

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
-
- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
-
- Executive Sessions ... ES
-
- Hearing Records ... HR
-
- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_Dec. 1998_pt03
- Record of Comm. Proceedings ... RCP
-

Dec 13, 10 1949



State of Wisconsin
Department of Public Instruction

SEP 28 1998

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125 South Webster Street, Madison, WI 53702
(608) 266-3390 TDD (608) 267-2427 FAX (608) 267-1052
Internet Address: www.dpi.state.wi.us

John T. Benson
State Superintendent

Steven B. Dold
Deputy State Superintendent

September 28, 1998

The Honorable Timothy Weeden
The Honorable John Gard
Co-Chairpersons, Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Weeden and Representative Gard:

In accordance with the non-statutory provisions under section 9140 of 1997 Wisconsin Act 27, I am submitting a plan for review and approval by members of the Committee specifying how the \$91,000 GPR appropriated by the Legislature in each year of the biennium will be allocated for maintenance projects at the residential schools.

Specifically, the enclosed plan identifies how the \$74,000 and \$17,200 of the supplement will be allocated in fiscal year 1998-99 to the Wisconsin School for the Deaf and the Wisconsin School for the Visually Handicapped, respectively, under section 9132 (2r).

Should you have any questions regarding the enclosed plan, please feel free to contact me or Alan Beeler, Director of State Schools, at (608) 758-6104.

Sincerely,

A handwritten signature in cursive script that reads "John T. Benson/125".

John T. Benson
State Superintendent

JTB:tjj
Enclosure

Wisconsin School for the Visually Handicapped

Furnish and install two doors, frames and associated hardware	\$7,000
Overhead garage door	200
Three CFA windows	1,200
Motor for commercial washer	400
Subtotal	<hr/> \$8,800

Tools and Equipment

Maxi dump.	\$5,000
Giant vacuum	2,500
Soil pipe cutter	300
Hammer drill and bits	600
Subtotal	<hr/> \$8,400

Grand Total \$17,200

Wisconsin School for the Deaf

Carpenter Shop

Lumber	\$3,500
Hand tools	4,000
Subtotal	<u>\$7,500</u>

Paint Shop

Dual axis multi-mixer	\$1,000
16 canister electric agitator	2,400
Ladders	1,000
Paint	2,000
Hand tools	500
Subtotal	<u>\$6,900</u>

Electrical Shop

Hand tools, supplies and machinery	\$1,800
Electrician's calculator	500
Fluke altimeter attachment kit	400
Inductive amplifier	700
Subtotal	<u>\$3,400</u>

Boiler/Chiller Shop

Cleaning system with vacuum	\$4,000
Freon recycling/reclaim machine	5,000
Supplies (gaskets, rivets, chemicals)	1,500
Subtotal	<u>\$10,500</u>

Custodian Shop

CFC clean system	\$6,000
Dakota chairs w/caddy (50)	3,000
Folding tables w/caddy (12)	1,300
Refuse containers (4)	1,500
Supplies	2,000
Subtotal	<u>\$13,800</u>

Laundry Shop

Washer/dryer	\$1,500
Linens-towels, sheets, cases	1,800
Subtotal	<u>\$3,300</u>

Warehouse Shop

Racks w/wire mesh and gates	\$7,000
Pallets, nuts, bolts	300
Push bar door locks	2,500
Fork lift repairs	1,500
Subtotal	<u>\$11,300</u>

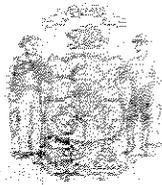
Grounds Shop

Insect spraying	\$1,000
Volley ball court	3,100
Sealcoat/crack filling	2,900
Landscaping-plant material, tree removal	7,000
Pressure washer	1,300
Subtotal	<u>\$15,300</u>

General Repairs

Carpeting for computer lab	<u>\$2,000</u>
Subtotal	\$2,000

GRAND TOTAL \$74,000



Tommy C. Thompson
Governor

Michael J. Sullivan
Secretary

State of Wisconsin Department of Corrections

Mailing Address
149 East Wilson Street
Post Office Box 7923
Madison, WI 53707-7923
Telephone (608) 266-2471

October 16, 1998

+400 men
+ 80 women

OCT 16 1998

The Honorable Timothy Weeden, Co-chair
The Honorable John Gard, Co-chair
The Committee on Finance

Dear Senator Weeden and Representative Gard:

On July 6, 1998, the Department requested authority to contract with the federal government for 120 beds for women at the Federal Prison - James A. Aronson, West Virginia. This request was approved on July 30, 1998.

