



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

May 31, 2011

Joint Committee on Finance

Paper #210

### **Revised Estimates for TANF-Related Programs (DCF -- Economic Support and Child Care)**

[LFB 2011-13 Budget Summary: Page 96, #1 and Page 108, #18]

---

#### **CURRENT LAW**

The purpose of this paper is to establish a projected 2011-13 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2011-13 based upon more recent information and fully funding projected costs of certain programs administered by the Department of Children and Families (DCF).

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.

The following table 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 for the child care subsidy program based on the amount that would be required to fully fund the program with the Governor's estimated savings from program integrity measures and additional cost saving measures. In addition, the child care estimates include revised estimates of the savings from the Governor's proposed tiered reimbursement structure for YoungStar, the state's child care quality rating and information system.

Revised estimates are discussed in more detail in the sections that follow the table.

## Reestimates of W-2 and TANF Related Revenues and Expenditures

	Governor		Reestimate		Change to Governor	
	<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Revenues</b>						
General Purpose Revenue in DCF (GPR)	\$160,313,500	\$160,313,500	\$160,313,500	\$160,313,500	\$0	\$0
AFDC Overpayment Recoveries (PR)	292,900	200,000	292,900	200,000	0	0
W-2 Agency Filing Fees (PR)	1,000	1,000	1,000	1,000	0	0
Overpayment Recoveries (FED)	3,530,000	3,530,000	3,530,000	3,530,000	0	0
TANF Block Grant (FED)	314,499,400	314,499,400	314,057,800	313,616,200	-441,600	-883,200
TANF Stimulus Funds*	0	0	6,000,000	0	6,000,000	0
Child Care Block Grant (FED)	91,796,500	91,796,500	87,418,000	87,418,000	-4,378,500	-4,378,500
Public Benefits Fund (SEG)	9,139,700	9,139,700	9,139,700	9,139,700	0	0
Child Support Collections (PR)	3,092,900	2,041,800	4,163,300	2,783,000	1,070,400	741,200
Child Care Licensing Fees (PR)	1,877,800	1,877,800	1,577,800	1,577,800	-300,000	-300,000
SSBG from DHS (PR)	100,000	100,000	100,000	100,000	0	0
TANF Carryover (FED)	54,136,900	26,569,700	56,513,500	24,145,100	2,376,600	-2,424,600
Total Revenues	<u>\$638,780,600</u>	<u>\$610,069,400</u>	<u>\$643,107,500</u>	<u>\$602,824,300</u>	<u>\$4,326,900</u>	<u>-\$7,245,100</u>
<b>Expenditures</b>						
<i>W-2 Agency Contracts</i>						
Benefits	\$78,787,800	\$61,779,400	\$78,787,800	\$61,779,400	\$0	\$0
Administration	11,830,800	11,117,100	11,830,800	11,117,100	0	0
Services	54,846,300	45,637,000	54,846,300	45,637,000	0	0
<i>Child Care</i>						
Direct Child Care Subsidies	290,042,500	288,018,300	297,727,200	297,316,000	7,684,700	9,297,700
State Administration and Licensing**	21,061,700	21,143,400	20,721,800	20,803,500	-339,900	-339,900
Quality and Availability Programs	13,486,700	13,169,400	13,486,700	13,169,400	0	0
<i>Other Benefits</i>						
Kinship Care	21,375,800	21,375,800	21,375,800	21,375,800	0	0
Caretaker Supplement for Children of SSI Recipients	31,232,200	31,232,200	31,232,200	31,232,200	0	0
Emergency Assistance	6,200,000	6,000,000	6,200,000	6,000,000	0	0
<i>Administrative Support</i>						
State Administration**	12,322,400	12,322,400	11,700,700	11,700,700	-621,700	-621,700
Fraud Prevention/Program Integrity	605,500	605,500	605,500	605,500	0	0
<i>Other Support Services</i>						
Children First	1,140,000	1,140,000	1,140,000	1,140,000	0	0
<i>Grant Programs</i>						
Boys and Girls Clubs	350,000	350,000	350,000	350,000	0	0
<i>Expenditures in Other Programs</i>						
Earned Income Tax Credit	43,664,200	43,664,200	43,664,200	43,664,200	0	0
Social Services Block Grant	15,393,800	15,414,800	15,422,200	15,443,200	28,400	28,400
Child Welfare Safety Services	6,350,300	6,350,300	6,350,300	6,350,300	0	0
Child Welfare Program Improvement Plan	680,400	1,360,800	680,400	1,360,800	0	0
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	0	0
Milwaukee Child Welfare/eWISACWIS	1,350,900	1,350,900	1,350,900	1,350,900	0	0
Total Expenditures	<u>\$612,210,900</u>	<u>\$583,521,100</u>	<u>\$618,962,400</u>	<u>\$591,885,600</u>	<u>\$6,751,500</u>	<u>\$8,364,500</u>
Ending Balance	\$26,569,700	\$26,548,300	\$24,145,100	\$10,938,700		

\*Not new revenue. Funds are subtracted out of carryover to show receipt in 2011-12, rather than 2010-11.

