

An Overview of AFDC in Wisconsin

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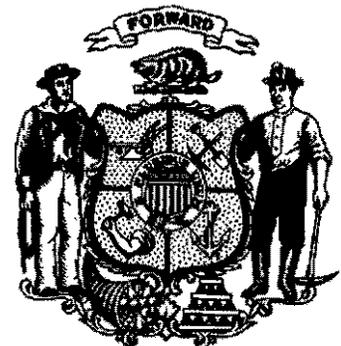


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AN OVERVIEW OF AFDC IN WISCONSIN

I. INTRODUCTION

In recent years, welfare reform has become a legislative focus for both the federal and state governments. The program that receives the most attention is Aid to Families with Dependent Children (AFDC) which assists about 14 million persons nationally for a combined federal-state annual cost of \$25.7 billion. In fiscal year 1992-93, Wisconsin's comparable figures were 238,600 AFDC recipients and expenditures of \$401 million. In the past decade, public concern has focused not only on the tax dollars which the AFDC system requires but also its inherent effects on the lives of the recipients. Advocates for the poor, as well as welfare opponents, both criticize the effectiveness of AFDC regarding recipients' ability to take control of their lives, improve their economic status, and become self-supporting and contributing citizens. Although a variety of educational and employment pilot projects have been implemented, until now there has been no concerted action to reform AFDC.

This bulletin describes the development of AFDC and its inherent social and economic problems. It profiles Wisconsin's recipients and gives an overview of the various approaches to reform which the state has attempted to date. In enacting 1993 Wisconsin Act 99, the state legislature decided to end AFDC as it currently exists in Wisconsin, effective January 1, 1999, and it required the Secretary of the Department of Health and Social Services to submit a plan to the legislature in 1995 for replacing the system. In considering a replacement for the sunset system, both the secretary and the legislature will have to review and evaluate the numerous pilot programs and approaches Wisconsin has initiated over the past decade.

II. THE DEVELOPMENT OF AFDC

Federal Response to the Depression. In its attempt to develop a workable social insurance program during the Great Depression, Congress enacted the Social Security Act of 1935, which marked the beginning of federal participation in a broad range of social insurance and public welfare programs. This act was one of the first in which the federal government recognized social welfare as a permanent responsibility and made a commitment to "safeguarding the family".

Addressing the Wisconsin Alumni Institute on June 17, 1938, Edwin E. Witte, former chief of the Wisconsin Legislative Reference Library and the staff director for the Social Security drafting committee, commented that prior to the Social Security Act of 1935, social welfare assistance was almost solely the responsibility of local governments, but the magnitude of the Depression had overwhelmed local resources. As he pointed out:

In Wisconsin the costs of relief increased from a little more than one million dollars, in the last years preceding the depression, to 20 million dollars in 1932 and to 40 million dollars in 1935. In 1936 and 1937 relief and welfare activities combined cost considerably in excess of 100 million dollars each year — an amount exceeding the total property tax levies of these years.

In this emergency, the state and federal governments had to help the localities, and the national government had to assume the major part of the relief costs. . . .

At the peak, in midwinter 1935, 22 million people throughout the United States [about 19% of the population] subsisted from relief.

Title IV of the Social Security Act of 1935 specifically provided Aid to Dependent Children (ADC) assistance for children living with parents or in the homes of other relatives. Within the mission of "safeguarding the family", the objective of ADC was to assist a family unit which had lost its principal wage earner or in which the wage earner was disabled.

Prior to creation of ADC in 1935, most states had enacted "Mothers' Pensions" or "Widows' Pensions" on the assumption that it was better to assure family care of children at home rather than risk institutionalization or foster care because the mother lacked financial resources. The typical recipient was a widow who could not find sufficient employment to provide for her family. Assistance was also provided in case

of a father's desertion or physical disability or in instances where the mother was gone and the father or another relative was trying to care for a child. State laws often allowed local governments to decide whether to participate and to determine their own eligibility criteria. The community could decide whether a mother was "deserving", "worthy" or "of superior character". Children whose mothers were denied aid would have to depend on outside assistance, often in orphanages.

Over the years, the clientele and philosophy of the aid programs for dependents has undergone a marked change. At the start of mothers' pensions, 85% were widows; by 1959 fewer than 15% of the children had lost a father through death. The original rationale for ADC was to keep a mother, impoverished by the death of her husband, at home to care for her children so they would not require institutionalization. Current programs focus on education and training to permit the AFDC parent to find a job. Some AFDC critics are even proposing orphanages or foster care for children whose parents refuse to work.

Federal Adjustments. The original ADC program was established as a cash grant program to enable states to aid children who lacked parental support or care due to the absence, incapacitation, or death of the primary wage earner (usually the father). Since 1967, the federal government has designated the program Aid to Families with Dependent Children, and it now provides cash payments to families caring for needy children (including those headed by single parents or other caretaker relatives). Today's AFDC primarily supports children deprived of a parent due to divorce, separation or because no marriage has existed. This type of assistance is referred to as "AFDC-Regular" (AFDC-R). (AFDC-R also applies to two-parent families in cases where the principal wage earner has become disabled.)

In 1961 the federal government extended ADC eligibility to families in which the principal wage earner was unemployed. This gave individual states the option to expand their assistance programs by paying the state share of benefits for "AFDC-Unemployed" (AFDC-U), as this category of aid came to be called. The Wisconsin Legislature enacted Chapters 590 and 602, Laws of 1965, to create AFDC-R and AFDC-U programs. The 1969 Legislature repealed the AFDC-U provisions but they were reinstated by Chapter 125, Laws of 1971, after local governments experienced a dramatic increase in general relief costs, according to media reports. Since October 1, 1990, federal law has mandated all states to provide AFDC-U.

The AFDC-U program, unlike most AFDC-R cases, does permit the payment of benefits when both parents live in the same house. Critics of the older AFDC-R program had claimed the single parent limitation was forcing unemployed fathers to desert their

families so the mothers and children could get assistance. Under AFDC-U, the parent who earned the most income during the 24-month period immediately preceding the beginning of benefits must meet federal requirements relating to past employment and current unemployment.

The Wisconsin Department of Health and Social Services (DHSS) reported that in the month of February 1994 there were over 77,000 AFDC cases which accounted for payments of over \$35 million. Approximately 91% were AFDC-R cases with the remaining 9% being AFDC-U.

III. AFDC DATA PROFILE

Demographics

Wisconsin assistance covered 80,325 (1.87%) of the nation's 4.4 million AFDC families in the 1990-91 federal fiscal year, which approximates Wisconsin's comparable percentage (1.97%) of families in the 1990 U.S. general population. Approximately 18% of Wisconsin's AFDC families had earnings, and the average monthly amount was \$346.14. Within those AFDC families, 86% reported earnings by the mother, 13.4% earnings by the father, and 2.7% had earnings from the children.

Table 1: WISCONSIN AFDC RECIPIENTS BY AGE, DECEMBER 31, 1993

Age	Total	AFDC - Regular	AFDC - Unemployed	Maternity Only	Nonlegally Responsible Relative
Under 3 years old	37,287	30,779	5,799	0	709
3 - 5 years old	33,070	26,913	5,015	0	1,142
6 - 10 years old	40,214	32,396	5,794	0	2,024
11 - 13 years old	18,146	14,674	2,238	0	1,234
14 - 17 years old	15,958	12,844	1,598	30	1,486
18 - 21 years old	11,049	9,123	1,240	584	102
22 - 25 years old	13,867	11,368	2,267	201	31
26 - 35 years old	27,049	21,754	5,116	111	68
36 - 45 years old	10,760	8,185	2,369	13	193
Over 45 years old	2,725	1,645	706	1	373

Note: Totals reflect calculations by Wisconsin Legislative Reference Bureau and include one unclassified recipient in "Maternity Only" category.

Source: Wisconsin Department of Health and Social Services, Computer Reporting Network (CRN), Report I004A, December 31, 1993.

According to DHSS, the majority of AFDC recipients are children under age 18. On December 31, 1993, they accounted for 69% of those receiving benefits. Of the 77,046 Wisconsin AFDC cases reported in December 1993, the percentages represented by the principal ethnic groups were: 44% White; 36% African-American; 6% Hispanic; 5% Asian/Pacific; 3% American Indian; and 6% mixed, other or unknown.

Children and Poverty. In *WisKids Count Data Book 1994 --- A Portrait of Child Well-Being in Wisconsin*, the Wisconsin Council on Children and Families reported that the "family characteristics of Wisconsin children increasingly mirror the family characteristics of children in the United States as a whole." The council highlighted the fact the number of Wisconsin children living in poverty rose from 10.4% in 1979 (fifth lowest in the states) to 14.9% in 1989 (22nd lowest) for an increase of 35.5% between the 1980 U.S. Census and the 1990 U.S. Census.

According to the 1990 U.S. Census, 97,466 Wisconsin families (or 7.6% of the state's total households), encompassing 505,545 persons, had incomes below the poverty level in 1989. The council noted that Wisconsin white children experienced a relatively low poverty rate compared to other states. Only 9.8% of them were poor. On the other hand, Wisconsin had substantially higher poverty rates among its minority children: African-Americans - 54.1%; Asians - 48.1%; Native Americans - 44.6%; and Hispanics - 32.6%. (Wisconsin's percentage of African-American child poverty was the second highest in the nation behind Louisiana. Wisconsin ranked highest in Asian child poverty.)

Married and Single Parents. Wisconsin reported 650,628 households with children in the 1990 U.S. Census. Of these, 77.8% were headed by married couples, 18.1% by single females, and 4.1% by single males. (The comparable figures for 1960 were married couples, 93.7%; single females, 5.3%; and single males, 1.0%.)

The 1990 Census figures showed considerable economic differences among single- and two-parent households in 1989. Of the 1,014,437 children under age 18 living in two-parent households, 6.7% (67,935 children) lived below the federal poverty level. For single parent, male-headed households, the percentage in poverty increased to 18.7% (7,215 out of 38,905 children under age 18). In single parent, female-headed households, 51.3% of those children under 18 (109,217 of 212,763) lived in poverty. By family unit, the breakout was: two-parent families - 5% in poverty; single male-headed families - 15.1% in poverty; and single female-headed families - 43.3% in poverty.

Many AFDC families are headed by single mothers who lack marketable skills to attain adequate paying jobs. If they are able to find full-time work, the wages may be

too low to cover child care in addition to meeting daily living expenses, and health insurance is often unavailable at an affordable cost.

