

Employment & Training Institute

**Financial Impact of W-2 and
Related Welfare Reform Initiatives
on Milwaukee County AFDC Cases**

**Financial Impact of W-2 and Related Welfare Reform
Initiatives on Milwaukee County AFDC Cases**

by

John Pawasarat

**Employment and Training Institute
Division of Outreach and Continuing Education Extension
University of Wisconsin-Milwaukee**

April 1996

Funding support for this report was provided in part by the U.S. Department of Housing and Urban Development and the Helen Bader Foundation. For further information, contact the Employment and Training Institute, University of Wisconsin-Milwaukee, 161 West Wisconsin Avenue, Suite 6000, Milwaukee, WI 53203. (414) 227-3385.

Executive Summary

The explicit goal of current state welfare reform initiatives is to dramatically reduce AFDC (Aid to Families with Dependent Children) caseloads prior to implementation of "W-2," the state's new welfare initiative. Much of the current and proposed welfare reform is based on a fairly simple caseload reduction model which uses a very strict work requirement in combination with benefit reductions to reduce AFDC costs, caseloads, and new applications for assistance, and to slow in-migration. This paper attempts to assess the impact of these policies on families in Milwaukee County who are currently receiving AFDC and to estimate the residual population who will likely be subject to W-2. The December 1995 Milwaukee County caseload data is used to examine the characteristics of the population and to assess the financial impact of regulatory and policy changes over time.

Summary of Projected Caseload Reductions and Welfare Savings in Milwaukee County

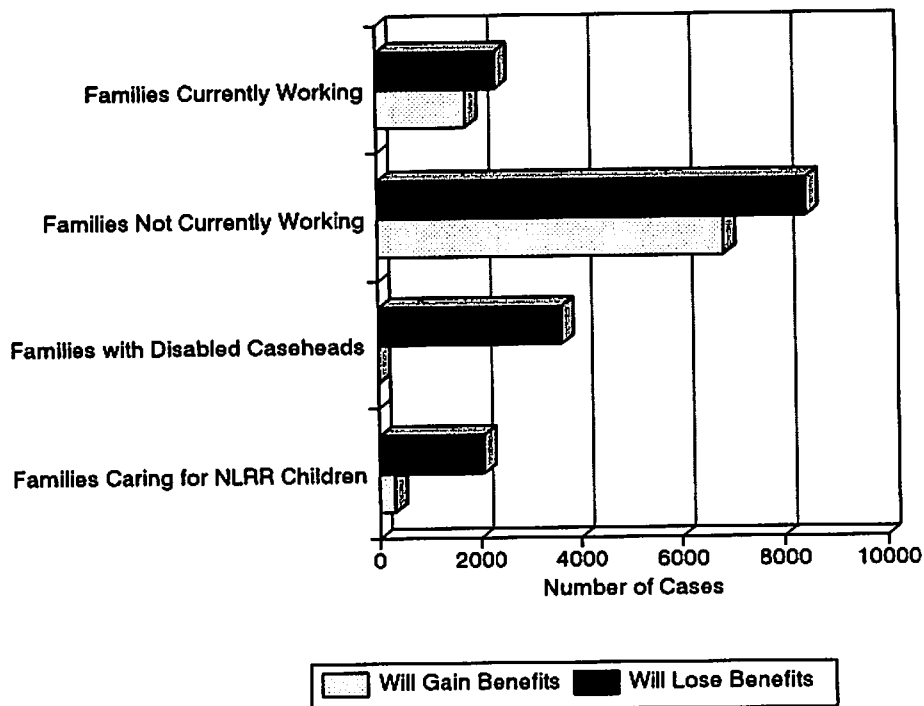
State officials are requiring Milwaukee County to significantly reduce this year's AFDC caseloads by 20 percent as of September 1, 1996, if the county is to be allowed to be the presumptive deliverer of services under W-2. It is estimated that much of the required reduction will occur from more severe sanctioning policies which will result in closure of AFDC cases and strict enforcement of the current work requirement for other AFDC cases. As a result of these policies, caseloads are estimated to drop dramatically prior to W-2. Sanctioned cases are estimated to close at the rate of 5 percent per month over time. Enforcement of the new work requirements will likely result in case closures for cases with employed caseheads and other cases with low grant amounts reducing these cases an estimated 5 percent per month. Case closures are most likely for these groups because they usually do not include young children and have lower AFDC payments per month. Additional caseload reductions due to fewer case openings and increased numbers of case closures are estimated for the balance of the population, amounting to a one-half percent per month decline.

The impact of W-2 legislation and required caseload reductions are estimated using caseload data on Milwaukee County's December 1995 AFDC population. The following populations are estimated to account for much of the caseload decline:

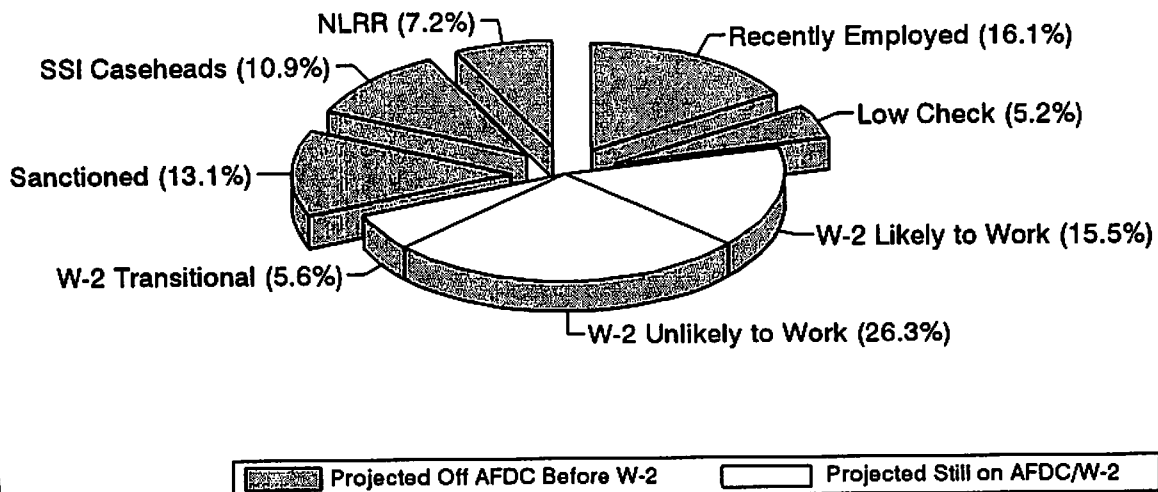
1. **Children of disabled parents will be removed from AFDC and W-2 and have their benefits cut by 60 percent, saving \$10 million annually.** An estimated 3,652 cases have a disabled/SSI casehead. These cases have 8,590 dependent children and would have their benefits reduced from an average of \$382 per month to \$154 per month.
2. **Relative foster care families will be removed from AFDC and W-2 and most cases will experience benefit reductions which will save \$1 million annually.** Currently, there are 2,396 AFDC cases where the parents are absent and care is provided by another relative. If eligible for assistance under new kinship care, sixty-two percent of these cases who care for one child would have a 20 percent reduction in payments. At the same time 323 cases who care for three or more children would experience increased payments if the family circumstances met the new eligibility criteria.

3. **Imposing stricter financial sanctions for refusal to participate in work or child-support programs will likely reduce the caseload by at least 5,000 to 6,000 cases in the next year.** These case reductions will consist largely of closing current cases and denying aid to new cases refusing to participate in work programs or cooperate with child support enforcement. Currently, 4,400 cases are in sanction status. Under prior policies these caseheads were sanctioned \$140 to \$190 per month, but their children continue to receive AFDC assistance. Under new rules now in place, the cases will be closed for the casehead's failure to participate or cooperate. If the current 4,400 cases in sanction status are closed, this will result in an annual savings of \$22 million in AFDC, \$13 million in food stamps and \$21 million in medical assistance payments.
4. **The cap on assistance payments regardless of family size will effectively reduce benefits by as much as half to the largest families.** Almost all families with more than 2 children will experience substantial benefit reductions with the largest families seeing reductions of up to \$6,000 per year. Capping benefit levels at \$555 or \$517 per month and requiring parents to make co-payments for health insurance and day care costs will result in substantial savings mainly at the expense of larger families, where benefit levels will be cut as much as half after co-payments. For example, a mother with four children will see a one-third reduction from an average monthly grant of \$710 to \$468 after co-payments. New AFDC cases will likely decline sharply as strict work requirements are made a prerequisite for receipt of public assistance. In-migration now at 20 percent for recent AFDC recipients will likely drop as well. Grant reduction policies will reduce benefits by \$12.4 million annually in families with three or more children.
5. **Most working families on AFDC will be removed from public assistance.** AFDC cases currently working or with recent work experience are likely to leave AFDC prior to the start of W-2 as a result of the imposition of strict work requirements. Most of these families (70 percent) have no small children and receive average AFDC payments of \$222 while working. The annual savings of \$22 million in AFDC and food stamp and \$20 million in medical assistance payments would be generated based on current caseloads and would in large part occur prior to W-2 under new Pay for Performance requirements. Few of these working families are expected to remain on AFDC into the start of W-2.
6. **If the welfare reform policies cited above are implemented as proposed, the AFDC/W-2 population will amount to less than one-half of the current caseload. The residual AFDC population remaining for the W-2 experiment will likely consist of 14,000 to 17,000 cases, including primarily women with less education and who have small children and larger families.** Over three-fourths of the children under 2 years of age currently receiving AFDC and two-thirds of the 2 to 5-year olds are likely to be in this residual W-2 population. These cases are expected to be most difficult to place in private employment.

