



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #845

Temporary Assistance for Needy Families (TANF)

Revised Estimates for TANF-Related Programs (DWD -- Economic Support and Child Care)

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INTRODUCTION

The purpose of this paper is to establish a projected 2003-05 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes a reestimated TANF carryover balance going into the 2003-05 biennium based on reestimated revenues and expenditures for 2002-03. The paper also includes reestimates of revenues and expenditures for 2003-05 based upon more recent information, and fully funding projected costs of certain programs. In addition, the paper includes some modifications to the bill to reflect the Governor's intent.

The paper provides a new TANF base for the Committee to work from based on projected costs of programs under the bill. Subsequent papers address alternatives that the Committee could consider in establishing the budget for Wisconsin Works (W-2), child care, and other TANF-related programs.

Table 1 shows the estimated revenues and expenditures for W-2 and other public assistance programs under the bill. The table compares the administration's figures with revised estimates prepared by this office. Note that the table includes a reestimate of the child care program based on the amount that would be required to fully fund the program with the Governor's proposal to extend grants to custodial parents of newborn infants from 12 weeks to six months. The revised revenue and expenditure estimates are discussed in more detail in the sections that follow the table.

TABLE 1**Revised Estimates of TANF Related Revenues and Expenditures**

	<u>Governor</u>		<u>Revised Estimates</u>		<u>Difference</u>	
	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
Revenues						
State General Purpose Revenue	\$154,199,400	\$154,199,400	\$154,199,400	\$154,199,400	\$0	\$0
Program Revenue in DWD	1,000,000	1,000,000	1,000,000	1,000,000	0	0
TANF Block Grant	315,776,800	315,776,800	315,776,800	315,776,800	0	0
Child Care Block Grant	83,815,400	83,815,400	83,210,900	83,210,900	-604,500	-604,500
Food Stamp Employment and Training Funds	8,112,600	8,112,600	8,112,600	8,112,600	0	0
Child Support Collections	26,588,200	25,588,200	26,588,200	25,588,200	0	0
TANF Carryover from Prior Year	<u>82,978,400</u>	<u>40,042,000</u>	<u>95,062,300</u>	<u>48,670,400</u>	<u>12,083,900</u>	<u>8,628,400</u>
Total Available	\$672,470,800	\$628,534,400	\$683,950,200	\$636,558,300	\$11,479,400	\$8,023,900
Expenditures						
W-2 Agency Contract Allocations						
Services and Administration	\$77,886,300	\$77,886,300	\$77,886,300	\$77,886,300	\$0	\$0
Subsidized Employment Benefits*	71,427,500	78,410,800	70,837,600	75,235,800	-589,900	-3,175,000
Child Care						
Direct Child Care Subsidies	\$293,634,300	\$291,385,000	\$293,700,300	\$297,962,300	\$66,000	\$6,577,300
Programs to Improve Child Care Quality and Availability	6,859,400	6,926,700	6,859,400	6,926,700	0	0
Local Pass-Through Program	4,395,500	4,395,500	4,395,500	4,395,500	0	0
Other Benefits						
Kinship Care	\$24,155,700	\$24,155,700	\$24,155,700	\$24,155,700	\$0	\$0
Caretaker Supplement for Children of SSI Recipients	20,883,700	19,969,800	26,397,200	29,175,100	5,513,500	9,205,300
Emergency Assistance	4,500,000	4,500,000	4,500,000	4,500,000	0	0
Job Access Loans	200,000	200,000	200,000	200,000	0	0
Child Support Related to W-2						
Child Support Payments	\$17,777,100	\$17,397,100	\$15,687,100	\$15,097,100	-\$2,090,000	-\$2,300,000
Children First	1,140,000	1,140,000	1,140,000	1,140,000	0	0
Administrative Support						
State Administration	\$18,552,100	\$18,552,100	\$18,487,400	\$18,487,400	-\$64,700	-\$64,700
Other Support Services						
English for Southeast Asian Children	\$100,000	\$100,000	\$100,000	\$100,000	\$0	\$0
Grant Programs						
Workforce Attachment and Advancement	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0
Early Childhood Excellence	2,500,000	2,500,000	2,500,000	2,500,000	0	0
Community Youth Grants	300,000	300,000	300,000	300,000	0	0

