Wisconsin Welfare Employment Experiments: 
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September 1993
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by

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September 1993

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Chapter Two

WELFARE REFORM INITIATIVES UNDER GOVERNOR THOMPSON

The core specifications for WEJT program were established in Wisconsin Act 285 in 1986. As the Department of Health and Social Services began implementation of the program, Wisconsin also geared up for the 1986 gubernatorial election. Welfare reform became an important issue between Democratic incumbent Anthony Earl and his Republican challenger Tommy G. Thompson and a priority for Governor Thompson after assuming office. During the campaign, Thompson criticized Earl’s welfare policies, stating, "Instead of welfare...the state should encourage workfare programs, where benefit recipients are expected to work for their checks." Thompson promised to "require all AFDC recipients with children over the age of 4 to participate in workfare programs." In his January 1987 Executive Budget Thompson recommended a six percent benefit reduction in AFDC payments, which was expected to reduce state GPR requirements for AFDC by $14.7 million annually. Thompson proposed use of these funds to support six welfare reform initiatives: expansion of WEJT from five counties to 12 to 14; state funding for the county-operated CWEP to create about 6,000 CWEP slots; funding for nine months of child care costs for former AFDC recipients placed in employment by WEJT or CWEP; extension of Medical Assistance benefits to children of low income working families; increased funding for self-sufficiency programs for adolescent parents; and creation of a "Learnfare" program penalizing adolescent AFDC parents who did not attend school and providing funds for child care costs for these cases.

Two committees also conducted examinations of welfare reform options. A Special Committee on Employment Disincentives, created by the Legislative Council in July 1986, began meeting in December 1986. Chaired by Assembly Speaker Loftus, the committee included legislators and members of the general public. Committee recommendations focused on paternity and child support policies as well as directives concerning health insurance for children and pregnant mothers in families below the poverty line, the minimum wage, grants for schools to start up before and after school day care programs, a raise in the compulsory school attendance age, expansion of the Wisconsin Conservation Corps, and the Learnfare requirement for teen parents on AFDC.

Soon after taking office, Governor Thompson appointed Timothy Cullen, former Democratic Senate Majority Leader, to be Secretary of the Department of Health and Social Services. Thompson also established a bipartisan commission of legislative leaders to develop a comprehensive welfare reform proposal that could be incorporated into his biennial budget bill. The Governor’s Welfare Reform Commission was chaired by Cullen and included the leadership of both houses of the legislature: Senator Susan Engeleiter (Republican Minority Leader), Senator Joseph Strohl (Democratic Majority Leader), Representative Thomas Loftus (Democratic Assembly Speaker), and Representative Betty Jo Nelsen (Republican Minority Leader). The Special Committee on Employment Disincentives, which was meeting concurrently with the Welfare Reform Commission, also became a source for recommendations to the Commission.
Beginning on March 18, 1987, the Governor's Welfare Reform Commission held seven meetings before issuing its report on May 22. The final report contained 35 recommendations which covered a wide range of welfare-related issues, many of which had been proposed by DHSS in July 1986. Four of the recommendations required federal waivers from federal Social Security Act provisions: Learnfare, extension of medical assistance benefits for families leaving AFDC, a change in the $30 and 1/3 income disregard rule, and a requirement that parents with children under six participate in welfare employment and training programs.6

Viewing the loss of Medical Assistance as a significant impediment to families leaving AFDC, the Commission recommended that families be eligible to receive Medical Assistance for twelve months after terminating AFDC benefits. Previously, recipients could receive a four month extension in Medical Assistance benefits if they were no longer eligible for AFDC due to an increase in earned income or the number of hours worked. A nine month extension could be obtained if the client was no longer eligible for the earned income disregard of $30 or $30 and 1/3 of their remaining income.

The Commission also recommended a change in the $30 and 1/3 earned income disregard rule. The existing formula allowed an employed AFDC recipient to disregard for the first four months, an initial $30 of any earned income and 1/3 of any remaining amount for the purpose of calculating the AFDC benefit level. For an additional eight months, the recipient would lose the 1/3 disregard but retain the $30 exemption. The Commission proposed that a constant disregard for twelve months of $30 and 1/6 of earned income be adopted to help provide a smoother transition to work.

The Governor's Commission report contained numerous proposals that did not require federal waivers. The Commission recommended that the current WEJT program be expanded over the biennium from the five existing pilot counties to 12 to 14 counties, including Milwaukee. The Commission also recommended that the CWEP program, as operated in non-WEJT counties, be expanded into fifteen to twenty-five additional counties. To standardize the funding arrangement for the CWEP component in WEJT and "CWEP only" counties, it was recommended that the funding formula be changed for "CWEP only" counties so that the state would pay for 45 percent of the costs, with the federal match covering 50 percent of the costs and the counties paying the remaining five percent of total administrative costs.

The Commission recommended provisions for financing day care and transportation expenses for CWEP participants. For both WEJT and CWEP, a post-AFDC day care program was viewed as an important tool to aid in clients' lasting transition off AFDC. Thus, a recommendation was included that program participants who obtained employment with earnings sufficient to leave AFDC should be reimbursed for child care. Other Commission proposals dealt with paternity issues, child support, welfare fraud, medical assistance to the working poor, a Guaranteed Jobs program, establishment of enterprise zones (one in Milwaukee County and one in a rural county), and the establishment of AFDC case management in two pilot counties. The total package of recommendations was developed for nearly the same dollar amount, $34,865,600, as the Governor's recommended six percent AFDC benefit reduction.7
An issue significantly absent from the Commission’s recommendations was mention of Governor Thompson’s proposed reduction in AFDC benefits. Thompson had campaigned in support of a five percent reduction in AFDC benefits, promising to use most of the savings from the cut for workfare programs for AFDC and general relief recipients. In his 1987-89 budget proposal, the Governor pushed for a six percent benefit cut -- to negate the AFDC benefit increase to begin April 1, 1987, and to further reduce benefits an additional five percent. While the Commission made no recommendation for a benefit reduction, it appears that the Welfare Reform Commission assumed a six percent benefit cut for the purposes of calculating the budgetary implications of their recommendations. Cost calculations made by the Commission suggest that the Commission assumed that its recommendations would occur in the context of a six percent reduction in AFDC benefits. However, they did not appear willing to make this a public recommendation and include it in their final report.

Joint Committee on Finance Deliberations

The closing weeks of the Welfare Reform Commission’s proceedings coincided with the concluding budget deliberations of the Joint Committee on Finance. When the Commission released its final report, the Joint Committee on Finance had already completed the bulk of its work on the biennial budget bill, Senate Bill 100, which contained the Governor’s proposals for welfare reform and into which the Commission hoped its recommendations would be incorporated.