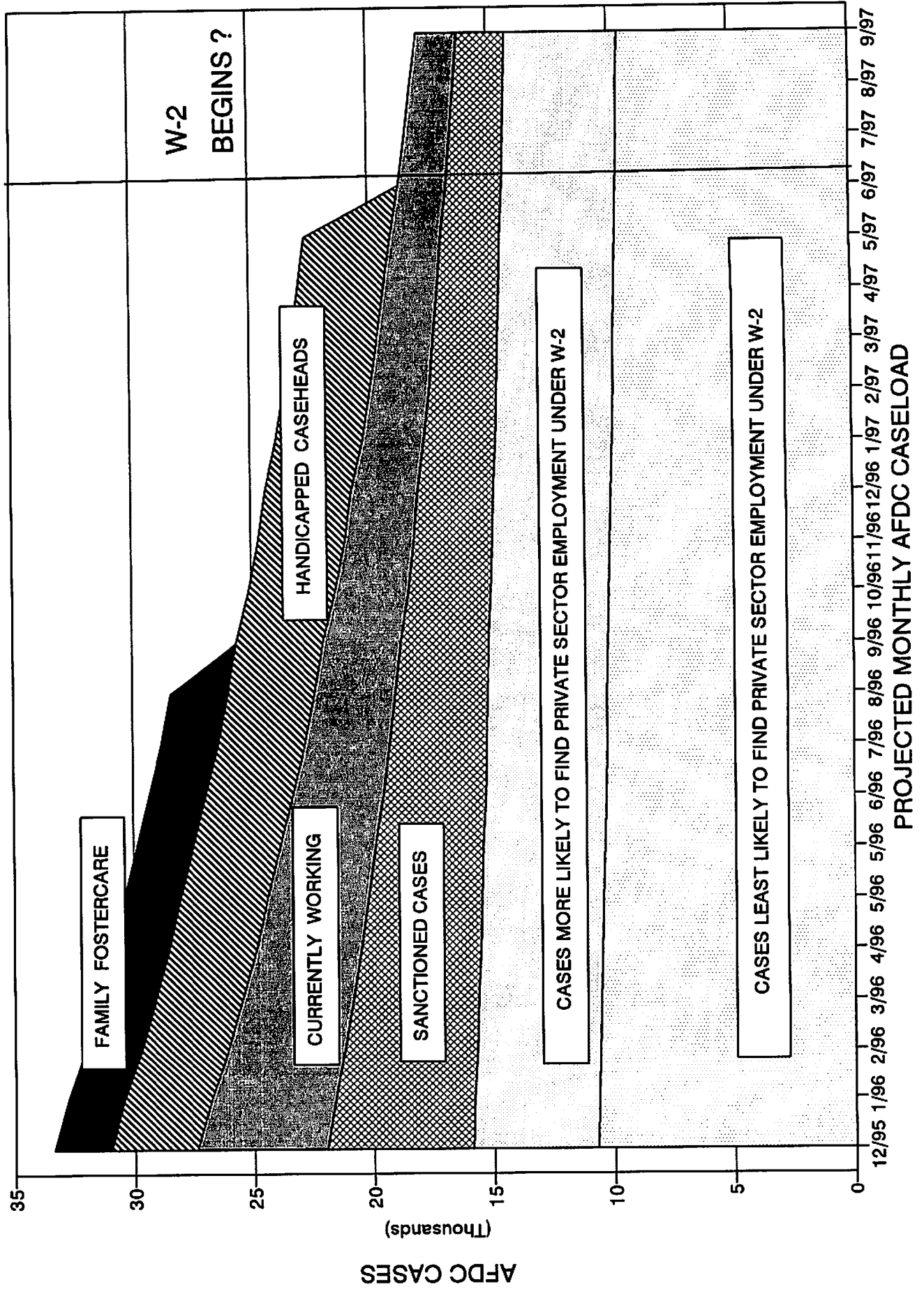
W-2 Change in Benefits for Families Meeting All Work/Activity Requirements



Projected Caseload Impact Prior to W-2 Milwaukee County Caseload as of 12/95

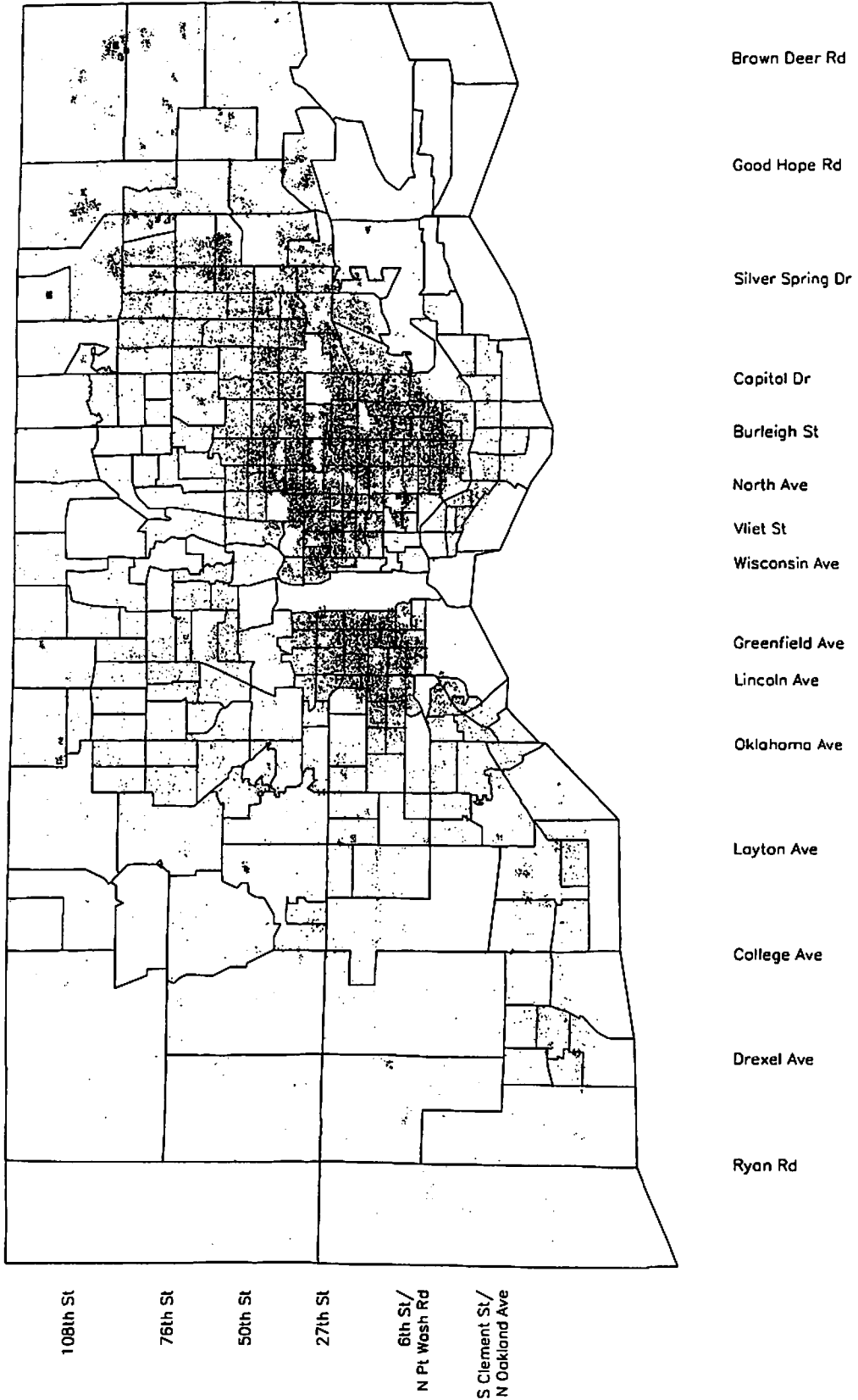


PROJECTED CASELOAD IMPACT PRIOR TO STARTING W-2 IN MILWAUKEE COUNTY



PROJECTED MONTHLY AFDC CASELOAD

Milwaukee County AFDC Cases December 1995



Contents

Executive Summary	iii
I. Overview of the AFDC Population and W-2	1
II. Family Foster Care	4
III. Funds for Children of Handicapped Adults Cut 60 Percent	6
IV. Most Families Currently Working Are Expected to Leave AFDC Prior to W-2	8
V. Strict Participation Requirements Will Reduce Caseloads Prior to Start of W-2	13
VI. Cases More Likely to Work Under W-2	14
VII. Cases Unlikely to Find Sufficient Private Employment	17
VIII. Disabled and Exempt Cases Not Expected to Secure Private Sector Employment	20
IX. W-2 Impact on Welfare Migration Patterns and New Public Assistance Applicants	22
Methodology	23
List of Graphs	
W-2 Change in Benefits for Families Meeting All Work/Activity Requirements	v
Projected Caseload Impact Prior to W-2	v
Projected Caseload Impact Prior to Starting W-2 in Milwaukee County	vi
W-2 Change in Benefits for Families Caring for Other Relatives' Children	5
W-2 Change in Benefits for AFDC Cases with Disabled Casehead on SSI	7
W-2 Changes for Employed Families If They Stay on W-2 and Meet Additional Work Requirement	10
List of Maps	
Milwaukee County AFDC Population: December 1995	ii
Currently Employed and Recently Employed AFDC Cases	12
Cases More Likely to Work in Private Sector Jobs Under W-2	16
Cases Least Likely to Work in Private Sector Jobs Under W-2	19
Cases Exempt from W-2 Work Requirements	21
List of Tables	
AFDC Caseload Data for December 1995: AFDC Cases Most Likely to Leave AFDC Prior to W-2	2
AFDC Caseload Data for December 1995: AFDC Cases Most Likely to be in W-2	3
Impact of W-2 on Families Caring for NLRR Children	4
Impact of W-2 Changes on Eligible Children in Cases with Casehead on SSI	6
Impact of W-2 on Milwaukee County AFDC Caseload Currently Working	9
Impact of W-2 on Caseload Not Currently Working, but Having Recent Work Experience	11
Current AFDC Reductions for Sanctioned Cases	13
Characteristics of the Caseload Most Likely to be in W-2 and More Likely to be Working in Private Sector Jobs Under W-2	15
Characteristics of the Caseload Most Likely to be in W-2 and Least Likely to be Working in Private Sector Jobs Under W-2	18
Characteristics of the Caseload Most Likely to be in W-2 and Expected to Work in Transitional Jobs Due to Handicapping Conditions	20

I. Overview of the AFDC Population and W-2

The Milwaukee County AFDC population as of December, 1995 consisted of 33,521 open cases caring for 79,064 dependent children. These cases had an average number of 2.4 children and an average AFDC check of \$452. Under the W-2 proposal passed by the state legislature, substantial changes will take place in the operation of the current AFDC system prior to W-2 implementation in 1997. These changes require significant caseload reductions in Milwaukee County prior to W-2 and the introduction of strict work requirements which will likely move those caseheads most able to work off AFDC prior to W-2. Disabled/SSI caseheads and family foster care cases will be removed from AFDC at reduced benefit levels. It is estimated that the AFDC caseload reduction will be reduced as follows:

- Eighteen percent of the population will be excluded from AFDC and W-2 because the parent is a disabled SSI casehead or a family foster care case. 6,048 cases will either have their grants reduced 60 percent if SSI caseheads or moved to kinship care if eligible. These cases include 13,721 children, three-fourths of whom are at least school age.
- It is estimated that as many as 35 percent of current cases will be moved off AFDC prior to W-2 due to strict enforcement of work requirements and tightened sanctioning policies. These 11,597 cases include those working, sanctioned or likely to close due to relatively small AFDC checks. Over two-thirds of these cases have school age children and no child under 5 years and most have at least 12 years of schooling.
- The remaining 15,876 AFDC cases will likely comprise most, if not all, of the W-2/AFDC population and are further divided into three groupings.
 - 5,198 cases with 10,472 children are considered likely to work because they have no child under 2 and in most cases (74 percent) no child under 5 years of age.
 - Those less likely to work include the most difficult population "expected to work" under W-2 and consist of 8,816 cases with a total of 23,573 children. Almost all cases have children under 5 years and 62 percent have at least one child under 2 years. Over two-thirds of these caseheads have less than 12 years of school.
 - 1,862 cases are exempt from the main body of the W-2 eligibility pool and include disabled caseheads not on SSI, pregnant women and cases participating in the Family and Parental Responsibility experiment.

The following tables detail the characteristics of the population expected to leave AFDC prior to W-2 and the population expected to remain under W-2. The population expected to leave AFDC prior to the implementation of W-2 accounts for most of the anticipated caseload reduction and is broken down into three groups: cases currently working, cases not working but having recent work experience, and those cases likely to close due to sanctioning or a low monthly check amount. The residual W-2 population is analyzed by three groups: those more likely to work in private sector jobs, those less likely to work in private sector jobs, and cases in transitional status.

MILWAUKEE COUNTY AFDC CASELOAD DATA FOR DECEMBER 1995

AFDC CASES MOST LIKELY TO LEAVE AFDC PRIOR TO W-2

1) CURRENTLY WORKING

RANGE OF AFDC MONTHLY PAYMENTS	TOTAL CASES	AFDC AVG.	SUM	CASES WITH A CHILD UNDER			SUM OF CHILDREN BY AGE					SUM ALL
				1 YEAR	2 YEARS	5 YEARS	<1	1	2-5	6-12	13-18	
<440	2,889	\$222	\$642,403	6%	17%	50%	181	313	1,766	2,690	1,340	6,290
440 UPTO 517	565	\$463	\$261,791	9%	24%	60%	53	87	378	522	220	1,260
517 UPTO 617	390	\$543	\$211,868	8%	20%	59%	30	51	330	560	189	1,160
617 UPTO 708	189	\$636	\$120,256	13%	27%	71%	25	32	213	329	109	708
708 UPTO 766	63	\$720	\$45,330	11%	32%	68%	7	14	85	129	49	284
766 UPTO 829	24	\$774	\$18,568	17%	25%	88%	4	3	41	59	28	135
829 UPTO 879	12	\$842	\$10,104	8%	17%	92%	1	1	18	40	18	78
879 UPTO 920	2	\$879	\$1,758	50%	50%	100%	1	0	8	5	0	14
>=920	1	\$943	\$943	0%	0%	100%	0	0	2	5	1	8
TOTAL	4,135	\$318	\$1,313,021	7%	19%	54%	302	501	2,841	4,339	1,954	9,937

2) NOT CURRENTLY WORKING, BUT HAVING RECENT WORK EXPERIENCE

<440	128	\$237	\$30,274	13%	20%	55%	17	10	78	100	63	268
440 UPTO 517	444	\$442	\$196,083	10%	28%	57%	46	79	190	165	80	560
517 UPTO 617	383	\$518	\$198,477	9%	27%	62%	33	74	300	279	135	821
617 UPTO 708	200	\$618	\$123,556	8%	26%	64%	16	42	199	257	103	617
708 UPTO 766	90	\$710	\$63,875	6%	22%	69%	5	15	121	175	67	383
766 UPTO 829	45	\$766	\$34,470	9%	27%	69%	4	8	65	110	39	226
829 UPTO 879	11	\$829	\$9,119	9%	45%	82%	1	5	21	29	10	66
879 UPTO 920	3	\$879	\$2,637	0%	67%	100%	0	2	8	10	0	20
>=920	13	\$972	\$12,637	23%	62%	100%	3	5	34	43	14	99
TOTAL	1,317	\$510	\$671,128	9%	27%	61%	125	240	1,016	1,168	511	3,060

3) NOT WORKING, MOST LIKELY TO LEAVE AFDC PRIOR TO W-2 DUE TO SANCTIONS OR LOW CHECK AMOUNT

SANCTIONED	4,397	\$411	\$1,808,229	8%	21%	56%	366	626	3,435	4,701	2,233	11,361
AFDC CHECK <\$440	1,748	\$265	\$463,888	8%	20%	40%	150	216	707	998	668	2,739
TOTAL	6,145	\$370	\$2,272,117	8%	21%	51%	516	842	4,142	5,699	2,901	14,100

MILWAUKEE COUNTY AFDC CASELOAD DATA FOR DECEMBER 1995

AFDC CASES MOST LIKELY TO BE IN W-2

4) LIKELY TO BE WORKING UNDER W-2

RANGE OF AFDC MONTHLY PAYMENTS	TOTAL CASES	AFDC		CASES WITH A CHILD UNDER			SUM OF CHILDREN BY AGE					SUM ALL
		AVG.	SUM	1 YEAR	2 YEARS	5 YEARS	<1	1	2-5	6-12	13-18	
440 UPTO 517	2,584	\$442	\$1,142,415	0%	0%	30%	0	0	935	1,316	910	3,161
517 UPTO 617	1,458	\$519	\$756,751	0%	0%	22%	0	0	434	1,836	916	3,186
617 UPTO 708	758	\$618	\$468,763	0%	0%	21%	0	0	215	1,434	718	2,367
708 UPTO 766	289	\$708	\$204,742	0%	0%	19%	0	0	80	749	334	1,163
766 UPTO 829	73	\$767	\$55,975	0%	0%	19%	0	0	24	239	112	375
829 UPTO 879	28	\$829	\$23,212	0%	0%	25%	0	0	11	102	53	166
879 UPTO 920	7	\$879	\$6,154	0%	0%	29%	0	0	2	23	21	46
>=920	1	\$936	\$936	0%	0%	0%	0	0	0	4	4	8
TOTAL	5,198	\$512	\$2,658,948	0%	0%	26%	0	0	1,701	5,703	3,068	10,472

5) LESS LIKELY TO BE WORKING UNDER W-2

440 UPTO 517	2,637	\$443	\$1,167,806	29%	67%	96%	778	999	1,165	331	228	3,501
517 UPTO 617	2,626	\$519	\$1,364,024	29%	61%	96%	772	945	2,853	958	337	5,865
617 UPTO 708	1,831	\$619	\$1,132,869	27%	59%	96%	503	680	2,684	1,615	360	5,842
708 UPTO 766	1,004	\$709	\$712,084	28%	60%	96%	290	382	1,649	1,453	369	4,143
766 UPTO 829	395	\$768	\$303,292	30%	60%	97%	124	153	698	809	199	1,983
829 UPTO 879	176	\$829	\$145,953	40%	69%	98%	74	71	344	445	155	1,089
879 UPTO 920	66	\$880	\$58,052	39%	76%	100%	28	35	137	204	59	463
>=920	81	\$943	\$76,363	38%	77%	95%	37	43	158	317	132	687
TOTAL	8,816	\$563	\$4,960,443	29%	62%	96%	2,606	3,308	9,688	6,132	1,839	23,573

6) EXEMPT OR EXPECTED TO WORK IN TRANSITIONAL JOBS DUE TO HANDICAPPING CONDITION

440 UPTO 517	884	\$450	\$398,103	25%	42%	62%	221	152	264	266	264	1,167
517 UPTO 617	484	\$531	\$257,044	16%	33%	64%	80	90	366	350	188	1,074
617 UPTO 708	267	\$629	\$168,019	19%	36%	66%	53	61	247	327	172	860
708 UPTO 766	124	\$717	\$88,862	22%	39%	66%	27	24	151	214	101	517
766 UPTO 829	59	\$773	\$45,595	29%	42%	73%	18	15	75	125	61	294
829 UPTO 879	17	\$829	\$14,093	24%	41%	59%	4	5	17	42	27	95
879 UPTO 920	13	\$882	\$11,469	23%	54%	100%	3	4	29	34	14	84
>=920	14	\$950	\$13,303	21%	43%	93%	3	3	29	50	25	110
TOTAL	1,862	\$535	\$996,488	22%	39%	64%	409	354	1,178	1,408	852	4,201

II. Family Foster Care

A total of 2,396 AFDC cases were classified as in the care of an NLRR (non-legally responsible relative) as of December 1995. These are cases where the caring adult does not have his or her own children on AFDC. In many cases the grandparent is the relative caring for the children of the absent parent. These NLRR-only cases include 4,829 children of which 3,844 are receiving AFDC while in the care of a relative who is not their mother or father.

Under W-2, these cases will be removed from AFDC as early as August 1996 and subject to review by Child Protective Services staff to determine whether or not the caretaker family is eligible for a new type of kinship care payments. Under current regulations, the amount of assistance begins at an average of \$269 per case for one child, increasing incrementally as the number of children increases. However, under W-2 these families will, if eligible, receive \$215 for the care of each child.