For example, *Congressional Quarterly* (January 22, 1994) reports that, based on a 1986 study by David T. Ellwood, now cochairperson of the White House welfare working group:

[S]everal characteristics seem to correlate with lengthier stays on welfare . . . The strongest characteristic is marital status. Single women were much more likely to stay on welfare longer than those who are divorced, separated or widowed. A recipient's age, the age of her dependent children and a recipient's recent work experience were among the other predictors of longtime welfare stays. These factors may make it particularly hard to push some recipients out of poverty — especially unwed teenage mothers.

Household Size. The national average for the number of persons in an AFDC household was 3.7 in the 1990 U.S. Census, and Wisconsin's average of 3.8 persons closely approximated that. The Wisconsin breakdown of AFDC households reported: one person households - 0.6%; two persons - 24.5%; three persons - 27.3%; four persons - 21.0%; five persons - 13.2%; six persons - 5.9%; and seven persons or more - 7.5%.

Education. Of the 76,714 adult Wisconsin AFDC recipients between October 1990 and September 1991, 37.3% of the recipients were high school graduates or had a GED, 8.1% had less than two years of college, 3.6% had two to three years college, 0.7% were college graduates or post graduates.

Employment and Training. According to the U.S. Department of Health and Human Services, between October 1990 and September 1991, Wisconsin's AFDC recipients included 66,778 adult females and 9,836 adult males. (There were 5,480 teenage mothers under age 20, some of whom were included in the adult count.) The employment status of 66,778 female adult recipients included: 5.8% employed full-time; 10.3% employed part-time; 12.0% unemployed; 19.7% were in school or training; and 51.9% were listed as "not employed - other" (0.1% unknown). The status of the 66,778 adult female recipients relative to employment training programs showed: 16.6% mandatory participants, 1.1% voluntary participants; 32.3% mandatory but not participating; and 49.8% exempt for child care (31.2%) or other reasons (18.6%) (0.2% unknown).

For the 9,836 male adult recipients: 4.1% were employed full-time; 15.6% were employed part-time; 28.8% were unemployed; 25.7% were in school or training; and 24.5% were listed as "not employed - other" (1.2% unknown). The status of the 9,836 adult male recipients relative to employment training programs showed: 32.2% mandatory participants; 0.8% voluntary participants; 40.3% mandatory but not participating; and 26.3% exempt (0.4% unknown).

Table 2: WISCONSIN AFDC RECIPIENTS — LENGTH OF BENEFITS, MARCH 1992

Number of Months	Number of Cases	Percent of Cases	Cumulative Percent
1-3	15,689	20.1%	20.1%
4-6	12,221	15.7	35.8
7-9	6,859	8.8	44.6
10-12	4,546	5.8	50.4
13-18	7,906	10.1	60.5
19-24	5,589	7.2	67.7
25-36	8,300	10.6	78.3
Over 36	16,911	21.7	100.0
TOTAL	78,021	100.0%	100.0%

Source: Wisconsin Legislative Fiscal Bureau, Informational Paper #44, Aid to Families With Dependent Children, Attachment C (January 1993), derived from Wisconsin Department of Health and Social Services, Computer Reporting Network (CRN), Report 1003B.

Length of AFDC Benefits

It is difficult to be precise about the length of AFDC dependency. Various studies show many families move off of the welfare rolls within a year, some later return, and a sizeable number require continuous assistance for years. For example, in March 1992, approximately half (50.4%) of the Wisconsin AFDC families reported receiving assistance for one year or less with the other half remaining on the rolls for 13 to 36 months or more.

**Table 3: WISCONSIN AFDC CASELOAD AND PAYMENTS
BY COUNTY AND TRIBE, FEBRUARY 1994**

County/Reservation	Total AFDC		AFDC-Regular		AFDC-Unemployed	
	Cases	Payment	Cases	Payment	Cases	Payment
Adams	284	\$120,048	236	\$97,066	48	\$22,982
Ashland	225	90,088	206	79,838	19	10,250
Barron	498	201,524	426	167,684	72	33,840
Bayfield	130	49,362	114	41,508	16	7,856
Brown	2,156	977,350	1,835	780,615	321	196,735
Buffalo	111	46,014	98	39,548	13	6,466
Burnett	199	83,709	166	67,705	33	16,004
Calumet	172	70,749	160	63,907	12	6,842
Chippewa	682	291,585	588	242,521	94	49,064
Clark	253	98,695	229	88,754	24	9,941
Columbia	288	115,055	269	105,862	19	9,193
Crawford	124	50,861	113	43,731	11	7,130
Dane	3,284	1,471,029	2,988	1,304,749	296	166,280
Dodge	476	200,655	434	179,634	42	21,021
Door	178	64,678	154	53,762	24	10,916
Douglas	915	391,947	770	319,544	145	72,403
Dunn	482	228,585	370	161,976	112	66,609
Eau Claire	1,319	593,358	1,072	449,267	247	144,091
Florence	80	31,225	70	27,008	10	4,217
Fond du Lac	767	338,249	661	272,277	106	65,972
Forest	178	77,492	159	66,025	19	11,467
Grant	289	114,531	244	92,984	45	21,547
Green	187	73,869	180	70,562	7	3,307
Green Lake	147	61,766	126	47,962	21	13,804
Iowa	103	40,454	95	36,959	8	3,495
Iron	52	21,464	47	19,035	5	2,429
Jackson	209	83,506	184	72,443	25	11,063
Jefferson	376	153,490	340	134,155	36	19,335
Juneau	292	123,261	259	105,920	33	17,341
Kenosha	2,488	1,094,700	2,267	978,476	221	116,224
Kewaunee	84	32,728	75	29,357	9	3,371
La Crosse	1,336	634,495	1,062	456,847	274	177,648
Lafayette	92	34,568	82	29,187	10	5,401
Langlade	262	101,949	228	86,296	34	15,653

County/Reservation	Total AFDC		AFDC-Regular		AFDC-Unemployed	
	Cases	Payment	Cases	Payment	Cases	Payment
Lincoln	265	110,437	239	96,795	26	13,642
Manitowoc	560	252,855	463	196,042	97	56,813
Marathon	1,172	592,761	835	361,477	337	231,284
Marinette	488	203,353	417	170,002	71	33,351
Marquette	120	47,727	107	42,027	13	5,700
Milwaukee	36,850	17,648,192	34,755	16,156,456	2,095	1,491,736
Monroe	463	185,201	411	160,307	52	24,894
Oconto	298	123,529	249	101,068	49	22,461
Oneida	409	156,633	348	130,355	61	26,278
Outagamie	829	403,050	666	289,587	163	113,463
Ozaukee	140	\$54,071	135	\$53,455	5	\$616
Pepin	56	21,446	46	18,020	10	3,426
Pierce	207	86,480	188	77,347	19	9,133
Polk	455	188,685	387	155,149	68	33,536
Portage	659	306,234	498	208,169	161	98,065
Price	146	58,575	124	48,994	22	9,581
Racine	3,375	1,481,637	3,208	1,398,745	167	82,892
Richland	191	73,841	172	64,193	19	9,648
Rock	2,758	1,211,179	2,532	1,080,253	226	130,926
Rusk	234	100,838	173	68,407	61	32,431
St. Croix	304	125,158	271	111,298	33	13,860
Sauk	384	152,117	344	132,139	40	19,978
Sawyer	372	155,186	315	125,419	57	29,767
Shawano	331	130,512	299	113,340	32	17,172
Sheboygan	792	366,367	622	258,634	170	107,733
Taylor	120	47,469	106	40,388	14	7,081
Trempealeau	269	110,264	236	96,931	33	13,333
Vernon	211	84,083	190	75,705	21	8,378
Vilas	126	51,298	109	44,776	17	6,522
Walworth	487	189,485	458	175,727	29	13,758
Washburn	196	79,185	163	64,622	33	14,563
Washington	447	190,350	422	177,908	25	12,442
Waukesha	1,148	480,717	1,080	446,602	68	34,115
Waupaca	399	157,684	352	136,310	47	21,374
Waushara	248	102,156	202	81,823	46	20,333
Winnebago	1,275	561,286	1,086	457,941	189	103,345
Wood	823	361,399	663	268,306	160	93,093

County/Reservation	Total AFDC		AFDC-Regular		AFDC-Unemployed	
	Cases	Payment	Cases	Payment	Cases	Payment
Tribal Reservations						
Bad River	78	33,037	67	26,706	11	6,331
Lac du Flambeau	144	60,892	116	45,625	28	15,267
Menominee	348	153,910	302	128,936	46	24,974
Oneida	228	103,697	208	92,617	20	11,080
Redcliff	79	36,241	62	27,687	17	8,554
Stockbridge-Munsee	25	10,910	24	9,658	1	1,252
TOTAL	77,227	\$35,213,185	69,957	\$30,829,107	7,270	\$4,384,078

Source: Wisconsin Department of Health and Social Services, Division of Economic Support, March 1994.

Level of AFDC Benefits

States individually determine who is in "need" of assistance, i.e., each establishes a "standard of need" which is used in making AFDC eligibility determinations. Eligibility for the program is also determined by income and resources limits defined by the federal government. States also individually set the level of the monthly payments to each family, generally defined as a percentage of the standard of need with larger payments for larger families. In Wisconsin, benefit levels also vary by size of county, with recipients in counties with a population under 70,000 receiving 97% of the benefit paid in larger counties.

In 1992, the average AFDC monthly payment for a family of three ranged from \$120 in Mississippi to \$924 in Alaska. Wisconsin's comparable payment was \$517 that year, ranking it 11th highest in the nation and higher than all adjacent states, except Minnesota at \$532. With the great variances in monthly AFDC payments, it has been suggested that welfare recipients are moving to states with higher benefits. From September 1992 to September 1993, DHSS reported that on a statewide basis the new AFDC recipients moving from another state and applying for Wisconsin AFDC benefits within 90 days of moving increased from 12.7% to 13.6%. Dane County reported the highest increase from 17.1% to 24.0%, while Milwaukee County experienced a 16.2% to 19.6% increase. (Concern about this migration led to the legislature's creating the Two-Tier Welfare Demonstration Project described in Section V below.)

Throughout the 50 states, AFDC is supported by a combination of federal and state appropriations with the federal payments ranging from a statutory minimum of 50% to a statutory maximum of 83%. The federal match is calculated annually, effective

October 1. As shown in the following table, the percentage of federal funding for the AFDC program in Wisconsin has risen from 56.87% to 60.82% from 1982 to 1992. Also notable is the variation in the state's actual dollar expenditures which peaked in fiscal year 1985-86 at \$231.5 million and dropped to \$157.2 million in 1992-93.