The conclusion of Joint Finance deliberations in the last week of May produced Senate Substitute Amendment 1 that modified significant portions of the Governor’s budget in the area of welfare reform. Of the thirty-five Welfare Commission recommendations, only eleven were adopted in some form in the Joint Finance budget amendment. Significant items that were not included were CWEP expansion, extension of work requirements to mothers with children under the age of six and to both parents in an AFDC-U family, extension of Medical Assistance for twelve months after leaving AFDC, a pilot program of AFDC case management in two counties, the Guaranteed Jobs program, and the establishment of two enterprise zones. The Commission recommendations that were included or modified included Learnfare, WEJT expansion, the $30 and 1/6 income disregard, and the extension of medical benefits to the needy. The Joint Committee on Finance voted to delete the Governor’s proposed six percent benefit reduction and replace it with a one percent reduction, allowing Wisconsin to meet the Medical Assistance for the needy provisions of the federal legislation.

A Learnfare proposal that required the participation of all teenagers as a condition for receiving AFDC benefits was adopted. The Joint Finance proposal also specified that the Learnfare program provide child care for teenage mothers who needed it in order to attend school, but that the supplement would be based on financial need and provided at the lower of the actual cost of the child care or the local Title XX day care rates for licensed and certified day care.
Concerning WEJT, the Joint Committee on Finance scaled back the amount of money authorized for expansion in the Governor’s proposal, as well as the amount in the Commission’s recommendations. The Joint Committee on Finance proposal provided for the continuation of the five pilot WEJT programs and expansion of the number of pilots into a portion of Milwaukee County and a few additional counties. The proposal also specified that the Milwaukee County program would be administered by the community action agency. Other important inclusions by the Joint Committee on Finance were the $30 and 1/6 income disregard, the extension of Medical Assistance to the needy, and increased funding for pregnancy prevention.

A "Health and Social Services Discussion Group" formed within the Joint Committee on Finance to consider these measures proposed a single motion to the full Committee that included the approval of all of these actions. However, the Committee decided to consider the benefit reduction as a distinct motion while leaving the remaining measures together as a second motion. The motion for changing the benefit reduction from six percent to one percent passed by a vote of 11 to 5 with all four Republican members and one Democrat voting against the change. The second motion, which contained Learnfare for all teenagers, the income disregard, and the Medical Assistance expansion also passed by a vote of 14 to 2 with the only two negative votes being cast by Republican senators. On June 11, 1987, the Joint Committee voted to recommend the adoption of Senate Substitute Amendment 1 by a vote of 13-3, and then by a vote of 12-4 agreed to send the budget bill as amended on to the Senate.

Senate Bill 31 Before the Full Legislature

The welfare reform portion of the budget that emerged from deliberations in the Senate and Assembly contained some significant differences from the version that arrived from the Joint Committee on Finance. Many of the measures that had been recommended by the Governor’s Welfare Reform Commission, and had been omitted by the Joint Committee on Finance were reinstated. In particular, most of the measures concerning paternity cases, child support, the Guaranteed Jobs program and the establishment of enterprise zones were restored in the budget measure of the legislature. The legislature also approved the expansion of CWEP but at a reduced funding level compared to Commission recommendations. In addition, the CWEP component in WEJT received approval to be used earlier in the array of service and not as a last resort. The measure also included, as did the Joint Committee on Finance revision, provisions for child care funding for WEJT and CWEP participants who left AFDC.

For CWEP and WEJT, the legislature specified that mothers could not be required to participate until after their infants were three months old. This stipulation was also added to provisions requiring both parents in an AFDC case to participate in an employment and training program. Thus, for the single parent in a one-parent household and the second parent in a two-parent household, work program participation could not be required unless the youngest child was over three months of age.
Concerning the benefit reduction, the legislature approved only a 1 percent cut in AFDC benefits, the amount approved by the Joint Committee on Finance. A reduction of 1 percent also allowed Wisconsin to participate in the federal program of Medical Assistance for the needy contained in SOBRA with the income eligibility standards for medically needy families set at 133 and 1/3 percent of the AFDC benefit level. (Since an AFDC benefit increase of 1 percent had been approved to begin April 1987, the proposed decrease of 1 percent actually represented a freeze of AFDC benefits.)

The final significant action taken by the legislature concerned the Learnfare program. Although the recommendation to include all teenagers on AFDC grants was made by the Welfare Reform Commission and the Joint Committee on Finance, the Assembly limited the bill to apply only to teen parents.

**Executive Action and the Governor's Vetoes**

On August 2, 1987, Governor Thompson gave his approval to the 1987-89 biennial budget act, which became Wisconsin Act 27. In addition to signing the bill, the Governor made extensive use of his partial veto authority by making 290 changes in the bill, more than any previous governor. Thompson vetoed in their entirety the Guaranteed Jobs program and the establishment of two enterprise zones. Using his partial veto, he modified other sections dealing with paternity establishment, child support, and welfare fraud. Thompson left standing portions of the budget bill regarding the removal of a ten county limit on the grant diversion program, the expansion of Medical Assistance benefits for twelve months to those who leave AFDC due to employment, state funding for CWEP expansion, post-AFDC child care for WEJT and CWEP participants who obtain employment, and the adoption of the $30 and 1/6 income disregard. Those measures that required a federal waiver were approved pending the receipt of this permission.

The Governor essentially concurred with the legislature regarding WEJT expansion and the required participation of both spouses in an AFDC-U case and parents with children over age three months. These two groups would now be required to participate in employment and training programs as a condition for receiving AFDC benefits. The piloting of AFDC case management in two counties was maintained, but the Governor vetoed funding for the 1988-89 fiscal year. The Governor used his partial veto to delete those words which limited the Learnfare program to teen parents (expanding the program to all teens in families receiving AFDC) and to reduce the level of AFDC benefits.

**Six Percent AFDC Benefit Reduction**

One set of controversial vetoes concerned the reduction of AFDC benefits. The passed legislation included a one percent benefit cut, which would allow the State to participate in the Medical Assistance extension under SOBRA. Thompson wanted a six percent reduction in
AFDC benefits. As previously noted, AFDC benefit levels are calculated using the federal standard of need, upon which the State pays a certain percent. The legislature used the calculation of "84.04" percent of the federal standard of need, slightly more than a one percent reduction in AFDC benefits. The Governor used his partial veto power to alter this to a six percent reduction by vetoing the two fours and the decimal point in "84.04". What remained was "80" percent which translated into a six percent reduction, slightly higher than the Governor had requested. Since the six percent reduction reduced AFDC benefits below the guidelines allowed by the federal government for state participation in the SOBRA Medical Assistance extension, the Governor also vetoed the provisions concerning this program.

When viewing the veto that produced the six percent benefit reduction, it is notable that the digits in "84.04" were conducive to the desired veto. DHSS personnel in interviews indicated that this was in fact coincidence. However, a one percent reduction of the 85 percent payment level actually required a legislated percent of "84.15." This number is determined by taking 85 and multiplying by .99. Legislative Fiscal Bureau staff, who developed the "84.04" percent number could not locate information on how the figure was calculated. Consequently, the method for producing the "84.04" percent could not be determined.

