 49.153 (3) (a) 2. a.].

> [*Note:* Page V-4 of the *Application* notes that if an individual has been employed for 12 consecutive months and the employer offers unsubsidized health care, the individual is ineligible for W-2 health care.]

G. GARNISHMENT OF W-2 BENEFITS FOR COPAYMENT OR PREMIUMS

1. Application

The detailed waiver provisions of the *Application* indicate that participants in W-2 employment positions will have health care premiums and child care copayments deducted from either the wages paid by an employer or from grants paid by W-2 agencies. [*Application*, p. VIII-19.]

2. Act

The Act specifically provides for the withholding of premiums for health care [s. 49.153 (4) (d)], but is silent with respect to the withholding of child care copayments. The Act only provides that participants would be liable for payment for a percentage of the cost of child care without providing for how those copayments are to be made [s. 49.155 (5)].

H. FOOD STAMP EMPLOYMENT AND TRAINING EXEMPTIONS

1. Application

The detailed waiver provisions of the *Application* specify certain groups of individuals who will be exempt from the Food Stamp Employment and Training (FSET) Program. The *Application* indicates that an individual who is any of the following will be exempt:

a. The primary caretaker relative who personally provides care for a child under 12 weeks of age living in the home except that, if the primary caretaker relative is under the age of 20 and has not completed high school or received a high school equivalency diploma, he or she shall participate in educational activities described under 45 C.F.R. s. 250.44 (a) (1).

b. Age 60 or older.

c. Working for wages at least 129 hours per month in a job expected to last a minimum of 30 days and his or her hourly earnings are at least equal to the legally established minimum wage for the type of job held. This may include self-employment if the recipient's monthly net earnings divided by the lesser of the state or federal minimum wage equal or exceed 129 hours a month.

d. Under age 16, or age 16 or 17 and enrolled as a full-time student in an elementary or secondary school or a vocational or technical school that is equivalent to a secondary school. A student shall be considered enrolled if the student has not graduated, has not been legally excused from school attendance by the school board or has an excused absence for not more than 30 days due to a physical or mental condition.

e. An 18-year old full-time student in a high school, or in the equivalent level of vocational or technical training, who is reasonably expected to complete the program before reaching age 19, or an 18-year old enrolled in and regularly attending a high school program leading to a high school diploma.

f. Incapacitated, ill or injured with a medically determined physical or mental impairment which prevents the person from temporarily or permanently participating in FSET activities or holding a job. This shall include a period of recuperation after childbirth if prescribed by the woman's physician. Unless the medical condition is determined by a physician to be permanent, the person shall be reexamined by a physician annually or on or before the date a physician stated the incapacity is expected to cease, whichever comes first.

g. Needed, as determined by the agency, to remain at home to look after another member of the household because of that person's medical condition.

h. Participating in Learnfare. [*Application*, p. IX-6.]

2. Act

The Act specifies that individuals enrolled at least half-time in a school, as defined under the Learnfare Program, a training program or an institution of higher education will also be exempt from the FSET Program [s. 49.124 (1m) (bm)]. It does not appear that these exempt individuals are listed as exempt in the *Application* anywhere other than in the copy of the Act accompanying the *Application*.

I. FOOD STAMP CASH OUT

1. Application

The detailed waiver provisions of the *Application* provide that "Wisconsin proposes to issue food stamp benefits in the form of cash to those households participating in the W-2 program." [*Application*, p. IX-13.]

2. Act

The Act contains no provisions relating to a "cash out" of food stamps.

If I can be of any further assistance to you, please contact me at the Legislative Council Staff offices.

RJC:lah:kja

To: Hannah
From: David Miller

Other Welfare Waiver Issues:

Health Care:

W-2 Health care is denied to individuals who have had access to employer-subsidized health care anytime within 18 months prior to applying for W-2 health care. [see Act 289 section {49.153 (3)(e)}]

The statute states that dependent children (defined as under age 18) are eligible for health care even under the above circumstance.

The waiver request, on page V-4, states that eligibility only applies to children under 12 years of age.

The waiver request provides health care to fewer children than the statute. >

Then,

Individuals who are offered employer-subsidized health care are not eligible for W-2 health care.

The waiver request says this does not apply to (all) children under 12.

The statute says that children between ages 6-12 above 100% of poverty would be not be eligible. 49.153 (3)(f)(1)(c).

In this case the statute provides fewer children with health care that the waiver request indicates.

In this case could the Dept. be writing the waiver to appear better than the actual statute?

The confusion is about which version will become the policy when a waiver is signed?

Date: 05/18/96 Time: 10:32
CThe text of President Clinton' weekly radio address to the

The text of President Clinton' weekly radio address to the nation:

Good morning. Four years ago, I challenged America to end welfare as we know it, to require work, promote responsible parenting, ship the system from dependence to independence. Just a few days after I took office, I met with the nation's 50 governors, and I urged every one of them to send me a welfare reform plan that would help to meet that challenge. In return, I pledged to waive outmoded or counterproductive federal rules that get in the way of reform.

Most of the governors took me up on that deal. So in the last three years my administration has granted 38 states welfare reform waivers, clearing away federal rules and regulations to permit states to build effective welfare reforms of their own. The state-based reform we've encouraged has brought work and responsibility back to the lives of 75 percent of the Americans on welfare.

We're doing a lot more than signing waivers. We've also pressed ahead on fundamental reforms to make the welfare system reflect the basic values that have stood us so well for so long that if you bring a child into this world, you must take responsibility for that child; that government will not subsidize irresponsible or reckless behavior; that welfare is a second chance, not a way of life.

That's why I signed a presidential order to require federal employees to pay child support, and increased federal efforts to enforce child support orders across state lines. I toughened sanctions on welfare and food stamp recipients who refuse to work. I took action earlier this month to require teen mothers to stay in school and sign personal responsibility contracts if they are to receive welfare benefits. That's also why I sent Congress a sweeping welfare reform plan that would do all this and more.

Our hard work is paying off. America is in the midst of what The New York Times has called ``a quiet revolution'' in welfare reform under our administration. The number of Americans on welfare has dropped by 1.3 million since I took office in January, 1993. Food stamp rolls are down by even more, and so are teen pregnancy rates. What numbers are up? Well, child support collections have jumped 40 percent, and the number of people who are required to work as a condition for receiving welfare is also way up.

Today I'm pleased to report that two states, Wisconsin and Maryland, are adding momentum to this quiet revolution. Last week, Wisconsin submitted to me for approval the outlines of a sweeping welfare reform plan, one of boldest yet attempted in America, and I'm encouraged by what I've seen so far.

Under the Wisconsin plan, people on welfare who can work must work immediately. The state will see to it that the work is there in private sector jobs that can be subsidized if necessary, or in community service jobs if there are no private jobs available. The state says it will also see to it that families have health care and child care, so that parents can go to work without worrying about what will happen to their children. But then they must go to work, or they won't get paid. If they do work, of course, they'll have the dignity of earning a paycheck, not a welfare check.