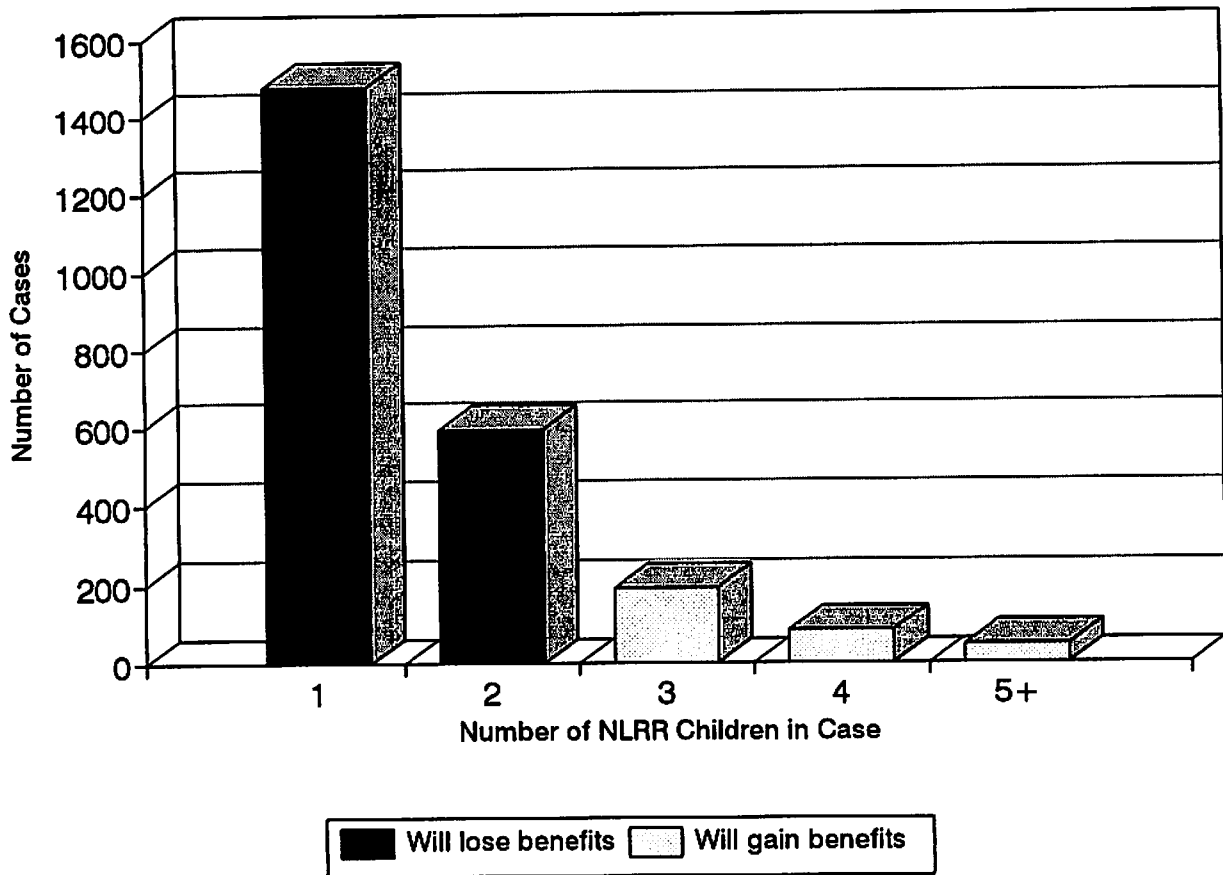
Impact of W-2 on Families Caring for NLRR Children

<u>Number of Children By Size of Case</u>	<u>Number of Cases</u>	<u>Present Average AFDC Grant</u>	<u>W-2 Grant of \$215/Child</u>	<u>Avg. Monthly Loss or Gain Under W-2</u>
1	1,480	\$269	\$215	- \$54
2	593	\$442	\$430	- \$12
3	190	\$512	\$645	+ \$133
4	85	\$625	\$860	+ \$235
5	28	\$720	\$1,075	+ \$355
6	12	\$756	\$1,290	+ \$534
More than 6	<u>8</u>	\$865	\$1,505	+ \$640
Sum of Cases	2,396	\$353	\$345	- \$8
<hr/>				
Total Children Affected 3,844				
<hr/>				

Financial Impact on Families

Estimating the number of cases which will be eligible for kinship care under new more stringent requirements is not possible. While it is likely that some cases will not meet the criteria, the number of families losing all benefits is unclear. Most cases (62 percent) are caring for one child, and as a result would see a 20 percent reduction (\$54) in payments per month from \$269 to \$215. Families with three or more NLRR kinship children would see increased payments as compared to AFDC. Families caring for more than 2 children would see a net increase in payments per child of up to \$720 per month for cases caring for 6 or more children.

W-2 Change in Benefits for Families Caring for Other Relatives' Children*



*Families will receive benefits only if new legal requirements are met.

III. Funds for Children of Handicapped Adults Cut 60 Percent

There are currently 3,652 cases where the casehead is disabled and on SSI (Supplemental Security Income). AFDC payments to these SSI caseheads will be eliminated and replaced with a separate monthly supplement to the SSI casehead in the amount of \$77 per eligible child. The financial impact of these changes is shown below.

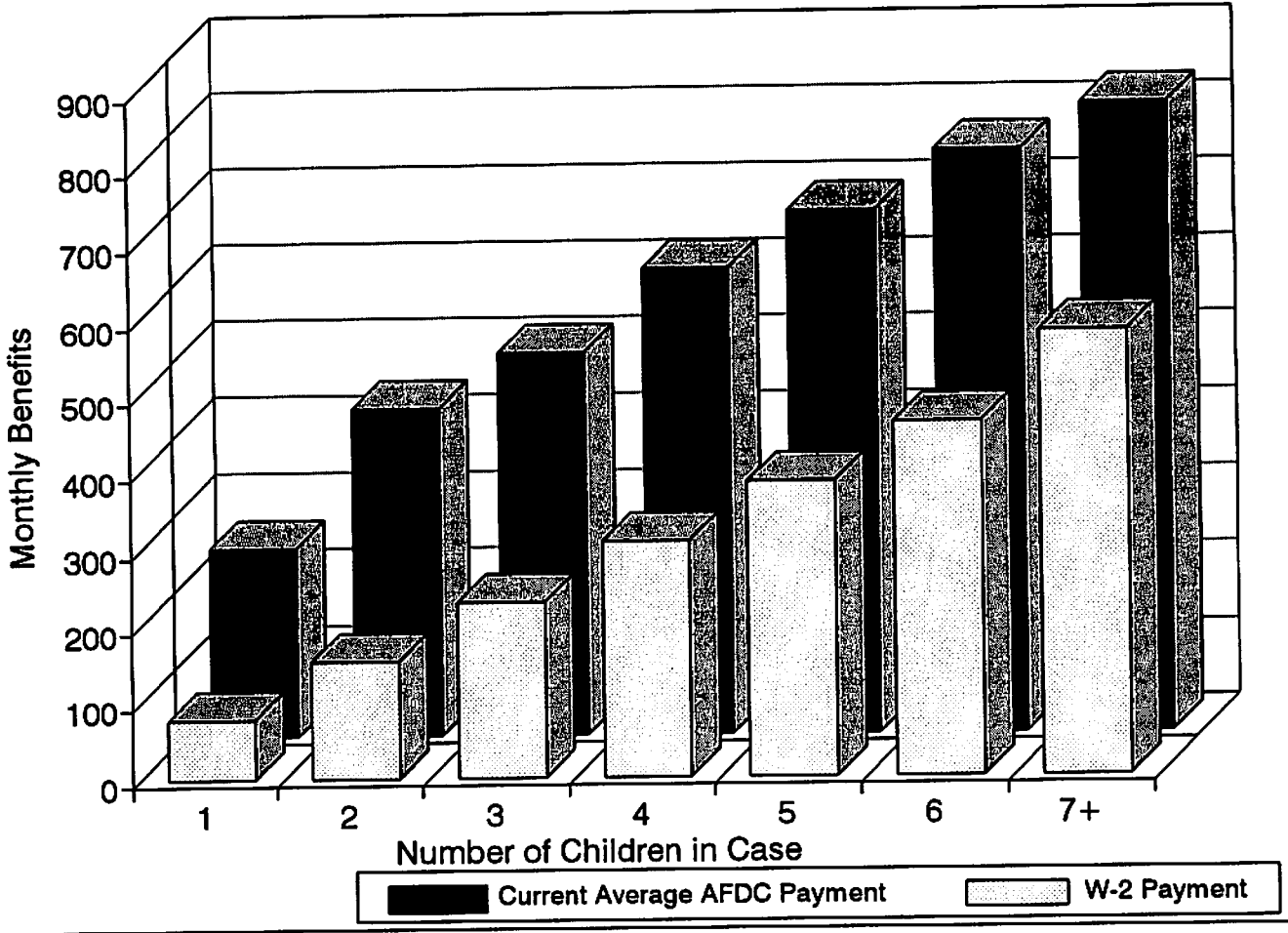
Impact of W-2 Changes on Eligible Children in Cases with Casehead on SSI

<u>Number of Eligible Children by Size of Case</u>	<u>Number of Cases</u>	<u>Present Average AFDC Grant</u>	<u>W-2 Grant of \$77 per Child</u>	<u>Average Monthly Loss Under W-2</u>
1	1,652	\$247	\$ 77	- \$170
2	1,048	\$427	\$154	- \$273
3	528	\$500	\$231	- \$269
4	249	\$608	\$308	- \$300
5	102	\$682	\$385	- \$297
6	47	\$761	\$462	- \$299
Greater than 6	26	\$820	\$580	- \$240
Number of Cases	3,652	\$382	\$154	- \$228
<hr/>				
Sum of Eligible Children	7,305			
<hr/>				

Financial Impact

All cases would experience an immediate cut in benefit payments averaging \$228 or a 60 percent reduction in payments from \$382 to \$154 per month on average. Reductions are most severe with larger families seeing losses of up to \$300 per month under the new policy. The number of children in these families totals 8,590 of which 7,305 are eligible for AFDC and likely candidates for the \$77 stipend. Young children do not make up a large share of these cases. Eighty percent of these cases have no children under 2 years of age, and 59 percent have no children under 6 years of age. The effect of state changes would be to reduce the annual amount paid to these cases from \$16.7 million per year to \$6.7 million for an annual savings of \$10 million.