**Table 4: AFDC ANNUAL EXPENDITURES IN WISCONSIN
FISCAL YEARS 1982-83 — 1992-93**

Fiscal Year	Average Number of Recipients	Total Expenditure	Federal		State	
			Expenditure	Percent	Expenditure	Percent
1982-83	259,500	\$404,686,500	\$230,145,200	56.87%	\$174,541,300	43.13%
1983-84	280,500	482,735,000	274,531,400	56.87	208,203,600	43.13
1984-85	285,100	516,279,800	297,119,000	57.55	219,160,800	42.45
1985-86	299,700	545,179,500	313,696,300	57.54	231,483,200	42.46
1986-87	295,500	530,352,000	305,376,700	57.58	224,975,300	42.42
1987-88	276,100	474,015,100	279,574,100	58.98	194,441,000	41.02
1988-89	250,400	415,131,700	246,214,600	59.31	168,917,100	40.69
1989-90	237,700	389,829,100	231,090,700	59.28	158,738,400	40.72
1990-91	238,700	398,586,400	240,670,000	60.38	157,916,400	39.62
1991-92	244,000	406,974,500	247,507,400	60.82	159,467,100	39.18
1992-93	238,600	401,964,800	244,718,700	60.88	157,246,100	39.12

Note: Percentages calculated by the Wisconsin Legislative Reference Bureau.

Source: Wisconsin Legislative Fiscal Bureau, Informational Paper #44, Aid to Families With Dependent Children, Table I, (January 1993), and later data.

IV. RECENT FEDERAL WELFARE REFORMS

In recent years, the federal government and the various state governments have struggled with the question of how best to reduce welfare dependency. After attempts in 1969 and 1977, Congress passed Public Law 100-485, the Family Support Act of 1988, revising the federal approach to the problem. The act strengthened child-support enforcement procedures; required states to implement work, education and training for welfare recipients; required states to pay welfare benefits to poor two-parent families; and offered extended child-care and medical benefits when parents left the welfare rolls for a job. States were required to operate Job Opportunities and Basic Skills (JOBS)

programs that provided welfare recipients remedial education and training, child care and extended Medicaid benefits. The federal government has appropriated about \$1 billion annually for the JOBS program, and the states are expected to put up matching funds. Actually, due to economic recession, the states have been unable to provide enough matching funds to participate fully in the JOBS programs. For fiscal year 1992, the combined states were able to claim only about \$750 million of the \$1 billion budgeted federal funds, but Wisconsin matched the full \$21.9 million available to it.

Current Federal Reform Proposals

The original ADC program was designed to provide temporary assistance to individuals. However, as AFDC has evolved, there is increasing concern that it has become a long-term support program that fosters welfare dependency. Both the U.S. Congress and the Clinton Administration have voiced concern about AFDC's goals and its effects on clients.

On June 14, 1994, President Bill Clinton unveiled his proposals for welfare reform which focus on work and training for current AFDC clients, the child support responsibilities of noncustodial parents, and avoiding AFDC dependency in future generations.

As presented, the Clinton plan would take effect on October 1, 1995, although states could petition for a delay. All components of the plan would have to be fully implemented within two years of the plan's commencement.

The plan views welfare as a transition to work. It places a lifetime maximum of 24 months of cash assistance for AFDC recipients across the country and would require them to pursue individualized plans to help them move into the workforce. Time spent on welfare up to age 18 would not be counted toward the two-year limit.

Mothers with disabilities or mothers caring for disabled children would initially be exempt from the two-year limit but would be required to develop employability plans that lead to work. Also, mothers of infants would receive short-term deferrals (12 months for the first child and three months for the second), and the states could grant a limited number of extensions for young mothers completing educational programs.

Work and Training. The President's plan uses the JOBS program as a base for its work and training component. Due to financial limitations, the plan targets younger AFDC recipients for work assistance. All recipients over age 18 who were born after 1971 would be required to search for a job during their first 12 weeks on welfare. It is projected that this group will constitute about one-third of the welfare caseload in 1997 and two-thirds by 2004. States would have the option of including more, presumably older, recipients, and AFDC mothers under 18 would have to continue their schooling.

Recipients would be required to sign contracts obligating them to follow plans that increase their employability. These contracts would also detail the state's responsibility to provide the participant with education, training, and job placement services. Parents who refuse to follow their contracts would be sanctioned, generally by losing their AFDC benefits. As a positive incentive, states would be allowed to reward work by setting higher earned income and child support disregards.

Participants who cannot find private sector jobs within the two-year limit would be required to participate in the "WORK program", in which state governments can choose to subsidize nonprofit or private sector jobs or create government employment. Most WORK assignments consist of 15 to 35 hours per week at minimum wage, and individual assignments will last no more than 12 months. Recipients are then required to search for an unsubsidized job. If unsuccessful in searching for an unsubsidized job, the client may be given another WORK assignment. Individuals who fail to meet their WORK assignments or to exercise good faith in looking for private sector jobs will have their paychecks or benefits reduced.

The plan guarantees child care services during the education, training, and work programs, and for one year after participants leave AFDC for private sector employment. It also anticipates passage of universal health care coverage so that persons making the transition to employment will not have to worry about loss of Medical Assistance eligibility.

Another transitional aid will be the recently increased Earned Income Tax Credit (EITC) which the U.S. Treasury Department will make available to beneficiaries on a monthly basis to improve income flow. This credit benefits families with low incomes by reducing their tax liability or giving them a cash payment if the credit is greater than the taxes they owe. The EITC can assist families as they move from AFDC to wage-paying jobs, especially under the new provisions which provide monthly rather than annual credits.

Mutual Responsibility. The President's reform plan proposes that hospitals be required to establish paternity at birth, and each applicant for AFDC is expected to assist in identifying and locating the child's father.

The plan calls for regular updating of child support levels whereby support payments by the noncustodial parent increase as the parent's income rises. It also establishes stiffer penalties for those who refuse to pay child support, such as wage-withholding and suspension of professional, occupational, and driver's licenses. It calls for the establishment of a child support clearinghouse to promote collection of child support.

States would be allowed to place benefit caps on the number of children counted for AFDC benefits. They also could remove some of the AFDC eligibility limitations imposed on two-parent families. (On June 24, 1994, Wisconsin received a waiver which allows it to implement a family benefit cap in its Parental and Family Responsibility Pilot and the Work-Not-Welfare Pilot. Legislation to create a general cap for all AFDC family benefits failed to pass in the 1993 Legislature.)

Reaching the Next Generation. Preventing teen pregnancy and out-of-wedlock births is a critical part of the welfare reform plan. The President's plan aims at preventing welfare dependency by emphasizing that teenagers need to stay in school, postpone pregnancy, and prepare to work to support their future families. The plan focuses on educational efforts to prevent teen pregnancy, combined with mobilization grants and comprehensive demonstrations to illustrate to teens the opportunities open to them if they postpone child-rearing.

Unmarried minor mothers on AFDC will be required to live at home or with a responsible adult. (The federal government currently offers the states the option to impose this requirement. Wisconsin has applied it since January 1, 1992, with exceptions in cases where there is good cause to avoid such arrangements if, for example, the teen's emotional or physical well-being is threatened.)

V. SUMMARY OF WISCONSIN'S PROGRAMS

As Wisconsin AFDC expenditures rose above \$200 million in the mid-1980s, both the legislative and executive branches began to explore possible means of controlling costs and reducing AFDC caseloads. In some cases, the state initiated its own solutions; in others it responded to mandates from the federal government which was also seeking welfare reform.

A. TRAINING AND EMPLOYMENT

Initially, the state's new programs were targeted at improved education and job training opportunities followed by job placement with the expectation that AFDC recipients would become self-supporting.

From September 1983 through June 1989, Wisconsin met its federal mandate to provide employment and training activities for all nonexempt AFDC recipients through its work incentive demonstration program (WIN-DEMO), called the Wisconsin

Employment Opportunities Program (WEOP). Participation in WEOP was mandatory for single parents (or one of two parents if both were unemployed) in families with no children under age 6. WEOP funding covered only 60% of the mandatory participants, and the program operated in 22 counties. Job training expanded when the state authorized community work experience programs (CWEP) for AFDC recipients, as permitted by the federal government. CWEP provided temporary uncompensated work in public and nonprofit jobs for persons who were required to participate in WEOP but could not secure unsubsidized positions. It was assumed that CWEP experience would lead to paid employment.

The Work Experience and Job Training Program (WEJT), enacted in 1985 Wisconsin Act 185, enhanced WEOP by providing more comprehensive employment services and requiring county participation in CWEP. It offered some temporary child care funding for recipients who lost AFDC eligibility because of new job income and extended Medical Assistance from nine months to 12 months for those who became ineligible because of increased income. WEJT began as a five-county pilot and was subsequently expanded until it became available statewide on July 1, 1990, as required by the JOBS provision of the federal Family Support Act of 1988. The Wisconsin JOBS plan included WEJT and CWEP plus job search, work supplementation and various demonstration projects. A major difference in Wisconsin's JOBS plan is that it has been granted a federal waiver to mandate JOBS participation by caretakers of younger children (three months of age to six years) on a full- or part-time basis if child care is available. Both AFDC-U parents can be included in the mandate. (In practice, due to limited child care, caretakers of children under age two are exempt.)

B. AFDC ELIGIBILITY AND BENEFIT LEVELS

To some extent, expansion of the AFDC rolls has been controlled since 1988 through cuts in benefits and the attrition which occurred because of continuing inflation.

The 1987 Legislature moved to reduce Wisconsin AFDC benefits, which were sixth highest in the nation at the time. Wisconsin had previously pegged its benefit level at 85% of the state standard of need. In passing the 1987-88 biennial budget (1987 Wisconsin Act 27) the lawmakers lowered the percentage to 84.04%, but Governor Tommy Thompson used the partial veto to change that to 80% of the standard, thereby cutting benefits by 5.9%, effective September 1, 1988. After the veto, the AFDC grant for a family of three, for example, decreased from \$550 to \$517 a month, and that dollar amount has not been increased to date. The result, due to inflation, is that the \$517 in

1994 dollars is equivalent to \$396 in 1987 dollars, according to the Legislative Fiscal Bureau. In other words, the AFDC family of three has seen a 28% drop in the buying power of its monthly benefits since 1987.

Inflation has also served to control AFDC expenditures because the level established for eligibility has not been raised in proportion to the change in dollar value. In 1987, the maximum monthly income limit for AFDC eligibility was \$1,042. The 1994 maximum is \$1,137, but that is comparable to \$870 in 1987 dollars, which reflects a drop of 17% in the maximum. A family with income above the limit would lose its AFDC eligibility.