The Governor's extensive use of the veto angered many Democrats in the Assembly and Senate. Although a 1930 amendment to the state constitution gave the Governor power to "partial" veto appropriations bills, legislators argued that the Governor could not veto individual letters, digits or words. On September 29-30, 1987, the Senate attempted to override a number of the vetoes and failed on each attempt with votes that ranged from 19-14 to 14-19, short of the 22 votes needed to override the vetoes.

When attempts to override failed, Democratic leaders initiated a lawsuit (Wisconsin Senate v. Thompson) in State Supreme Court to block the Governor's use of the veto. The court ruled in favor of the Governor and based its ruling on the definition of "partial." Other states, the court noted, used the term "item veto" in their constitution; Wisconsin specifically chose the term "partial veto." In a strict interpretation of the definition of the word partial, the court said that part could refer to a letter, digit or word. So long as what remained was a "complete, entire and workable law," the veto was considered proper. Despite the court ruling, a great deal of animosity remained between the Democratically-controlled legislature and the Thompson administration. It was in this strained atmosphere that the WEJT program was expanded.

Employment Program Waivers

On October 20, 1987 Wisconsin received a federal waiver for the Learnfare experiment and on October 29, 1987, the state received waivers for three welfare experiments. The first of these Wisconsin waivers permitted Wisconsin to operate the "Learnfare" program. The second waiver required a parent with a child three months or older and the second parent in an AFDC-U case to register for participation in an employment and training program. (According to federal law, parents with children under the age of six were exempt, as well as the second
parent in an AFDC-U family.) Although the waiver allowed Wisconsin to require parents of infants over three months of age to participate in employment programs, through administration rules DHSS established the age requirement for the children at two years. A draft memorandum indicated that the department considered four options concerning the minimum age of children when parents were required to participate in employment programs: full implementation of the waiver for parents of infants over three months of age, or partial implementation for parents of children one, two or three years of age. Noting that "there is almost no research on employment and training programs for recipients with children under 6," DHSS decided to set the age limit for an exemption at two years "because of the scarcity of day care providers for very young children and because the employment-related programs do not have the resources to serve everyone who is a mandatory participant...." This requirement began September 1, 1988, for new enrollees, and was phased in for existing AFDC cases at the time of their next six month review.

The third waiver allowed a change of the income disregard. Previously, the AFDC benefits for a recipient who was employed would disregard the first $30 of earned wages per month plus 1/3 of remaining wages for a period of four months. For an additional eight months, only $30 could be disregarded. DHSS proposed that the income disregard be changed to $30 and 1/6 of remaining income for twelve months.

The fourth waiver extended Medical Assistance for twelve months for clients who left AFDC due to earned income or hours worked. Previous provisions allowed most recipients to extend benefits for four months if the recipient left AFDC due to earned income or number hours worked. In some cases the extension was allowed for nine months if the person was no longer eligible for the $30 or $30 and 1/3 income disregard.

**WEJT Expansion**

The six percent AFDC benefit cut in Wisconsin Act 27 created a significant pool of money which Governor Thompson promised to spend on increased training programs for welfare recipients. (The Legislature had passed a one percent reduction and Governor Thompson's item veto reduced AFDC benefits another five percent.) On September 24, 1987, Governor Thompson announced that his five percent additional benefit reduction would save $22.7 million in the biennium and specified the details of his plan to utilize the savings. First, he proposed using $11.4 million to expand welfare employment and training programs to all seventy-two counties in Wisconsin. This included bringing WEJT programs to additional counties and providing each county with some type of program, e.g. an Employment Search Program (ESP), Grant Diversion, CWEP or a combination of these. Secondly, Thompson proposed using $2.4 million to increase funding for day care for families who left AFDC, thus allowing more families to be served in the program. Thompson's third proposal would use $1.6 million to finance participation in county-operated CWEP programs by non-custodial parents who were required to pay child support. Finally, to supplement the Medical Assistance funding that he had vetoed, the Governor proposed spending $4.6 million for medical care for low income pregnant women.
and children age two or younger. The Governor’s plan was introduced into the Senate as Senate Bill 382 on October 13, 1987 through the Senate Committee on Agriculture, Health and Human Services, but this bill did not reach the floor during the legislative session.

On November 1, 1987, the Governor called a special legislative session to deal with welfare reform issues as well as other policies. The first actions on welfare issues taken in the November Special Session were in the form of Assembly Bill 4, introduced on November 18 and Senate Bill 1, introduced on November 19. While these bills made little progress, Assembly Bill 5 was introduced on February 10, 1988, by the Committee on Rules. The first version of the bill made yet another attempt to authorize a Medical Assistance program for low-income pregnant women and children. Medical benefits would be available to children under age one and pregnant women if their income did not exceed 120 percent of the federal poverty line and if they did not have other assets that were above specified guidelines. If applicants’ income was greater than the 120 percent limit, they could spend some of their earnings on medical expenses to become eligible for the program.

AB 5 also provided increased funding for employment programs so that all counties could provide at least one service. Consequently, WEJT programs would be expanded to more counties and all counties would have the funding to provided either a CWEP or Employment Search Program (ESP). For 1987-88, $1,000,000 was allocated for the expansion while $11,532,700 was earmarked for 1988-89 expansion.

At the time, counties paid 5 percent of total CWEP costs with the state paying 45 percent, and the federal government 50 percent. AB 5 proposed that the state pay all of the non-federal share for CWEP programs when they were part of a WEJT program. For those counties that ran "stand-alone" CWEP programs, the state would develop criteria for selecting counties to receive full state reimbursement for non-federal costs. Those counties that did not qualify would be expected to pay all of the non-federal cost, that is, the remaining 50 percent of the administrative costs. This proposal would insure state Department of Health and Social Services administrators control over which type of program (ESP only, ESP and CWEP, or WEJT) was approved for each county.

An issue that seems to have emerged originally during deliberations of the Special Committee on Employment Disincentives concerned requiring noncustodial parents who were delinquent in child support payments to participate in a CWEP program. If a parent, who did not have custody of the child, was unable to make child support payments and the county in which the noncustodial parent lived operated a CWEP, a judge would be required to order that parent to participate. AB 5 setup two pilot programs to implement such a program. Other initiatives in the proposed legislation included the establishment of three State Health Insurance Program pilot programs, a Guaranteed Jobs Program and monetary incentives to counties for establishing paternity.

