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Office of
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John W. Turcotte, Director December 1998

Review of Start-up and Early Implementation Efforts Related to the WAGES Privatization Pilot Projects

Abstract

- **As of December 1998, the State WAGES Board established pilot projects operated by private providers in three representative sites as required by law. Although the pilot projects were providing employment services, they were not yet providing diversion and eligibility determination as intended due to the need to obtain approval from the federal government.**
- **There are currently few differences between the pilot projects and the state-run WAGES programs.**
- **Although the pilot projects have been operating for only a short while, stakeholders have strong opinions and contrasting viewpoints about the potential success of privatizing WAGES services. Our subsequent evaluation, due in December 1999, will assess these outcomes.**

Purpose

In the 1997-98 General Appropriations Act, the Legislature created the Work and Gain Economic Self-Sufficiency (WAGES) pilot projects to demonstrate the feasibility of privatizing all program services within a WAGES service area. WAGES services are intended to help public assistance recipients obtain and maintain employment. The Legislature required WAGES pilot projects in no fewer than three locations in separate regions representative of service centers in inner city, suburban, and rural settings. The 1997 Legislature directed OPPAGA to evaluate startup and early implementation efforts related to the WAGES pilot projects.

Background

Program Purpose. The 1996 Legislature created the WAGES program to develop opportunities for program participants to remove barriers to employment and end reliance on welfare.[1] The WAGES program differs markedly from previous public assistance programs and emphasizes work, self-sufficiency, and personal responsibility. The program's goal is to help participants become self-sufficient and achieve independent and productive lives. See Appendix A for a comparison of welfare-to-work provisions of WAGES and Aid to Families with Dependent Children (AFDC), state's previous public assistance program.

Program Services. WAGES provides participants with services designed to remove barriers to employment. These services include four major activities.

- **Diversion and Eligibility Determination**. Diversion assistance is intended to help participants deal with an unexpected circumstance or emergency situation and thus avoid long-term public assistance. These diversion services may include shelter or utility payments, car repair payments that are necessary for participants to continue employment, or other assistance that meets the applicant's emergency financial need. The eligibility determination process is for individuals who need ongoing financial assistance.

[1] Chapter 96-175, Laws of Florida, established the WAGES program. For purposes of this report, welfare refers to Temporary Assistance for Needy Families (TANF). In 1996, Congress passed legislation that replaced Aid to Families with Dependent Children (AFDC) with TANF. The federal legislation placed greater emphasis on removing barriers to work and imposed limits on the time recipients may receive TANF benefits.

- **Employment Services**. Individuals who apply for assistance receive a series of employment services beginning with job registration as a condition of eligibility, job readiness skills training, assistance in conducting job searches, and such activities as community service work experience, on-the-job training, and vocational education.
- **Childcare Services**. Participants receive subsidized childcare if needed to participate in the program or transitional childcare if needed to retain employment.
- **Teen Pregnancy Prevention**. Participants receive services designed to reduce initial and repeat teen pregnancies.

Eligibility Limits. Most WAGES participants can receive services for up to 24 months in a 60-month period. Participants may apply for hardship exemptions that extend services for an additional 12 months. Certain WAGES participants can receive services for up to 36 months in a 72-month period—families who already received welfare in 36 of the previous 60 months when WAGES began in October 1996, and persons under age 24 lacking high school completion or work experience. All WAGES participants are limited to a lifetime visit of 48 months. There is no time limit for cases involving children who receive benefits and are being raised by relatives whose financial needs are not reflected in the amount of assistance.

Since WAGES was implemented, Florida's TANF caseloads have declined over 50%. For the period of October 1996 through July 1998, 140,279 WAGES participants who had not previously been employed had obtained jobs, which enabled them to discontinue receiving TANF benefits. Exhibit 1 shows caseload reductions, and compares the number of families and individuals receiving TANF benefits at the time WAGES was implemented in September 1996 and at November 1998.