C. CHILDREN'S INCOME SECURITY SUPPLEMENT

The Children's Income Security Supplement plan (CISS) was an early attempt at welfare reform in Wisconsin that was enacted by the legislature but never implemented. It included several approaches to promoting self-sufficiency among AFDC families that are now part of the national reform debate.

After federal approval in 1984, the 1989 Legislature enacted a five-year program in the biennial budget which was designed to allow AFDC recipients to depend more on their earnings and child support collections and less on AFDC payments. CISS was scheduled to start in Dane and Oneida Counties in 1989, but the program lapsed after Governor Thompson impounded the funding, objecting to increased expenditures for support enforcement.

Prior to 1981, an AFDC parent who worked could keep the first \$30 earned each month plus 1/3 of any additional income received that month without loss of AFDC benefits. The Reagan Administration shortened the \$30 plus 1/3 disregard to four months and decreased it to the point that after 12 months the disincentive was 100%, i.e. AFDC workers lost a dollar of benefits for every dollar earned. Proponents of the CISS plan noted that, when disincentives reached that point, employment among AFDC recipients dropped from 14% to 10% nationally and from 24% to 14% in Wisconsin. They advocated increasing the disregard to make work profitable for AFDC families.

CISS also emphasized better child support enforcement, including updating child support orders, establishing paternity and increasing child support collections. AFDC recipients were not eligible for CISS unless they had child support orders, but it was assumed that the higher income return available to CISS participants would encourage the AFDC clients to cooperate in establishing paternity and securing support orders.

D. LEARNFARE

The state also initiated a program to promote better school attendance among children receiving AFDC benefits as part of 1987 Wisconsin Act 27. Popularly known as Learnfare, the program originally required that, as a condition of receiving AFDC benefits, recipients, ages 13 through 19, who had not graduated must attend school regularly. As passed by the legislature, the program would have applied only to teen parents, but Governor Thompson, through his authority to partially veto appropriation bills, expanded it to all AFDC teens.

Federal Waiver. Because the federal government funds at least half of each state's AFDC benefits, it requires certain uniformity in program administration. States wishing to initiate policies at variance with federal law, such as experimental pilot projects, are required to seek federal waivers in advance of the change. The Learnfare program was introduced on March 1, 1988, after Wisconsin was granted the necessary federal waiver, but it covered only 13- and 14-year-olds and teen parents during the first semester of operation. Beginning September 1, 1988, it was extended statewide to 15- to 19-year-olds, so that all teen recipients, ages 13 to 19, are now included. (As described below, the program will be extended to the 6- to 12-year-old group in selected counties for the 1994-95 school year.)

Learnfare's stated goal is to encourage students in poor families to complete high school and thus increase their chances of obtaining employment, thereby avoiding future welfare dependency.

Attendance Requirements. AFDC teens, ages 13 to 19, who do not attend school regularly may be sanctioned through reduced AFDC benefits for the family unit. Attendance records are checked at the time of application for AFDC and at each six-month review thereafter. A teenager who is subject to the Learnfare requirements is limited to a maximum of 10 full days of unexcused absences from school during the most recently completed semester. A teenager who has violated that attendance requirement or a dropout who has returned to school during the semester is permitted no more than two unexcused absences in any calendar month in the current semester. The teen whose attendance record cannot be verified is subject to the monthly attendance requirement for one semester or until the record is verified. Learnfare allows each school district to define attendance and excused absences, so standards are not necessarily uniform from one school district to another.

Good Cause Criteria. Learnfare does recognize that there can be "good cause" for noncompliance. The attendance requirements designate the following circumstances as good cause criteria:

1. The individual has a high school diploma or a high school equivalency degree.
2. The individual is temporarily excused by the school board from attending school due to poor mental or physical condition.
3. The individual is not a teen parent and is not residing with his or her biological or adoptive parent.
4. The individual is the caretaker of a child under 45 days old.
5. The individual is the caretaker of a child who is at least 45 days old and less than 90 days old, but child care is not available at the school and the school does not provide home instruction.
6. Child care is necessary, but regulated care is unavailable within reasonable proximity or the care costs exceed the maximum rate established by the county.
7. No public or private transportation is available to and from needed child care.
8. The individual is prohibited from attending school while an expulsion is pending.
9. The individual has been expelled and another school is not available because transportation is lacking or costs are prohibitive.
10. The individual is the mother of a child and a physician has determined that she should delay her return to school after giving birth.
11. The individual failed to attend school for one or more of the following reasons:
 - a) Illness, injury, or incapacity of the individual or a member of the individual's family;
 - b) Court-required appearance or temporary incarceration;
 - c) Medical or dental appointments for the individual or his or her child;
 - d) Death of a relative or friend;
 - e) Observance of a religious holiday;
 - f) Family emergency;
 - g) Breakdown in transportation;
 - h) Suspension; or
 - i) Any other circumstances beyond control of the individual.

Additional good cause criteria may be recognized on a case-to-case basis by DHSS through the fair hearing process.

Sanctions for Noncompliance. If a teenager has too many unexcused absences and has failed to show good cause for nonattendance, that teen will not be included in the family's AFDC grant in the following month (though actual application of the sanction may be delayed by administrative lags). Before a teenager can be sanctioned, a county income maintenance worker must verify the school attendance records. Subsequently, the teenager has the opportunity to request a "fair hearing" before a county income maintenance worker.

The Learnfare sanction is generally one month of reduced AFDC grant for each month of inadequate school attendance. The amount by which the grant is reduced depends on the total number of persons in the family covered by the grant. The program provides that sanctions may not result in the complete elimination of a family's AFDC grant. Even if all children in a family are subject to sanctions, the parent(s) continue to receive AFDC if they are otherwise eligible. Teen parents who are denied benefits for themselves under Learnfare sanctions may still receive benefits for their children.

The Legislative Fiscal Bureau projected that calendar 1993 funding for Learnfare would total \$10.6 million (\$5,557,200 federal; \$2,986,000 GPR; \$2,058,800 local). It also reported (Information Bulletin #46, January 1993) that the DHSS Division of Economic Support had recorded an average of 718 teens per month were sanctioned in calendar year 1991 resulting in a drop of \$1.06 million in federal and state AFDC benefits paid. In calendar 1992, the monthly average of sanctioned teens was 768 for an AFDC reduction of \$1.13 million (all funds).

In December 1989, a class action, *Kronquist v. Goodrich*, was filed by Legal Action of Wisconsin, Inc., a legal advocacy group for low-income individuals, on behalf of Milwaukee AFDC families whose teenage members had been sanctioned under Learnfare. The plaintiffs claimed there were administrative inadequacies in the program related to the accuracy of enrollment and attendance data, good cause determinations, and client notice. On July 10, 1990, U.S. District Judge Terence T. Evans granted a preliminary injunction which prohibited imposing Learnfare sanctions on AFDC recipients in the Milwaukee Public Schools because plaintiffs would suffer irreparable harm if benefits were improperly reduced, terminated or delayed. The judge lifted the injunction on October 31, 1990, following an agreement by the parties to improve procedures, and he ordered DHSS and Milwaukee County Department of Social Services to follow the procedures. Judge Evans expanded the order on April 10, 1991, to include all teenage AFDC recipients statewide whose benefits were being reduced. The case was

settled on September 29, 1992, after the state agreed to the procedures which must be followed prior to applying Learnfare sanctions.

Support Services. The state helps teens to participate in the Learnfare program through various support services. It provides limited funding for transportation to child care and the care itself. (Prior to January 1, 1992, state funding for Learnfare child care had been available through a sum sufficient appropriation.) Alternative education services may help the Learnfare teen secure a high school equivalency diploma, and additional funding is given to counties for case management.

Evaluation. Originally, the University of Wisconsin-Milwaukee Employment and Training Institute was commissioned to evaluate Learnfare, and its preliminary report was released February 5, 1992. The Institute encountered some evaluation design problems because a randomly selected control group had not been selected prior to Learnfare operations, but it compensated by comparing data to attendance records of teens whose families were current or former AFDC recipients. According to its evaluation, which compared over 50,000 students in Milwaukee Public Schools and 6,000 in five other school districts over five to six years:

1. On the whole, AFDC teens involved in Learnfare did not show improved attendance. Although about one-third had improved their school attendance, more than half had poorer attendance despite the threat of sanctions.

2. Dropout rates for Learnfare students were lower in the second year of the program than the first.

3. Graduation rates were identical for the Milwaukee teens subject to Learnfare and a control group of their Milwaukee classmates who were not. About 18% of each group who entered as freshmen in 1987-88 finished school as seniors in 1991.

4. Nearly half of the teen nongraduates who were caregiver parents were never required to attend school under Learnfare.

Officials from the DHSS and the U.S. Department of Health and Human Services (HHS) criticized the Institute's preliminary report, claiming it was technically flawed and failed to comply with state and federal requirements in the approved research design. The Institute had expected to submit a final report to the Wisconsin Legislature and HHS by June 30, 1992, but the evaluation was canceled by the state and federal authorities in April 1992.

DHSS next contracted with the Wisconsin Legislative Audit Bureau (LAB) to develop a research design that met federal requirements. The bureau proposed to undertake the evaluation in two separate studies. The first study focused on case management and was submitted February 9, 1994. It reviewed case management in the

10 counties that had received supplemental funding to provide services to Learnfare teenagers over the past three years (Brown, Dane, Douglas, Eau Claire, Kenosha, Milwaukee, Racine, Rock, Sheboygan and Winnebago Counties). For the 1992-93 school year, the LAB evaluation reported:

. . . The average age of teenagers with reported attendance problems during our study period was 15.8 to 16.7 years, depending on the county; more than half of the teenagers were female, and 15.3 to 40.6 percent were heads of their own households.

. . . The steps in the case management process include:

- offering case management services to teenagers with attendance problems;
- working with teenagers who respond, and their families, to assess the reasons for poor attendance;
- developing a service plan to identify social services and educational resources to assist with attendance problems;
- referral to needed services; and
- monitoring to ensure services are provided and effective.

The LAB report observed that certain difficulties arise in the presentation/case management process. Standardized forms are mailed to all teenagers with attendance problems offering case management services, but, it said, "these offers rarely result in a response. They are difficult to understand, or perhaps lost among many other communications that AFDC recipients receive."