The plan would send a clear message to teen parents, as well. If you're a minor with a baby, you'll receive benefits only if you stay in school, live at home and turn your life around.

All in all, Wisconsin has the makings of a solid, bold welfare reform plan. We should get it done. I pledge that my administration will work with Wisconsin to make an effective transition to a new vision of welfare based on work, that protects children and does right by working people and their families.

Maryland also has come up with its own innovative welfare reform plan. It cracks down on welfare fraud, comes down hard on parents who turn their backs on child support, and helps working parents with child care so they won't be driven onto welfare in the first place.

The reforms in Wisconsin, Maryland and other states are very encouraging for two reasons: First, they give us hope that we can break the vicious cycle of welfare dependency; and second, because they make it clear that there is now a widespread national consensus shared by people without regard to their political party on what welfare reform should look like. It should be pro-work, pro-family, pro-independence, responsible. Welfare should be a second chance, not a way of life.

So the states can keep on sending me strong welfare reform proposals, and I'll keep on signing them. I'll keep doing everything I can as president to reform welfare state by state, if that's what it takes.

But there's a faster way to bring this welfare reform to the entire nation. There are bipartisan welfare reform plans sitting in the House and the Senate right now that do what the American people agree welfare reform must do: They require welfare recipients to work; they limit the time people can stay on welfare; they toughen child support enforcement and they protect our children.

So I say to Congress: Send me a bill that honors these fundamental principles; I'll sign it right away. Let's get the job done. Let's do it now. Let's bring welfare reform to all 50 states. Then we'll move on to the other challenges we face as we stand at the dawn of a new century.

Thanks for listening.

APNP-05-18-96 1035EDT

Date: 05/18/96 Time: 12:51
TTo: National Desk

To: National Desk
Contact: White House Press Office, 202-456-2100

WASHINGTON, May 18 /U.S. Newswire/ -- Following is a transcript of a press briefing held May 17 by White House Press Secretary Mike McCurry:

Trans World Dome
St. Louis, Missouri
6:35 P.M. CDT

MR. MCCURRY: I'm going to do -- for the benefit of most of the wire that are trying to kick out the radio address, I am now doing an embargoed briefing, embargoed until 10:06 a.m. tomorrow morning. Those of you who don't want to listen to me until 10:06 a.m. tomorrow morning can choose to do so. I just want to talk a little bit about the significance of the President's radio address tomorrow, because it is very important that the President in this address has signaled that he will look with favor on the Wisconsin welfare reform model that has now passed the legislature and has been signed by Governor Thompson.

The state of Wisconsin is in the process of submitting to the Department of Health and Human Services the necessary waiver request that would allow these experiments to go forward. But the White House considers the Wisconsin welfare reform experiment to be the most revolutionary that any state has put forward in the process by which the President has been working with the states to reform welfare as we know it. And the President has to date signed a total of 60 waivers in 38 states. There have been three prior waivers signed for the state of Wisconsin. So now Wisconsin has come forward as a result of the act that has passed the state legislature and they are requesting additional waivers.

Last week the Department of Health and Human Services received the first half of the waiver request and it's now under review. There will be a 30-day comment period. We have some legal and technical issues that we will have to work through with the state as they work on the second waiver request. And that would be aimed at finalizing the process by which we can put the state welfare experiments into place.

As the President says in the radio address, the revolutionary aspect of this proposal is there is a time certain, five years, by which -- at which time a welfare dependent would have to go into the work force either in private sector employment or in some type of public sector employment. There are some case-by-case waiver provisions; there are also hardship exceptions, so that if you, at the end of five years, found situations in which certain individual welfare recipients couldn't make it into the work force for any type of reason -- if they were not qualified for full-time work or if they had some other problem -- there are hardship exceptions that would allow the state to continue to provide benefits for dependent children in those types of circumstances.

So the President is confident they can take care of the bulk of the people who might face some extraordinary problem. But the thrust of the proposal certainly is consistent with the President's view that welfare reform ought to be about work, it ought to be about individual's accepting responsibility, and it ought to be about care for the family.

One of the intriguing things about the Wisconsin experiment is that they will likely -- the state will likely spend more money in the initial part of their welfare reform because of the requirement to take care of dependent kids as welfare recipients go out into the work force. They anticipate probably about a 13-percent increase in their state expenditures in the first years of the welfare reform experiment. But that's because they're going to be providing the necessary child and day care type services that will allow welfare dependents to go into the work force.

So, all in all, this is -- I'd describe just generically the Wisconsin model is probably close to some of the ideas that are contained in the Breaux-Chafee bipartisan budget compromise proposal. As you know, the President, after meeting with Breaux, Chafee and his group indicated that those aspects of welfare reform he looked upon favorably and could consider that part of the welfare reform proposal as part of a comprehensive budget package.

So I think, all in all, this is another example of moving inexorably towards reform of welfare as we know it, even if we haven't quite found the bipartisan will in the Congress to pass the type of legislation the President finds sufficient.

Any questions?

Q Yes, can I ask an unembargoed question?

MR. MCCURRY: Let's just stay within the embargoed -- within this subject, and then I can come back and answer any questions that are real time, as they say.

Q About the work requirement, is there a certain, like, minimum wage or anything attached to this or --

MR. MCCURRY: It's our understanding of what the --there have been concerns expressed about whether or not recipients would work off their welfare at below minimum wage. Our understanding of the initial waiver requests submitted by the state to HHS is that those jobs, or any suggestion that those jobs would be public service jobs would be within the Fair Labor Standards Act and within the minimum wage.

Those are the kinds of technical issues that we will continue to work with the state on and the President made clear today that we will work with the state of Wisconsin through the transition period to make sure that the state's vision of welfare also protects children and does right by working people and their families.

Q Is this the fastest you've every approved a waiver request?

MR. MCCURRY: Well, we have not -- technically not approved the waiver request. The waiver request is under consideration during the next month. What the President did today was signal very clearly that he intends to work with the state, looks favorably on the welfare reform model being put forward by Wisconsin and intends to make sure, through the Department of Health and Human Services that we structure the necessary waivers with the state.

But this has been -- the Wisconsin debate has been underway for some time. In fact, I know that Governor Thompson feels strongly about the subject that in fact there have been Democrats in the state legislature that were among the original advocates and proponents of exactly this bill. This has had a fairly long legislative history in the state of Wisconsin and the federal welfare reform officials have been watching that state debate very closely. So we followed this pretty closely and were well aware of what kind of things the state would do to implement the law that has now been passed by the legislature.

Q Do you know how many state waiver requests are pending?

MR. MCCURRY: I don't know how many are pending. In fact, I had not realized that we just approved -- we have got one pending from Maryland, as the President, I think, references. We actually, last Thursday -- that's it, last Thursday we did Minnesota. And I didn't realize it, but apparently it was not -- it's a fairly narrowly-defined waiver. That became -- Minnesota became the 38th state last week.