	Governor		Revised Estimates		Difference	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
Expenditures in Other Programs						
Earned Income Tax Credit	\$57,892,000	\$50,300,000	\$57,892,000	\$50,300,000	\$0	\$0
Head Start	3,500,000	3,500,000	3,500,000	3,500,000	0	0
SSBG Transfer to DHFS/Community Aids	13,420,500	13,420,500	13,420,500	13,420,500	0	0
Domestic Violence	750,000	750,000	750,000	750,000	0	0
Child Abuse and Neglect Prevention Board	340,000	340,000	340,000	340,000	0	0
Child Welfare Safety Services	7,094,100	7,094,100	7,045,500	7,045,500	-48,600	-48,600
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	0	0
Milwaukee Child Welfare - WiSACWIS	<u>1,695,700</u>	<u>1,741,300</u>	<u>1,695,700</u>	<u>1,741,300</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$632,428,800	\$628,389,800	\$635,279,800	\$638,648,800	\$2,851,000	\$10,259,000
Ending Balance**	\$40,042,000	\$144,600	\$48,670,400	-\$2,090,500	\$8,628,400	-\$2,235,100

*Some portion of the funding for subsidized employment benefits would be retained by DWD to reimburse employers for costs under the transitional subsidized private sector job program created under the bill, and therefore, would not be part of the W-2 agency contract allocations.

**The ending balance assumes that the \$6.5 million in contingency funds are allocated for TANF expenditures for 2003-05.

REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

TANF and Child Care and Development Fund (CCDF) Reauthorizations. Under federal law, authorization for the TANF and child care development fund programs expired on September 30, 2002. Congress has passed a continuing resolution extending the programs through June 30, 2003. At that time, legislation will be needed to either continue or reauthorize the programs. The estimates in this paper assume that funding levels continue at the same levels provided under the current federal programs.

Child Care and Development Fund. Revenues under the child care and development fund are reestimated at \$83,210,900. On an annual basis, this is \$604,500 less than the administration's estimate. The change is based on the amount of matching funds that are projected to be available for 2003-05.

Carryover of TANF Funds from 2002-03 to 2003-04. The carryover balance from 2002-03 is reestimated at \$95.1 million or \$12.1 million higher than the administration's estimate. There are several reasons for the increased balance:

(a) *Final 2001-02 Program Close-outs.* Additional funding of \$3,508,800 is available based on final spending for 2001-02 compared to DOA's estimates including; (a) \$1,984,300 in unspent workforce attachment and advancement funds; (b) \$1,730,100 in unspent local pass-through program funds; (c) \$195,600 in additional Milwaukee Public School expenditures; (d) \$10,700 in additional caretaker supplements for children of supplemental security income (SSI) recipients; and (e) \$700 in unspent early childhood excellence funds.

(b) *2002-03 Revenues.* DOA's estimate of TANF revenues for 2002-03 includes \$14.3 million in program revenue from the Department of Health and Family Services (DHFS) for

medical assistance (MA) and food stamps administration under the income maintenance contracts. Prior to the 2001-03 biennium, W-2 agencies performed eligibility determination for MA and food stamps. The function was transferred to DHFS under 2001 Wisconsin Act 16 (the 2001-03 biennial budget). However, federal cost allocation regulations require state agencies to allocate costs to the programs that benefit from the activity. For example, when a W-2 agency records an address change for a W-2 participant who also participates in MA and/or food stamps, some W-2 costs are allocated to the income maintenance contracts. For 2001-02, W-2 agencies allocated total costs of \$14.3 million to the income maintenance contracts. This funding was counted as program revenue for the TANF program for 2001-02.

While it is expected that W-2 agencies will continue to allocate some costs relating to services provided to W-2 participants who also participate in MA and/or food stamps, similar costs will also be incurred by the counties in administering MA and food stamps for persons who are also W-2 participants. A portion of those costs would be allocated to the W-2 program. DWD and DHFS are currently in the process of trying to determine how to handle such cost allocation issues. In the meantime, DWD has no information on potential costs that may be incurred by the W-2 agencies that would be charged to the income maintenance contracts. Nor is there information on the potential costs that may be incurred under the income maintenance contracts, but allocated to the W-2 agency contracts. It is likely, however, that the revenues would be much less than the \$14.3 million amount used in DOA's estimates. Further, given that under the cost allocation principles charges would work both ways between the W-2 agencies and income maintenance contracts, the charges could net out. Therefore, for purposes of this estimate, it is assumed that there would be no net TANF revenues for 2002-03 from DHFS related to MA or food stamps administration.

Revenues for 2002-03 also include an additional \$177,500 GPR due to a DWD reestimate of the amount of GPR program operations allocated to the TANF program. DOA had assumed \$184,200 compared to the current estimate of \$361,700.

(c) Child Support Funds. Additional TANF funding of \$7,181,900 has been identified due to the incorrect treatment of child support revenues from 1997-98 through 2002-03. Correction of this accounting error has resulted in freeing up TANF funds of \$7,181,900 which will be carried forward into the 2003-05 biennium.

(d) Child Care Subsidy Expenditures. Projected child care expenditures are anticipated to be \$15,275,300 less than the budgeted amount in 2002-03.