W-2 Change in Benefits for AFDC Cases with Disabled Casehead on SSI



IV. Most Families Currently Working Are Expected to Leave AFDC Prior to W-2

During December 1995, 4,135 families were recorded as working while on AFDC. As a result of their earnings (which average \$459 per month), reliance upon AFDC is reduced. Most of these families average only \$222 in benefits for the month, far less than the standard AFDC benefit of \$440 for 1 parent and 1 child. These cases typically are better educated, do not have young children, and work an average of 18 hours per week. Eighty percent had no children under 2 years of age, and 46 percent had no children under 6 years of age. As a result, these families are the most likely to be employed on a consistent basis and will likely leave AFDC prior to W-2 when faced with strict work requirements for their relatively small AFDC check.

State officials estimate that working families will be better off under W-2. In its analysis, the Wisconsin Legislative Fiscal Bureau assumes that working families under W-2 will move into unsubsidized employment working year-round 40 hours per week at \$6 per hour, generating \$12,480 per year in earnings, thus rising above the poverty level and financially much better off than on AFDC.

However, analysis of 1990 U.S. Census data for the City of Milwaukee shows that it is unlikely that most single parents will hold full-time year-round jobs. While most (61 percent) single parents in the City of Milwaukee worked at some time during 1989, only 24 percent worked year-round at 35 hours per week or more. Of those mothers who did work year-round full-time, the majority (57 percent) had no children under 6 and had at least a high school diploma. Most single parents with children under 6 years (64 percent) do not work, and of those who do only 24 percent work 35 hours or more at a given point in time. Mothers with no children under 6 years are more likely to be working (56 percent) and working full-time (46 percent) at a given point in time. Single parents with less than a high school diploma are least likely to be employed regardless of whether they have children under 6 years (81 percent are not employed) or only school-age children (70 percent are not employed). While most women on AFDC/W-2 will likely work, it is unlikely that many will hold a year-round full-time job, particularly if they have young children and less than a high school diploma. The financial impact of current welfare reform initiatives on the future wages of working mothers can only be assessed after the policy is put in place.

Few employed parents will remain on aid when W-2 begins because the financial advantage to the family will be minimal. These families are already working, at jobs which average \$6 per hour. W-2 offers to supplement these private sector wages with additional work paying half the prevailing wage at \$3.20 per hour. It is likely that these families, particularly those receiving less than \$440 a month, will simply be moved off AFDC, increasing their private sector employment where possible. For most cases (particularly those with lower AFDC checks and higher earnings) the net gain will be so small that the additional effort to secure a W-2 job at \$3.20 an hour may not be seen as worth the effort. For larger families mostly with lower earned income, the impact of W-2 will mean immediate reductions in income averaging up to \$529 per month for the largest families when compared to their current AFDC checks. However, those cases with smaller families which do participate in W-2 could see a potential increase in their earnings.

Impact of W-2 on Milwaukee County AFDC Caseload Currently Working

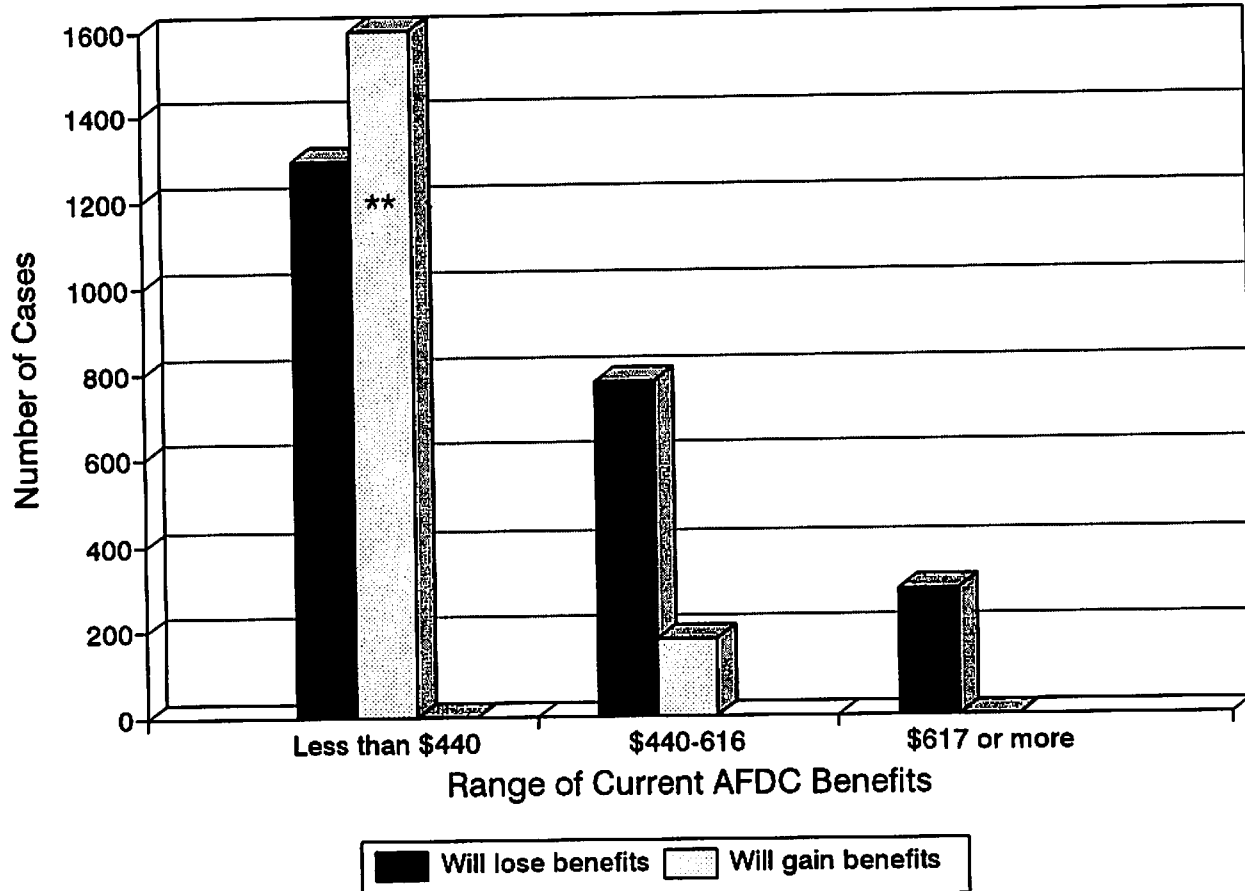
NET LOSS

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Loss Under W-2</u>	<u>Average Monthly Loss</u>	<u>Average Annual Loss</u>
Less Than \$440	2,889	1,291	- \$116	- \$1,392
\$440 up to \$516	565	398	- \$151	- \$1,812
\$517 up to \$616	390	379	- \$193	- \$2,316
\$617 up to \$707	189	189	- \$270	- \$3,240
\$708 up to \$765	63	63	- \$328	- \$3,936
\$766 up to \$828	24	24	- \$441	- \$5,292
\$829 up to \$878	12	12	- \$496	- \$5,952
\$879 up to \$919	2	2	- \$468	- \$5,616
Greater Than \$919	1	1	- \$529	- \$6,348
ALL	4,135	2,359	- \$158	- \$1,896

NET GAIN

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Gain Under W-2</u>	<u>Average Monthly Gain</u>	<u>Average Annual Gain</u>
Less Than \$440	2,889	1,598	\$97	\$1,164
\$440 up to \$516	565	167	\$47	\$564
\$517 up to \$616	390	11	\$9	\$108
\$617 up to \$707	189	0	--	--
\$708 up to \$765	63	0	--	--
\$766 up to \$828	24	0	--	--
\$829 up to \$878	12	0	--	--
\$879 up to \$919	2	0	--	--
Greater Than \$919	1	0	--	--
ALL	4,135	1,776	\$92	\$1,104

W-2 Changes for Employed Families If They Stay on W-2 and Meet Additional Work Requirements



**Most employed families with low AFDC payments are expected to leave AFDC prior to W-2.

Additional cases likely to leave AFDC prior to W-2 include those cases having recent labor market experience or relatively small grant amounts. Some 1,317 cases in December 1995 fit the definition of not currently working but with recent work experience. Most of these cases (77 percent) had no children under 2 years of age, and 54 percent had no children under 6 years of age.

Impact of W-2 on Caseload Not Currently Working, but Having Recent Work Experience