We expect, by the way, over the course of the summer, we believe that by July we will be up to 40 states. A significant figure in the President's address today is that 75 percent -- our estimate is 75 percent of the AFDC caseload in this country now one way or another is participating in one of these welfare reform experiments sanctioned by the waiver process. That's pretty extraordinary. So three quarters of the welfare population, roughly, is in some aspect of welfare reform as the states have been conducting these experiments.

So we are quite literally reforming welfare as we know it, even though we haven't yet achieved the federal legislation that would do it in a comprehensive way across the nation.

Q Mike, although he is going to Wisconsin --

MR. MCCURRY: As Allison Mitchell can tell you, a quiet revolution, as The New York Times calls it.

Q Although he's going to Wisconsin to meet Kohl, will this be an element in that trip at all next week? Will he talk to --

MR. MCCURRY: Well, this has been pending at HHS for a while. We did want to indicate approval because we know the President would likely face this subject when he went to Wisconsin this coming week.

Q Mike, is there any hesitation at all in singling out for praise a governor who is widely mentioned as a potential vice presidential running mate?

MR. MCCURRY: The question was, was there any hesitation about singling out Governor Thompson. No, he has been an advocate of welfare reform. He is generally recognized around the country as someone who is very thoughtful and creative on the subject. I would point out again, so are a lot of the Democrats in the legislature that work through this legislation. In fact, welfare reform in Wisconsin began with Democrats in the legislature, we would argue.

But the President has no trouble crediting legislators on either side, both in the Congress and in the ranks of the governors and at the state level that are working to reform welfare. The only way we're going to reform welfare is to do it in a bipartisan fashion with both sides of the aisle working together. And the less we --the more we keep politics out of it, the less likely we will be successful in getting the kind of reform the President desires.

Q But Dole -- one of his lines is you vetoed welfare twice. Is this all a way to undercut that argument?

MR. MCCURRY: Senator Dole says lots of things every day and we don't respond to it all. Our point, is, welfare is being reformed as we know it because of the work this administration has done to advance these experiments at the state level. And now we need to complete the work by reforming welfare as we know it, getting a bipartisan bill passed through the Congress. And we will certainly be looking forward to working with Senator Dole's successor to get that kind of work done.

Q If you've gotten all of these waivers why would you need the comprehensive legislation?

MR. MCCURRY: Still we haven't completed the job and we are, in fact, learning from these experiments things about federal welfare reform. But for uniformity of law and for benefits and for procedures, it would be more -- we believe it would be important to codify this in federal standards.

Also, the federal mix of income assistance works in tandem with other programs. I mean, we've talked in the past year about the length between AFDC and Medicaid, for example, and you can work --the income assistance programs provided by the government will work more rationally if we bring together welfare reform in the guise of a comprehensive federal experiment. And lastly and obviously, welfare reform can be an important element of budget deficit reduction and the need for a comprehensive budget deficit plan -- balanced budget plan.

Q The Republican governors were in Washington early this week, and they would argue that this is a state-based revolution and that you all are along for the ride. The President sort of talks about the ``changes we've encouraged.''

MR. MCCURRY: Well, I mean, there's a lot of truth to that because the President, coming from the ranks of the governors himself, quickly points out that experiments have begun at the state level, that the states are indeed the laboratories of reform when it comes to welfare reform, as laboratories of democracy.

At the same time, this administration has worked to help states structure these experiments so that children are protected, so that the work requirements are tough, and so that we hold together some semblance of continuity as we look across the country at the type of reform experiments that are occurring.

We've helped states structure these reform experiments so that they can get the job done and can lend some momentum to the effort for a federal welfare reform statute, and the President has done that consistent with his view that there needs to be flexibility at the state level so that states can put these proposals together.

So it's not either-or. I think it's the federal government has been creative, innovative, and reinvented as it works with states to reform welfare.

Q -- the amount you'll be raising today?

MR. MCCURRY: Okay, we're back on the record -- that's the end of embargo. Back on the record now. We need to gather the pool, Kris is saying.

How much is he raising today? We are raising -- these three events that the President is doing tonight have raised $1.2 million, two-thirds of the proceeds going to the Democratic Congressional Campaign Committee and one-third going to the reelection committee of Congressman Gephardt. There are no Clinton, Clinton-Gore aspects to the event this evening. In fact, if you'll notice, you've heard the President today talking a lot about Congressman Gephardt, encouraging his reelection and talking about the work that's being done by the Congress.

Any other questions for tonight before we say farewell? Okay. Good night.

END 6:45 P.M. CDT

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/U.S. Newswire 202-347-2770/

APNP-05-18-96 1253EDT

[Washington Post Thursday, July 4, 1996]

Rembert G. Weakland, OSB

'Wisconsin Works': Breaking a Covenant

Catholics in Wisconsin have been in the trenches serving the needy since the Daughters of Charity began their work with the poor of Milwaukee in 1843. I and my family relied on welfare to survive in the 1930s. So it comes naturally for me to consider the implications of Wisconsin's proposal for welfare reform, known as Wisconsin Works or "W-2."

Certainly the Catholic bishops and others in the church who grapple with the needs of the poor agree that the current welfare system is in need of major reform. Both the U.S. Catholic Conference and the Wisconsin Catholic Conference have said so. Both have challenged the status quo. Both have offered constructive proposals for helping the poor more effectively.

Yet as I reflect on the W-2 proposal in light of my experience and the tenets of Catholic social teaching, I remain convinced of the need for the community to guarantee a "safety net" for the poor, especially children. Accordingly, though the W-2 proposal has merit in important respects, it would be a mistake for the president and Congress to embrace comprehensive legislation or requests from individual states, even my own, that withdraw this guarantee.

Catholic social teaching holds that the poor, especially children, have a moral claim on the resources of the community to secure the necessities of life. For more than 60 years, our society has recognized this claim with a covenant that ensures a minimal level of assistance for food, clothing and shelter to poor children and their families. Millions of children have relied on that covenant since the 1930s. In Wisconsin, more than 120,000 children rely on Aid to Families With Dependent Children (AFDC) today.

People of goodwill can argue over the need to modify AFDC so it better serves that purpose. But it is patently unjust for a society as affluent as ours to nullify that covenant.

"This is not welfare reform but welfare repeal."

Unfortunately, as enacted, the Wisconsin Works program does just that. The enabling statute for the W-2 proposal specifically states no one is entitled to W-2 services, even who are eligible to receive them.

It is one thing to change the rules of the welfare system. It is quite another thing to say, "Even if you play by the new rules, society will not help you." This is not welfare reform but welfare repeal. Such a message may be politically attractive in this election year; it is not morally justifiable.

Even if one accepts the premise that the W-2 program offers poor families help in return for work, this premise collapses if the help is not provided. The president and Congress must insist that W-2, indeed any welfare reform proposal, serve all who are eligible.