Exhibit 1
TANF Caseloads Have Declined Over 50%
Since WAGES Began in October 1996

WAGES Caseload	Baseline Month (Sept. '96)	Report Month (Nov. '98)	Percentage Change
People Receiving Cash Assistance	531,485	243,916	-54%
Families Receiving Cash Assistance	200,292	95,816	-52%
Adults Receiving Cash Assistance	155,071	62,422	-60%

Source: Florida Department of Children and Families

Program Delivery. WAGES services are provided through a public-private partnership. The WAGES state board is responsible for overseeing WAGES operations and assisting state agencies in implementing WAGES. The state board charters local WAGES coalitions responsible for planning and coordinating the delivery of local services. Various state agencies such as the Department of Labor and Employment Security, the Department of Children and Families, the Department of Health, and the Department of Education are instrumental in implementing the WAGES program. Appendix B describes the responsibilities of the WAGES partners.

Program Resources. As shown in Exhibit 2, the Legislature appropriated approximately $128.6 million for the WAGES coalitions in Fiscal Year 1998-99. The primary funding source for WAGES is federal TANF block grants.

Exhibit 2
Funding for WAGES Coalitions
Fiscal Year 1998-99

Appropriations	Amount
General Revenue	$ 500,000
Federal Trust Funds	94,228,906
Transportation Incentives /Federal Trust Funds	32,000,000
National Guard Life Preparation Program	1,900,000
Total Appropriations	**$128,628,906**

Source: Department of Labor and Employment Security

Observations on Pilot Project Implementation

As required by law, the state WAGES Board established pilot sites in Palm Beach County (urban setting), Volusia-Flagler counties (suburban setting), and Lake-Sumter counties (rural setting). See Appendix C. These pilot projects were intended to test the feasibility of privatizing all program services (eligibility determination, employment assistance, childcare assistance, and teen pregnancy prevention) within a local service delivery area.

Our review of the start-up of the pilot projects assesses the early implementation of the pilot projects and reports on stakeholders' perceived potential benefits and drawbacks to privatization.

Pilot Projects Are Operational and Providing Employment Assistance Services

As of December 1998, local WAGES coalitions had contracted with private providers in three pilot sites as required by Chapter 97-152, Laws of Florida. The WAGES coalitions in Palm Beach and Lake-Sumter counties had contracted with Lockheed-Martin effective April 1, 1998. The WAGES coalition for Volusia-Flagler counties had contracted with the Partnership for Workforce Development effective November 1, 1998.

Implementation of the Palm Beach and Lake-Sumter pilot projects was further advanced than the Volusia-Flagler pilot. Lockheed-Martin had implemented more pilot project goals because it had been operational for a longer period of time than the Partnership for Workforce Development. For example, Lockheed-Martin had hired staff and was providing employment services in one-stop centers. These centers provide one location for WAGES participants to obtain program services and other public assistance available from state and local agencies. Lockheed-Martin has also contracted with other local agencies for additional employment services. In Volusia-Flagler, the Partnership for Workforce Development began providing employment services November 1, 1998.

However, none of the pilot projects were providing all of the intended WAGES services. As of December 1998, the three pilot projects were providing employment assistance but not diversion and eligibility determination services. (The WAGES coalitions determined not to incorporate childcare or teen pregnancy prevention services into the pilot projects because these services had already been privatized to community providers.) Diversion and eligibility determination services had not been incorporated into the pilot projects because the state must obtain a federal waiver to privatize these services. A waiver is necessary because eligibility determination services include assessing eligibility for other benefits, such as food stamps and Medicaid. The Department of Children and Families requested a waiver in January 1998, but the federal government had not approved this waiver as of December 1998.

Due in part to delay in obtaining federal government permission to privatize eligibility determination services related to food stamps and Medicaid, there are few apparent differences between the pilot projects and the state-run WAGES programs administered in the rest of the state. We did not identify any significant differences or innovations in how the pilot projects are providing program services. In both the pilot project and state-run programs, state employees are providing certain services while certain other services have been privatized. Department of Children and Families staff provide diversion and eligibility determination services for all WAGES participants, including those in the pilot projects.