NET LOSS

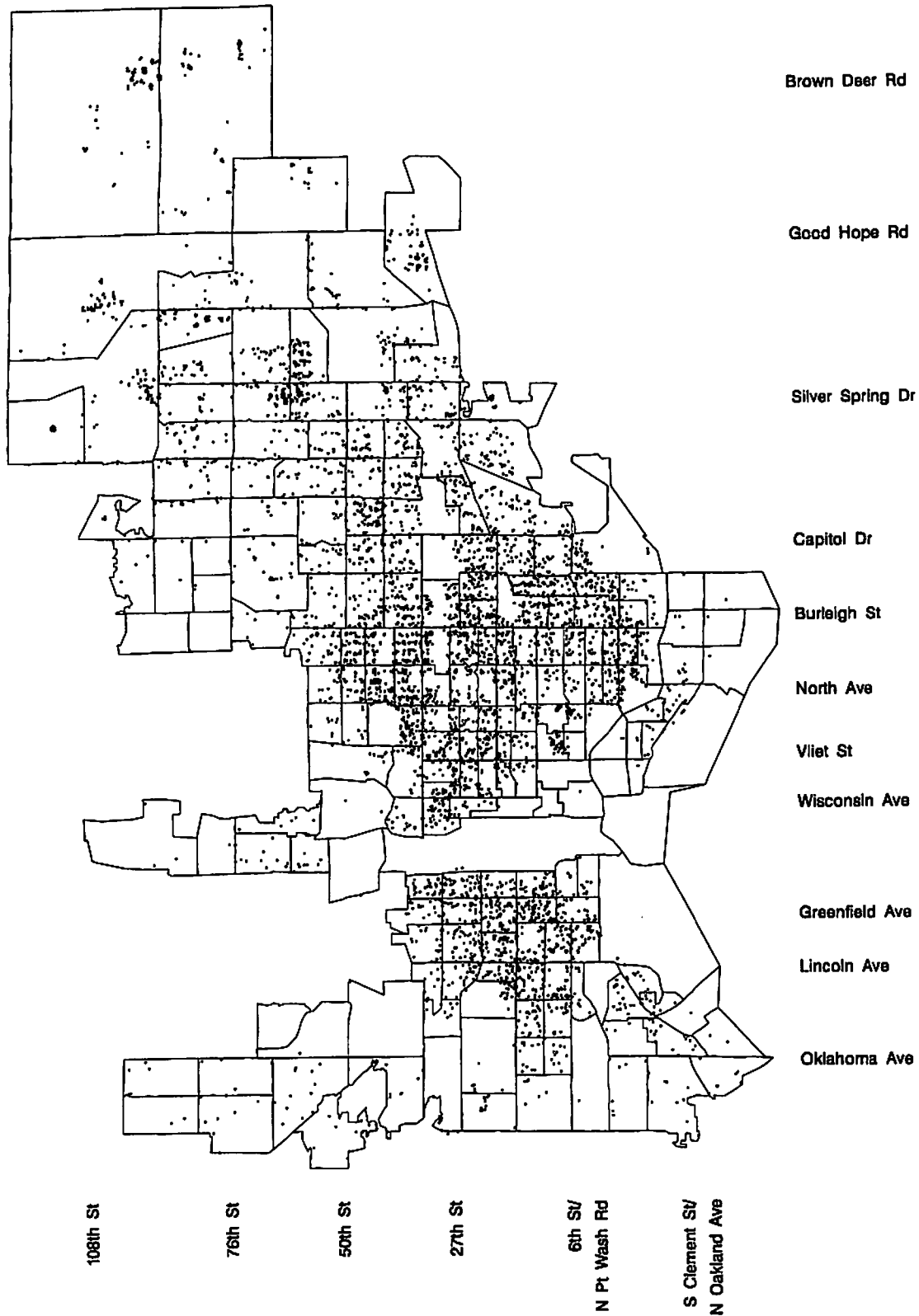
<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Loss Under W-2</u>	<u>Average Monthly Loss</u>	<u>Average Annual Loss</u>
Less Than \$440	128	0	--	--
\$440 up to \$516	444	5	- \$9	- \$108
\$517 up to \$616	383	270	- \$15	- \$180
\$617 up to \$707	200	200	- \$113	- \$1,356
\$708 up to \$765	90	90	- \$213	- \$2,556
\$766 up to \$828	45	45	- \$273	- \$3,276
\$829 up to \$878	11	11	- \$350	- \$4,200
\$879 up to \$919	3	3	- \$417	- \$5,004
Greater Than \$919	13	13	- \$499	- \$5,988
ALL	1,317	637	- \$109	- \$1,308

NET GAIN

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Gain Under W-2</u>	<u>Average Monthly Gain</u>	<u>Average Annual Gain</u>
Less Than \$440	128	128	\$279	\$3,348
\$440 up to \$516	444	439	\$78	\$936
\$517 up to \$616	383	113	\$12	\$144
\$617 up to \$707	200	0	--	--
\$708 up to \$765	90	0	--	--
\$766 up to \$828	45	0	--	--
\$829 up to \$878	11	0	--	--
\$879 up to \$919	3	0	--	--
Greater Than \$919	13	0	--	--
ALL	1,317	680	\$105	\$1,260

Assuming that both the currently employed and recently working cases would leave AFDC, the annual savings would amount to \$24 million in AFDC, \$20 million in health care insurance, and \$12 million in food stamps for these 5,452 cases. The map below shows the location of the December 1995 AFDC cases that were currently or recently employed for those portions of Milwaukee County with most AFDC cases.

Currently Employed and Recently Employed AFDC Cases Milwaukee County (part): December 1995



V. Strict Participation Requirements Will Reduce Caseloads Prior to the Start of W-2

Under current policies, sanctions for failure to participate in work programs will result in a case closure rather than a financial sanction. Prior policies reduced the AFDC grant by the sum of the grant attributable to the casehead while holding constant the amount for the children.

As of December 1995, 4,397 cases were in sanction status. The number of children in these families totals 11,361. These cases include mostly older children. In the past, cases with children under two years of age were not subject to work requirements and the current sanctioned population reflects these policies. Seventy-nine percent have no children under 2 years of age, and 44 percent have no children under 6 years of age.

Current AFDC Reductions for Sanctioned Cases

<u>Case Size</u>	<u>AFDC Amount</u>	<u>Prior Sanction</u>	<u>Current Sanction</u>
2	\$440	\$192	\$440
3	\$517	\$77	\$517
4	\$617	\$100	\$617
5	\$708	\$91	\$708
6	\$766	\$58	\$766
7	\$829	\$63	\$829
8	\$879	\$50	\$879
9	\$920	\$41	\$920

Financial Impact

This group is most likely to lose their benefits completely and leave AFDC under new sanction policies, generating a savings of \$21.6 million annually. Imposition of current more stringent sanctioning policies is also likely to reduce the number of new applicants to AFDC as well as to reduce the number of current caseloads in sanction status. For this population the financial impact will mean a loss of AFDC, food stamps and potential W-2 wages. Strict sanctioning policies and the so-called "three strikes and out" provision make this group most likely to be excluded from any form of public assistance under W-2.

VI. Cases More Likely to Work Under W-2

Two key variables for predicting the likelihood of private sector employment for the non-working AFDC population are (1) the absence of young children in the family and (2) the casehead's level of education. These cases make up the 5,198 cases likely to be the best candidates for private sector placements under W-2. Child care will present minimal problems for this group as only 26 percent have children ages 2 to 5. Education levels are higher for this group with 68 percent having at least 12 years of schooling.

A total of 10,472 dependent children reside in these families including 16 percent (1,701 children) ages 2 through 5 but no children under 2 years of age. Under W-2 policies these cases are likely candidates for private sector placements and/or community service jobs. Over 90 percent of these cases are currently required to participate in the JOBS program and one-third have been on AFDC less than two years.

Financial Impact

The financial impact of W-2 payment policies on family income may weigh heavily in the movement of this group into private employment rather than community service jobs paying \$3.20 per hour. Assuming an availability of entry-level employment for this group, most cases would be better off working at least part-time rather than seeking out a community service job. Almost half (47 percent) of these cases have monthly checks of \$440 -- equating to only 19 hours per week at \$5.15 an hour. However, while most smaller families in this group would be better off working part-time in the private sector, larger families would be worse off financially.

Under W-2 most cases in this group consisting primarily of one child families would see a potential net increase in monthly assistance averaging \$63 per month. This calculation assumes full compliance with W-2 work rules and includes monthly co-payments for health and child care. However, all families with more than 3 persons on AFDC would see a substantial benefit cut when their current AFDC payment is compared to the W-2 wage and required health and day care co-payments. These cases would only be better off if working in the private sector, assuming such jobs were available at prevailing wage rates.

**Characteristics of the Caseload Most Likely to be in W-2 and
More Likely to Be Working in Private Sector Jobs Under W-2**

NET LOSS

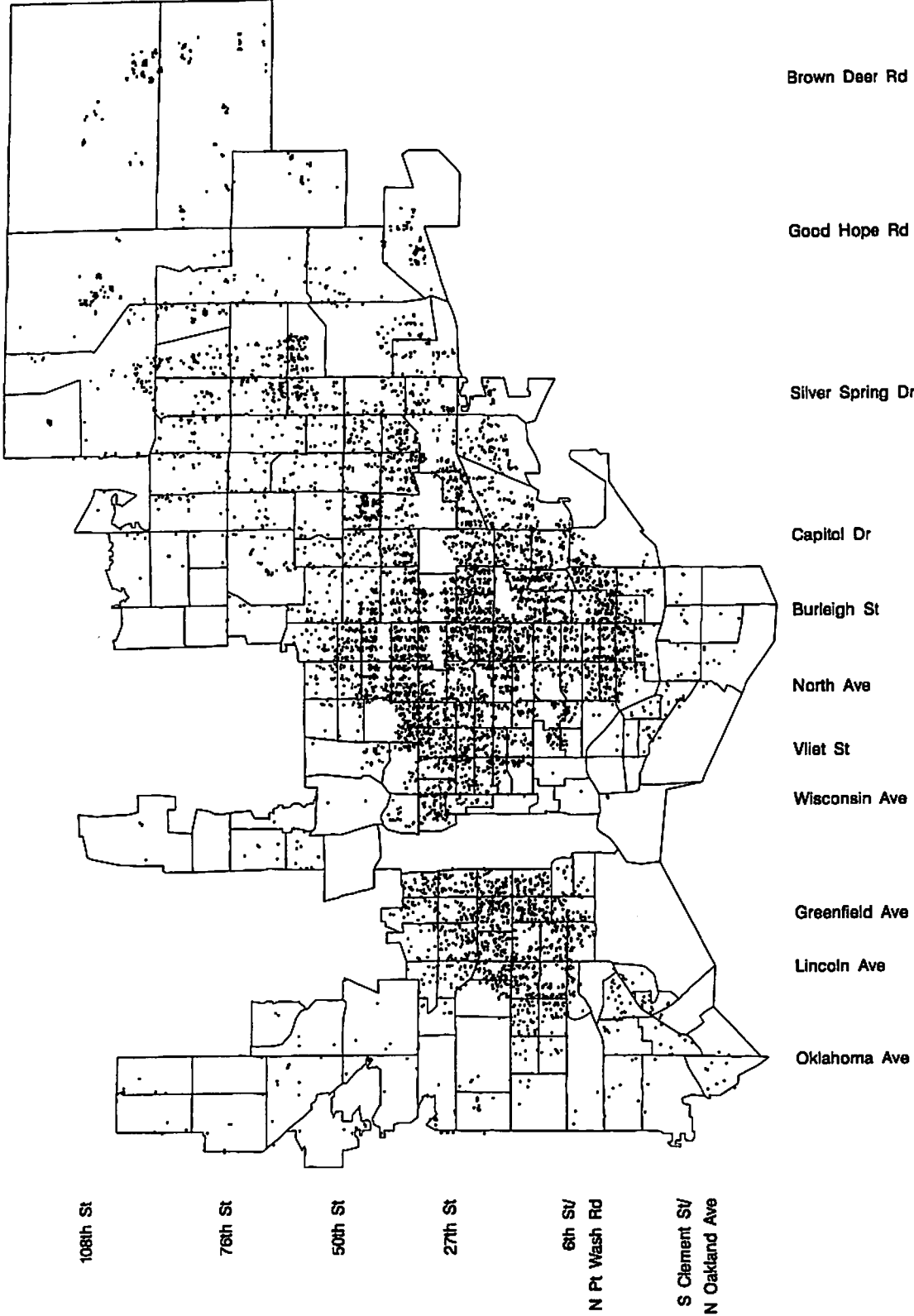
<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Loss Under W-2</u>	<u>Average Monthly Loss</u>	<u>Average Annual Loss</u>
\$440 up to \$516	2584	3	- \$8	- \$96
\$517 up to \$616	1458	480	- \$12	- \$144
\$617 up to \$707	758	758	- \$99	- \$1,188
\$708 up to \$765	289	289	- \$192	- \$2,304
\$766 up to \$828	73	73	- \$254	- \$3,048
\$829 up to \$878	28	28	- \$320	- \$3,840
\$879 up to \$919	7	7	- \$366	- \$4,392
Greater Than \$919	1	1	- \$420	- \$5,040
All	5,198	1,639	- \$101	- \$1,212

NET GAIN

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Gain Under W-2</u>	<u>Average Monthly Gain</u>	<u>Average Annual Gain</u>
\$440 up to \$516	2584	2,581	\$83	\$996
\$517 up to \$616	1458	979	\$11	\$132
\$617 up to \$707	758	0	--	--
\$708 up to \$765	289	0	--	--
\$766 up to \$828	73	0	--	--
\$829 up to \$878	28	0	--	--
\$879 up to \$919	7	0	--	--
Greater Than \$919	1	0	--	--
ALL	5,198	3,559	\$63	\$756

The map below shows the location of the December 1995 AFDC cases that were considered more likely to find private sector jobs under W-2 and were not currently or recently employed.

