



**Testimony before the Joint Legislative Audit Committee**

*February 11, 2004*

Good morning and thank you for the opportunity to speak today. My name is Kathleen Mulligan-Hansel. I am the director of the Working Families Project at Institute for Wisconsin's Future, a non-profit research and community education center headquartered in Milwaukee. IWF has been working on state policy issues for almost a decade, and has tracked progress and problems with W-2 since the concept was first considered by the legislature in the early 1990s.

I urge this committee to authorize a broad, performance-based audit of the W-2 program. The statute that created W-2 requires quarterly reports on progress within the program, yet since W-2 was introduced there have been only a handful of reports released by either DWD or the Legislative Audit Bureau. While information on many other operations of state government is readily available, data on the implementation of W-2 and the progress of W-2 participants has always been very restricted. The first comprehensive audit, released in 2001, provided a wealth of information that provided many new insights into the program. I ask that you authorize an audit that is similar in scope.

Furthermore, the 2001 Audit concluded with several strong recommendations for modifying the program to improve service provision, provide W-2 participants with better connections to meaningful work, and ensure the well-being of families. Few of those recommendations have been implemented. I urge you to use the 2004 Audit to revisit those recommendations, and to follow-through with much-needed program changes.

I want to highlight briefly three dimensions of the W-2 program that warrant greater scrutiny by the legislature.

First, W-2 is failing to make good on the promise of moving families to self-sufficiency through work. Research on W-2 from initial implementation up to the present shows this to be a consistent problem. Median earnings of families leaving W-2 are very low. The 2001 comprehensive audit found median earnings of about \$12,000. This figure included the state and federal tax credits that low-wage workers are eligible for, even though the audit bureau could not verify that families actually received those credits. More recent research on W-2 in Milwaukee conducted by the prestigious Chapin Hall in Chicago found median annual earnings of \$4131. \$4131 is \$10,000 below the federally-designated poverty line for a family of three.

Many proponents of the program have claimed that this is just the first step on the ladder to self-sufficiency and that workers will earn more as they advance through the labor market.

In fact, no research suggests that this move up the ladder is actually happening. Rather, W-2 participants tend to find jobs in work that is unstable, temporary, part-time and contingent. They leave the W-2 program for jobs that last only a few months, or for work that is theoretically full-time but in fact never provides 40 hours of work a week. In recent years, the recession has made it more difficult for W-2 participants to find permanent, stable employment. Yet no modifications were made to ensure that the program operated effectively to serve families in times of economic downturn.

Among the recommendations issued by the audit bureau in 2001 was a directive that the Department of Workforce Development and the Legislature should have a plan for improving the earnings of families that left W-2 for work but remained in poverty. The state has made NO progress toward implementing this recommendation. In fact, earnings outcomes have declined since 2001 and few efforts have been initiated to improve the opportunities available to low-income W-2 leavers.

Second, the policies and rules that were created when W-2 was first implemented left gaps in the program. These gaps have resulted in many families failing to get served, even if they are in crisis. A careful reading of the statute suggests that these gaps were not a part of the legislative intent.

The use of “job ready” provides a very clear example. Every parent that applies for W-2 is assigned to a tier, as you know. W-2 case managers have the authority to classify someone as “job ready.” If a parent is found job ready that means their family is not eligible for any cash assistance. Job ready is a highly discretionary category. It is not in the statute and there are no consistent criteria for what characteristics are sufficient to place someone in this category. Moreover, a family with no income can be placed in job ready **even if there are no jobs available**. As a result, this category is largely used as a budget-management tool. When funds are scarce, agencies are more aggressive about placing individuals in job ready. The result is that vulnerable families are being pushed into deeper crises.

Finally, I want to comment on a related problem: the two year time limits. When the first audit was conducted, W-2 participants were just starting to reach the time limits that limit participation in any one tier to two years. The 2001 audit could not comment extensively on how this aspect of the program was working out, but it did direct DWD to develop a plan for how to deal with participants who were leaving the program because of time limits but lacked access to other sources of income. The audit also requested DWD provide additional information on how the extension policy was being used to ameliorate the hardships faced by families that were hitting the time limits. Yet there has been only minimal progress toward devising such a plan. Extensions continue to be issued only in very rare cases, and there is no consistent, systematic effort to ensure that families hitting time limits have some other source of support.

IWF believes the state can do much better in helping families develop meaningful connections to work and in protecting families that are in crisis until they are able to work again. I urge you to use this audit to assess whether W-2 has delivered on these promises, and to identify areas in which the state can do a better job of serving low-income parents and their children.