\*\*Amounts now reflect employee contributions to pensions and health insurance and the entire amount of the realignments and administrative transfers included in entries under "Departmentwide."

## REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

**TANF and Child Care Development Block Grant (CCDBG).** The TANF and CCDBG programs were reauthorized under the federal Deficit Reduction Act of 2005. The TANF block grant was funded through September 30, 2010. Congress extended this program until September 30, 2011, at the same funding levels. It is assumed that this program will continue to be funded at the same level through the 2011-13 biennium.

However, two additional tribes, the St. Croix Tribe and the Lac Courte Oreilles Tribe, have elected to operate their own TANF programs. As a result, funding to operate these TANF programs will go directly to the tribes. Therefore, the amount available for the state's TANF block grant would be reduced by \$0.4 million in 2011-12 and \$0.9 million in 2012-13, for a total TANF block grant of \$314.1 million in 2011-12 and \$313.6 million in 2012-13. In addition, more recent estimates of the CCDBG assume no funding increase at the federal level from the 2010-11 allocation. Compared to the bill, the CCDBG would be reduced by \$4.4 million annually, for a total CCDBG amount of \$87.4 million annually.

**TANF Emergency Funds.** The federal American Recovery and Reinvestment Act (ARRA) of 2009 established a TANF emergency fund for states to access additional TANF funding under certain circumstances until September 30, 2010. DCF anticipates that the state will receive \$6.0 million in TANF emergency funds from claims submitted prior to September 30, 2010. These funds had been included in the Governor's budget as part of the TANF carryover amount from 2010-11 to 2011-12. However, DCF indicates that these funds are now expected to be received in 2011-12, rather than 2010-11. As a result, even though it is not a new revenue source from the Governor's budget, it is shown as a separate revenue source in 2011-12.

It should be noted that the TANF emergency fund has a limited amount of funding available. States' claims will be reviewed and reimbursed in the order the claims were received. It is possible that the TANF emergency fund could be depleted before Wisconsin's claim is reimbursed and, therefore, these funds would not be available during the 2011-13 biennium. However, DCF has indicated that Wisconsin submitted its claim early and anticipates receipt of these funds before the TANF emergency fund is depleted.

**Child Support Collections.** A more recent estimate of the revenue generated from child support collections assigned to the state by public assistance recipients shows total revenue of \$4.2 million in 2011-12 and \$2.8 million in 2012-13, for an increase of \$1.1 million in 2011-12 and \$0.7 million in 2012-13.

**Child Care Licensing Fees.** A more recent estimate of the revenue generated from licensing fees charged to child care providers shows total revenue of \$1.6 million annually, a reduction of \$0.3 million annually.

**Carryover of TANF Funds from 2010-11 to 2011-12.** Additional funds from child care and TANF emergency funds provided under the federal ARRA during the 2009-11 biennium, combined with the usual TANF revenue sources, have exceeded expenditures during the 2009-11 biennium. This excess revenue is carried forward to be spent in future years. In addition, child

care expenditures in 2010-11 are estimated to be less than the amount assumed under the bill by approximately \$16.1 million. Finally, the carryover amount includes the anticipated receipt of \$15.7 million in TANF contingency funds in 2010-11. The total amount carried over from 2010-11 to 2011-12 is estimated at \$56.5 million. This is \$2.4 million higher than the estimate used in the bill.

TANF contingency funding was established under the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to provide additional grants to states during times of economic downturns if certain conditions are met. Wisconsin has been determined eligible to receive these funds. However, one requirement is that the state must meet a higher maintenance-of-effort requirement. Under federal law, a state must spend an amount of state dollars equal to 75% of historic state expenditures [federal fiscal year 1994 expenditures for various aid to families with dependent children (AFDC) related programs]. In order to receive contingency funds, a state must spend an amount equal to 100% of historic state expenditures. In order to meet this 100% maintenance-of-effort, the state will rely on expenditures in the Department of Public Instruction for high risk/high poverty populations. There has been some question as to whether these expenditures would count towards the maintenance-of-effort requirement. However, it had been allowed in 2008-09. If the state does not meet the 100% maintenance-of-effort requirement, then revenues would be lower by \$15.7 million.

## **EXPENDITURES FOR W-2 AND RELATED PROGRAMS**

**Child Care Subsidies.** The table includes the estimated cost to fully fund the direct child care subsidy program under the bill of \$297.7 million in 2011-12 and \$297.3 million in 2012-13. This includes a reestimate to fully fund the direct child care subsidy program under current law of \$304.7 million in 2011-12 and \$309.5 million in 2012-13, less: (a) estimated savings under the bill for additional program integrity measures (-\$2.7 million annually); (b) estimated savings under the bill for additional cost saving measures (-\$0.8 million in 2011-12 and -\$3.6 million in 2012-13); and (c) the reestimated savings from YoungStar's tiered reimbursement structure proposed under the bill (-\$3.5 million in 2011-12 and -\$5.9 million in 2012-13). With these adjustments, the estimated cost of the child care subsidy program is higher than the estimates used in the bill by \$7.7 million in 2011-12 and \$9.3 million in 2012-13.