Critics of the welfare system allege that public assistance undermines personal responsibility. This generalizes about poor families when we should strive to take a more personal view.

In the first place, the children of the poor did not choose their families. We should not afflict these children with hunger in order to infuse their parents with virtue.

Additionally, we cannot judge a person's failure to work in isolation from larger forces. My experience from our work with the U.S. bishops' pastoral letter on economic justice impressed on me the truth that poor families are especially vulnerable to economic downturns triggered by national or international events.

Nor can prosperous states ensure full employment. Even in states, like Wisconsin, that enjoy healthy economies and relatively low employment, not all who want to work can earn a family wage. So long as this is the case, it is unwise and unjust for the federal government to abandon its commitment to the poor. Our covenant with needy children must remain the responsibility of the entire American family.

Moreover, this critique of welfare ignores the fact that rights and responsibilities are not mutually exclusive but complementary. In the context of welfare policy, a right to work is grounded in a responsibility to support a family. This is relevant when assessing another aspect of W-2.

According to our state's own projections, 75 percent of the families now on AFDC will be assigned to W-2 work slots that provide less than a full-time worker earns at the minimum wage. Accordingly, the responsibility of these parents to care for their children must be supported when necessary by a safety net adequate to meet the family's basic needs.

Finally, the president and Congress must recognize that they cannot repeal the assurance of public assistance in Wisconsin without making it a national policy. Once such a repeal is granted to a single state, others will seek similar license. The poor will lose their safety net by degrees as surely as if Congress and the president repealed it all at once. Such an outcome would be a tragedy for the poor and a moral blemish on the earth's most affluent society.

One can appreciate the burden of difficult choices in an election year. Nonetheless, the short-term political outlook of the candidate must not cloud the moral vision of the leader. America's 60-year covenant with its poor children and those who nurture them must remain unbroken.

The writer is archbishop of Milwaukee.

PHOTOCOPY
PRESERVATION

JUL 15 1996

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July 10, 1996

Ms. Carol H. Rasco
Assistant to the President
Domestic Policy Council
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Carol:

Enclosed is a copy of the comments I submitted to the Department of Health and Human Services regarding the Wisconsin Works (W-2) application for a waiver of federal law. We have very strong concerns that this proposal will dramatically increase the number of children in the child welfare program in Wisconsin and make poor children and their families even more impoverished.

Carol, this plan is terrible and doesn't even come close to meeting the President's own test for doing no harm to children. It must be rejected.

Sincerely,

David

Warm Regards + thanks

David S. Liederman
Executive Director

few sentences
Ckd files + no memo
went out

- 4 - let us know

Child Welfare League of America, Inc.
440 First Street, NW, Suite 310, Washington, DC 20001-2085 • 202/638-2952 • FAX 202/638-4004

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July 10, 1996

Mr. Howard Rolston
Department of Health and Human Services
Administration for Children and Families
370 L'Enfant Promenade, S.W.
Aerospace Building, 7th Floor West
Washington, DC 20447

Dear Mr. Rolston:

On behalf of the Child Welfare League of America and its 900 child welfare agencies serving 2.5 million children, I urge you to reject Wisconsin's application for a waiver of federal law to operate Wisconsin Works (W-2) as an AFDC demonstration project.

The Wisconsin proposal is dangerous and short-sighted. It would destroy Wisconsin's safety net, endangering its children and families. It would set a terrible example for welfare reform in the rest of the nation—welfare policy that does not protect children as the President has called for. This plan would thrust poor children deeper into poverty, increase the risk of child abuse and neglect, and abandon families that play by the rules.

W-2 could overwhelm Wisconsin's child welfare system by nearly doubling the number of children who require child welfare services. According to the W-2 waiver request, 5,600 AFDC cases have a relative who acts as guardian receiving AFDC payments while caring for a kin's child or children. Such payments are made for 9,700 children per month. The W-2 request estimates that 13.5 percent of the relatives will become certified as Foster Care providers and that 63 percent of the relatives will request the Kinship Care payment. Given Wisconsin's estimates, more than 7,400 children would be added to the number of children (8,058 children in 1994) in out-of-home care. A large increase in child welfare staff and resources would be required, and it is unclear whether every relative caring for kin would require a child protective services investigation to confirm that the children were at risk in their parent's home. There is also a question as to whether all of these children would be eligible for IV-E assistance.

Even without W-2, Wisconsin is experiencing strain on its child welfare system. From 1990 to 1993, the number of abused and neglected children in foster care in Wisconsin increased by 17 percent statewide and by 55 percent in Milwaukee County. In May 1996, under Wisconsin's previously granted "Pay for Performance" waiver, 1400 families in Milwaukee County lost all cash assistance, and an additional 200 families lost part of their AFDC benefit. At the same time, President Clinton initially indicated support for the W-2 approach before the full details were made known. In his radio address of May 18, President Clinton misspoke when he said that Wisconsin "will see to it that the work is there...." In fact, Wisconsin refuses to "see to it" that jobs would be available. Persons who are fully eligible—caring for children, in desperate need, and willing to work—are "not entitled to services or benefits." Once a family reaches the time limit under this plan, Wisconsin can turn its back on them.

Now that the full plan has been submitted, it is clear that it should not be approved, because it would:

- eliminate the guarantee of cash assistance to needy children and the right to a fair hearing;
- likely result in a sharp increase in child abuse and neglect;
- reduce benefits to many families, including those with disabled members;
- impose time limits without providing jobs or other income after the limit;
- require work in exchange for benefits that is the equivalent of compensation at less than minimum wage;
- eliminate the federal and state guarantees of health care coverage for low-income families, including non-disabled children—the first and only state to receive such a waiver which would set an ugly precedent;
- potentially deny Medicaid coverage to children over age 11 if their parent is offered employer-based health insurance, even if the employer plan is unaffordable;
- deny necessary health care to children. Wisconsin would be the only state exempt from the requirement under Medicaid's EPSDT program that children receiving Medicaid must be covered for the range of medically necessary health care they need;
- deny cash assistance to infants and their teen parents, even when they live at home or in a supervised setting;
- significantly increase child care spending, but at the same time the plan ends child care assistance for many low-income families. Although Wisconsin claims to offer an entitlement for subsidies to help pay for child care to all families below 165 percent of poverty, it does so by ending eligibility to families below 75% of the state median income but above 165 percent of poverty;

- force children into low-quality child care by establishing a new category of unlicensed child day care facilities. Providers in this category would have no training requirements. The proposal would institute a child care co-payment system that limits parent choice and encourages parents who have the most vulnerable children to choose this low-quality child care;

- increase the cost of child care to parents. In Milwaukee County, parents with incomes just above the poverty line would have to pay up to 10 times as much as they do now for licensed care, and about four times as much for the new low-quality category of unlicensed, untrained child care;

- end assistance to an estimated 2,200 children who are living with grandparents or other caretaker relatives; and

- expand Wisconsin's failed Learnfare policy.

