

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Commerce and Consumer Services Committee

BILL: SB 1910

SPONSOR: Senator King

SUBJECT: Workforce Innovation

DATE: March 22, 2005

REVISED: 03/22/05

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------------|----------------|-----------|-------------------------|
| 1. | <u>Gordon</u> | <u>Cooper</u> | <u>CM</u> | <u>Fav/5 amendments</u> |
| 2. | <u></u> | <u></u> | <u>CF</u> | <u></u> |
| 3. | <u></u> | <u></u> | <u>TA</u> | <u></u> |
| 4. | <u></u> | <u></u> | <u></u> | <u></u> |
| 5. | <u></u> | <u></u> | <u></u> | <u></u> |
| 6. | <u></u> | <u></u> | <u></u> | <u></u> |

Please see last section for Summary of Amendments

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

I. Summary:

This bill permits Workforce Florida, Inc. to expand the Passport to Economic Progress demonstration program statewide. The bill authorizes Workforce Florida, Inc. to designate regional workforce boards to participate in the program. The bill permits Workforce Florida, Inc. to offer incentive bonuses, provides requirements for those bonuses and specifies that such bonuses are not entitlements.

This bill amends the following sections of the Florida Statutes: 445.048.

II. Present Situation:

In 1996, the United States Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (act).¹ The act created block grants for Temporary Assistance for Needy Families (TANF) and replaced the former Aid to Families with Dependent Children (AFDC) program.² The TANF block grant may only be expended under a state plan approved by the United States Department of Health and Human Services.³ In Florida, traditional welfare programs are administered by the Department of Children and Family Services. These programs include the cash assistance program and the federal Food Stamp Program. The Department of Children and Family Services is designated as the state agency responsible for the administration of social service funds⁴ and for submitting the state's TANF plan to the Federal Government.

Under Florida's Workforce Innovation Act of 2000,⁵ the Legislature created Workforce Florida, Inc., and the Agency for Workforce Innovation (AWI). In addition, the act revised the duties of the 24 regional workforce boards. Established as a not-for-profit corporation, Workforce Florida, Inc. (WFI), is the principal workforce policy organization for the state. The purpose of Workforce Florida, Inc., is "to design and implement strategies that help Floridians enter, remain in, and advance in the workplace, becoming more highly skilled and successful, benefiting these Floridians, Florida businesses, and the entire state, and to assist in developing the state's business climate."⁶ AWI is an independent state agency that ensures the state appropriately administers federal and state workforce funding by administering the plans and policies of WFI under contract with WFI.⁷

Workforce development services are delivered to citizens by the regional workforce boards through the one-stop delivery system.⁸ These workforce development services include a variety of employment and training programs, some of which are funded through the state's TANF block grant.

Temporary Cash Assistance

Under Florida law, eligibility for the cash assistance program is limited to those families whose gross family income is equal to or less than 185 percent of the federal poverty level.⁹

In addition to income levels, to be eligible for cash assistance a family must include a minor child.¹⁰ Unless exempted, individuals receiving temporary cash assistance are required to work or participate in job search or job readiness assistance programs, job skills training, or other educational programs.¹¹ In general, individuals are limited to receiving temporary cash assistance

¹ Pub. L. No. 104-193, 110 Stat. 2105 (1996).

² See 42 U.S.C. s. 601(a); H.R. Conf. Rep. No. 104-725, 104th Cong., 2d Sess. 264 (1996).

³ 42 U.S.C. s. 602.

⁴ Section 409.031, F.S.

⁵ Chapter 2000-165, L.O.F.

⁶ *Id.*

⁷ Section 20.50(1), F.S.

⁸ Section 445.009, F.S.

⁹ Section 414.085(1)(a), F.S.

¹⁰ Section 414.095(2)(b), F.S. (Pregnant women are also eligible.)

¹¹ Sections 414.095(1) and 445.024, F.S.

for 24 cumulative months in any 60-month period, and the lifetime limit for receiving cash assistance is 48 months.¹² Families receiving temporary cash assistance may also be eligible to receive other support services, including child care and transportation assistance to gain employment.¹³ These families often receive benefits under the federal Food Stamp and Medicaid programs as well.