After the bill was approved by the Assembly with some modifications, it was sent to the Joint Committee on Finance on March 3, 1988. The Joint Finance Committee offered an
alternative to AB 5 on March 23, 1988, in Senate Substitute Amendment 1, which deleted the entire section establishing a pilot CWEP program for noncustodial parents and replaced the federal poverty level as the benchmark for the Medical Assistance extension with a table that specified the "level of need" by family size. After unsuccessful attempts to approve common legislation in the Assembly and the Senate, a conference committee was established to negotiate the differences in the two versions of the bill. The conference committee approved a Conference Substitute Amendment 1 on May 19 and presented it to the Senate for consideration. By a vote of 29 to 2, the conference compromise was approved. The Assembly also concurred in the measure by a vote of 91 to 7. The final version of the bill contained the pilot program for CWEP for noncustodial parents as well as the retention of federal poverty levels as the determinant of Medical Assistance participation. The bill also retained the WEJT expansion, state reimbursement to counties for all CWEP costs, the Guaranteed Jobs Program, Medical Assistance coverage, post-AFDC child care, paternity establishment and a State Health Insurance Program.

Other items of interest in the bill stipulated that DHSS could award the WEJT administrative contract for Milwaukee County without the competitive bidding process required for other counties. The bill also required that at least one WEJT county serve all AFDC recipients who were eligible to participate. Finally, the bill provided money to train AFDC recipients to compete for state employment positions, provided for increased training for income maintenance workers, and required non-departmental evaluations to determine the effectiveness of the recently enacted welfare reform programs.

On June 10, the bill was approved by the Governor with several vetoes, and became Wisconsin Act 413. The Governor vetoed a provision insuring the right of noncustodial parents in CWEP counties to a fair hearing and a provision that participation in CWEP was "not required if the court determines, based on written findings that there is good cause not to issue the order." The total state GPR required by Wisconsin Act 413 amounted to $22,476,300 which was very close to the amount that the Thompson Administration projected ($22.7 million) it would save in the biennium under the AFDC benefit reduction. However, some of the programs funded in this bill do not appear to fall under the category of employment and training programs that would benefit AFDC recipients.

The law, as signed by the Governor, required that interim reports on the evaluations be submitted to the Legislature on or before January 1, 1990 and that final reports be provided the Legislature on or before July 1, 1993. The evaluation requirement in Act 413 required the department to:

request proposals from persons in this state for studies of the effectiveness of various program changes, referred to as welfare reform, to the aid to families with dependent children program and the medical assistance program, including the work experience and job training program under s. 49.50 (7j), community work experience programs under s. 49.50(7m), the requirement under s. 49.50 (7)(f) that certain recipients of aid to families with dependent children with children
under age 6 participate in training programs, the requirement under s. 49.50 (7)(g) that certain teenage recipients of aid to families with dependent children remain in school, the modification of the earned income disregard under s. 49.19(5)(am) and the extension of medical assistance benefits under ss. 49.46(1)(co) and 49.47(4)(am), and the state health insurance program pilot programs under s. 146.90(4m). The studies shall evaluate the effectiveness of the various efforts, including their cost-effectiveness, in helping individuals gain independence through the securing of jobs, the availability of health insurance coverage and providing financial incentives and in identifying barriers to independence.14

Wisconsin Response to the Family Support Act

After three months of negotiation, particularly over workfare requirements, a conference committee of the U.S. Congress produced a federal Family Support Act that was acceptable to both the House of Representatives and the Senate and was passed by both on September 30, 1988. The bill was signed into law by President Reagan on October 13, 1988. The key provision of the Family Support Act was the creation of the Job Opportunities and Basic Skills (JOBS) program. States could begin this program by July 1, 1989, and all states had to initiate a JOBS program by October 1, 1989.

The JOBS program required each state to develop a plan containing two of the following four components: employment search, on-the-job training, Grant Diversion, and Community Work Experience. States were also required to target 55 percent of their service money towards those clients who were 1) custodial parents less than 24 years of age with no high school diploma or recent work experience, 2) parents whose youngest child was 16, families thus being within two years of "aging" out of AFDC, and 3) clients who had received assistance for more than 36 months in the last 60 month period. In addition to the programmatic requirements, the Family Support Act provided funds at a 50 percent federal match for support services such as child care, transportation and work expenses. Funding also provided for transitional child care and medical benefits to former AFDC clients for up to one year after leaving AFDC and participating in one of the employment and training programs. The earned income disregard was raised from $75 to $90 per month and all states were now required to pay benefits to two-parent AFDC families. Finally, the act included provisions for child support and paternity establishment.

The Thompson Administration used the provisions in the Family Support Act to claim a larger portion of federal matching funds for WEJT expenses. Thompson reduced state funds for welfare employment programs in his 1989-91 biennial budget proposal of February 1989. As with employment and training programs, state child care funding under Title XX was reduced based on the expectation of greater federal matching funds under the JOBS program. In 1987 when the Governor used his veto power to reduce AFDC benefits by an additional 5 percent, he made a commitment to use these welfare savings for employment and training programs. The
Governor’s 1989-91 budget represented a change from this position, proposing a reduction in state expenditures using welfare reduction savings.

The Governor’s budget proposed expansion of WEJT to another 11 to 13 counties, a separate appropriation to provide matching funds for community action agencies to operate demonstration programs, and expansion of client participation in CWEP from 16 weeks to 26 weeks. The major welfare initiative in this budget was provision for a two-tier AFDC benefit structure paying in-migrants to Wisconsin lower AFDC benefits than current residents.

On June 14, the Joint Committee on Finance finished its deliberations on the 1989-91 biennial budget and produced its own version of the budget, Senate Substitute Amendment 1. The Joint Finance version made a number of changes to the Governor’s budget in the area of employment and training. Specifically, the two-tier AFDC benefit structure and the extension of CWEP participation were deleted along with the requirement that participant day care be licensed and certified by January 1, 1991. The Joint Finance Committee also added provisions that authorized Wisconsin’s participation in the JOBS program. Budget language required the Department of Health and Social Services to develop rules for the JOBS program and required that they be submitted to the Legislative Council for approval by December 1, 1989. Senate action on the budget produced very little change in the welfare related portions. Thus, these portions remained largely what the Joint Committee on Finance had approved. On June 19, the Senate passed the budget unanimously with amendments to other non-welfare portions. During subsequent Assembly consideration of the budget, one crucial amendment was proposed that altered employment and training provisions. Amendment 1 to SB 31 was offered by Representatives Loftus, Thomas Hauke (D-West Allis) and David Prosser (R-Appleton) on June 28, the day on which almost all Assembly action occurred on the budget.

Amendment 1 affected non-welfare segments of the budget as well as proposing two significant changes to welfare employment portions of the budget. The amendment identified the target groups that were contained in the federal JOBS legislation for priority in employment and training programs. Another welfare provision specified requirements for WEJT record keeping and participant follow-up. The bill required DHSS to maintain records concerning the type of employment participants obtained as well as the wage rate at six months and twelve months after obtaining employment.

After other provisions of the Amendment were altered, it passed with a unanimous voice vote. Final Assembly action on SB 31 passed by a measure of 93 in favor and 6 opposed. Since the Assembly and Senate versions of the budget were different, a conference committee was necessary to work out the disagreements. The conference committee made no significant changes to the welfare portions of the budget. On June 30, the conference committee budget was passed by both houses of the Legislature, unanimously in the Senate and 83 to 15 in the Assembly.