Further, the employment services that are privatized in the pilot projects are also being privatized in state-run programs. The 1998 Legislature removed the requirement that the Department of Labor and Employment Security provide the initial employment services, thus allowing all WAGES coalitions to contract for all employment services. The state-run programs have typically contracted with companies such as Lockheed-Martin and the Workforce Development Board for employment services. These contractors provide both the initial employment services that DLES formerly provided as well as supplemental support services such as job readiness training.

Also, child care and teen pregnancy prevention services are not included in the pilot projects and thus will not be affected by this experiment. Thus, the pilot projects are offering the same services, generally in the same manner, as the state-run programs. While the pilot projects could produce benefits in terms of service quality or cost, data are not yet available to identify these potential outcomes.

Contrasting Perspectives on Expected Benefits and Potential Drawbacks from Privatization

While implementation of the pilot projects is too new to enable an evaluation, stakeholders already have strong perspectives on the potential success of the effort. In general, proponents, such as Lockheed-Martin and state WAGES board officials, believe the pilot projects will be successful in reducing costs, improving services, and improving program accountability for program results. Opponents of privatization, such as state employees, have opposing perspectives for each of these factors. These perspectives are summarized in Exhibit 3.

Exhibit 3

While There Are Limited Data on Pilot Project Outcomes, Stakeholders Already Have Contrasting Viewpoints on the Potential Effects of Privatizing WAGES Services

Benefits of Privatizing WAGES Services	***Drawbacks of Privatizing WAGES Services***
Reduced Costs. Proponents of privatization believe that competition from the private sector helps state agencies determine if they are delivering the highest quality services at the lowest possible cost. Proponents believe that lack of competition may lead to a monopoly and a lack of incentive for state agencies to reduce costs and improve quality of services.	**Increased Costs.** Opponents of privatization do not believe that privatizing WAGES services has resulted in increased competition because (1) services were already contracted with local entities, and (2) Lockheed-Martin had previous WAGES contracts in the counties served in the pilot projects. Opponents also claim that privatization may actually cost more because the state will have to incur additional costs associated with monitoring contractors.
Proponents of privatization believe that the private sector can obtain efficiencies that are not possible with government due to a cumbersome and costly bureaucratic process.	Opponents of privatization believe that efficiencies are difficult to achieve in social services because of differences among clients. For example, each WAGES participant presents a unique set of circumstances that create barriers to employment. Therefore, the service provider must treat each case differently, which tends to limit opportunities for achieving efficiencies.
Increased Accountability. Proponents of privatization believe that performance-based contracting can improve accountability because the provider and the state negotiate a cost per participant for WAGES services. In addition, most of the contractor's payment for services is based on results. For example, the providers' initial payment is 40% of the cost per client, 50% when the participant obtains gainful employment, and 10% if the participant retains the job for 180 days.	**Decreased Accountability**. Opponents believe that privatizing WAGES services will decrease accountability because the government has less direct control over day-to-day operations. Because this is a public program, the government is ultimately responsible for performance and the state uses performance measures to improve the program's performance.
More Responsive to Clients. Proponents of privatization suggest that private providers can streamline operations so they are more responsive to clients. For example, Lockheed-Martin has an open entry/open exit system designed to reduce the number of participants who disengage from the system while waiting for scheduled services. In the open entry/open exit program, participants are encouraged to accept jobs whether or not they have completed job searches and/or job training curriculum.	**Less Responsive to Clients.** Opponents of privatization believe that state employees are just as responsive to clients as the private sector. They claim that state employees can and have used the open entry/open exit design used by Lockheed-Martin. Opponents also expressed concerns that the profit motive in the private sector may present a disincentive for private providers to serve harder to place clients.
	Decreased Fiscal Integrity. Opponents of privatization believe that the potential for fraudulent use of funds is greater when services are privatized.