The Department of Corrections is requesting authority to expand this contract from 120 to 200 beds. The contract is for a period of one year and is subject to the same terms and conditions as the current contract.

Background

The Department is experiencing an increase in the number of admissions and number of inmates in the correctional institutions. This increase is due to the increased female population. The growth in the male population is addressed in the accompanying request to the Co-Chairs.

In 1997, the average number of female admissions in the institution was 44 per month. In the first nine months of 1998, the average number of admissions was 42 per month.

In January 1998, there were 1,000 women in the institution. In February 1998, there were 1,050 women in the institution. In March 1998, there were 1,100 women in the institution. In April 1998, there were 1,150 women in the institution. In May 1998, there were 1,200 women in the institution. In June 1998, there were 1,250 women in the institution. In July 1998, there were 1,300 women in the institution. In August 1998, there were 1,350 women in the institution. In September 1998, there were 1,400 women in the institution. In October 1998, there were 1,450 women in the institution.

The Department is requesting authority to contract with the federal government for 200 beds for women at the Federal Prison - James A. Aronson, West Virginia. This request is for a period of one year and is subject to the same terms and conditions as the current contract.

This request for an additional \$1,000,000 will not fully meet the need created by the anticipated growth. However, the federal facility at Alderson does not have additional beds available until after February 1999. At that time, the Department will reassess the situation and determine if it is necessary to request additional beds at that facility.

Funding

The Department has a total budget of \$62,785,900 for contract beds. Of this, it is projected that the Department will need \$57,521,500 for currently authorized contract beds, leaving a balance of \$5,264,400.

Assuming an average daily population of 80 additional females at Alderson for the last eight months of FY 99, the cost of these additional beds would be \$1,128,700. If this request were approved, the Department would have a balance of \$4,135,700 in this appropriation.

Request for Authorization

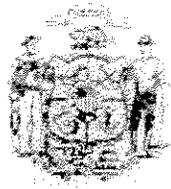
On June 23, 1998, the Joint Committee on Finance authorized the Department to "submit amendments related to the number of authorized contracts to the Co-Chairs for certification to the Committee Secretary, as long as the total projected cost for the contract beds (including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99." This request is consistent with that directive. Therefore, the Department is requesting certification by the Co-Chairs of this expansion.

Thank you for your consideration of this request.

Sincerely,



Michael J. Sullivan
Secretary



Timothy G. Thompson
Governor

Michael J. Sullivan
Secretary

Mailing Address:
149 East Wilson Street
Post Office Box 7925
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Telephone (608) 266-2471

State of Wisconsin Department of Corrections

October 16, 1998

OCT 16 1998

The Honorable Timothy Weeden, Co-chair
The Honorable John Gard, Co-chair
Joint Committee on Finance

Dear Senator Weeden and Representative Gard:

1997 Wisconsin Act 27 authorized the Department to contract for 1,500 beds out of state, including private providers. In February, 1998, the Department submitted a \$ 13.10 request to contract with Corrections Corporation of America (CCA) for up to 1,200 beds in two facilities located in Whiteville, TN. This request was approved on March 5.

In June, 1998, the Department requested an additional 300 beds be added to the contract for beds in Whiteville and authority to contract for 480 beds at North Fork Correctional Facility, Sayre, OK, another CCA institution. The Joint Committee on Finance approved the 300 beds at Whiteville and 300 beds at the Sayre, OK facility. The Committee also authorized the Department to submit amendments related to the number of authorized providers to the Co-chairs for certification to the Committee Secretary, as long as the total projected cost for the contract beds (including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99.

The Department of Corrections requests certification by the Co-chairs to expand the contract at the North Fork Correctional Facility, Sayre, OK from 300 to 700 beds. The per-day rate of \$547 per day would remain the same.

Background

The Department is currently operating a contract with CCA for 1,200 beds in two facilities located in Whiteville, TN. The contract was approved by the Joint Committee on Finance in March 1998. The contract is for a period of two years, from July 1, 1998 to June 30, 2000. The contract is for a total of \$13.10 million.