On August 8, the Governor signed SB 31 into law as 1989 Wisconsin Act 31, but he vetoed the provision establishing priority groups for employment programs and the WEJT record keeping specifications. The Governor also vetoed a provision that would have changed the
post-AFDC day care and work program allocations to biennial appropriations and changed these allocations into "continuing" appropriation status. (These carryover amounts for the biennium included $6 million for post-AFDC day care and $5.6 million for employment and training programs.) Finally, Assembly Amendment 1 had also included provisions for post-AFDC day care that would have required day care providers to be licensed and regulated. The Governor's veto eliminated this provision. The Legislature attempted to override these vetoes, but without success.
Endnotes


2. Ibid.


4. Other members of the Special Committee on Employment Disincentives included Strohl (Vice Chair), Barca (Secretary); Representatives M. Coggs, Robinson, Schneider, R. Young, and Weedon; Senators Davis and Moen; and public members Anne Arnesen, Noel Dale, Cassie Downer, Helen Forbeck, Irwin Garfinkel, Patricia Mapp, John L. Miller, David Riemer, Paul Sobel, Reverend M. Ted Steege. For minutes of the Special Committee's meetings, see Wisconsin Legislative Council, Summary of Proceedings, January, 1987.


8. In particular, this issue surfaced in conjunction with the Commission recommendation concerning Medical Assistance for pregnant women and children in low income families as available under the Sixth Omnibus Budget Reconciliation Act of 1986 (SOBRA). The provisions of this federal legislation allowed states to offer the extended medical care with the federal government providing matching funds at a rate of 60 percent. However, the federal match was available only if the state had not reduced AFDC benefits below the level that had existed on April 17, 1986. States that reduced their AFDC benefit levels by 2 percent or more could not participate in the program. Thompson's proposed 6 percent benefit cut would make Wisconsin ineligible for these federal funds. A memorandum from Bob Lang, Director of the Legislative Fiscal Bureau to members of the Joint Committee on Finance, dated May 12, 1987, outlined the effects of a benefit cut on SOBRA participation. The document indicates that if Medically Needy Income Limits were raised to 133 1/3 percent and AFDC benefits were reduced by 6 percent, the General Purpose Revenue (GPR) necessary for the program would be $772,100 and $1,542,800 for each respective year in the 1987-89 biennium. In a June 3, 1987 DHSS internal memorandum that reported the progress of Welfare Reform Commission recommendations under consideration by the Joint Committee on Finance, the author noted the difference in Commission and Joint Finance allotments for the Medical Assistance program. In a footnote, the memorandum comments, "Difference in costs due to difference between AFDC benefits levels - 6 percent reduction assumed in Commission's figures, 1 percent reduction assumed in JFC [Joint Finance Committee] figures..." "GPR Comparisons of Welfare Reform Recommendations," June 3, 1987 (attached to the June 2, 1987 summary of changes to Welfare Reform Commission Recommendations).

9. Alan Fish, the Administrator of the Office of Policy and Budget, maintained that the 84.04 percent was a result of the precision of Legislative Reference Bureau drafters so that 84.04 percent would be exactly a 1 percent benefit cut. However, Fish noted that the precision opened up some options for a veto and any Department of Administration analyst "worth his salt" would have noticed the ease with which the language could be vetoed. Alan Fish interview, February 21, 1990.


13. 1987 Wisconsin Act 413, Section 12. 46.03(38)(b). The sole exception was the evaluation of the state health insurance pilot programs, whose final report was due to the Legislature on or before January 1, 1991.
14. 1987 Wisconsin Act 413, Section 12 46.03(38)(a).

Chapter Three

STATE IMPLEMENTATION OF THE WEJT PILOTS

Early on it was clear that the Department of Health and Social Services might have serious problems implementing their own WEJT program, even at the pilot level. According to policy staff, DHSS was set up to "cut checks" rather than to implement training programs.\(^1\) The DHSS had no administrative staff assigned to run the proposed program, no management information system, and unlike DILHR had few available staff with any experience in administering employment and training programs.

DHSS put WEJT on the fast track hoping to have legislation passed by September 1985 so that the program would be up and running during the 1986 gubernatorial campaign, in time for Governor Earl to claim credit for the program. Nevertheless, delays in the Assembly resulted in the late April, 1986 enactment of the legislation. Emergency rule-making provisions were included in the WEJT legislation to allow the department to avoid additional delays during the hearing process normally required as part of the administrative rule-making. Rapid implementation of the pilots was also seen by DHSS policy makers as blunting any possibility that state agencies and advocacy groups would stall the initiative through the rules process and to insure that the pilots were up and running so they could be evaluated by July 1988.\(^2\) In fact, resistance to the program initiative would persist throughout the next year as Job Service continued to lobby heavily to regain its position and control of these programs. However, by January 1987, DILHR lost its key negotiator Helene Nelson, who left as deputy director when the Thompson Administration took over.

The scheduled January 1, 1987, start-up date allowed little time to adequately plan for the WEJT implementation. In addition to limited resources and staff allocated to administer the program, DHSS also faced a potential conflict with DILHR regarding the implementation of WEJT. DILHR staff continued to push for coordination of existing resources and joint planning for WEJT with Job Service and JTPA units to head off any efforts by DHSS which would jeopardize Job Service's sole source contract for WIN services. DILHR staff were also quite concerned by the large number of clients targeted for service, given the resources proposed. However, DHSS staff had little interest in allowing Job Service to coordinate the program statewide direction. There was also considerable disagreement over the type of planning required to implement the new program. According to DILHR notes of the meetings, John Torphy, Deputy Secretary of DHSS, "thought it was 'simple' to spend the money right."\(^3\) Torphy did not think much planning was needed and indicated that someone could be hired or designated from within the Division of Community Services in DHSS to lead the implementation.

Accordingly, in the summer of 1986 only one DHSS staff person was designated to implement the WEJT initiative within the Division of Community Services. No funding was provided for training, program planning, a management information system, or budget and contracting. Throughout the next year, only one to two DHSS staff would be assigned to planning, implementing and monitoring the implementation of the WEJT pilot programs.
The WEJT legislation included major differences from the WIN/WEOP model, which were intended to set the stage for a major revision of the welfare system. These requirements included:

- Competitive bids which would take Job Service out of the driver’s seat and put local counties in charge of program operations under county departments of social services or income maintenance units.

- A required continuum of services to clients ending with the controversial CWEP placement. Even clients who volunteered for the pilot programs were subject to mandatory participation in CWEP after completing the other program components.

- Expansion and funds for training, supportive services, and day care.

- Required cooperation with Job Training Partnership Act programs.

- Required reporting of implementation outcomes to address evaluation concerns of the Legislature.