Transitional Benefits and Services

After a family leaves the temporary cash assistance program, current law allows these families to continue receiving non-cash support services including Medicaid, education and training, transportation, and child care.¹⁴ The extended medical benefits are available for 12 months after leaving cash assistance if an individual cannot obtain medical insurance from his or her employer.¹⁵ If the individual's income exceeds 185 percent of the federal poverty level after six months, these transitional medical benefits are not continued.

Transitional education and training programs are provided to an individual up to two years after a family no longer receives cash assistance.¹⁶ These education programs are limited to job-related training and must improve the individual's job skills. Transportation benefits are also available for two years after a family no longer receives cash assistance.¹⁷ Transitional transportation services must be job or education related and may include the provision of a vehicle valued at no more than \$8,500 if the vehicle is needed for work or educational purposes. A family may also receive transitional child care assistance for no more than two years, but these child care benefits are not continued if an individual's income exceeds 200 percent of the federal poverty level.¹⁸

These transitional benefits and services are provided to families by the regional workforce boards through the one-stop delivery system.

Work Incentive Approach to Welfare Transition

Two years before the United States Congress enacted welfare reform in 1996,¹⁹ Florida implemented a welfare reform pilot project in Escambia and Alachua counties, the Family Transition Program (FTP).²⁰ The Alachua FTP project continued until 1996, and the Escambia FTP project was conducted until 1999.²¹ Operating under federal waivers from the former Aid to Families with Dependent Children (AFDC) program, the FTP combined time limits on cash assistance, financial work incentives, and employment-related and other services:²²

¹² Section 414.105, F.S.

¹³ Section 445.009, F.S.

¹⁴ Sections 445.028-445.032, F.S.

¹⁵ Section 445.029(1), F.S.

¹⁶ Section 445.030, F.S.

¹⁷ Section 445.031, F.S.

¹⁸ Section 445.032, F.S.

¹⁹ Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193, 110 Stat. 2105 (1996).

²⁰ Dan Bloom et al., Manpower Demonstration Research Corp., *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program 1* (Dec. 2000).

²¹ *Id.* at 1 n.1.

²² *Id.* at 3-7.

- Cash assistance was limited to 24 months in any 60-month period and 36 months in any 72-month period, with certain exceptions.
- The first \$200, plus 50 percent of any remaining earned income, was disregarded in calculating cash assistance payments.
- Two years of transitional child care assistance were provided.
- Employment-related, social, and health services were provided.

These features of the FTP were implemented statewide beginning in October 1996,²³ as facets of the Work and Gain Economic Self-sufficiency (WAGES) Program and remain in effect under current law. To facilitate the evaluation of the Escambia FTP project, both the FTP and traditional AFDC continued to operate in Escambia County until late 1999.²⁴ A study of the FTP found that, between 1994 and 1999, the FTP reduced cash assistance caseloads by 69 percent and benefited families; however, family incomes increased only modestly.²⁵

Evaluations of similar programs in Minnesota,²⁶ Connecticut,²⁷ and Canada²⁸ have produced noteworthy results by extending transitional benefits and services, including wage supplementation, in order to help lift families out of poverty:

- **Minnesota Family Investment Program:** The program increased the earned income disregard and increased cash assistance by up to 20 percent for those who worked.
- **Connecticut's Jobs First Program:** The program provided an earned income disregard for all income below 100 percent of the federal poverty level.
- **Canadian Self-Sufficiency Project:** The project required full-time work (at least 30 hours per week), provided a wage supplement, and imposed a three-year limit on the supplement.

Preliminary research indicates that work incentive programs that encourage full-time work, like these programs, consistently produce large, positive effects on employment, earnings, and total income for long-term welfare recipients.²⁹

Passport to Economic Progress Demonstration Program

In 2001, committee substitute for committee substitute for Senate Bill 1672 (CS/CS/SB 1672) was enacted as s. 2, ch. 2001-175, L.O.F., thereby creating the Passport to Economic Progress Demonstration Program (Passport Program). The program, codified as s. 448.24, F.S., was created to provide quantitative and qualitative information concerning whether performance

²³ See Work and Gain Economic Self-sufficiency (WAGES) Act, ch. 96-175, L.O.F.