Source: OPPAGA interviews with key stakeholders, including Department of Children and Families and Department of Labor and Employment Security staff, officials of state WAGES board and local coalitions, and officials with the U.S. Department of Agriculture

At this time, there are limited data available to evaluate the claims of the proponents and opponents of the privatization of WAGES services. Our subsequent evaluation report, to be published in December 1999, will provide data on these outcomes.

Conclusions

As of November 1, 1998, WAGES coalitions had contracted with private providers in three pilot sites as required by law. Pilots projects are providing employment services, but not providing diversion and eligibility determination, which must be approved by the federal government. Due in part to delay in obtaining federal government permission to privatize eligibility determination services, there are few apparent differences between the pilot projects and the state-run WAGES programs administered in the rest of the state.

Although the pilot projects have been operating for only a short while, stakeholders have strong opinions and contrasting viewpoints on the effects of privatizing WAGES services. Proponents of privatization identified expected benefits, such as reduced costs and improved services. On the other hand, opponents of privatization believed that these benefits would not be realized and identified anticipated drawbacks to privatizing WAGES services, including potential increased costs and decreased accountability. At this time, there are limited data available to evaluate the claims of the proponents and opponents to the privatization of WAGES services. Our subsequent evaluation report, to be published in December 1999, will provide data on these outcomes.

Agency Response

The Secretary of the Department of Children and Families offered the following response.

Thank you for your December 15 letter enclosing the preliminary and tentative findings of your *Review of Start-up and Early Implementation Efforts Related to the WAGES Privatization Pilot Projects.*

Your report accurately and objectively reflects the progress to date in the privatization sites established in the Palm Beach, Flagler-Volusia, and Central Florida WAGES Coalitions. Staff in the Economic Self-Sufficiency Program Office have reviewed the report and discussed a few technical changes with members of your staff, which are to be incorporated in the final draft.

As indicated in the report, our agency has yet to receive a response from the Food Stamp Program of the U.S. Department of Agriculture or the Health Care Financing Administration granting approval to the waiver requests which would allow the complete eligibility process for WAGES to be conducted by a private entity. Partner agencies are continuing to work through a modified model in which public and private entities are collocated with public employees conducting eligibility procedures and the private employees conducting the remainder of the services.

Thank you for the opportunity to review and comment on the report. We will distribute copies to the other members of the WAGES Privatization Pilots Oversight Committee. If I may be of further assistance, please let me know.

Sincerely,

Edward A. Feaver
Secretary

Appendix A

The Federal Temporary Aid to Needy Families (TANF) Program Provides More Flexibility Than Prior State Programs

Original AFDC Program. The federal AFDC (Aid to Families with Dependent Children) program began in the 1930s when employment opportunities were limited for women. The norm at that time was for women to stay home and care for their children, and AFDC helped poor women to stay home. By the 1960s, attitudes began to change toward working mothers, and employment opportunities increased for women. These changes made it more difficult for the federal government to defend the equity of supporting unemployed mothers.

AFDC Focus on Jobs. In the 1960s the federal government amended the AFDC program by adding the focus on getting recipients into jobs. The federal government reinforced the job focus in the 1980s with increased funding for AFDC employment programs. In spite of these efforts, few AFDC recipients participated in the employment programs. In 1994, approximately one-half of AFDC recipients were able to work, but only 13% of this group participated in employment assistance programs.

TANF Replaces AFDC and Imposes Time Limits. In the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Congress replaced AFDC with TANF. TANF has more stringent work requirements than AFDC and imposes time limits on receipt of cash assistance. TANF provides more flexibility for the state to design their own programs and imposes a five-year time limit for most adult participants who are able to work.

Florida's WAGES Program. Florida's WAGES program was designed to take full advantage of the flexibility provided under federal law. Exhibit A-1 shows the changes between AFDC and TANF and how WAGES was designed based on federal reform enacted in the federal law.