The decision to move control from Job Service to a decentralized county/DHSS operated program without adequate administrative resources resulted in serious administrative problems which plagued the program throughout implementation. The new administrative structure was never appropriately staffed at the state level, contributing to the absence of a uniform reporting and record keeping structure, lack of adequate training of county staff, poor monitoring of county activities, and lack of outcome data on program results. Furthermore, in the first year of WEJT implementation, four major components of the law were ignored by DHSS. Competitive bids were not let. CWEP was not made a mandatory component of county programs. JTPA participation was not required, and evaluations of employment were not conducted. From the beginning of the WEJT initiative, the income maintenance unit within DHSS resisted efforts to become involved in WEJT at the level anticipated by Division of Policy and Budget top DHSS officials. This was further complicated by changes in the administration of the unit and subsequent reorganizations within DHSS.

With the passage of WEJT legislation on April 30, 1986, DHSS was faced with the challenge of implementing within eight months a very visible, complex and controversial program initiative without having an administrative structure in place to carry the responsibilities of Act 185. Top level DHSS officials were warned by DILHR staff about the need for careful planning, a well-defined delivery system, and the need for state direction to insure coordination and an effective program. Helene Nelson, prior deputy at DHSS and then deputy at DILHR, provided an insight into the problems DHSS faced and would continue to face for the next four years. "DHSS is interested in many of the same policies we are. However, neither they nor we have sufficiently focused on the internal structure for planning, and our basic policy/program strategies."
The lack of adequate administrative resources within DHSS combined with the rapid implementation of the WEJT pilots resulted in considerable confusion, communication problems, and policies which conflicted with federal and state regulations. For example, the emergency administrative rules enacted by DHSS did not require competitive bidding as stipulated in Act 285 and erroneously exempted recipients enrolled in education and training programs. In addition, confusion about the relationship between WIN/WEOP and WEJT continued throughout 1987, due to the requirement that Job Service would be the presumptive deliverer of job search activities through a separate contract under WIN/WEOP. Repeated requests for staff training, development of a management information system, and adequate staff for administration and monitoring of the WEJT implementation were ignored. While the state staff person assigned to carry out the implementation of WEJT had extensive experience in the employment and training field, adequate resources and administrative support were not forthcoming from the DHSS Division of Community Services.

Throughout 1986 and most of 1987 Joseph Davis was the designated Division of Community Services staff person responsible for the WEJT implementation. Davis had been hired by John Torphy to implement the work supplementation program in November 1985 and his duties were expanded to include WEJT. Throughout the summer of 1986 Davis met with five counties selected for the WEJT pilot project to assist them in putting together a program plan, provide necessary training and encourage the adoption of the DHSS model of active involvement of the county departments of social services.

**Five Counties Selected for First Wave WEJT Implementation**

Decision making and selection of counties to operate the pilot employment programs would ideally have been driven by a set of criteria developed to insure selection of program operators who would be the most capable and most likely to successfully implement the new model. Toward this end, the legislation detailed that the selection process be competitive and further required that if more than two pilots were created, the third pilot be a rural county in which there was no WIN/WEOP program currently operating, and that one county operate a voluntary program. The legislation also specified that the pilots include JTPA programming as a required component. Almost immediately, however, for political reasons the department disregarded use of the competitive process and solicitation of proposals for selection of counties. According to Tropman, "It was a given that Cullen, Andrea and Strohl would each get a pilot for their respective counties. Racine became the voluntary county because Strohl wanted a pilot and there was also strong resistance to any mandatory work program from organized labor in Racine County. Kenosha got a mandatory program because Andrea did want a tough program."7

As a result, DHSS informed counties that they were pilots. Discussions with selected counties stressed adoption of the new model providing a continuum of services with the county taking a lead role as the administrative entity and cooperating with JTPA and Job Service. Some counties attempted to follow the model; others did not. The original WEJT legislation stipulated that competitive bidding be required for the purchase of services for the pilots. Instead, Torphy
instructed staff to instead go back to the counties and involve the major players in a non-
competitive program delivery system which would stress coordination of existing service
derivers. Staff feared that the competitive bidding process would create animosity rather than
lead to a coordinated local delivery system. DHSS told counties, "The Department would like
to avoid competition among agencies to be the prime contractor. Choosing a prime contractor
is really better left to local realities to determine."  

Convincing counties to adopt the DHSS "Vision" even without the required competitive
bidding process proved to be very difficult. In Douglas County the local department of social
services took the position that it did not have time to become involved in WEJT and that it was
satisfied with the operation of the WIN/WEOP program. As a result, the local Job Service
office became the administrative entity in Douglas County, implementing an enhanced WEOP
model rather than the legislated WEJT model. In Jackson County, the non-WEOP rural
county among the pilots, the Job Service from LaCrosse brought the parties together and, much
to the disappointment of DHSS, turned the Jackson County WEJT into an enhanced WEOP
model. During 1987 the funding and responsibility for program operation rested solely in the
hands of Job Service, with the county, JTPA and VTAE having "only minimal involvement."  

In Kenosha the county department of social services did not believe it had the necessary
experience to operate the WEJT program and contracted with the JTPA which became the
administrative agency. Serious disagreements between the county and the JTPA agency over the
number of clients to be served resulted in the program being shut down in May 1986, six months
after beginning operation. In late August 1987, the Kenosha WEJT resumed operation and began
development of a new service delivery model with increased involvement of county officials.
Nevertheless, management and design problems continued and by the end of 1987, one-half way
through the fiscal year, Kenosha County was still operating its WEJT project without a contract
with the state. As a result, state officials considered closing down the Kenosha WEJT. Disputes between Kenosha County and the state over allowable expenses and program operation
continued well into 1988. Additionally, fallout from the termination of JTPA and the
administrative agency in early 1987 resulted in little or no cooperative programming between the
local JTPA agency and the WEJT throughout the project.  

The Racine County WEJT was unique in that it was the one county which operated a
voluntary program under Act 285. The county department of human services acted as the
administrative entity and assumed responsibility for recruiting clients and assessing participant
needs and then contracted with the local JTPA agency for operation of the program. JTPA
subcontracted with the VTAE and Job Service, and WEJT funds were used to purchase services
on a flat rate contract. Throughout 1987 and 1988 the Job Service WIN/WEOP program
continued to operate in Racine County for the mandatory AFDC population. In 1989 the Racine
WEJT shifted its focus from a voluntary to mandatory program due to legislative changes
requiring mandatory participation of AFDC cases with younger children.  

During 1987 the Rock County WEJT began operation with Job Service and the local
JTPA agency as co-lead agencies. Throughout the operation of the WEJT, the county and Job
Service appeared to have developed a close working relationship. However, by 1988 frustrations with the JTPA agency resulted in the county selecting the local VTAE district to assume the agency's responsibilities. Rock County, unlike the other pilots, used a random assignment process to place clients in either the new WEFT program with enhanced services or the job search-only mode with no enhanced services.