(e) Contingency Funds. The Joint Finance Committee had set up two contingency funds, totaling \$20,308,200 in TANF funding for the 2001-03 biennium in its supplemental appropriations to be used toward W-2 cash benefits. On May 5, 2003, the Committee released \$13,801,200 in contingency funds to supplement W-2 benefits for Milwaukee County W-2 agencies. As a result, \$6,507,000 remains in contingency in the Committee's federal program supplements appropriation. The remaining contingency funds are included in the TANF carryover revenue; however, the Committee could choose to leave the funds in the Committee's

appropriation as a contingency fund for TANF-related programs for the 2003-05 biennium. This would impact the final projected TANF balance for the biennium, as discussed below.

(f) *Kinship Care.* Kinship care program expenditures are expected to be \$735,800 less than the budgeted amount for 2002-03.

(g) *Caretaker Supplement.* Benefits for the caretaker supplement for children of recipients of SSI are expected to be \$3,140,900 higher than budgeted for 2002-03.

(h) *Emergency Assistance.* Emergency assistance expenditures are expected to be \$3,926,400 higher than budgeted in 2002-03. According to DWD, much of the increase in the emergency assistance program could be due to W-2 agencies erroneously recording *emergency payments*, which are supposed to be paid out of their W-2 contracts, as expenditures to the *emergency assistance* program. Emergency payments are intended to meet one-time emergency needs for W-2 participants who are awaiting their first W-2 benefit payments. The emergency assistance program provides assistance to needy families, which need not be W-2 participants, in cases of fire, flood, natural disaster, energy crisis, homelessness, or impending homelessness. DWD is currently providing technical assistance to the W-2 agencies so that future expenditures will be accounted for correctly.

(i) *Milwaukee County Liaison.* The Milwaukee County liaison position, which was housed in DHFS to coordinate the implementation of the W-2 program with the state's administration of the Milwaukee County child welfare system, was eliminated in 2001-02. As a result, no TANF funds will be expended for 2002-03. Funding for the position was split between DWD and DHFS. The amount of TANF budgeted for the position was \$54,100.

(j) *Literacy - Governor's Office.* 2001 Act 16 provided \$50,000 TANF annually for a program in the Governor's office to promote literacy. Half of the funding was intended to support a literacy advocate and half was to support literacy grants to libraries. The remainder of the initiative was to be supported with GPR. No expenditures have been charged to the TANF program for the Governor's literacy initiative for 2001-03.

EXPENDITURES FOR W-2 AND RELATED PROGRAMS FOR THE 2003-05 BIENNIUM

Subsidized Employment Benefits. Table 1 includes a reestimate of funding for subsidized employment benefits, under the bill, of \$70.8 million in 2003-04 and \$75.2 million in 2004-05. The reduction in costs of \$589,900 in 2003-04 and \$3,175,000 in 2004-05 is based on a reestimate of the cost to fund the provision under the bill that would extend grants to caretakers of newborn infants (CNI) from 12 weeks to six months. A separate paper has been prepared on this provision.

Child Care Subsidies. Table 1 includes the estimated cost to fully fund the direct child care subsidy program under the bill of \$293.7 million in 2003-04 and \$298.0 million in 2004-05. This includes a reestimate to fully fund the direct child care subsidy program under current law of \$298.6 million in 2003-04 and \$308.0 million in 2004-05, less the reestimated savings of the

provision under the bill that would extend grants to caretakers of newborn infants from 12 weeks to six months of \$4.9 million in 2003-04 and \$10.0 million in 2004-05. The estimates exceed the level of funding provided under the bill by \$6.6 million over the biennium. Separate issue papers have been prepared to provide the Committee with options to change program requirements to reduce the cost of the program, modify the Governor's provision to extend CNI grants to increase the projected savings under the provision, or to provide additional funds for the program.

Caretaker Supplement. Based on current expenditure estimates for state supplemental security income, funding in the bill should be increased by \$5,513,500 in 2003-04 and \$9,205,300 in 2004-05 to support the SSI caretaker supplement program in the 2003-05 biennium. It is currently projected that expenditures for state-only cases (those recipients who only receive the state supplement, but do not receive a federal SSI benefit) will decrease, but expenditures for both the federal-state SSI cases (those who receive both a federal and a state SSI benefit) and the caretaker supplement will increase over the biennium.

Child Support Payments. Child support expenditures are reestimated at \$15,687,100 in 2003-04 and \$15,097,100 in 2004-05 to accurately reflect the amount of child support passed through to W-2 participants. The expenditures are lower than those assumed under the bill by \$2,090,000 in 2003-04 and \$2,300,000 in 2004-05.