Exhibit A-1

Welfare-to-Work Under AFDC, TANF, and WAGES

	Program Requirements	Under Aid to Families with Dependent Children (AFDC)	Under Temporary Assistance for Needy Families (TANF)	Florida's WAGES Program
ELIGIBILITY	Asset Limits	Under AFDC, families receiving cash assistance were not allowed to accumulate more than $1,000 in resources such as savings accounts and stocks and could own a vehicle worth $1,500 or less.	TANF does not impose asset limits; it allows each state to establish its own asset rules. Some states are using TANF funds to help clients create savings for education, to purchase a home, or to establish a business.	WAGES participants can accumulate $2,000 in assets and can possess a vehicle valued at up to $8,500.
ELIGIBILITY	Income Eligibility Limits	Under AFDC, a family's gross income had to be less than 185% of the state's need standard and the net income had to be less than the payment standard.	TANF does not specify the income eligibility tests. States have the flexibility to either maintain the AFDC eligibility standards or create new ones.	WAGES retained the AFDC payment standard, which was already in place.
ELIGIBILITY	Eligibility of Two-Parent Families	Under AFDC, eligibility for two-parent families was restricted to those families in which children were deprived of parental support due to incapacitation of a parent or the unemployment or underemployment of the principal wage earner of the family.	TANF does not impose the extra eligibility restrictions on two-parent families so each state now determines its eligibility standards for two-parent families.	Under WAGES, both parents have to meet the same eligibility requirements as single parents, but work requirements are adjusted if child care services are not available.
BENEFITS	Benefits Amounts	Under AFDC, states set benefits levels as a proportion of family needs established by each state based on cost of living needs.	TANF does not establish benefit amounts so each state establishes its own standards for benefit amounts.	Florida's benefit amounts remained the same under TANF as under AFDC. It is $303 monthly for a single-parent family with two children and no income.
BENEFITS	Earnings Disregards	Under AFDC, states were to provide earnings incentive by disregarding a portion of recipients' earned income when determining benefits amounts. The disregard was $120 and one-third of remaining earnings for the first four months of consecutive earnings and $120 thereafter.	TANF does not impose standards for earnings disregards so each state now establishes its own standards for earnings disregards.	Under WAGES, Florida established an earnings disregard of $200 and 50% of remainder of the monthly earnings.

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	Program Requirements	Under Aid to Families with Dependent Children (AFDC)	Under Temporary Assistance for Needy Families (TANF)	Florida's WAGES Program
BENEFITS (Continued)	Family Caps	Under AFDC, benefits for a family automatically increased when an additional child was born.	TANF does not impose family caps but allows each state to establish its own family caps.	In Florida, benefits increase by 50% for the second child with no increases for additional children.
BENEFITS (Continued)	Child-Support Pass Through	Under AFDC, families applying for assistance assigned their child support rights to the state. Child support payments were paid to the child support agency and if it was not large enough to disqualify the family from AFDC, the first $50 of the child support payment was paid to the family each month as pass-through.	Under TANF, the federal government no longer requires the pass-through program, but allows states the option of continuing the child support pass-through at their own expense.	Florida discontinued the pass-through program.
WORK REQUIREMENTS	Age of Youngest Child Exemption	AFDC allowed exemptions for primary caretakers of children under three (which could be lowered by states) or six if child care was not guaranteed.	TANF requires that all adults participate in 1 of 12 work activities defined by federal law. States may establish other exemptions at their discretion.	In Florida, primary caretakers of children under three months of age are exempt from work activities.
WORK REQUIREMENTS	Work Sanctions	AFDC participants who fail to comply faced serious sanctions such as reduction in benefit payments.	TANF requires states reduce the assistance payment to the family pro rata for each month a participant refuses to engage in work activities subject to exemption policies established by states.	Florida imposes sanctions on WAGES participants and withholds benefits if participants do not comply with WAGES work activities.

Source: *One Year after Federal Welfare Reform: A Description of State Temporary Assistance for Need Families (TANF) Decisions as of October 1997*, The Urban Institute, Washington, D.C., June 1998.