**Pressure for Legislative Expansion**

The state mandate for rapid implementation of the original pilot WEJT projects was driven primarily by political pressure to reinvest savings from AFDC benefit reductions in 1985 and the interest of DHSS officials to have a program up and running before the fall 1986 election. By the time the pilots were eventually implemented in January 1987, an additional set of political initiatives were being advanced by the new administration to further reduce benefit levels for AFDC recipients. When Governor Thompson reduced AFDC benefit levels by six percent through his partial veto power, he promised to invest the savings from the AFDC benefit cut to expand welfare employment and training programs. The benefit savings promised for expansion of programs to all 72 counties totaled $22.7 million in GPR which was double the annual expenditures for existing programs. Subsequent matching of GPR savings on at least a 50-50 basis with available federal appropriations meant that over $45 million would need to be spent in addition to annual appropriations for AFDC welfare employment programs. By mid-1987, however, DHSS officials were barely getting the five pilot projects off the ground and were already experiencing significant problems in Kenosha County.

Although understaffed and inadequately prepared for the start-up of WEJT, DHSS program staff were asked to rapidly expand the WEJT program over the next biennium at a level of funding that far exceeded their capacity to supervise. No financial or client reporting systems were in place and little training or support for counties was available for the current pilots. Monitoring of implementation at both the program and financial level was minimal.

In October 1987, the DHSS Bureau of Evaluation published a review of the first six months of the WEJT pilot program. The report hinted at major shortcomings in the WEJT programs and recommended that counties use an automated information system to address record keeping problems, stressed the need for pilots to operate CWEP and Work Supplementation Program components as required by Act 185 and to adopt a case management model to decrease the probability that clients would be lost. Echoing staff concerns related to an under-funded administrative structure, the DHSS report also recommended that the department develop a policies and procedures manual to clarify technical assistance and training procedures, require use of a standard automated information system and improve operation of the Work Supplementation Program.13

By fall of 1987 it was also clear that there were problems with the pilots' ability to operate the original programs at funding levels proposed. County spending was well below the FY 87 and FY 88 appropriations for the pilots. Delayed start-up of the pilots in FY 87 resulted
in almost $4 million of unexpended funds dedicated to the pilots. FY 88 expenditures for the pilots were also expected to be well below the increased funding appropriation included in the Act. A December 1987 DHSS position paper projected a $7 million surplus in WEJT for 1987-89 fiscal years, stating that unless the money was spent it "would subject the department to potential criticism and may limit our ability to seek additional funds for employment programs in the future." In spite of these financial difficulties and significant program problems, particularly the crisis in the Kenosha County WEJT, in December 1987 Secretary Cullen announced plans to expand the WEJT program into ten more counties.

Second Wave Expansion

Beginning in February 1988, a second group of WEJT counties was selected, including: Brown and the Oneida Tribe; Eau Claire; Grant, Green, Iowa, LaFayette, Richland, Crawford, Juneau and Vernon; Winnebago and Green Lake. Competitive bidding for these new contracts was not rigorously carried out by the DHSS as prescribed by the legislation. Only in a few instances was there competition for contracts, as the department encouraged agencies to submit proposals which were joint efforts rather than competing proposals.

Growing concern about serious problems in the operation of the WEJT program prompted Senator Andrea and Representative Peter Barca (D-Kenosha) to require a Legislative Audit Bureau study of the WEJT pilots in May 1988. However, by June 10, 1988, Act 27 and Act 413 had increased funding for expansion of the program by $45 million for the biennium, even before the pilot evaluation was published. The decision to dramatically increase appropriations in June 1988 and the subsequent implementation of three more phases of WEJT projects in the 1987-89 biennium placed increasing pressure on an understaffed and inadequate administrative structure within DHSS, prompting WEJT administrative staff at DHSS to plead for adequate funds for staff to monitor programs, design management information systems and manage the overall employment and training array of programs scheduled to exceed over $40 million in next year. Program monitoring of the WEJT counties did not take place due to the limited administrative staff available and staff's preoccupation with program start-up and implementation problems. DHSS staff pointed out that the JTPA program had roughly two dozen administrative staff while DHSS assigned only five staff to administer programs covering 72 counties and 25,000 participants.

July 1988 DHSS Evaluation Report

The first evaluation of WEJT, mandated by Act 285, was to be provided to the Legislature by July 1, 1988. This law required a report "evaluating the effectiveness of the pilot program established . . . and containing its findings and recommendations on which components of the pilot program . . . should be implemented statewide." The report did not evaluate the effectiveness of the WEJT program as required by Act 285, making no findings or recommendations as to which components should be implemented statewide. More seriously,
major sections of the draft report which would have shown the pilots were not effective were deleted by DHSS administration.

In particular, data on Rock County’s controlled experiment showed that individuals in the WEJT program stayed on AFDC longer and had higher AFDC costs than the control group of AFDC recipients not in the program. The draft version of the study also compared Rock County controls against each of the four pilots studied and found that in all cases "the control group in Rock County had a greater reduction in AFDC costs." Also withheld from the study was data on the Racine County volunteer model which showed that there was no difference in AFDC between program participants and a comparison group.

DHSS staff complained to administrators concerning the withholding of this critically important data from the report to the Legislature. Staff complained that data deletions had resulted in publication of a report implying that WEJT reduced welfare costs when the department knew that exactly the opposite was true. Based on the edited DHSS evaluation report, subsequent press coverage touted the program as successful. Using selected numbers from the DHSS report on hourly wages and hours worked, it was reported that "those in the program received $180 more per month in wages." In fact, the DHSS final report showed that, while hourly wages and hours worked were higher for participants, those in the WEJT program were less likely to be working, with 74 percent of controls working compared to only 65 percent of participants working at the six-month follow-up.

The Issue of Unexpended WEJT Funds

In addition to evaluation data showing serious performance problems with the WEJT programs in reducing AFDC costs and finding employment for participants, DHSS administrators faced another serious political problem -- the issue of unexpended WEJT funds. By March 1988 an estimated $8.3 million surplus had accumulated, with additional surplus likely due to anticipated spending below contract levels. Actual expenditures for both the original WEJT project and the WEJT II counties fell far short of projected budget amounts for both 1987-88 and 1988-89. The underspending of state GPR for these projects funded by Act 27 was made even greater due to the limited need for state matching funds in 1987-88. Rather than a 50 percent federal match, the program was funded primarily by federal 90/10 match in which the 10 percent state match was not GPR but rather in-kind. The slow start-up the WEJT IIs and the very limited use of post-AFDC day care, work supplementation and CWEP components resulted in underspending in heavily-funded GPR components.