In vetoing H.R. 4, President Clinton pledged his commitment to welfare legislation that is "not tough on children and on parents who are responsible and who want to work....We must...not penalize children for their parents' mistakes." CWLA supports the President's promise to protect all children—whether they live in Wisconsin or any state—from harm. The W-2 proposal violates that vital promise, not only for children whose parents make mistakes, but for all children and their parents who play by the rules—all of Wisconsin's poorest and most vulnerable children.

In reviewing this proposal, I urge you to consider its very serious implications for the children and families we serve and for our agencies' ability to serve them. Thank you for your careful consideration of these comments.

Sincerely,

David S. Liederman
Executive Director

F: Wisconsin

USDA

U.S. Department of Agriculture
Food and Consumer Service
Office of the Associate Administrator
3101 Park Center Drive, Room 803
Alexandria, Virginia 22302
TEL: (703) 305-1609
FAX: (703) 305-2908

DATE: *12/3/97*

TO: ***Dianna Fortuna***
DPC

FROM: ***Yvette Jackson***
Administrator

NUMBER OF PAGES (INCLUDING THIS PAGE): 10

SUBJECT/COMMENTS:

Per our conversation, attached is the latest information request and some background material.

Please let me know if you need anything further.

Yvette--

Attachment

MAY 0 1997

Ms. J. Jean Rogers
1 West Wilson Street
P.O. Box 7935
Madison, Wisconsin 53707-7935

Dear Ms. Rogers:

This is in response to your April 2, 1997, letter regarding the demonstration project waiver request under Wisconsin Works (W-2) for graduated benefit levels. Under this proposed waiver, the gross income test would be waived for households that are no longer categorically eligible due to the loss of W-2 benefits through increased earned income. W-2 benefits would terminate when a household's total monthly income reached 115 percent of the Federal poverty level.

A judicious examination of the proposed graduated benefit revealed that the waiver request exceeds our legal authority for approval. Current waiver authority at Section 17(b)(1)(B)(iv)(III)(cc) of the Food Stamp Act of 1977, as amended, specifically prohibits approval of waivers that alter gross income levels (currently set at 130 percent of the poverty line) for households that do not include an elderly or disabled member.

Your letter also asks that we reconsider our decision limiting the demonstration period to five years and notes our outstanding decision on Wisconsin's waiver request for privatization. Further discussion with our Office of Analysis and Evaluation confirms that five years (given the nature and scope of W-2 waivers) is an appropriate period to undertake research that will help improve the administration and effectiveness of the Food Stamp Program.

The privatization waiver request remains under review. We recognize that this request has pended for a substantial period; however, privatization has far-reaching impacts and requires an earnest review and evaluation. We appreciate your continued patience.

If you or your staff have any questions, Connie Slough of my staff is available to provide you with any additional information or assistance. Ms. Slough may be reached at (703) 305-2519.

We appreciate your continued efforts to support the welfare-to-work initiatives of this Administration.

Sincerely,

Yvette S. Jackson
Deputy Administrator
Food Stamp Program

FCS:FSP:PDD:CSlough:mcd:703-305-2519:4/16/97
File:I:\Data\Shared\PDB\WI Response to 4/2/97 letter

Tommy G. Thompson
Governor

Linda Stewart
Secretary

J. Jean Rogers
Division Administrator

ECONOMIC SUPPORT
1 West Wilson Street
P.O. Box 7935
Madison, WI 53707-7935

State of Wisconsin
Department of Workforce Development

April 2, 1997

Ms. Yvette S. Jackson
Deputy Administrator
Food Stamp Program
U. S. Department of Agriculture
Food and Consumer Service
3101 Park Center Drive
Alexandria, VA 22303-1500

Dear Ms. Jackson:

Thank you for your letter concerning Wisconsin's Food Stamp Program waiver requests for Wisconsin Works (W-2).

We hope that a final decision on our request for privatization will be made soon. The original request was submitted on May 28, 1996, and we have already begun to pilot the Temporary Assistance for Needy Families (TANF) portions of our W-2 program.

Regarding the graduated benefit level waiver request, we still wish to have this considered separately from the remainder of the W-2 requests. Your letter of November 27, 1996, acknowledged our request for this special consideration.

The waiver request for graduated benefits levels was added at the request of our State Legislature in response to concerns that households lose food stamp benefits at the same time that their net income decreases due to increasing child care and medical care payments. The waiver would continue benefits to households losing W-2 benefits and food stamps due to increased earned income. The waiver request would not reduce benefits to any of Wisconsin's food stamp households. Attached are a brief outline of the provisions of the waiver request and some comparisons with benefit levels under current law. Our concern is with maintaining cost neutrality, as households would continue to receive food stamp benefits after their gross income would have made them otherwise ineligible. We will need both administrative and legislative review before implementing or removing this waiver provision from the W-2 program.

We appreciate the slight expansion of the demonstration period from three years to five years, but are requesting further consideration of the 11-year period discussed in our earlier conference calls with your staff

Thank you again for writing, and we are looking forward to a quick response regarding our privatization waiver request

Sincerely,

J. Jean Rogers
Administrator

Attachments

WAIVER REQUEST

GRADUATED FOOD STAMP BENEFITS

- The gross income test will be waived for those households that are no longer categorically eligible due to the loss of W-2 benefits through increased earned income (above 115 percent of the federal poverty level);
- Net income will be determined by deducting the shelter expense as allowed under current food stamp policy ($247 maximum and gradually decreasing as income increases);
- Deducting dependent care expenses paid by the household up to a maximum of $500 per dependent per month (based on a review of current rates in Wisconsin);
- Deducting all taxes and FICA benefits, health insurance costs paid by the household, and other employer mandated deductions, and;
- Deducting child support payments to non-household members (already allowed under federal food stamp law).

Attached are charts compiled by the Legislative Fiscal Bureau showing the new graduated benefit levels requested under the waiver.