Appendix B

WAGES Services Are Provided Through a Public-Private Partnership

State WAGES Board. The WAGES Program State Board of Directors, created within the Executive Office of the Governor oversees the operation of the WAGES Program and advises and assists state agencies in implementing the WAGES Program. The board is composed of the following members: the Commissioner of Education, or designee, Secretaries of Children and Families, Labor and Employment Security, Community Affairs, the president of Enterprise Florida Jobs and Education Partnership, and nine members appointed by the Governor. The WAGES State Board appointed Michael Poole as the first state program director; he has served in that capacity since February 1997.

WAGES Coalitions. Local WAGES Coalitions are responsible for planning and coordinating the delivery of local services under the WAGES Program. Each coalition must have a minimum of 11 members, with at least one-half from the business community, appointed to a three-year term. The composition of the coalition membership must generally reflect the gender and ethnic composition of the community as a whole. The membership must include:

- representatives of the principal entities that provide funding for the employment, education, training, and social service programs that are operated in the service area, including representatives of local government, the Regional WAGES Coalition, and the United Way;
- a representative of the Health and Human Services Board;
- a representative of a Community Development Board;
- three representatives of the business community who represent a diversity of sizes of businesses;
- representatives of other local planning, coordinating, or service-delivery entities; and
- a representative of a grass-roots community or economic development organization that serves the poor of the community.

Enterprise Florida Jobs and Education Partnership (JEP). JEP serves as the State Workforce Development Board and has membership similar to that of the State WAGES Board. JEP charters local workforce development boards that are responsible for local workforce development efforts. WAGES and JEP have the same 24 regions serving the same geographic boundaries. In most instances the boards have combined to meet the statutory requirements of both programs.

Department of Children and Families (DCF). DCF provides eligibility determination services. The department also provides other services such as childcare assistance that a participant can receive after they obtain employment and are no longer receiving WAGES employment services. For example, WAGES participants are eligible for childcare assistance and Medicaid after they obtain employment.

Department of Education (DOE). DOE is responsible for providing training programs that prepare individuals to enter the job market. Community colleges and school districts contract with WAGES coalitions to provide services for WAGES clients.