**Cases More Likely to Work in Private Sector Jobs Under W-2
 (Does Not Include Cases Currently or Recently Employed)
 Milwaukee County (part): December 1995**



VII. Cases Unlikely to Find Sufficient Private Employment

The most difficult cases to place in unsubsidized private sector employment account for one-third of the current AFDC caseload expected to work. The caseheads in these 8,816 cases have no recent work experience, limited education, very young children and larger families. The combination of these barriers makes this population not only very difficult to serve but also very expensive to serve. All cases have at least one child under 6 years of age and 62 percent have at least one child under 2 years of age. A total of 5,914 children are under 2 years of age, and 9,688 children are ages 2 through 5 years. In addition, these cases include 7,971 children 6 years of age or older. Almost half (47 percent) of these cases have three or more children.

Most of these cases will be likely candidates for community service jobs. The large number of cases requiring child care will decrease the income to families due to increased co-payments for more children requiring care. Factoring in co-payments for health insurance and child care and community service job wages capped at \$555 per month, the impact for most families is a significant reduction in benefits, particularly as family size increases. Average AFDC payment losses under W-2 and net income under W-2 are broken out by benefit levels.

Financial Impact

Thirty percent of cases have only one child and receive \$440 per month in AFDC and under W-2 would stand to increase their benefits by \$60 per month if employed in a community service job 40 hours per week. However, monthly payments to the largest families will decrease by 50 percent to \$477 per month for an average annual loss of \$5,724 in financial assistance. These estimates of impact for these cases detailed above are a best case scenario where all cases cooperate with the rules and work requirements of W-2, putting in the full complement of hours and not incurring sanctions. It is unlikely that many in this most difficult group will regularly work 40 hours per week and avoid sanctioning. The majority of these cases have not been mandatory work program participants, being exempt due to the age of the youngest child. Assuming a sanctioning rate of at least 16 percent (the sanction rate for the overall population), active cases under W-2 may be closer to 7,500 than 8,816.

**Characteristics of the Caseload Most Likely to be in W-2 and
Least Likely to Be Working in Private Sector Jobs Under W-2**

NET LOSS

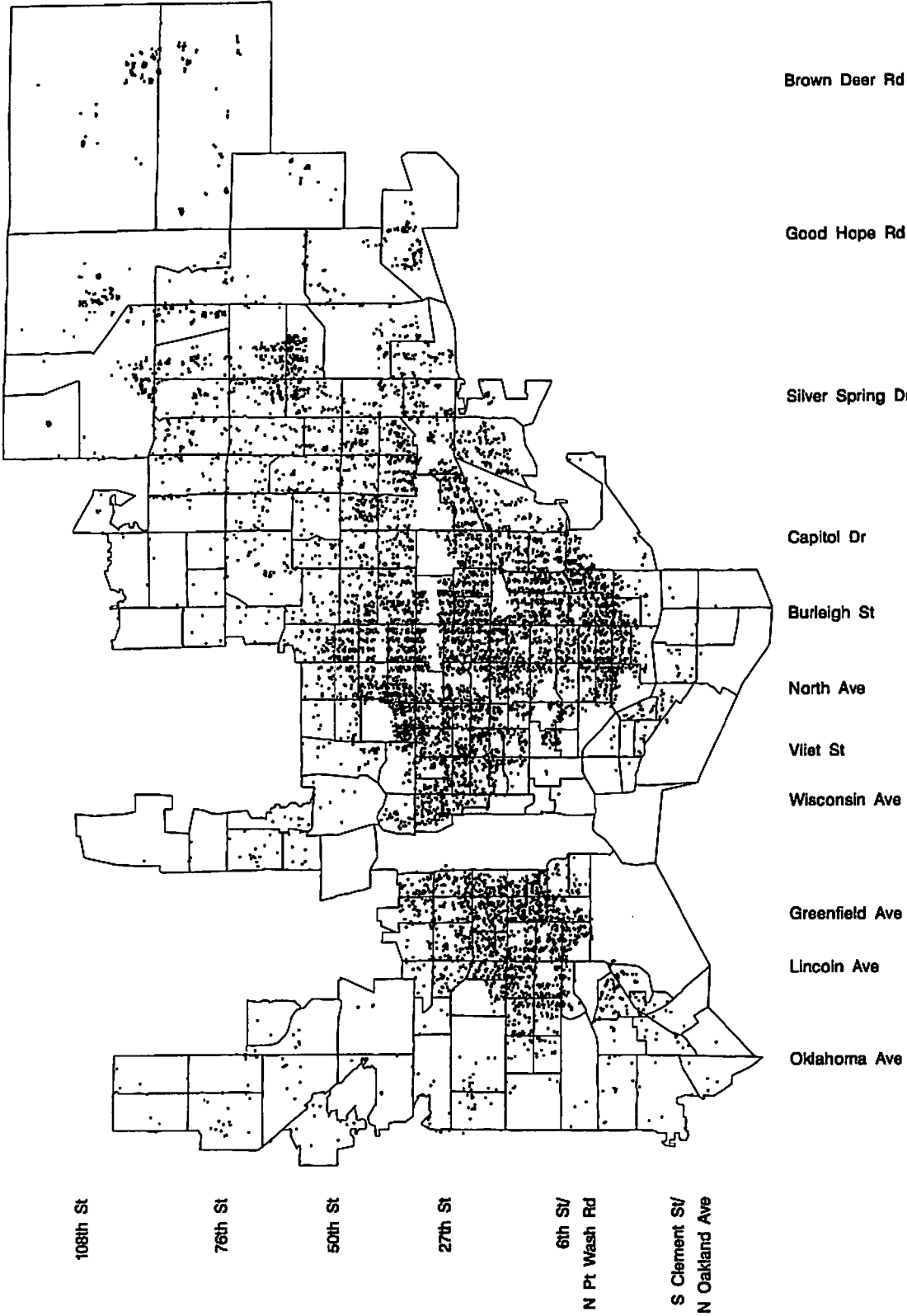
<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Loss Under W-2</u>	<u>Average Monthly Loss</u>	<u>Average Annual Loss</u>
\$440 up to \$516	2,637	22	- \$11	-\$132
\$517 up to \$616	2,626	2,626	- \$19	- \$228
\$617 up to \$707	1,831	1,831	- \$126	- \$1,512
\$708 up to \$765	1,004	1,004	- \$222	- \$2,664
\$766 up to \$828	395	395	- \$286	- \$3,432
\$829 up to \$878	176	176	- \$355	- \$4,260
\$879 up to \$919	66	66	- \$411	- \$4,932
Greater Than \$919	81	81	- \$477	- \$5,724
ALL	8,816	6,201	- \$120	- \$1,440

NET GAIN

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Gain Under W-2</u>	<u>Average Monthly Gain</u>	<u>Average Annual Gain</u>
\$440 up to \$516	2,637	2,614	\$70	\$840
\$517 up to \$616	2,626	0	--	--
\$617 up to \$707	1,831	0	--	--
\$708 up to \$765	1,004	0	--	--
\$766 up to \$828	395	0	--	--
\$829 up to \$878	176	0	--	--
\$879 up to \$919	66	0	--	--
Greater Than \$919	81	0	--	--
ALL	8,816	2,614	\$70	\$840

The map below shows the location of the December 1995 AFDC cases that were considered least likely to find work in private sector jobs.

Cases Least Likely to Work in Private Sector Jobs Under W-2 Milwaukee County (part): December 1995



VIII. Disabled and Exempt Cases Not Expected to Secure Private Sector Employment

Certain classes of adults with dependents qualify for assistance under W-2 but are not expected to secure private unsubsidized employment. These exempt cases include instances where the casehead is incapacitated, required to be at home, caring for an incapacitated person, or pregnant. In addition, cases in the Wisconsin Parental and Family Responsibility experiment are exempt from W-2. Of the total number of cases exempted, 813 are due to incapacitation or caring for an incapacitated person. Under W-2 these cases will be eligible for a monthly grant of \$517 if they comply with program requirements. Incapacitated persons are expected to work in sheltered workshop settings at the equivalent of \$2.98 per hour. Those caring for an incapacitated person at home are expected to count that responsibility as work at \$2.98 per hour, for up to \$517 a month. A total of 656 women who are pregnant are also in the exempt class. The impact of W-2 on these families will vary by size of the eligible unit as shown below.