The bureau found eight of the 10 counties made additional, individualized offers of case management through letters, phone calls, and in some cases home visits. However, response to these offers ranged from none in Eau Claire County to 34% in Kenosha County. The LAB reported: "We estimated that in the ten counties, 14.1 percent of the teenagers for whom case management offers were defined as a priority actually responded to an offer and received an assessment." The evaluation commented that this may have been due in part to "the fact that some potential clients are already receiving services through other programs or have received services in the past that failed to meet their needs." It also noted:

Other reasons cited by county staff and clients for the low response rate to offers of case management services include:

- limited or ineffective efforts on the part of some, but not all, counties;

- the attitude of teenagers who are so dissatisfied or discouraged with school that they refuse to consider returning regardless of the effect on the AFDC grant;
- a lack of understanding among AFDC teenagers and families that Learnfare ties school attendance to the amount of a grant; and
- the amount of time that elapses between the beginning of poor attendance and the imposition of a sanction, which can be several months and delays action to assist with attendance problems.

The LAB asserted that the assessments could be improved by ensuring: the family, as well as the teenager, is always involved in the assessment process; the assessment includes consultation with school officials; needed consultation with other professionals, such as family counseling, is identified; and all identified needs are documented so that a family's progress can be monitored despite turnover among case managers.

The bureau considered the counties' failure to involve school officials in case management and service planning to be "unacceptable". It recommended closer cooperation between the case manager and the school.

In its subsequent evaluation, the bureau will conduct a more extensive survey of the effectiveness of the program "in meeting its primary objectives of increasing school enrollment, attendance and completion for teenage AFDC recipients, and in reducing longer-term reliance on public assistance". It expects to evaluate a sample of 4,000 teenagers from 10 counties for six semesters using a randomly assigned control group, and it projects the final report will be completed in June 1996.

Learnfare Expanded. Learnfare sanctions were extended to younger students by 1993 Wisconsin Act 16. Starting with the 1994-95 school year, the program will be expanded to cover children ages six to 12 in Brown, Fond du Lac, Kenosha, and Rock Counties. The program for the younger children will be phased in over three years, and it is expected to cover 5,789 students in fall 1994. The federal government has approved a waiver for the expanded program and has extended its permission for Learnfare to operate until September 30, 1997. Sanctions can be applied to the younger students only if a case manager from the county department of social services makes specific recommendations about activities that will improve the child's school attendance, and both the child and the child's family fail to comply with the case management activities.

**Table 5: CHARACTERISTICS OF LEARNFARE TEENAGERS
WITH REPORTED ATTENDANCE PROBLEMS
1992-93 SCHOOL YEAR***

County	Total	Average Age (Years)	Sex		Head of Household	Percent With Sanction**
			Male	Female		
Brown	255	16.2	39.2%	60.8%	29.0%	48%
Dane	384	16.0	37.8	62.2	22.9	26
Douglas	85	16.7	36.5	63.5	28.2	59
Eau Claire	85	15.8	48.2	51.8	15.3	16
Kenosha	422	15.9	42.9	57.1	25.6	44
Milwaukee	6,093	16.3	38.3	61.7	21.7	36
Racine	450	16.4	28.7	71.3	30.0	49
Rock	323	16.5	29.7	70.3	38.7	45
Sheboygan	59	16.1	45.8	54.2	18.6	22
Winnebago	106	16.5	31.1	68.9	40.6	40

*Includes teenagers whose Learnfare status was listed as "monitored", "sanctioned" or "good cause" at the end of any benefit month from September 1992 through May 1993.

**Teenagers whose Learnfare status was "sanctioned" at the end of any benefit month from September 1992 through May 1993.

Source: Wisconsin Legislative Audit Bureau, *An Evaluation of Learnfare Case Management Services — Wisconsin Department of Health and Social Services*, February 1994.

E. PARENTAL AND FAMILY RESPONSIBILITY PROGRAM

The Parental and Family Responsibility pilot program (PFR), popularly referred to as "Bridefare" or "Wedfare", is an AFDC pilot project scheduled to operate over a 3-year period commencing July 1, 1994, in Juneau, Milwaukee, Oneida, and Rock Counties. The PFR pilot targets teen AFDC parents who already have one child or are expecting their first child, and, according to DHSS, it seeks to: encourage the parents to improve their parenting and work skills; discourage them from having additional children; encourage them to work by allowing them to keep more of their earned income without reducing AFDC benefits; and change certain features of AFDC which might serve as disincentives to marriage.

The Teen Parent Problem. Teen parenthood is often cited as contributing to the so-called "cycle of poverty" because those who become parents in their teens tend to

require public financial assistance at a much higher rate than older parents. Low-income unmarried teen mothers are more likely to have low birth weight babies and subsequent closely spaced births. They remain on AFDC longer, and they have children who themselves require public assistance at a higher rate and for longer periods.

According to statistics collected by the state, about half of all current AFDC recipients in Wisconsin had their first child when they were teenagers. These mothers report lower levels of education, job skills and work experience, and they tend to continue as single-parent families.

Required Participation. Under Section 49.25 (3), Wisconsin Statutes, all persons living in one of the four pilot counties (except for control group members) are required to participate in the PFR Initiative if they receive AFDC and meet any of the following criteria:

1. A woman under age 20 with no children of her own who enters the third trimester of pregnancy after June 30, 1994;
2. A woman under age 20 who is not pregnant and has given live birth only once (whether a single or multiple birth) after June 30, 1994;
3. A married man under age 20 who is the father of one child (or the children of a single multiple birth) born after June 30, 1994, if he is living with his nonpregnant spouse;
4. A person who is married to and living with a person who is required to participate in the pilot program; or
5. A man who has been judged through paternity proceedings to be the father of a child whose mother must participate in the pilot, provided the man is living with the mother.

An individual who is required to participate in the PFR pilot program is subject to the pilot provisions until the individual no longer lives in a pilot county in which the program is in effect or he or she has not received AFDC for at least 36 consecutive months. A spouse is not required to participate if the spouse is the stepparent of the participant's child or children, and the couple chooses not to have the stepparent's needs taken into consideration for purposes of determining the amount of AFDC payment to the family.

Program Objectives. According to the DHSS request for federal waiver, the PFR Initiative seeks to determine whether changes in the AFDC program, together with early social service intervention, can:

1. Reduce long-term welfare dependency and promote gainful employment among families headed by teen parents;

2. Encourage teens on AFDC to delay subsequent births until they are ready emotionally and financially to support additional children;
3. Strengthen family life by promoting and preserving two-parent families;
4. Increase parenting skills through comprehensive services for job training, education and personal development; and
5. Expedite establishment of paternity and promote increased emotional and financial support from absent parents.

Wisconsin's Parental and Family Responsibility initiative received national attention on April 10, 1992, when President George Bush announced the granting of the necessary waiver for the pilot in a White House press conference.

Project Design. Section 49.25, Wisconsin Statutes, as created by 1991 Wisconsin Act 39 and expanded by 1993 Wisconsin Act 16, lays the foundation for the PFR initiative. In each county where the pilot program operates, the target group is divided by random selection into two segments — an experimental group subject to PFR requirements and a control group subject to existing AFDC rules. If there is a 50/50 split between the experimental and control groups, DHSS estimates that there will be approximately 600 cases in each group in Milwaukee County alone by the end of the first year of implementation.

The PFR pilot implements six major changes to current welfare programs:

1. Adjusting AFDC-Unemployment Parent Criteria. In part, the PFR project is designed to amend current AFDC-U regulations that may act as disincentives to the creation or maintenance of two-parent teen households. Generally, under existing AFDC rules, when a family has two parents in the home, at least one of them must have a minimum employment history in order to qualify for AFDC-U. In addition, the family becomes ineligible for AFDC if the primary wage earner works 100 hours or more per month, regardless of the wages earned. The PFR project permits waiver of the employment history requirement and the 100-hour rule, if the parents are married. This could improve the eligibility of teen fathers who lack a work history and may encourage teen AFDC mothers, who in the past would have remained single rather than lose benefits, to consider marriage.

2. Limiting AFDC Payment for Additional Children. Currently, the AFDC monthly payment increases with the size of the family. In contrast, the PFR pilot will cap the increase in the AFDC payment for the second child at \$38 (half of the usual increase) and provide no further increases for the birth of subsequent children. (If the second pregnancy results in a multiple birth, PFR limits the grant to \$38 for the first child but provides the full amount (\$76) for all other children of the birth.) These benefit

limitations are designed to encourage teen parents to delay additional births until they are able to support their children themselves.

Table 6: MAXIMUM AFDC PAYMENTS UNDER PFR INITIATIVE

Size of Family	Single Parent Family		Two-Parent Family	
	PFR Recipients	AFDC-R Control Group	PFR Recipients	AFDC-U Control Group
One Child	\$440	\$440	\$517	\$517
2 Children	479	517	579	617
3 Children	479	617	579	708

Source: Wisconsin Department of Health and Social Services, Division of Economic Support, January 1994.

The AFDC benefit reductions will not affect the Medical Assistance (Medicaid) eligibility of the children in PFR families. In addition, the family's food stamp allotment will generally continue to increase with family size. As with other AFDC programs, parents who fail to cooperate with the JOBS training or education requirements may be sanctioned by losing AFDC eligibility. Their children will remain eligible for AFDC, Medical Assistance and food stamps.

3. Earned Income Disregard. The amount of a recipient's AFDC grant is based on the family's size and its monthly gross budgetable income, determined by a formula which takes into account work-related expenses, child care costs, and an "earned income disregard" amount. Under current disregard rules, recipients are generally permitted to keep (i.e. disregard) only a small amount of monthly earned income for a limited period while remaining eligible for AFDC.

Under the PFR pilot, earned income disregard will be expanded to cover all of the first \$200 plus 50% of any additional earned income. Thus, employed PFR participants will be allowed to retain more of their earned income each month with no time limit on the disregard. This approach is expected to provide financial incentive for members of the target group to become and stay gainfully employed. (Wisconsin sought a waiver to make this same earned income disregard applicable to all AFDC recipients, but the federal government denied the request on January 14, 1993.)

4. Education and Employment Plan. A family case manager will be assigned to each PFR participant to assist in developing a personalized education, employment and

services plan. The goal of the participants' plans is to enter unsubsidized jobs and to balance family life and employment. In addition to the education and employment-related services they receive through JOBS, they will be given additional parenting and life skills training. If a recipient fails to cooperate without good cause, AFDC benefit sanctions will be imposed.

The individual plans focus on education enhancement; completion of a high school diploma or equivalent; employment and career development; independent living skills (financial, housekeeping, and family life); child development and parenting skills; health and personal development (family planning, alcohol and other drug education, and mental health services); and emotional self-sufficiency (assertive communication, goal setting, motivation, and problem-solving).

5. Education and Employment for Noncustodial Parents. Noncustodial parents in the target group who are unemployed or underemployed and are not meeting their child support obligation may be required by a judge to participate in the pilot county's JOBS program for 40 hours-a-week of education, parenting and work activities. Failure to cooperate may result in a contempt of court citation.