The Department is currently operating a contract with CCA for 300 beds at the North Fork Correctional Facility, Sayre, OK. The contract was approved by the Joint Committee on Finance in June 1998. The contract is for a period of two years, from July 1, 1998 to June 30, 2000. The contract is for a total of \$16.56 million.

The Department is currently operating a contract with CCA for 480 beds at the North Fork Correctional Facility, Sayre, OK. The contract was approved by the Joint Committee on Finance in June 1998. The contract is for a period of two years, from July 1, 1998 to June 30, 2000. The contract is for a total of \$26.45 million.

there were 16,317 male inmates, an additional increase of 2,197. Over the last six months, the net increase of male inmates has been approximately 300 per month. Assuming that the male population continues to grow at the same rate, male populations at the end of FY 99 will be approximately 19,400.

The operating capacity in DOC adult male facilities is 9,462, but can accommodate 14,300. On October 9, the Department also had 229 inmates housed at the Wisconsin Resource Center. The Department has authority to contract for 3,255 beds, 3,115 of them for males. In total, the Department can house approximately 18,250 male inmates in Wisconsin facilities and currently authorized contract beds.

3,115 men
+ 300 women

This request for an additional 400 additional beds will not fully meet the need created by the anticipated growth. However, the Committee stipulated that the Department could only request certification for additional beds as long as the cost did not exceed funds currently available in the department. This request utilizes those funds. In addition, there is approximately \$2.4 million in the Joint Committee on Finance appropriation for the Department of Corrections. The Department intends to submit a § 13.10 request to transfer these funds to Corrections at the next regular Joint Committee of Finance meeting. The future transfer of funds will allow the Department of Corrections to request authorization for additional beds.

Funding

The Department has a total budget of \$62,785,900 for contract beds. Of this, it is projected that the Department will need \$57,522,590 for currently authorized contract beds, leaving a balance of \$5,263,310. The Department has requested to increase contract beds for females at the federal facility in Anderson, W.V. at a cost of \$1,128,700. If that request is approved, the Department will have a balance of \$4,134,610 in this appropriation to pay for these additional 400 beds.

Request for Authorization

On June 23, 1998, the Joint Committee on Finance authorized the Department to "submit amendments related to the number of authorized contracts to the Co-chairs for certification to the Committee Secretary, as long as the total projected cost for the contract beds (including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99." This request is consistent with that directive. Therefore, the Department is requesting certification by the Co-chairs for this expansion.

Thank you for your consideration of this request.

Sincerely,

Michael J. Sullivan
Secretary



Public Service Commission of Wisconsin

Joseph P. Mettner, Chairman
John H. Farrow, Commissioner
Ave M. Bie, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

October 30, 1998

The Honorable Timothy L. Weeden, Senate Chair
Joint Committee on Finance
1 East Main Street, Room 203
P.O. Box 7882
Madison, WI 53707-7882

NOV 02 1998

The Honorable John Gard, Assembly Chair
Joint Committee on Finance
316 North Capitol
P.O. Box 8952
Madison, WI 53708-8952

RE: Report to the Legislature on TEACH and UW-System Universal Service Fund Assessments

Dear Senator Weeden and Representative Gard:

As required by § 9141(2m)(c) of 1997 Wisconsin Act 27 (Act 27), the Public Service Commission (Commission) is reporting on assessments for certain universal service fund purposes as follows:

In fiscal years 1997-98 and 1998-99, the public service commission shall, no later than 90 days after it calculates the contribution amounts that are required to be paid into the universal service fund by telecommunications utilities, as defined in section 196.01(10) of the statutes, that provide basic local exchange service, as defined in section 196.01(1g) of the statutes, report to the joint committee on finance the portion of the contributions determined by the commission under section 196.218(3)(a)4. of the statutes, as created by this act.

Wis. Stat. § 196.218(3)(a)4. states as follows:

In calculating contribution amounts that must be paid into the universal service fund by telecommunications utilities that provide local exchange service, the commission shall determine the portion of the contributions that are used for the purposes specified in sub. (5)(a)5. - 7.