Characteristics of the Caseload Most Likely to be in W-2 and Expected to Work in Transitional Jobs Due to Handicapping Condition

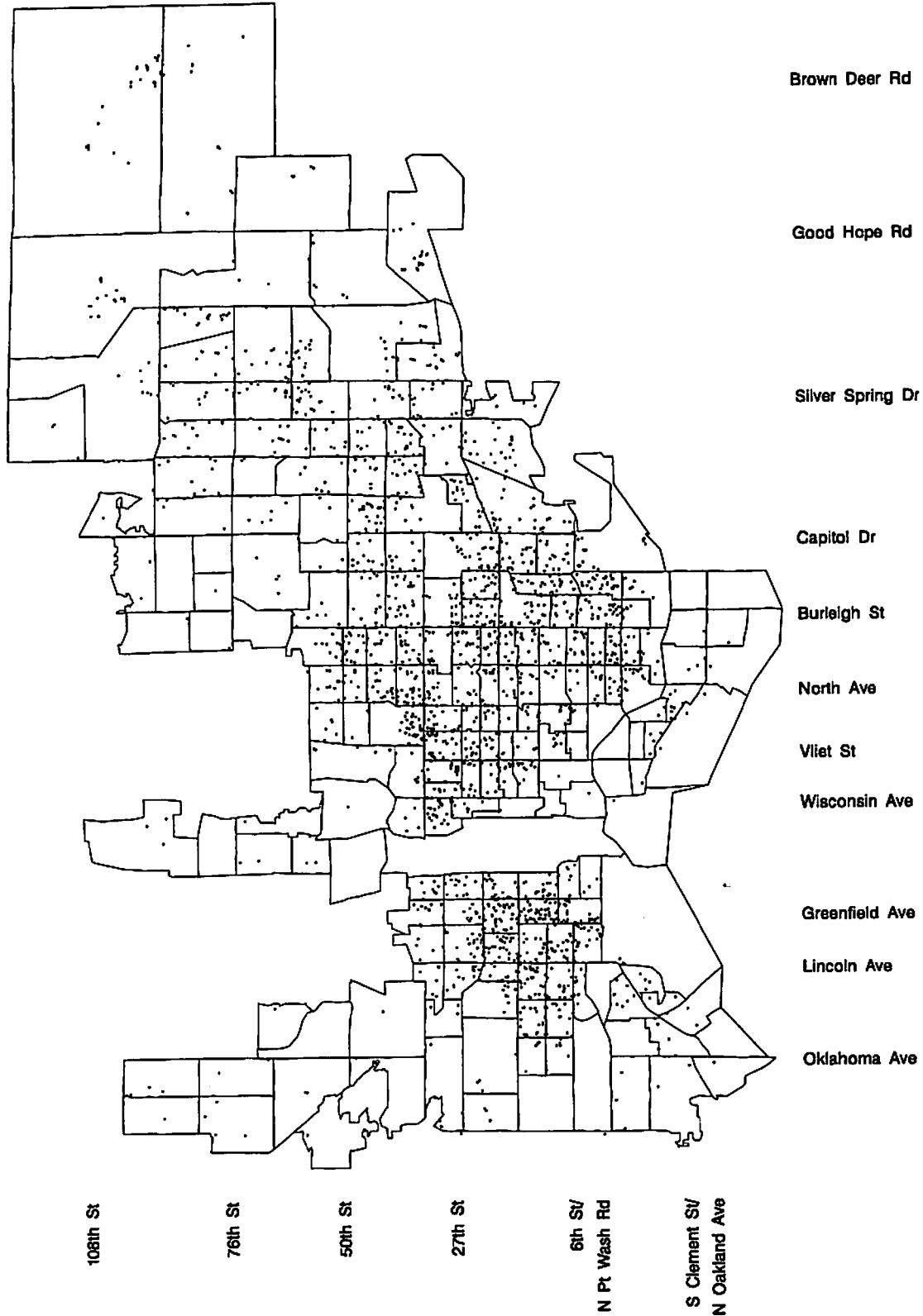
NET LOSS

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Loss Under W-2</u>	<u>Average Monthly Loss</u>	<u>Average Annual Loss</u>
\$440 up to \$516	884	3	- \$3	- \$36
\$517 up to \$616	484	349	- \$33	- \$396
\$617 up to \$707	267	267	- \$125	- \$1,500
\$708 up to \$765	124	124	- \$219	- \$2,628
\$766 up to \$828	59	59	- \$281	- \$3,372
\$829 up to \$878	17	17	- \$333	- \$3,996
\$879 up to \$919	13	13	- \$407	- \$4,884
Greater Than \$919	14	14	- \$476	- \$5,712
ALL	1,862	846	- \$126	- \$1,512

NET GAIN

<u>Range of AFDC Monthly Payments</u>	<u>Number of Cases</u>	<u>Number of Cases With a Net Gain Under W-2</u>	<u>Average Monthly Gain</u>	<u>Average Annual Gain</u>
\$440 up to \$516	884	881	\$69	\$828
\$517 up to \$616	484	135	\$12	\$144
\$617 up to \$707	267	0	--	--
\$708 up to \$765	124	0	--	--
\$766 up to \$828	59	0	--	--
\$829 up to \$878	17	0	--	--
\$879 up to \$919	13	0	--	--
Greater Than \$919	14	0	--	--
ALL	1,862	1,016	\$62	\$744

**Cases Exempt from W-2 Work Requirements
(Transitional and "Parental Responsibility" Experimental Cases)
Milwaukee County (part): December 1995**



Financial Impact

Capped public assistance payments will result in a potential gain for almost all one-child families and a substantial benefit cut for almost all families with more than one child. Estimated gains and losses included health and child care co-payments and assume a best case scenario of full compliance with W-2 work regulations. Families with one dependent would see a potential average monthly gain of \$69 or \$828 annually while larger families would see grant reductions of as much as \$5,700 annually.

IX. Impact of W-2 on Welfare Migration Patterns and New Public Assistance Applicants

Reductions in AFDC caseloads may be most substantial when focused on the population applying for assistance. The 1994 and 1995 caseload data was used to examine length of time cases were on AFDC and mobility rates for cases opening and closing. Most AFDC cases in a given month have been on assistance for a relatively short period of time. Typically, half of all cases in a month are on AFDC two years or less and one-third for one year or less in their most current episode on AFDC. In-migration of AFDC cases to Wisconsin has driven much of the Wisconsin welfare legislative agenda, beginning with the 1986 benefit reduction proposals and work requirements and, later, the two-tier benefit payment policies.

In recent years the in-migration factor has remained significant with 20 percent of recent Milwaukee County cases on AFDC two years or less coming from out-of-state. Implementation of W-2's very strict work requirements and reductions in benefit payment levels will likely impact on in-migration and account for a significant portion of the total AFDC case reduction. At the same time, many AFDC case closures are due to out-migration. Using April 1994 caseload data on recent closures it appears that as many cases are closed due to leaving the county and/or state as are closed because of increased earnings due to employment. The mobility rate for AFDC cases may likely result in not only a significant drop of in-migrants but also an increasing number of AFDC out-migrants.

Methodology

The December 1995 caseload data for all AFDC cases in Milwaukee County was examined to assess the impact of proposed welfare reform policies and their impacts on these Milwaukee County families. With the advice of local employment and training administrators, a variety of demographic caseload characteristics were used to estimate the number of caseheads falling into categories of employment readiness as outlined in current legislation.

Cases were first grouped into three categories: cases excluded from W-2 as kinship or SSI caseheads, cases likely to leave AFDC prior to W-2, and the residual cases subject to W-2. Cases excluded from W-2 are:

- A. Children of a disabled adult on SSI will no longer be eligible for AFDC and accounted for 3,652 cases in December, 1995. These children will receive \$77 per month instead of AFDC.
- B. Family foster cases falling into the AFDC category of NLRR (non-legally responsible relative, totaling 2,396 cases) will no longer be eligible for AFDC, and under W-2 will be considered for kinship care.

Cases likely to leave AFDC prior to W-2 were further grouped by type of AFDC case closure. Case closures were considered most likely for those cases currently employed, recently employed, sanctioned, or cases with smaller grant amounts. Generally, these are also cases with fewer children, older children and caseheads with higher levels of education. They include:

- A. Cases currently working as of December 1995 numbered 4,135, 70 percent of which are receiving an average of \$222 per month and in most cases have no children under 2 years of age.
- B. An additional 1,317 cases have recent work experience but are not currently working.
- C. The 4,397 cases currently in sanctioned status are likely to close if full financial sanctions are imposed. Few of these cases have young children and 80 percent have no children under 2 years of age.
- D. An additional 1,748 cases not included in the above groups receive less than \$440 per month, averaging \$265. Eighty percent of these cases have no children under 2 years. Fifty percent of the cases with children have no children under 5 years of age.

The remaining cases likely to be subject to W-2 were divided into three groups: those likely to work under W-2, those less likely to work under W-2, and those not expected to find private sector employment.

- A. Cases likely to work under W-2 include those cases with no recent work experience, no children under 2 years of age and if there is one child 2-5 years old, the casehead has at least 12 years of schooling. These 5,198 cases are better educated, have fewer children, and as a result, have fewer visible barriers to employment.
- B. Cases less likely to work under W-2 (the most difficult to serve population) include those 8,816 cases with no recent work experience, and a child under 2 years or a child under 6 years and no high school diploma. These cases average 2 children under 6 years and two-thirds have not completed high school.

- C. Those 1,862 cases exempt from the W-2 work requirement include the disabled not on SSI, pregnant women and cases in the parental responsibility experiment.

Calculation of W-2 Impact on Current AFDC Status

Data from each AFDC case was used to construct the impact of W-2 legislation on a case-by-case basis, including cost of day care by age and number of children, health care, W-2 potential wages and net income gain or loss compared to current AFDC income.

Child care cost calculations conservatively assumed the lowest cost child care category of provisional family care with a 7.5 percent co-pay. For children under 6 years, the co-payments for 1, 2, 3, and 4 children were \$20, \$37, \$50 and \$67 per month. For children 6 through 12, the same level of care was assumed but at 15 hours per week with a monthly co-pay of \$5 per month. If licensed family care was used instead where available, the cost and co-payments would double. Deductions were calculated for each family by age and number of children.

Health insurance co-payment costs were deducted at \$20 per month per case.

To calculate the loss/savings, each family's W-2 wage was calculated for a community service job or transitional job, assuming a best case scenario where everyone complied with program requirements working up to 30 hours and attending training up to 10 hours per week with no sanctions. From the monthly amount of \$555 for community service jobs and \$517 for transitional jobs, the following calculation was made:

W-2 Wage
minus Health Insurance Co-Payment
minus Day Care Co-Payment
minus AFDC Current Check
= Net Gain/Loss Under W-2