²⁴ Bloom, *supra* note 35, at 10-11.

²⁵ *Id.* at 225-26.

²⁶ Gordon L. Berlin, Manpower Demonstration Research Corp., *Encouraging Work, Reducing Poverty* (Mar. 2000).

²⁷ Dan Bloom et al., Manpower Research Demonstration Corp., *Jobs First: Implementation and Early Impacts of Connecticut's Welfare Reform Initiative* (Feb. 2000).

²⁸ Winston Lin et al., Social Research & Demonstration Corp., *Executive Summary, When Financial Incentives Encourage Work: Complete 18-Month Findings from the Self-Sufficiency Project* (Sept. 1998).

²⁹ Berlin, *supra*, note 51, at 17.

based post-employment services to TANF eligible families could help those families achieve job retention, earnings gains, job advancement and, eventually, self-sufficiency.

The Passport Program has evolved over time. As noted in the January 2005 WFI report to the Governor regarding the Passport Program, the original program included the following elements:

- **Increased Earned Income Disregard**—In order to be eligible for temporary cash assistance, families would have to earn equal to or less than 185 percent of the Federal Poverty Level (FPL). Under the Passport Program, families could disregard the first \$300 of earned income plus one-half of their remaining income.
- **Extension of Transitional Benefits and Services** (job retention and career advancement elements)—After a family exits the temporary cash assistance program to go to work, applicable law allows for up to two years of transitional education and training support services, transitional transportation support services and transitional childcare services to facilitate the transition from dependence on public assistance to employment. Clients participating in the Passport Program were eligible to have those transitional services for up to four years.
- **Wage Supplementation**—The average wage rate for a welfare transition participant in the Passport Program when the program was initiated was \$7.04 per hour. For a family of three in 2001, that rate represented an annual income of \$11,714.56—80 percent of the FPL. Such low incomes led to continued reliance on public assistance despite participants' efforts to become self-sufficient. Under the Passport Program, participants were eligible for wage supplementation for up to twelve months to raise their incomes to 100 percent of the FPL, under certain conditions:
 - Residence in one of the two demonstration counties (Hillsborough and Manatee);
 - Be a former recipient of temporary cash assistance;
 - Have received cash assistance on or after January 1, 2000;
 - Be employed full time (at least 32 hours per week) and
 - Have a family income for the preceding 6 months less than 100 percent of the FPL.

In January 2003, WFI submitted a report to the Governor, President of the Senate and Speaker of the House of Representatives as required by s. 445.048(6), F.S. (2001). The report made the following recommendations:

- The Passport Program should be continued during fiscal year 2003-2004 in order to determine the best service delivery model to move employed workers along the continuum of public assistance to self-sufficiency.
- Wage supplementation should be replaced with a performance-based program that defines specific incentives and bonuses for achieving benchmarks in the self-sufficiency plan while the client is working full-time.
- The earned income disregard increase may be eliminated since it is part of the wage supplementation which should be replaced.

- The extension of transitional benefits should be continued to assist participants in managing work, family, childcare, and transportation.
- At the request of the Suncoast Workforce Development Board, Manatee and Sarasota counties should be added to facilitate consistency and coordination of programs throughout the service area.
- The redesign of the Passport Program should include an outreach element to employers/business and incentives for retention, training employees to develop new skills and opportunities for career advancement and/or earnings gains.

As a result, in 2003, the program was modified to remove the wage supplementation language and replace it with incentive bonuses.³⁰ The statute was also amended to include General Appropriations implementing language that reflected the impending deadline for reauthorization of TANF legislation.³¹ Because these changes were made in the implementing bill, they were only effective until July 1, 2004. In January 2004, WFI was asked to provide a status update on the program to determine the advisability of retaining the changes through fiscal year 2004-2005. The following recommendations were made:

- Retain the changes in the program design (eliminating income disregard and changing the wage supplementation to performance based with incentive bonuses) through the end of the demonstration project.
- Revise eligibility criteria from 100 percent of the FPL to 150 percent to include individuals who were earning more, but remained in public assistance programs because their income still was not enough to allow them to become self-sufficient.