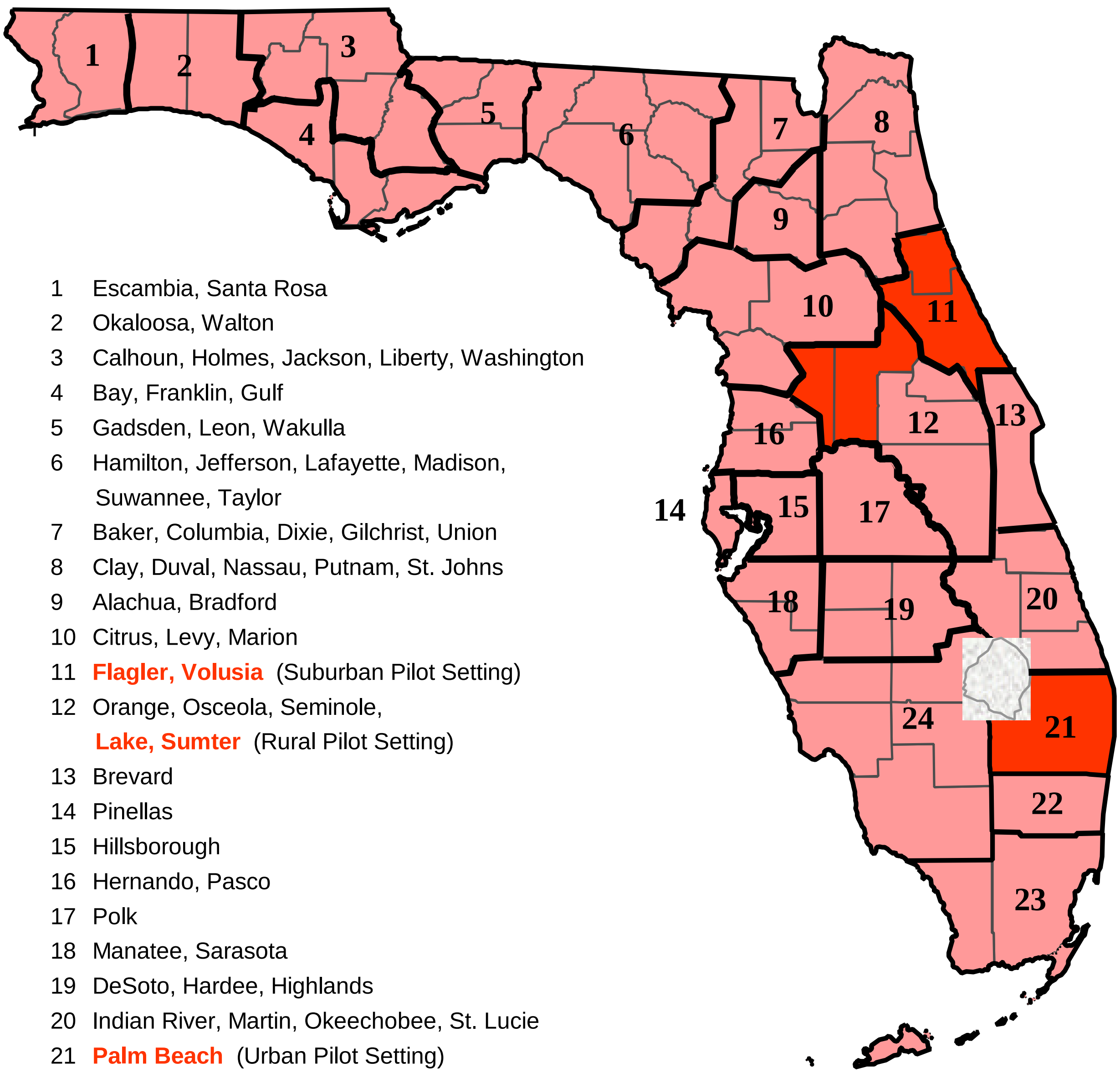
Department of Health (DOH). DOH provides teen pregnancy prevention programs.

Department of Labor and Employment Security (DLES). DLES supports the public-private partnership with Florida's business community, an important component of the WAGES program. The Division of Jobs and Benefits administers the WAGES business registry that offers employers tax incentives when they hire WAGES participants. DLES also has a role in approving and administering the One-Stop Career centers that are the primary mechanism for delivering WAGES services. The One-Stop Career centers are a federal initiative designed to streamline client services and provide all government services in one location. The One-Stop Career centers provide office space and equipment for the various WAGES partners.

Source: State WAGES Board and Chapter 414, Florida Statutes

Appendix C

Local WAGES Coalitions and Location of WAGE Pilot Projects



1 Escambia, Santa Rosa
2 Okaloosa, Walton
3 Calhoun, Holmes, Jackson, Liberty, Washington
4 Bay, Franklin, Gulf
5 Gadsden, Leon, Wakulla
6 Hamilton, Jefferson, Lafayette, Madison, Suwannee, Taylor
7 Baker, Columbia, Dixie, Gilchrist, Union
8 Clay, Duval, Nassau, Putnam, St. Johns
9 Alachua, Bradford
10 Citrus, Levy, Marion
11 **Flagler, Volusia** (Suburban Pilot Setting)
12 Orange, Osceola, Seminole, **Lake, Sumter** (Rural Pilot Setting)
13 Brevard
14 Pinellas
15 Hillsborough
16 Hernando, Pasco
17 Polk
18 Manatee, Sarasota
19 DeSoto, Hardee, Highlands
20 Indian River, Martin, Okeechobee, St. Lucie
21 **Palm Beach** (Urban Pilot Setting)
22 Broward
23 Dade, Monroe
24 Charlotte, Collier, Glades, Hendry, Lee

Source: State WAGES Board

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The Florida Legislature

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