12-03-97 04:40PM FROM ADMINISTRATOR FNS TO 92024507431 P005/010

Food Stamp Benefits for One Parent and Two Children
Current Law Compared to H&SS Alternative 2
Milwaukee County

Hourly Wage	Annual Income	Annual FS Benefit Current	Annual FS Benefit Waiver
Transition	$6,216	$3,756	$3,756
CSJ	6,660	3,728	3,728
$4 25	8,840	3,163	3,163
5 00	10,400	2,701	2,701
6 00	12,480	2,011	2,011
7 00	14,560	2,083	2,083
8 00	16 640	0	1,539
9 00	18 720	0	1,570
10 00	20 800	0	1,621
11 00	22 880	0	1,462
12 00	24 960	0	1,098
13 00	27 040	0	595
14 00	29 120	0	175
15 00	31 200	0	0
16 00	33,280	0	0
17 00	35,360	0	0
18.00	37,440	0	0
19.00	39,520	0	0
20.00	41,600	0	0

12-03-97 04:40PM FROM ADMINISTRATOR FNS TO 92624501431 P006/010

Food Stamp Reform: H&SS Alternative 2
One Parent With Two Children
Milwaukee County

	Assumptions					Calculation of Benefits, Current Law											
Hourly Wage	Annual Earnings	Family Size	Child Care	Rent	Utilities	Gross Monthly Income	20% of EY Deduction	Stand Deduction	Child Care	Shelter Deduction	Net Income	Maximum Benefit	Net Income Limit	Gross Income Limit	Monthly Benefit	Annual Benefit
Transition	6 216	3	55	398	40	518	104	134	56	247	0	313	1,050	1,384	313	3,756
CSJ	6 680	3	55	398	40	555	111	134	85	247	8	313	1,050	1,384	311	3,728
4.25	8 840	3	55	398	40	737	147	134	55	239	169	313	1,050	1,384	264	3,163
5.00	10 400	3	74	398	40	867	173	134	74	193	293	313	1,050	1,384	225	2,701
6.00	12,480	3	85	398	40	1,040	208	134	85	129	485	313	1,050	1,384	168	2,011
7.00	14,560	3	237	398	40	1,213	243	134	237	135	485	313	1,050	1,384	174	2,083
8.00	16,640	3	360	398	40	1,387	277	134	375	136	485	313	1,050	1,384	0	0
9.00	18,720	3	641	398	40	1,560	312	134	378	86	673	313	1,050	1,384	0	0
10.00	20,800	3	693	398	40	1,733	347	134	375	0	878	313	1,050	1,384	0	0
11.00	22,880	3	738	398	40	1,907	381	134	375	0	1,018	313	1,050	1,384	0	0
12.00	24,960	3	738	398	40	2,080	416	134	375	0	1,195	313	1,050	1,384	0	0
13.00	27,040	3	738	398	40	2,253	451	134	375	0	1,294	313	1,050	1,384	0	0
14.00	29,120	3	738	398	40	2,427	486	134	378	0	1,432	313	1,050	1,384	0	0
15.00	31,200	3	738	398	40	2,600	520	134	375	0	1,571	313	1,050	1,384	0	0
16.00	33,280	3	738	398	40	2,773	556	134	375	0	1,710	313	1,050	1,384	0	0
17.00	35,360	3	738	398	40	2,947	589	134	375	0	1,848	313	1,050	1,384	0	0
18.00	37,440	3	738	398	40	3,120	624	134	375	0	1,987	313	1,050	1,384	0	0
19.00	39,520	3	738	398	40	3,293	659	134	375	0	2,126	313	1,050	1,384	0	0
20.00	41,600	3	738	398	40	3,467	693	134	375	0	2,264	313	1,050	1,384	0	0

Provisions of Food Stamp Alternative 2

- The alternative calculation would be used by families who were receiving W-2 cash benefits and have lost eligibility because their income exceeds 115% of poverty
- For these families no gross income test would apply
- For the net income test and the benefit calculation, the following deductions would be allowed:
  - Child care of up to $300 per month per child
  - Shelter and utility costs would be calculated as under current law
  - All income and payroll taxes
  - All out-of-pocket health care costs
  - Child support payments (allowed under current law)
  - Other employer mandated deductions such as uniform or cleaning expenses.
- The standard deduction will be allowed but the 20% of earned income deduction will not continue.

Source: Waiver application; Jean Lockyear, H&SS, 71430

Calculation of Benefits: H&SS ALT 2

Gross Monthly Income	20% of EY Deduction	Stand Deduction	Child Care	Shelter Deduction	FICA Tax	Income Tax	Health Care	Net Income	Maximum Benefit	Net Income Limit	Gross Income Limit	Monthly Benefit	Annual Benefit	Actual Benefit*
518	0	134	55	247	0	0	20	82	313	1,050	1,364	294	3,534	3,758
555	0	134	55	247	0	0	20	99	313	1,050	1,364	283	3,401	3,728
737	0	134	55	200	56	0	20	271	313	1,050	1,364	232	2,780	3,163
867	0	134	74	148	66	0	20	423	313	1,050	1,364	186	2,232	2,701
1,040	0	134	85	80	80	11	20	631	313	1,050	1,364	124	1,483	2,011
1,213	0	134	237	82	93	23	20	625	313	1,050	1,364	128	1,507	2,083
1,387	0	134	389	86	108	37	20	616	313	1,050	1,364	128	1,539	1,539
1,560	0	134	541	88	119	51	20	607	313	1,050	1,364	131	1,570	1,570
1,733	0	134	693	93	133	65	23	593	313	1,050	1,364	135	1,621	1,621
1,907	0	134	738	78	146	103	71	637	313	1,050	1,364	122	1,462	1,462
2,080	0	134	738	44	159	148	119	738	313	1,050	1,364	92	1,098	1,098
2,253	0	134	738	0	172	191	140	878	313	1,050	1,364	50	595	596
2,427	0	134	738	0	188	235	140	996	313	1,050	1,364	15	175	175
2,600	0	134	738	0	199	274	140	1,115	313	1,050	1,364	0	0	0
2,773	0	134	738	0	212	313	140	1,236	313	1,050	1,364	0	0	0
2,947	0	134	738	0	225	353	140	1,357	313	1,050	1,364	0	0	0
3,120	0	134	738	0	239	392	140	1,477	313	1,050	1,364	0	0	0
3,293	0	134	738	0	252	432	140	1,598	313	1,050	1,364	0	0	0
3,467	0	134	738	0	265	471	140	1,718	313	1,050	1,364	0	0	0

*The actual benefit is based on current law if gross income is less than 115% of the FPL and based on the waiver request if income is greater than 115% of FPL.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: RY DATE: 5/7/2018
2018-0525-S

BACKGROUND:

The Department is currently reviewing a demonstration waiver request from the Arizona State agency to privatize the food stamp certification process. Arizona is the third State to submit either a demonstration waiver request or other proposal to privatize the food stamp certification and eligibility determination process. By law, public (merit personnel) employees are required to certify food stamp households.

Wisconsin

The Wisconsin State agency submitted its Wisconsin Works (W2) demonstration project prior to the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. The Food and Consumer Service (FCS) has responded to all waiver requests except Wisconsin's request to waive the merit personnel requirements of the Food Stamp Act. Under W2, the food stamp certification process would be transferred to the non-profit or private community through competitively-bid County contracts. Because Counties meeting certain performance standards have the right of first refusal to operate the W2 program, the majority of Counties in the State currently operate the W2 program. However, the State has the option of soliciting competitive bids in the future and intends to eventually phase-in private employees.

Public employees would continue to certify food Stamp households that are exempt from W2 work requirements (e.g., the elderly and disabled) which comprise approximately 25 percent of food stamp households.