The Honorable Timothy L. Weeden, Senate Chair
The Honorable John Gard, Assembly Chair
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The Universal Service Fund (USF) can be used for purposes specified in Wis. Stat. § 196.218(5)(a) 1.-7. as follows:

1. To assist customers located in areas of this state that have relatively high costs of telecommunications services, low-income customers, and disabled customers in obtaining affordable access to a basic set of essential telecommunications services.
2. To assist in the deployment of advanced service capabilities of a modern telecommunications infrastructure throughout this state.
3. To promote affordable access throughout this state to high-quality education, library, and health care information services.
4. To administer the universal service fund.
5. To pay costs incurred under contracts under s. 16.974(7) to the extent that these costs are not paid under sub. (4r)(c)4.
6. To pay the department of administration for telecommunications services provided under s. 16.973(1) to the campuses of the University of Wisconsin System at River Falls, Stout, Superior, and Whitewater.
7. To make grants awarded by the board to school districts and private schools under sub. (4r)(g). This subdivision does not apply after June 30, 2002.

The items covered in subs. 5. and 7. above are related to the TEACH program. The item in sub. 6. is related to the UW-System.

Following passage of Act 27, the Commission did not set assessment rates for the TEACH and UW-System purposes until August and September 1998. The UW-System rate, effective September 1, 1998, was set at .01143 percent (the monthly assessment on annual gross operating revenues from intrastate telecommunications). This assessment rate was set to recover \$1,872,000 over the remainder of this fiscal year. The monthly assessment rate for TEACH, effective September 1, 1998, was set at .05089 percent. This was increased to .07789 percent effective October 1, 1998, because of increased funding needs identified by the TEACH Board. Over the remainder of this fiscal year, the TEACH assessments will total \$12,316,400.

At the beginning of 1998, the Commission suspended assessments for the USF programs established by the Commission in Wis. Admin. Code ch. PSC 160 (for the purposes identified above in Wis. Stat. § 196.218(5)(a)1.-4.). Consequently, all current USF assessments to

The Honorable Timothy L. Weeden, Senate Chair
The Honorable John Gard, Assembly Chair
Joint Committee on Finance
Page 3

telecommunications utilities, including those that provide basic local exchange service, are for recovery of TEACH and UW-System needs.

If you have questions on this matter, please contact Gary A. Evenson, Assistant Administrator of the Telecommunications Division, at (608) 266-6744.

Sincerely,



Joseph P. Mettner
Chairman

LLD:RSC:GAE:lep:reb:lep:slg:g:\letter orders\pending\leg rpt Teach assess

cc: RM/Misc. Minutes
Members, Joint Committee on Finance
Members, Joint Committee on Information Policy
Doris Hanson, Executive Director-TEACH
Honorable Tommy G. Thompson, Governor



Legislative Fiscal Bureau

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

November 3, 1998

TO: Interested Persons

FROM: Bob Lang, Director

SUBJECT: Unexpended Funding Under the Agency Contracts for the Wisconsin Works (W-2) Program and From the Child Care Program.

This office has received several requests for information regarding the unexpended funding in the Department of Workforce Development (DWD) resulting from lower than anticipated child care subsidies in 1997-98 and from expenditures that are lower, compared to budgeted amounts, under the agency contracts for the W-2 program. This memorandum provides information regarding the amount and distribution of these funds, restrictions on the uses of the funding and the legislative authority related to their expenditure.

SOURCES AND DISTRIBUTION OF UNEXPENDED FUNDING

There are two sources of unanticipated excess funding within DWD: (a) \$71 million in 1997-98 in federal funding from the temporary assistance to needy families (TANF) program resulting from lower than budgeted expenditures under the child care program; and (b) up to \$36.7 million that may be returned to the state in 1998-99 under the profit formula contained in the W-2 agency contracts.

In addition, federal law allows states to carry forward unused federal TANF funds without fiscal year limitation. Under 1997 Wisconsin Act 27 (the 1997-99 biennial budget), a balance of TANF funds remained unappropriated to be carried forward to the next biennium. After accounting for the most recent action by the Joint Committee on Finance, the TANF balance at the end of the biennium based on budgeted expenditures is \$7.1 million. The \$7.1 million amount is above the amounts unexpended in the child care program and in the W-2 agency contracts.