WFI's 2005 report to the Governor and Legislature, *Evaluation and Recommendations: Passport to Economic Progress Demonstration Program*, made several findings which are, in summary, as follows:

- Self-sufficiency planning during the transitional period is critical to job retention.
- Use of transitional education and training services by participants is stronger among those who were granted performance-based incentives as opposed to those who received wage supplementation.
- Providing and ensuring transitional benefits and services while the client is actively engaged in self-sufficiency planning is key to assisting participants in leaving public assistance.
- Employers are critical partners in this process. Opportunities for skills upgrade and training from employers and from the Passport Program is critical to the success of the program.
- Innovative programs to provide additional training and education which include the employer will assist participants in becoming self-sufficient.
- Mentors/job coaches are as critical as the one-stop career manager in assisting participants to achieve their goals.

³⁰ Sections 78 and 79, ch. 2003-399.

³¹ As a result, s. 445.048(4)(c)2., F.S., permits full-time participants to be eligible for incentive bonuses and defines full-time as: "[E]mployment averaging at least 32 hours per week, until the United States Congress enacts legislation reauthorizing the Temporary Assistance for Needy Families block grant and, after the reauthorization, means employment complying with the employment requirements of the reauthorized law..." See also, Specific Appropriation 1979A of the General Appropriations Act.

WFI's preliminary data shows Passport Program participants' success in comparison to other workers who are attempting to move from unemployment to employment. WFI reports that during the fourth quarter of the Passport Program's 2003-2004 fiscal year, 82 percent of program clients being tracked (260 of 319), were employed and earning median quarterly wages of \$3,087. Their employment rates increased from approximately 16 percent from the first to the fourth quarter and earning increased approximately 22 percent during the same period. At the same time, 49 percent of the control group (680 of 1,376) were employed and earning median quarterly wages of \$2, 595. While Passport Program participants had an employment rate of 82 percent and median quarterly wages of \$3,087, the control group had an employment rate of 49 percent with quarterly wages of \$2,595.³²

Therefore, WFI's preliminary data indicates the Passport Program is an effective post-employment service delivery model.

III. Effect of Proposed Changes:

This bill expands the Passport to Economic Progress Demonstration Program (Passport Program) statewide, thereby removing its "demonstration" status and allowing workforce boards the option of applying to WFI for funds to replicate the program in their respective counties.

Section 1 amends s. 445.048, F.S., to authorize the expansion of the Passport Program statewide. It also authorizes WFI to designate regional workforce boards to participate in the program. This section also allows regional workforce boards to use funds generally appropriated to them for employment activities to implement and maintain the Passport Program in their regions.

The section deletes the income disregard provision and again replaces all references to wage supplementation. Instead, it requires a bonus program known as "Incentives to Economic Self-Sufficiency." This aspect of the Passport Program includes the setting of benchmarks which participants must achieve before they can receive bonuses. Like other aspects of the program, the bonus program is not a program entitlement, and may be reduced or suspended if funds are not available.

This section also raises the income eligibility for receiving an incentive bonus from 100 percent of the federal poverty level (FPL) to 200 percent of the FPL.

The section deletes an outdated reference to a WFI report that was to be submitted to the Legislature and the Governor in 2003. However, this section does require that WFI submit evaluations and recommendations as part of its annual report to the Legislature.

Section 2 of the bill makes this proposed legislation effective upon becoming law.

³² This information is based on wage and earnings data generated by the Florida Education and Training Program.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

To the extent that federal or state funds are available, WFI may allocate funds to this program as it deems necessary, and will incur related administrative responsibilities.

VI. Technical Deficiencies:

The word “demonstration” remains in parts of the bill. Amendments are suggested to remove that term.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode # 824696: Deletes the word “demonstration” to clarify that the program is no longer a pilot program.

Barcode #625688: Deletes the word “demonstration” to clarify that the program is no longer a pilot program.

Barcode #230982: Replaces “designated areas” and “demonstration” with “participating in the passport” program to clarify that the program is no longer a pilot program.

Barcode #103338: Conforms the Legislative findings section to program qualifications in the bill.

Barcode # 633040: Expands eligibility for the program to include TANF eligible families.

This Senate staff analysis does not reflect the intent or official position of the bill’s sponsor or the Florida Senate.