6. Child Support Enforcement Incentive. The PFR program provides funding for pilot counties to assist them in establishing paternity and obtaining child support. The PFR pilot will attempt to improve coordination between income maintenance and child support/paternity staff to expedite paternity establishment for low-income single teen parents in the target group. Counties that participate in the demonstration will receive a \$200 increase (from \$100 to \$300) in the bonus paid for paternities established within one year for babies born to women under 20 years of age. County child support agencies will be encouraged to use the incentive funding to experiment with innovative ways to establish paternity. In addition, one family court commissioner will be added in Milwaukee County to deal solely with paternity actions.

Project Evaluation. DHSS is directed by law to evaluate the PFR project or to contract with a public or private agency for evaluation. It is anticipated that the evaluation will analyze the project's success in proving a number of hypotheses developed by DHSS, including whether PFR has: reduced or delayed subsequent pregnancies, increased the number of two-parent families, increased participants' education levels and their employment and earnings, decreased child abuse and neglect cases, increased collection of child support payments, and saved government funds through reduced AFDC caseloads.

Financing PFR. In its waiver request to the federal government, DHSS estimated that, over the five-year life of the demonstration, the PFR Initiative will cost the state

about \$3.5 million while saving the federal government about \$1.9 million, for a total net cost of approximately \$1.6 million in government funds. In addition to administrative expenditures there will be extensive costs related to increased education and training and the earned income disregard. DHSS anticipates a net savings to both state and federal government, beginning in the sixth year, resulting from increased employment and marriage, reduced births, reduction of the average length of stay on AFDC, and additional child support collections.

F. TWO-TIER WELFARE PROJECT

Is Wisconsin a "Welfare Magnet"?

Periodically, questions arise concerning whether the state's relatively high level of benefits attracts migrants from other states to Wisconsin AFDC rolls. DHSS statistics indicate that of 1,877 new AFDC applications processed in December 1993, 468 (24.9%) of the applicants had not lived in Wisconsin previously. Of this number, 124 (6.6%) applicants moved to Wisconsin from Illinois, 53 (2.8%) from Minnesota, 26 (1.4%) from both California and Texas, and 18 (1.0%) from Michigan. For specific counties, 29% of Milwaukee County applicants had not lived in Wisconsin previously; Dane County approximately 40%; Kenosha County 35%, Racine County 20%, and Rock County 22%. Of these states, California and Minnesota paid AFDC recipients a higher benefit than Wisconsin while Michigan, Illinois and Texas paid lower benefits (see Table 7, page 29).

In 1986, the Welfare Migration Study Committee reported its findings on this issue to the Wisconsin Expenditure Commission, which Governor Anthony Earl had appointed to study state finances. It concluded that higher benefits were usually only part of the combination of factors that attract immigrants to Wisconsin. Other attractions are proximity to family and friends and the high quality of life in Wisconsin, including low crime rates, good schools, decent and affordable housing, and a strong economy. The study committee obtained its data from interviews with recent arrivals who applied for AFDC, and it was difficult to determine what part higher welfare payments play in decisions to move to Wisconsin because no one was obligated to declare his or her true reasons for moving to the state.

Other studies have substantiated the findings of the welfare migration committee, but the magnet question persists. Prompted by claims that an increasing number of welfare recipients were engaged in "welfare shopping", the Wisconsin Legislature passed 1991 Wisconsin Act 313 in June 1992, providing for a demonstration project (commonly referred to as the "Two-Tier Welfare Demonstration Project") to determine whether

Wisconsin is a welfare magnet. The legislature specified that Kenosha, Milwaukee and Racine Counties would be the nucleus of the project and three other counties could be included. Rock County was added to the project on November 24, 1992. The law prohibits the state from conducting a two-tier demonstration in a county that either enacts an ordinance or adopts a resolution objecting to participation in such a project.

**Table 7: MAXIMUM MONTHLY AFDC BENEFITS FOR FAMILY OF THREE
BY STATE, JANUARY 1992**

State	AFDC Rate	Rank*	State	AFDC Rate	Rank*
Alabama	\$149	50	Nebraska	\$364	28
Alaska	924	1	Nevada	372	26
Arizona	334	34**	New Hampshire	516	12
Arkansas	204	46	New Jersey	424	17
California	663	5	New Mexico	324	36
Colorado	356	30	New York	577	6
Connecticut	680	2	North Carolina	272	42
Delaware	338	33	North Dakota	401	23
Florida	303	38	Ohio	334	34**
Georgia	280	41	Oklahoma	341	32
Hawaii	666	4	Oregon	460	13
Idaho	317	37	Pennsylvania	421	19
ILLINOIS	367	27	Rhode Island	554	7
Indiana	288	40	South Carolina	210	45
IOWA	426	16	South Dakota	404	21
Kansas	422	18	Tennessee	185	48
Kentucky	228	44	Texas	184	49
Louisiana	190	47	Utah	402	22
Maine	453	15	Vermont	673	3
Maryland	377	25	Virginia	354	31
Massachusetts	539	8	Washington	531	10
MICHIGAN	459	14	West Virginia	249	43
MINNESOTA	532	9	WISCONSIN	517	11
Mississippi	120	51	Wyoming	360	29
Missouri	292	39	District of Columbia	409	20
Montana	390	24	U.S. MEDIAN	372	---

*Rankings include District of Columbia.

**Tie in ranking.

Source: Wisconsin Legislative Fiscal Bureau, Informational Paper #44, Aid to Families With Dependent Children, Attachment H, (January 1993). States reordered by Wisconsin Legislative Reference Bureau.

Following receipt of the federal waiver in July 1992, the three-year demonstration project began operation on July 1, 1994, and is scheduled to end on June 30, 1997.

Project Design. The Two-Tier Demonstration Project will include persons eligible for AFDC who have not previously resided in Wisconsin for a minimum of six months and who either: 1) apply for benefits within 90 days of moving to Wisconsin or 2) apply for benefits more than 90 days but less than 180 days after moving to Wisconsin and cannot demonstrate a minimum of 13 weeks' employment after moving into this state.

Persons in these categories will receive AFDC grants that are calculated on the basis of the benefits offered in the state in which the family most recently resided, regardless of whether they were higher or lower than Wisconsin's. These alternate benefits will continue for the first six months of residency in this state. 1993 Wisconsin Act 16 prohibits those persons whose AFDC benefits would be calculated under the Two-Tier Project from alternately receiving general relief payments that would exceed their prescribed two-tier benefit.

Constitutional Review. 1991 Wisconsin Act 313 provided the project would be implemented if the Wisconsin Supreme Court failed, within nine months of receipt of the federal waiver, to declare the project unconstitutional under the Wisconsin or U.S. Constitutions. On October 5, 1992, Attorney General James Doyle filed a petition with the Wisconsin Supreme Court seeking judgment on the constitutionality of the demonstration project. The court subsequently denied the petition on October 30, 1992, thereby declining to rule on the project's constitutionality.

Related Court Action. On January 18, 1994, the U.S. Supreme Court struck down Minnesota's two-tier welfare system which would have paid new residents \$203 for single parents and \$260 for married couples for the first six months. The court, without comment, left intact lower court rulings that the Minnesota law "violated new residents' equal-protection right and their right to travel". Unlike Wisconsin, which is a limited-area experimental pilot project, Minnesota's program was statewide and permanent. At this point, it is unclear how this court decision will affect Wisconsin, but, on September 13, 1994, Legal Action of Wisconsin filed a class action suit in federal court against the Wisconsin Department of Health and Social Services and the U.S. Department of Health and Human Services, to challenge the Two-Tier Demonstration Project based on the arguments the U.S. Supreme Court upheld in the Minnesota case.

Project Funding. 1993 Wisconsin Act 16 appropriated a total of \$400,000 (\$160,000 state general purpose revenue/\$240,000 federal funding) in 1993-94 and a total of \$630,400 (\$315,200 GPR/\$315,200 FED) in 1994-95 to implement computer assistance and state and county administration for the Two-Tier project. The budget also projects a reduction of \$303,400 (\$120,400 GPR/\$183,000 FED) in 1994-95 to reflect reduced AFDC benefits to persons participating in the demonstration project.

Evaluation of the Two-Tier Demonstration Project. The law requires DHSS to contract with the Legislative Audit Bureau, which in turn will subcontract with a private or public agency, for a performance evaluation of the demonstration project. The evaluation must specifically consider whether the project deters persons from moving to this state.

G. WORK-NOT-WELFARE

The newest piece of Wisconsin's welfare reform is Work-Not-Welfare (WNW), a pilot project which incorporates several of the features of the programs discussed previously and is designed to limit the length of time a recipient may receive AFDC benefits.

1993 Wisconsin Act 99, which was signed by Governor Thompson with some portions vetoed, created the WNW pilot in Section 49.27, Wisconsin Statutes, and authorized DHSS to select one or more counties for participation in the pilot program. Counties interested in participating were to apply for the program, either through county board resolutions or by letters from county public assistance directors. A total of 15 counties applied for inclusion in the project (Adams, Barron, Brown, Dane, Fond du Lac, Juneau, Kenosha, Marquette, Pierce, Price, Racine, Rock, Shawano, Washington, and Waupaca). On April 6, 1994, Fond du Lac and Pierce Counties were selected as the test counties, and it is expected that the demonstration will involve approximately 1,000 AFDC recipients.

Federal Waiver. Federal approval for the pilot, which was received November 3, 1993, allows the program to operate between January 1, 1995, and January 1, 2006, but new persons could not be enrolled after January 1, 2002.

Program Design. The program generally limits WNW participants to 24 payments of AFDC monthly cash benefits in a 48-month period, and food stamps for WNW participants are "cashed out", i.e. paid in cash equivalents. The AFDC portion of the cash payment generally is not increased to reflect births occurring 10 months or more subsequent to enrollment in the WNW program, but food stamp allotments do reflect any subsequent births.

Persons over age 16 are subject to the WNW pilot if they are AFDC recipients or caretakers of children receiving AFDC and they reside in a pilot county on or after January 1, 1995. Persons who move out of a pilot county but have received benefits under WNW within the 36 months preceding the move continue to be governed by the program requirements. (This provision attempts to prevent a person's avoiding the program by moving to a nonpilot county.)

The WNW pilot includes several of the features contained in the PFR design: waiver of the 100-hour rule, increase and indefinite extension of the earned income disregard, and transitional benefits (child care, housing subsidies and Medical Assistance) for some families who are no longer eligible for cash payments.