Even though the State has not received Departmental approval to privatize the food stamp certification process, the State has proceeded to implement W2 for its Temporary Assistance to Needy Families (TANF) caseload. Six contractors (five non-profit organizations and one private company) operate the W2 program in Milwaukee County. To meet FCS requirements, the State co-locates public food stamp caseworkers with the non-profit and private workers.

Texas

The second request from the Texas State agency was also received prior to the implementation of PRWORA and was not a demonstration project. The State requested to issue a Request for Offers for the development of a statewide computer system and an integrated eligibility process for most public assistance programs (Food Stamp and Medicaid) which could be operated by the private sector or a consortium of public and private organizations.

After a year of negotiations, the Administration advised the Texas State agency (May 13, 1997 letter from Kevin Thurm) that, "*most activities included in the eligibility* *determination process must be performed by public agencies. A non-public employee may not take actions involving discretion or value judgments, including all elements of the eligibility determination process that relate to the evaluation of information provided by an applicant or bearing on the eligibility decision."*

The Administration offered to discuss with Texas the possibility of a sub-state, limited demonstration project. The State was not interested in exploring this option and no further discussions occurred on this topic. The Thurm letter states, *"Recognizing that you did not express interest in discussing a time-limited, sub-States demonstration during last week's meeting, this letter addresses the limitations set forth in Food Stamp and Medicaid law and regulations."*

Even though the Texas State agency has recently awarded a $3.7 million contract with Electronic Data Systems (EDS) to assist the State in developing a revised proposal, we do not know if Texas will pursue its desire to privatize the eligibility and certification process.

Arizona

The Department received the "Arizona Works" demonstration proposal on August 5, 1997. By law, the Department must approve, deny or request clarifications from the State within 60 days of its receipt of the demonstration project. On October 5, 1997, FCS sent a series of questions to Arizona; HHS also sent Arizona a series of questions. Arizona has responded to the FCS questions but not to HCFA's which were sent later. No decisions have been made regarding whether to approve a demonstration.

Under Arizona Works, a private contractor would be responsible for the eligibility determination process for the TANF, Food Stamp, Medicaid, Child Support, and State General Assistance Programs. Arizona Works would operate for two-years. Under State law, after 18 months of the implementation of the demonstration project, the State could recommend and implement the demonstration statewide. Food Stamp only households would be subject to the Food Stamp Program's Employment and Training requirements. All food stamp applicants residing in the project area would be certified by a private employee.

DISCUSSION:

Under Section 17 of the Food Stamp Act, the Secretary has the authority to approve waivers of the Act to allow for the testing of methods that may improve the efficiency of the Food Stamp Program and improve the delivery of food stamp benefits to eligible households.

States assert privatization initiatives would allow the State to save administrative funds while improving program administration and enhancing client services.

While we support these goals, a number of major questions about how the program would be effected have been discussed. These include: (1) is the food stamp certification and determination of eligibility an "inherently governmental" responsibility in the public interest; (2) how would profit incentives affect the private employee in carrying out his/her responsibilities to applicants and eligible households; (3) even if the State maintains control of policy decisions and implementation, to what extent would the contractor influence the State's decision in favor of cost-saving measures over program benefits; (4) would client confidentiality be compromised; (5) how would the additional relationship between the State and contractor affect the ongoing relationships between the Federal and State Governments and would these changes alter the resolution of programmatic issues (e.g., non-implementation of legislative provisions); and (6) how will the State monitor or evaluate the private sector.

J: UPDATED ARIZONA OPTIONS REVISED 12/3/97

12-03-97 04:40PM FROM ADMINISTRATION FNS TO 92024501431 P010/010

December 2, 1997

TO:	Bruce Reed and Elena Kagan
FROM:	Cynthia Rice and Andrea Kane
CC:	Diana Fortuna
SUBJ:	Background on Wisconsin Works (W-2)

We hear Governor Thompson is stopping by on Thursday, and thought you would like this summary of some key elements of Wisconsin Works (W-2), which includes some information Cynthia got from her recent visit to Milwaukee.

Everyone works: Effective 9/1/97, W-2 replaced welfare in Wisconsin. Everyone must do some kind of work, and cash is based on participation in work. There is no entitlement to assistance, but there is "a place for everyone who is willing to work to their ability." The program is available to all parents with minor parents, low assets and low income.

Self-Sufficiency Ladder: W-2 includes four kinds of work ranging from unsubsidized employment to W-2 Transitions depending on someone's ability (see attachment). It might be interesting to ask about the relative priority and utilization of these four activities.

New role for staff: Wisconsin has replaced eligibility workers and case managers with "financial and employment planners" who focus on self-sufficiency and responsibility. The FEPs are available to help people once they've entered unsubsidized employment.

Investment in support services and retention: Wisconsin has invested heavily in support services to help people transition from welfare to work and to help families maintain employment. Governor Thompson has been very vocal about the importance of investing in child care. All low income families below 165% of poverty are eligible for child care subsidies on a sliding fee basis, regardless of whether they have been on welfare. W-2 agencies may provide post-employment services including job coaches, training, education, and transportation to help someone succeed on the job.

One-Stop Job Centers: These are the single point of entry for employers and job seekers--W-2 participants as well as others. The state has entered into a contract with a W-2 agency for each county, with the exception of Milwaukee which has 5 contractors (see attached). In most places, the county is the W-2 agency; in Milwaukee, the W-2 contractors include private for profit and non-profit entities.

Earned Income Credit: Wisconsin is a strong advocate of the EIC, including the Advance EIC option (where employees get a portion of their EIC in each paycheck). The state is also one of four to have a refundable state EIC.

W-2 Self-Sufficiency Ladder

	Basic Income Package (At 40 Hours)	Weekly Work Week	Program Time Limits
A	**Unsubsidized Employment** Market Wage +Food Stamps +Earned Income Credit (EITC)	Up to 40 hours	None
B	**Trial Jobs** Min. Wage ($5.15*) +Food Stamps +EITC *(*Employers may pay more.)*	Up to 40 hours	3 to 6 mos. per job; 24 month maximum
C	**Community Service Jobs** $673 Monthly Grant ($3.88 Hr.) +Food Stamps (No EITC)	Up to 40 hours (Up to 30 work Up to 10 training, etc.)	6 to 9 mos. per job; 24 month maximum
D	**W-2 Transitions** $628 Monthly Grant ($3.62 hr.) + Food Stamps (No EITC)	Up to 40 hours (Up to 28 work) (Up to 12 training, etc.)	24 month limit; extensions permitted on case by case basis

Five year lifetime max. in (W-2) - Two year max. in any one area.

WISCONSIN WORKS

A PLACE FOR EVERYONE
A SYSTEM OF EMPLOYMENT SUPPORTS

Wisconsin Works (W-2) is the welfare replacement program for Aid to Families with Dependent Children (AFDC) based on work participation. Under W-2, there will be no entitlement to assistance, but there will be a place for everyone who is willing to work to their ability. The program is available to all parents with minor children, low assets and low income. Each W-2 eligible participant will meet with a Financial and Employment Planner (FEP), who will help the person develop a self-sufficiency plan and determine their place on the W-2 employment ladder. The ladder consists of four levels of employment options, in order of preference:

1. **Unsubsidized Employment**: Individuals entering W-2 will be guided first to the best available immediate job opportunity. The W-2 agency will support the participant's efforts to secure employment. Persons in unsubsidized employment may also be eligible for earned income credits, food stamps, Medical Assistance, child care and job access loans.