Because the bill did not tie a specific savings amount to a specific cost saving measure, these savings were not reestimated for this paper. Options and estimates for child care cost saving measures are addressed in a separate paper. The Governor's YoungStar's tiered reimbursement proposal is also addressed in a separate paper.

**State Administration of Child Care and Public Assistance Programs.** The bill increases state employee contributions for Wisconsin Retirement System benefits and health insurance coverage. The bill also makes additional administrative transfers and realignments. The table now reflects these changes in the child care state administration and licensing allocation, as well as the state administration allocation. These are not fiscal changes to the Governor's proposals, but do require changes to the TANF statutory allocation amounts. The table now reflects the correct allocations of \$20.7 million in 2011-12 and \$20.8 million in 2012-13 for child care state administration and licensing and \$11.7 million annually for state

administration of public assistance programs.

**Social Services Block Grant.** An additional \$28,400 annually in TANF funding should be transferred to the social services block grant (SSBG) in the Department of Health Services (DHS). TANF funds transferred to the SSBG in DHS are used for community aids in DHS and also transferred to DCF for children and family aids. It was determined that \$28,400 annually less of the TANF-converted SSBG would be transferred to DCF for children and family aids because it is needed for community aids in DHS. However, instead of transferring the \$28,400 to the SSBG for community aids in DHS, the bill reduced the amount of funding transferred to the SSBG by \$28,400. This modification would increase the amount of TANF transferred to the SSBG by \$28,400, which would then be retained by DHS for community aids as intended.

**Kinship Care.** Certain relatives who provide care and maintenance for a child may receive a kinship care payment of \$220 per month if: (a) there is a need for the child to be placed with the relative and the placement is in the best interests of the child; (b) the child meets the criteria, or would be at risk of meeting the criteria, for a child or juvenile in need of protection or services, if the child were to remain at home; and (c) the relative meets other non-financial requirements, including a background check.

This office has reviewed the estimates for the kinship care program for the 2011-13 biennium. While it appears that the estimated costs for the program may be slightly higher than what is needed (by approximately \$0.8 million annually), DCF is in the process of licensing certain kinship care providers for the new levels of care foster care licensing system. Costs for these licensed relative foster care providers would be paid by counties from their children and family aids allocation, or, in Milwaukee County, from the out-of-home care costs in the Bureau of Milwaukee Child Welfare, rather than from the kinship care allocation. Given the uncertainty of how many of the kinship care providers will become licensed and when they will become licensed, the estimates provided by DCF appear reasonable.

**Excess Expenditure Authority.** Under the bill, TANF funds in the amount of \$10,493,000 in 2011-12 and \$207,500 in 2012-13 have been appropriated, but not allocated for a specific expenditure. Therefore, expenditure authority should be reduced by \$10,493,000 in 2011-12 and by \$207,500 in 2012-13.

## **ENDING TANF BALANCE**

As indicated in the table, the reestimated 2012-13 ending balance under the bill would be \$10.9 million. However, ongoing expenditures exceed ongoing revenues by \$13.2 million. This structural deficit of \$13.2 million will have to be addressed once the excess carryover revenue is spent.

Also, as noted above if the state does not receive the TANF emergency funds or the TANF contingency funds, the ending balance could be a deficit of up to \$10.8 million. In addition, if the Committee chooses to add funding to any programs, such as the W-2 contracts, or continue existing programs, such as the transitional jobs demonstration project, addressed in the separate papers, the ending balance would be reduced and/or reductions in other TANF programs would be required.

Finally, additional funds of \$9.8 million, identified by the Legislative Audit Bureau in a letter dated March 25, 2011, to the Co-chairpersons of the Joint Legislative Audit Committee, could be available for TANF-related programs. These funds are not included in the table. These funds, generated by a random moment sampling variance, and treatment of these funds are discussed in further detail in another TANF paper [LFB Paper #218].

**MODIFICATION**

Modify the Governor's recommendations to reflect reestimates for 2011-13 as follows: (a) decrease estimated revenue from the TANF block grant by \$441,600 FED in 2011-12 and \$883,200 FED in 2012-13; (b) decrease estimated revenue from the CCDBG by \$4,378,500 FED annually; (c) increase estimated revenues from child support collections by \$1,070,400 PR in 2011-12 and \$741,200 PR in 2012-13; (d) decrease estimated revenues from child care provider licensing fees by \$300,000 PR annually; (e) reduce TANF expenditure authority by \$770,400 in 2011-12 and \$441,200 in 2012-13 to account for the increased program revenue; (f) increase funding for direct child care subsidies by \$7,684,700 in 2011-12 and \$9,297,700 in 2012-13; and (g) reduce TANF expenditure authority by \$10,493,000 in 2011-12 and by \$207,500 in 2012-13 to eliminate excess expenditure authority under the bill. In addition, modify the statutory allocation for child care state administration and licensing to \$20,721,800 in 2011-12 and \$20,803,500 in 2012-13 and the statutory allocation for state administration of public assistance programs to \$11,700,700 annually.

<b>Change to Bill Funding</b>	
FED	\$5,070,300
PR	<u>1,211,600</u>
Total	\$6,281,900

Prepared by: Kim Swissdorf