Employment and Training Requirements. As a condition for receiving cash benefits, every person over age 16 in the WNW "group" (which is defined as the AFDC case unit, including specified heads of household, caretakers and the dependent children) must comply with the program's employment and training requirements. A person is exempt from the requirements if he or she is participating in either the PFR or Two-Tier Pilots or if one of the following conditions exists:

1. Illness, incapacity or advanced age;
2. Illness or incapacity of another member of the WNW group;
3. Eligibility for a supplemental security income (SSI) payment;
4. Not legally responsible for a child in the WNW group and needs are not considered in calculating benefits;
5. Required school attendance as part of the Learnfare program;
6. Head of household for the WNW group and under 18 years old;
7. Caretaker of a child who is less than six months old or a child under one year of age who was born no more than 10 months after the WNW group's enrollment date;
8. As determined by a physician, the person is unable to work during a pregnancy; or
9. County department has determined there is good cause for not complying.

(Note: Many of these same conditions may also extend the eligibility of the persons described beyond the 24-month limitation of the WNW pilot.)

Individuals who meet conditions for exemption may still volunteer to participate in the employment and training program if funding permits.

Participation Requirements. A person who is subject to the employment and training requirements is obligated to participate in orientation activities within two months of the enrollment date of that person's WNW group. Commencing on the first day of the month following completion of these orientation activities, the person is required to participate in the employment and training program for a specified number of hours each month, as determined by the amount of the monthly benefit and the number of persons in the group who are subject to the employment and training requirement. No person may be required to spend more than 40 hours per week participating in this program. If a person needs child care services, the hours of participation required may not exceed the number of hours for which child care is available.

Sanctions. After payment of the first month's benefits, if it is determined that a person in the WNW group has failed to meet the employment and training requirements, the entire group can be sanctioned by either reducing or not paying the

cash benefit. Sanctioned monthly benefit payments are included in determining the maximum number of monthly cash benefits permitted under the program.

Evaluation. DHSS is required to contract with either a public or private agency for evaluation of the WNW program relative to its implementation, outcome, and impact. The evaluation will cover a 12-month period and is projected to cost \$1.5 million.

Administration in Pilot Counties. At a minimum, each pilot county must establish a community steering committee, a children's services network, and case management services.

The community steering committee is to include 12 to 15 members, appointed by the county executive, county administrator or chairperson of the county board of supervisors. The chairperson of the steering committee must represent business interests. It encourages employers to provide permanent jobs for participants; creates or encourages the creation of subsidized jobs or on-the-job training sites for the pilot; and guides the entrepreneurial efforts of participants and provides mentors for them.

The children's services network provides information about community resources available to the children in a WNW group, including charitable food, clothing centers and child care programs.

Each WNW group must be assigned to a case management team which offers orientation services by explaining the benefit limitations and the employment and training requirements. To the extent that funding is available, the case management team also assists in obtaining child care services.

H. WORK FIRST PROGRAM

1993 Wisconsin Act 99, effective December 28, 1993, provided \$1.4 million in the 1993-95 biennium to extend the Work First Program which is designed to minimize the time that elapses between application for AFDC and participation in the JOBS program.

The program originated on February 1990 in Kenosha County as the result of the Kenosha County Department of Social Services' offer to test the project for the state. According to the Kenosha County Job Center, the program attempts to forge a "connection between receiving public assistance and preparing for economic self-sufficiency by eliminating the time lag between AFDC application and JOBS Program enrollment."

The Kenosha program assigns all AFDC recipients to a work program activity within one week of application and to a work situation in full- or part-time unsubsidized work, Community Work Experience (CWEP), On-the-Job Training (OJT) or supplemental work within 11 weeks.

As originally passed by the legislature, Act 99 expanded the program to cover Kenosha County and eight additional counties. Governor Thompson eliminated the reference to a specific number of counties through a partial veto, thereby permitting DHSS to determine the number and type of participating counties.

VI. AFDC-RELATED PROGRAMS

In addition to the programs already discussed, which are directly concerned with the administration of the AFDC payments, a number of other activities, supported by federal and state government or private organizations in cooperation with government agencies, also impact AFDC spending. Though tangential in some cases, these efforts may determine whether parents can become self-supporting and leave AFDC or possibly avoid AFDC entirely.

A. CHILD SUPPORT ENFORCEMENT

Despite out-of-wedlock birth, divorce or separation, it may be possible to avoid public assistance or AFDC payments in those cases where a child has two living parents if both fulfill their support responsibilities to the extent they are able. In 1975 the U.S. Congress enacted Title IV, Part D, of the Social Security Act directing the federal Office of Child Support Enforcement to cooperate with the individual states in developing and administering plans to enforce child support obligations. In Wisconsin, the Bureau of Child Support in the DHSS Division of Economic Support is responsible for implementing Title IV, Part D. The counties contract with the department to operate the program at the local level, and their duties include establishing paternity and the parents' legal obligations, enforcing support orders, locating parents, and collecting and disbursing support payments. Carrying out these activities may require the coordinated efforts of the offices of the district attorney, clerk of courts, sheriff, corporation counsel, and family court commissioner.

Establishing Support. In Wisconsin, the courts establish the level of support a parent must pay when they: enter a judgment of annulment, divorce or legal separation; approve a stipulation for child support; make a determination of paternity; or establish

temporary support orders during the pendency of any action affecting the family. Either or both parents may be ordered to pay support until a child reaches 18 years (age 19 if pursuing a high school diploma or equivalent). The court-ordered support must be paid to the clerk of circuit court in the county in which the order is entered, and the clerk is responsible for keeping records of the payments and for proper disbursement.

By administrative rule, DHSS has established the following support standards for the noncustodial parent, based on that person's gross income and assets: for one child - 17% of the parent's income; two children - 25%; three children - 29%; four children - 31%; and five or more - 34%. Child support that is not paid when due accrues interest at the rate of 1.5% per month.

The court may modify the standard amount of support if it determines that the level prescribed would be unfair to the child or either of the parents. In such a case, the court must state in writing its reasons for altering the standard, and the adjustment must be based on factors specified in the law, such as the cost of day care or the child's educational or health needs.

Income Withholding. In August 1987, Wisconsin became the first state to enact a statewide withholding program whereby income from a paycheck or other source is immediately withheld and submitted to the clerk of court for distribution. Prior to enactment of 1987 Wisconsin Act 27, the state had conducted pilots in about half of the counties whereby withholding was applied in all new court actions, including those revising support levels. It was found that broad, general application of withholding reduced the stigma of the process which previously had applied only to delinquent payments. Child support withholding takes priority over any other garnishment or assignment, and the employer may be charged with contempt of court for failing to withhold the support or inform the court of the employe's termination.

Recently, 1993 Wisconsin Act 389, effective May 5, 1994, has allowed the court to impose a civil forfeiture on an employer who fails to withhold or to forward support monies withheld to the clerk of courts within five days. State law also permits the court to require support payers to arrange periodic payments from a bank account to ensure support payments by self-employed persons or persons with sufficient resources but no wages.

Review and Adjustment. Beginning October 1, 1993, federal law required states to ensure that all AFDC child support orders are reviewed and adjusted, when necessary, to comply with the state's child support guidelines. Wisconsin had preceded this requirement with a two-year pilot program, enacted in 1991 Wisconsin Act 39, to

enable 11 counties (Barron, Burnett, Dodge, Eau Claire, Kenosha, Marathon, Milwaukee, Racine, Sauk, Washburn and Washington Counties) to update and revise child support orders. The sunset provision in the original act was deleted in the 1993 legislative session.

Beginning October 1, 1996, the federal government will require the states to review AFDC-related support orders every three years and review the orders for non-AFDC families aided by the support agencies every three years upon request of one of the parents involved.

AFDC Assignment. Federal law requires applicants for AFDC benefits to assign all rights to court-ordered child support and maintenance (alimony) to the state. The assignment must cover all unpaid support and alimony for the period in which AFDC is received. If the support payments do not disqualify the AFDC recipients, they may be allowed to keep the full month's AFDC payment plus the first \$50 of the support payment (referred to as a "disregard"). Any support collected in excess of the \$50 disregard is divided between Wisconsin and the federal government in proportion to their currently prevailing AFDC expenditures (approximately 40% state; 60% federal).

Other Support Enforcement Services. Any parent may apply for government assistance in locating an absent parent or in establishing or enforcing a support obligation. Custodial AFDC parents automatically receive certain enforcement services from federal, state or local governments at no cost. (Many of the same services are also available to non-AFDC families as no or low cost.)

Paternity cannot be established without a formal adjudication, but a man may be ordered to support a nonmarital child without an adjudication of paternity if he has signed and filed an acknowledgement of paternity. All AFDC paternity cases are referred to the county child support agency which must attempt to establish paternity in the case of unmarried mothers. An unwed mother who refuses to cooperate with the county in the paternity action without legally recognized "good cause" may lose AFDC eligibility. The state may reimburse the county at the rate of \$100 per case when it acts within certain time limits to establish paternity in the case of unmarried teen mothers.

Both AFDC and non-AFDC cases can benefit from government interception. Persons owing past due child support may have their federal or Wisconsin income tax refunds intercepted, and the State of Wisconsin will also intercept state lottery winnings, as well as unemployment compensation and worker's compensation.

Criminal Enforcement. In Wisconsin, failure to pay child support for less than 120 consecutive days may result in a Class A misdemeanor, punishable by a fine of up to \$10,000 or imprisonment of up to nine months, or both. Failure to pay for 120 or more

consecutive days may result in a Class E felony punishable by a fine of not more than \$10,000 or imprisonment of up to two years, or both.

Failure to pay child support became a federal crime under the Child Support Enforcement Act of 1992 (P.L. 102-521). Under federal law, parents who flee a state and owe at least \$5,000 in child support or who have failed to pay support for at least one year can be jailed for up to six months or be liable for fines of up to \$5,000, or both. Repeat offenders may face jail sentences of up to two years or fines of up to \$250,000, or both.

In July 1994, the U.S. Senate, upon finding that nationally only five cases had been prosecuted in the law's two years of existence, unanimously directed U.S. Attorney General Janet Reno to increase enforcement efforts. Data reported to the Senate by the Children's Defense Fund (CDF) showed more than 23 million children in the United States did not receive the support due, and nine million of these have a negligent parent living out-of-state. The CDF report showed that nationally the states were able to collect in only 18.7% of their 1992 support cases. (Wisconsin's collection rate was 31.3% which ranked it fifth highest among the states.)