Just as the second wave of WEJT programs was barely getting off the ground, yet a third wave of programs was initiated in September 1988. The third wave of WEJT projects included expansion of the program into eight counties -- Dane, Dodge, Jefferson, Fond du Lac, LaCrosse, Marathon, Waukesha and Wood -- with the expectation of further expansion of welfare employment programs to all counties in the state. Start-up problems delayed this third wave of WEJT projects and many did not begin operation until 1989. During the third, fourth and fifth
waves of WEJT expansions DHSS was finally forced to follow the competitive bidding procedures stipulated in the legislation and subsequently experienced additional start-up delays of up to six to eight months due to this requirement. As a result, expenditures of $1.3 million for these expanded WEJTs fell far short of the $9.6 million state GPR allocation for the 1987-89 biennium. DHSS officials anticipated these surpluses in April 1988 prior to passage of Act 413 and began considering a range of options to address the need to expend these funds.

At the same time DHSS was reviewing proposals and deciding which counties would be chosen to be in the third wave of WEJT, the Department approved a fourth wave of WEJT expansion in September 1988. Although this fourth wave of WEJT counties was considered as early as April 1988 as part of the solution to using the surplus resulting from the increased allocations in Act 413, decisions to move forward on contracting were delayed until fall. Further delays in awarding WEJT IV contracts resulted in six to eight month delays in the actual award of the contracts for CY 1989. As a result, only two of the WEJT IVs began their contracts in March and April while the three others did not begin until July 1989. The surplus problem was compounded by decisions of DHSS administrators to provide counties with only partial funding for clients mandated to participate in employment and training programs. (Funding formulas used to distribute monies among counties are discussed in Chapter Three.)

The political implications of accumulating large surpluses in welfare employment programs was clearly a motivating factor in the decision to expand WEJT programs into more counties. In March 1989, Silvia Jackson, administrator of the Division of Economic Support, warned DHSS Secretary Patricia Goodrich, "If we do not look to some sort of expansion we can expect to again generate a large uncommitted balance at the end of the coming biennium." An DHSS "WEJT Uncommitted Funds Reinvestment Proposal" stated,

Over the course of the biennium, the Department has accumulated an estimated $5.6 million in uncommitted funds. A large portion of these funds ($5.2 million) are the result of delayed start-up in SFY 1988 and the large mid-year increase that was approved in June 1988 in Act 413. When the AFDC benefit cuts were made in this current biennial budget, the Governor pledged to invest these funds in programs assisting AFDC recipients in becoming self-sufficient. Those that criticized the cut argued that not all who shared in the cut would benefit from the programs the cut would fund. The existence of such a large balance is counter to the Governor’s pledge to reinvest these funds and raises questions in the minds of some as to the legitimacy of the Welfare Reform effort.

The recent Legislative Audit Bureau (LAB) audit identified the existence of a large uncommitted balance in the Employment program appropriation. In addition, the Legislative Fiscal Bureau (LFB) is aware of the existence of an uncommitted balance and will likely prepare alternative program options for the Legislature to invest these dollars. The Department has the authority to commit these funds, since they are in a continuing appropriation.
DISCUSSION: These funds should be reinvested in programs that respond to the needs of the AFDC population. The Department need not take any action on these funds, since they are located in a continuing appropriation and will not lapse. Because these funds were created by cutting the benefits of the AFDC population, the Legislature may be hesitant to delete the funds although it may instruct the Department to spend it differently than it may otherwise wish. At a minimum, the Department will likely be required to explain the existence of the large uncommitted funds and what plans there are for its use, if any. The Department should proceed to establish a plan that attempts to show how these funds would be spent in an orderly and targeted manner, even if it does not make an attempt to directly protect the funds."

Secretary Goodrich, according to Welfare Oversight Committee minutes, "expressed concern regarding the expansion of WEJT to all counties. The question is, basically, whether the program can be effectively administered in all counties in the state."21

While the presence of large sums of uncommitted welfare funds from the six percent AFDC benefit cut generated a political problem for DHSS, state officials created considerable confusion as to the amount, with the reported total of the surplus changing almost monthly. By April 28, 1989 the surplus reported totaled $20 million ($12 million state GPR, $8 million federal funds), more than double the $5.6 million GPR estimated a month earlier.22 In correspondence to Department of Administration Secretary James Klauser, Goodrich outlined an alternative to raising formula allocations to the counties for the distribution of the uncommitted funds:

I am making every effort to commit these available funds in ways which will provide some meaningful training to AFDC recipients. The Governor pledged to reinvest funds from the AFDC benefit reduction in programs that would help recipients get off public assistance. We need to find ways to compensate for slow program start-up so that we can keep our pledge to reinvest funds and do so on time.

At this time, I do believe that some modest permanent funding commitments need to be made. Without such commitments, we cannot come close to spending the entire surplus. Therefore, I am recommending two proposals: permanent commitments beginning in CY 1990 to expand WEJT statewide and to increase our Milwaukee contract. The drawback to making permanent commitments, as you know, is that ongoing funding levels are insufficient to support additional contracts. Nevertheless, I believe it advisable that we make these commitments now. I believe that the cost-to-continue for these two programs estimated at $2.2 million GPR per year can be deferred until 1993-95 with the use of surplus funds.23
Proposals introduced for spending the surplus included a combination of one-time only projects which would not commit the state to future budget levels and some expansion options which would impact on the 1993-95 biennium budget. Short-term projects included summer youth employment program in Milwaukee, Racine and Kenosha for Learnfare youth; a grant to the Harnischfeger Corporation to train AFDC recipients as clerical workers; nurses aid training; grants for the hard-to-serve AFDC population; $1.2 million to match against federal waiver savings funding; reduction of WEJT GPR funding in 1989-91; relocation assistance for AFDC recipients who find jobs that require relocation; and a one-time increase in WEJT funding for counties using their full allocation of funds. Long-term funding commitments included statewide expansion of WEJT. Goodrich also proposed increased funding for Milwaukee to serve 22 percent of the AFDC population. (Other counties were funded at a level to serve 45 percent of their population.)

In addition to the large surplus of funds accumulating due to late start-ups of WEJT and excessive funding in Act 413, DHSS was encouraging counties to spend more money on discretionary welfare-related projects using monies from the Family Support Administration. In June 1989 the Family Support Administration approved use of "accumulated federal savings" to match 50/50 for special projects submitted directly from DHSS to the federal government. By September 1992, the U.S. Department of Health and Human Services had approved use of $148.4 million in federal funding for discretionary special projects and new welfare experiments in Wisconsin.
Endnotes


2. Peter Tropman interview.


7. Peter Tropman interview.

8. Joseph Davis interview.


10. Joseph Davis interview.


16. Eloise Anderson to Patricia Goodrich, draft, DHSS, August 23, 1988; Wisconsin Department of Health and Social Services, "Year 1 of WEJT: Evaluation of the First Year of the Wisconsin Work Experience & Job Training Program" (Division of Policy and Budget Bureau of Evaluation, July 1988) draft pages.


18. Wisconsin Department of Health and Social Services, "Year 1 of WEJT: Evaluation of the First Year of the Wisconsin Work Experience & Job Training Program" (Division of Policy and Budget Bureau of Evaluation, July 1988), p. 44.