2. **Trial Jobs (subsidized employment)**: For those individuals who are unable to locate unsubsidized work, but have a willing attitude, the FEP will explore options for subsidized employment. These trial job contracts are a way to help the employer cover the cost of training a person who might need just a little extra support in the first three to six months. Trial jobs will be expected to result in permanent positions. Participants will receive at least minimum wage for every hour of work. The employee may be eligible for earned income credits, food stamps, Medical Assistance, child care and job access loans.

3. **Community Service Jobs (CSJs)**: For those who need to practice the work habits and skills necessary to be hired by a regular employer, CSJs will be developed in the community. CSJ participants will receive a monthly grant of $555 for up to 30 hours per week in work activities and up to 10 hours a week in education or training, and may be eligible for food stamps, Medical Assistance, child care and job access loans.

State of Wisconsin
Department of Workforce Development

Division of Economic Support
April 1997

4. **W-2 Transition**: Transition is reserved for those who are unable to perform independent, self-sustaining work. W-2 transition participants will receive a monthly grant of $518 for up to 28 hours per week participating in work or other developmental activities up to their ability and up to 12 hours per week in education or training. W-2 transition participants may be eligible for food stamps, Medical Assistance, child care and job access loans.

W-2 participants are limited to 24 months in a single work option category, other than unsubsidized employment. The maximum lifetime participation limit is 60 months in work option components. Extensions may be available on a limited basis when local labor market conditions preclude opportunities.

EMPLOYMENT SUPPORTS

A major part of W-2 consists of the related support services and features designed to facilitate access to and sustain employment.

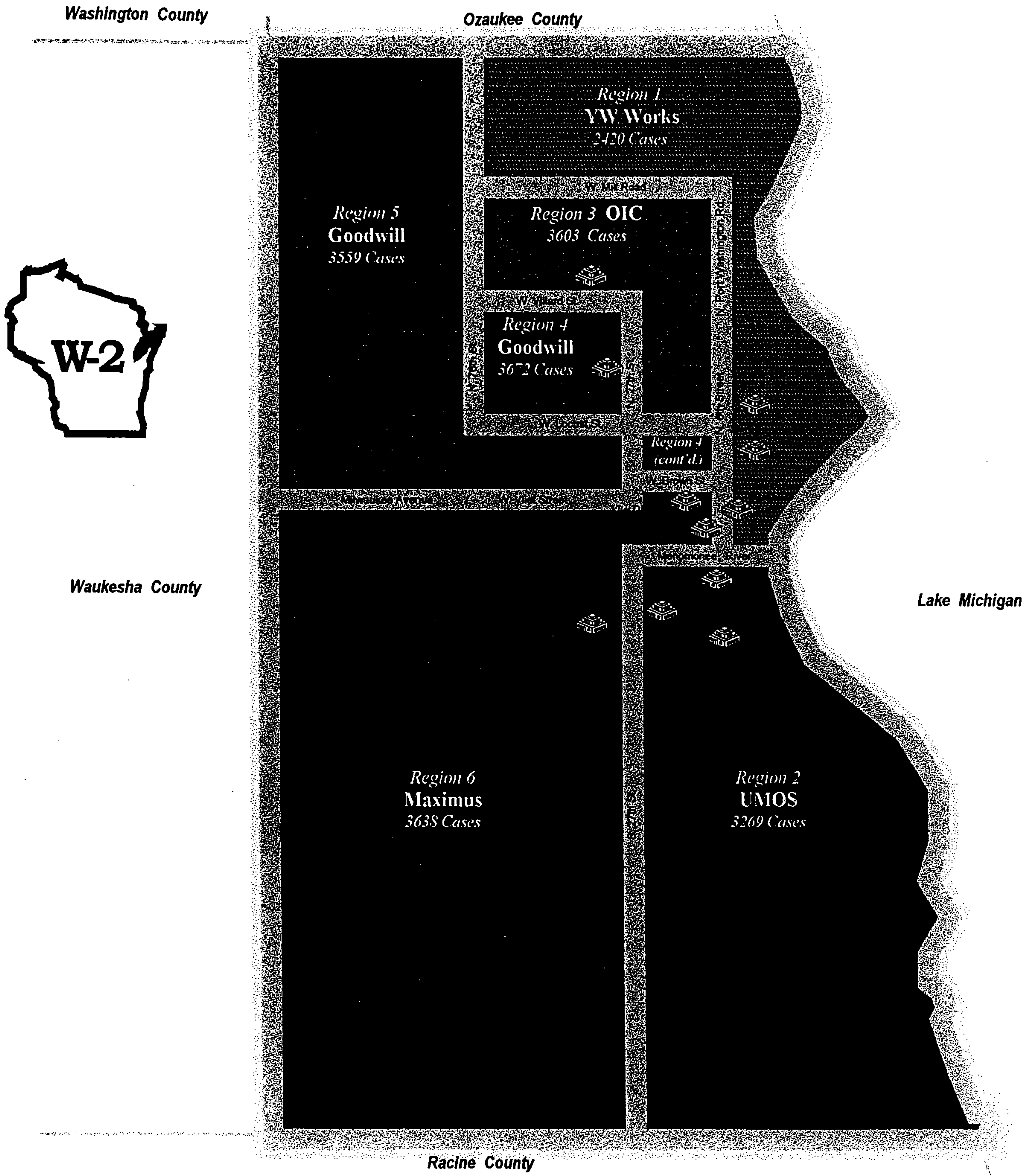
- **Job Centers** will combine job search, job opportunities, education and training, and W-2 services in one location. This promotes integrated access to many related services.
- **Local Children's Services Networks and Community Steering Committees** will organize community leaders to coordinate resources leading to self-sufficiency.
- **Child Support** will be paid directly to custodial parents and will not cause a reduction of the benefit payment, unlike the current AFDC system.
- **Child Care** will be available to more low-income working families on a co-payment basis.
- **Job Access Loans** will be available to help families meet immediate financial needs that sometimes prevent them from working--like car repairs and personal emergencies.
- **Transportation Assistance** will ensure that parents can get their children to day care and themselves to work.
- **Health Care** will be available through Medical Assistance until the W-2 Health Care plan federal waiver is granted.

The anticipated date for statewide implementation is September 1997.

State of Wisconsin
Department of Workforce Development

Division of Economic Support
April 1997

Milwaukee County W-2 Regions



* Caseload data represents the estimated number of people likely to receive W-2 services as of February, 1997.

— *Department of Workforce Development*