B. CHILDREN FIRST PROGRAM

Children First originated as the Community Work Experience Program for Non-Custodial Parents pilot, which was created by 1987 Wisconsin Act 413. Under this act, DHSS contracted with Fond du Lac and Racine Counties to conduct the pilots, beginning January 1, 1990, to motivate unemployed noncustodial parents who were delinquent in their child support payments. According to the DHSS description of the program, the pilots were designed to develop financial responsibility by requiring the parent to pay the support arrearage or participate in an unsubsidized work experience with the threat of a jail term for noncompliance. The program was funded entirely by the state, and participating counties received a reimbursement for each client served.

1991 Wisconsin Act 39 made the pilots permanent, and all Wisconsin counties became eligible for the program. Additional counties authorized by DHSS, as of January 21, 1994, to participate in the Children First program include Burnett, Grant, Kenosha, Langlade, Manitowoc, Marinette, Marquette, Oconto, Price, Rusk, Sawyer, Vilas and Washington Counties. (Additional counties can be added each January.)

Program Design and Goals. According to the DHSS description of the program, dated May 1991, the goal of Children First is "not only to make clients employable and self-sufficient, but also to make them willing to accept financial responsibility for their

children". DHSS reports that "many of the parents referred to the program have refused to meet their child support obligations not because they are unable to work, but rather because they do not feel responsible for their children". Most of the persons subject to the program found the necessary financing when threatened with possible jail sentences, but the county services were also geared to help the parents obtain job experience in unsubsidized community work. Clients involved in the pilot were not paid for their work, and they could not be required to work more than 32 hours per week nor more than 16 weeks in the year.

Evaluation of the Pilot. State law and DHSS guidelines define successful completion of the Child First program as either participation in the work experience or the payment of support obligations for three consecutive months. In its May 1991 report, the DHSS Office of Policy and Budget indicated that 35% of the 45 Fond du Lac cases analyzed (16 persons) completed Children First, and of these 11 did so by making support payments, while five actually completed the work experience. In Racine County, 39% of 89 clients completed the program through payment or work experience (breakdown not given).

The DHSS considered case management to be an important feature of the Child First program:

One of the strengths of this program is that it assigns a case manager to follow-up and monitor unemployed noncustodial parents. Previously, clients were required to report their job seeking activities to the court. By recording and reporting whether clients are complying with the program requirements, the case manager helps to hold clients accountable to the court. In one county, the case manager is referred to as the "eyes and ears of the court" in child support cases. Children First has helped to establish this important role.

The data from the 1991 report, which were substantiated by a DHSS follow-up study published in June 1993, showed an increase in total support collections, as well as an increased average collection per client and a greater number of months in which collections were made.

C. NEW HOPE PROJECT

The New Hope Project, Inc., based in Milwaukee, is an example of a cooperative initiative between the public and private sectors that focuses on finding work-based alternatives to welfare. It is a demonstration project, privately administered by a 23-

member board of directors, which includes representatives of business, labor, education, religion and government and six New Hope participants. Funding is derived from federal, state and private sources.

New Hope is designed to assist AFDC recipients, the working poor, and the unemployed by bridging the gap between welfare dependency and earning a "living wage" in the private sector or government. The assistance which New Hope provides is only available to persons willing to work 30 hours or more per week. According to its coordinators, the New Hope Project is designed to provide incentives for full-time work that include help in searching for work and access to community services. The program objective is to change federal and state welfare and poverty policy by demonstrating that employment and work-based income and supporting services are a better, more humane, more cost-effective way to deal with poverty and joblessness than the current welfare system.

State Legislation

1991 Wisconsin Act 39 created Section 46.31, Wisconsin Statutes, to authorize state cooperation with the New Hope Project, and it approved a continuing appropriation of \$50,000 in fiscal year 1991 and \$500,000 in FY 1992 if the project raised matching funds from other public or private sources. (Continuing appropriations are nonlapsing, and their balances may be carried forward from year to year as long as program authorization continues.) Section 46.31 was scheduled to sunset on December 31, 1994, but 1993 Wisconsin Act 16 (the budget act) extended the sunset date to June 30, 1995, and authorized continuing appropriations of \$500,000 each for FY 1993 and FY 1994.

Operation of the New Hope Project

The New Hope demonstration project is to be conducted in two areas within the City of Milwaukee, one on the city's north side and one on the south side, as selected by New Hope Project, Inc. Partial state funding is available if the following conditions apply:

1. A person is eligible to participate in the demonstration project if the individual is at least 18 years of age and has a family income below 200% of the poverty line for that family size. New Hope's biggest group of participants will be single mothers on AFDC, but it also targets nonwelfare recipients and the "working poor".

2. The demonstration project is expected to assist each participant in obtaining employment other than a community service job within a reasonable time. If a participant is unable to find such employment, the demonstration project must help that person obtain a community service job, and it is responsible for funding the job.

3. The demonstration project will assist those participants whose earnings are lower than the wage levels established by the New Hope Project board to secure any state or federal earned income tax credits for which they may be eligible. In addition, if the wages plus the earned income tax credits are still lower than the established wage levels, the participant will be provided wage supplements. The objective is to supplement their salaries so that they will not have to rely on government assistance and can move permanently into the labor force. The wage supplements range from \$56 to \$256 a month, depending on salary. They are calculated to bring a family's monthly income to about 170% over the federal poverty line, which currently is \$21,400 for a family of three.

4. If the participant is employed, the demonstration project assists the participant in obtaining (and, if necessary, it will fund) any of the following services needed by the participant or the participant's family: health insurance, child care, and counseling and training for job retention or advancement. The participant may be required to pay a portion of health insurance and child care costs funded by the demonstration project.

Status of the Pre-pilot Project (October 1993)

The pre-pilot project was run with a group of 52 persons, selected in 1992, which included 39 who were on AFDC or general assistance. Of the 52 participants, 36 were working full-time (32 in regular jobs and four in community service) and one was employed part-time. These figures reflected increases from 10 full-time and eight part-time at the start of the project. A total of 29 persons received wage supplements of \$10,331 in August 1993 to supplement their July 1993 earnings of \$31,910.

As of October 1993, there were 11 participants who received health insurance through the project, and seven who were subsidized to join their employers' plans. (Another 21 were eligible for health care through government Medical Assistance.) Seven used the New Hope child care program, and four had a Title XX child care subsidy.

D. SUPPLEMENTARY PROGRAMS

Food Stamps. The federal Food Stamp Program, which was established in 1964, distributes stamps which can be exchanged for designated food stuffs. Food stamp benefits are supported entirely by federal funding, but the states and the federal government share administrative costs equally.

Low-income households that meet certain eligibility criteria, which are adjusted annually on October 1, are issued food coupons which are redeemable during a specified

month. A household's eligibility is based on financial tests related to assets and income, and about 90% of Wisconsin's AFDC families are automatically eligible. (Food stamps are also distributed to low-income persons not eligible for AFDC, including families and individuals.)

**Table 8: FOOD STAMP BENEFIT LEVELS IN WISCONSIN
As of October 31, 1993**

Household Size	Maximum Monthly Food Stamp Benefit Allotment
1 person	\$112
2 people	206
3 people	295
4 people	375
5 people	446
6 people	535
7 people	591
8 people	676
9 people	761
10 people	846
Over 10	Additional \$85 for each additional member.

Source: Wisconsin Department of Health and Social Services, Division of Economic Assistance.

Food stamps combine with AFDC benefits to establish the basic level of government support for a family in need. Welfare reform proposals have encompassed a variety of plans to "cash out" food stamps, i.e. give recipients the cash equivalent, rather than the stamps themselves. Advocates of cash-out say it will eliminate administrative costs, cut illegal trafficking in stamps, and create flexibility to advance reform efforts. Opponents express concern that families will spend the cash for nonfood costs (e.g. rent and clothing) and cash-out will reduce support for a program that has benefitted the U.S. agricultural economy.

Several states have received federal permission to try cash-out experiments, and Wisconsin will be using it as part of the WNW pilot.

Earned-Income Tax Credits. Both Wisconsin and the federal government have enacted earned-income tax credit (EITC) programs to assist low-income families. The credit, which ties to the income tax owed on earned income, can reduce taxes owed or result in a cash refund if no tax obligation exists. Because the effect of EITC is to increase cash resources, it has become a focus of welfare reform proposals to help poor working families move to or stay on the job and off of the AFDC rolls.

The maximum federal EITC for a working family with two or more children has increased as shown for the following tax years: 1992 - \$1,384; 1993 - \$1,511; 1994 - \$2,528; 1995 - \$3,033 (prior to adjustment for inflation); and 1996 and thereafter - \$3,370 (prior to adjustment for inflation). The credit phases out as income increases with no credit for 1994 earned income over \$25,295.

The Wisconsin EITC for 1994 is also related to family size with the maximum credit of \$1,496 applying to families with three or more children. The state also phases out its EITC as income rises, and there is no credit for this size family at an income level of \$23,740 or higher. The Wisconsin EITC is indexed to inflation.

U.S. Secretary of Health and Human Services Donna Shalala, testifying before the House Ways and Means Committee on welfare reform, July 14, 1994, commented on the net effect of the credit:

Congress has already passed the first crucial element of welfare reform by expanding the EITC. . . . The EITC is essentially a pay raise for the working poor. It means that a family with two children and a single minimum-wage worker will earn the equivalent of \$6.00 an hour with a \$4.25 an hour job. The EITC ensures that a family with a full-time worker earning minimum wage would, with the help of food stamps, no longer be poor.

One aspect of the federal EITC which the state has not adopted is the advance payment feature whereby 60% of its credit can be paid out in the recipient's regular paycheck, rather than waiting for the annual tax filing. This permits a more even cash flow relative to earned income levels.

VII. AFDC AND THE 1995 LEGISLATURE

1993 Wisconsin Act 99, which eliminated the state's current AFDC system by January 1, 1999, requires the Secretary of Health and Social Services to present a plan for welfare reform to the 1995 Legislature during the first year of the biennial session (1995). The 1993 Legislature cannot require the 1995 Legislature to take any action, but if that body or its 1997 successor does not act, the AFDC program will sunset and Wisconsin will no longer receive matching federal dollars.

The Legislative Working Group on Welfare Reform, consisting of three senators and three representatives and reflecting a bipartisan balance, was appointed to assist the secretary in developing the alternative plan. Six "listening meetings" were scheduled at three different locations between June 21 and September 20, 1994, to hear from various groups concerned with the problem, including legislators, academics, other reform projects, welfare advocates/businesses, current and former AFDC recipients, and local officials involved with the program.

Before a final solution is reached, the many aspects of welfare discussed in this bulletin — educational and employment assistance; child support enforcement; wage subsidies and tax credits; day care, transportation, and health care subsidies; family-size caps; and incentives and punitive measures — must be debated and adopted or rejected. The task will be complex and formidable.

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