State Administration. Under the bill, the statutory allocation for state administration would total \$18,552,100 annually. However, this would not include the budget efficiency measures reduction of \$64,700 annually. Therefore, the statutory allocation for state administration should be modified to reflect the budget efficiency measure reductions, for an annual allocation of \$18,487,400.

Child Welfare Safety Services. Based on current estimates of safety services caseloads in the Bureau of Milwaukee Child Welfare, less funding is needed to support this program. The Committee has already reduced funding in the bill by \$48,600 annually under its actions relating to LFB Paper #431, dated May 7, 2003.

Earned Income Tax Credit (EITC). Table 1 assumes that the provision under the bill to use \$7.1 million in public benefits funding in 2004-05 to fund a portion of the projected EITC payments for TANF-eligible individuals is adopted. It should be noted that the Governor has introduced an amendment to the bill to replace the public benefits funding with TANF funds. The amendment is a result of the identification of additional TANF funds relating to the incorrect treatment of child support funding under the TANF program over the last several years. However, as shown in Table 1, with the reestimated expenditures under the bill, there would be a projected deficit of \$2.1 million on June 30, 2005. If the public benefit funds were not used to support a portion of the EITC payments for TANF-eligible individuals, the projected TANF deficit would be approximately \$9.2 million on June 30, 2005. [This item is addressed in more detail in LFB Paper #116.]

Community Reinvestment Funds. Under the bill, no funds would be budgeted for community reinvestment for 2003-05. Under current law, W-2 agencies were eligible to earn 3%

of their base W-2 contract amounts for the 2000-2001 W-2 contracts as community reinvestment if they met all of the base performance benchmarks. The contract period for expenditure of these funds is January 1, 2002, through December 31, 2003. 2001 Act 16 budgeted 18 months of the contracts. DWD had requested funding for the remaining six months (\$2,213,800) in its 2003-05 budget request. Under the bill, the remaining funds would not be paid out. In addition, the bill removes the statutory authority for community reinvestment funds, and directs DWD not to pay any community reinvestment funds earned under the 2000-2001 W-2 agency contracts.

However, according to DWD, it is expected that not all of the community reinvestment funds budgeted in the 2001-03 biennium will be fully expended by W-2 agencies by June 30, 2003. The administration indicates that it was not its intent to prohibit the W-2 agencies from being able to spend funds that were already budgeted. Further, W-2 agencies are being required to use a portion of these funds to offset projected W-2 cash benefit deficits under the 2002-2003 W-2 agency contracts that run through December 31, 2003. In addition, the projections in Table 1 assume that all of the funds will be spent. Therefore, nonstatutory language should be added to allow W-2 agencies to spend community reinvestment funds that were budgeted under 2001 Act 16. The funds would be encumbered on June 30, 2003, so no appropriation would be necessary.

ENDING TANF BALANCE

As indicated in Table 1, the reestimated 2004-05 ending balance under the bill would be a deficit of \$2.1 million. This assumes that funding for child care subsidies would be increased by the Committee to fully fund the projected cost of the program over the biennium, including the provision that would extend CNI grants to parents of newborn infants from 12 weeks to six months.

The balance also assumes that the \$6.5 million in contingency funds under the Committee's federal program supplements appropriation would be used to support TANF expenditures for 2003-05.

In addition to the estimated \$2.1 million deficit at the end of 2004-05, the Committee should be aware of the structural imbalance in the W-2 program under the bill. Using the revised estimates, ongoing revenues would be \$587.9 million annually and ongoing spending commitments would be \$638.7 million annually. Therefore, there would be an estimated structural deficit of \$50.8 million per year going into the 2005-07 biennium. The amount of the structural deficit could be affected by TANF reauthorization. In addition, the projected deficit would be partially offset if not all funds are obligated or spent in the 2003-05 biennium. Therefore, unless additional state funds are provided, it is likely that additional TANF program reductions would be necessary in the 2005-07 biennium.

MODIFICATION

Modify the Governor's recommendations to reflect the Governor's intent and reestimates for 2003-05 as described above: (a) delete the \$6,507,000 held in contingency under the Committee's program supplements appropriation [s. 20.865(4)(m)] and allocate the funding for TANF programs for 2003-05; (b) increase funding for the caretaker supplement by \$5,513,500 in 2003-04 and \$9,205,300 in 2004-05 to fully fund projected costs of the program; (c) decrease funding for child support payments by \$2,090,000 in 2003-04 and \$2,300,000 in 2004-05 to accurately reflect the amount that would be passed through to W-2 participants; (d) reduce the funding allocated for state administration by \$64,700 in each year to reflect the budget efficiency measure reductions under the bill; (e) reduce the TANF allocation for child welfare safety services to reflect the amount approved by the Committee on May 7, 2003; and (f) include nonstatutory language to allow W-2 agencies to spend community reinvestment funds that were budgeted under 2001 Act 16.

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