Child Care Funds

Under Act 27, \$155.5 million in 1997-98 and \$177.4 million in 1998-99 was budgeted for direct services for the W-2 child care program. Federal funds available for child care expenditures in 1997-98 in the state budget include: (a) \$53.7 million in 1997-98 and \$56.5 million in 1998-99 from the federal child care development block grant (CCDBG); and (b) \$75.5 million in 1997-98 and \$93.3 million in 1998-99 from federal block grant funds under the TANF program. In addition, \$26.3 million in 1997-98 and \$27.6 million in 1998-99 in state GPR funds are appropriated.

It is estimated that expenditures for the child care program were less than budgeted by \$71.0 million in 1997-98. In addition, it is likely that additional amounts will be unspent in 1998-99. Under federal law, the federal government will retain any child care block grant funds allocated to a state but not expended by the end of the federal fiscal year. In addition, in order to receive all of the federal child care funds allocated to the state, the state must expend all of the appropriated GPR as maintenance of effort. Because all of the CCDBG funding and all of the GPR appropriated for child care had to be expended or the state would lose a portion of its federal child care funding, DWD used those dollars for the child care program. Therefore, the entire unexpended funding amount of \$71.0 million is federal funding from the TANF block grant.

W-2 Agency Contracts

The W-2 agency implementation contract includes funding for subsidized employment benefits, W-2 office costs and other program expenses. The contract period is September 1, 1997, through December 31, 1999. Each agency contract provides that any funding in excess of that used for benefits and other allowable expenses is to be distributed according to a formula developed by DWD.

The formula, which is described in detail in Appendix A, establishes a two-tier distribution mechanism for excess agency funds. Under the first tier, the agency is allowed to retain an amount equal to 7% of the implementation contract amount as unrestricted profit. Under the second tier, any remaining surplus funds are divided between the agency and the state as follows: (a) 10% is retained by the agency for unrestricted use; (b) 45% is retained by the agency for reinvestment in the community; and (c) 45% is retained by the state. If unexpended funds are less than 7% of the contract amount, the entire surplus is retained by the agency and the second-tier calculation does not apply.

The contract provides for a preliminary profit distribution based on expenditures through August 31, 1998. Under the preliminary profit provisions, up to 75% of the unexpended funding for the first year of the contract may be distributed. Based on data through August 31, 1998, the maximum amount of unexpended funding that may be disbursed in 1998-99 is \$98.5 million. Of this amount: (a) up to \$25.0 million in unrestricted funds may be retained by W-2 agencies statewide (the 7% first-tier amount plus 10% of the remainder); (b) up to \$36.7 million may be

distributed to the agencies for community reinvestment statewide; and (c) up to \$36.7 million may be retained by the state.

The 7% portion of preliminary profits will be distributed by December 31, 1998. The remaining (second-tier) portion will be distributed upon approval by DWD of a plan submitted by the agency for spending community reinvestment funds. A final distribution of profit will be made after the contract expires on December 31, 1999. Therefore, the preliminary distributions will occur during the current state fiscal year while the final distribution will occur in the next biennium.

It should be noted that W-2 agencies may choose the amount of preliminary profit they will obtain and the state will not receive its 45% share unless the agency elects to claim its portion of the second-tier surplus. Therefore, the amount returned to the state at this time will depend upon the amount each W-2 agency chooses to receive under the preliminary profit formula, and the actual amount that will be retained by the state in 1998-99 may be significantly lower than the \$36.7 million figure.

Attachment I shows the calculation, for each W-2 agency, of the maximum amount that may be distributed in 1998-99 under the preliminary profit calculation.

POTENTIAL USES OF EXCESS FUNDING

There are three options for expending the excess funding that will be retained by the state under the W-2 program. First, if a program or project is allowable under federal law and regulations for the TANF program, all or a portion of these dollars could be used to fund the program or project.

Second, if a program or project meets requirements for use of state funds to count toward the maintenance of effort (MOE) requirement for TANF funding, state funds currently appropriated to DWD for the W-2 program could be replaced with TANF dollars from the unexpended amounts identified above. The state funds currently budgeted could then be allocated to the new project. A discussion regarding the restrictions on the uses of TANF funds and the uses of GPR that may count toward the maintenance of effort requirement is provided in Appendix B.

Finally, if the current state funding appropriated for the W-2 program is in excess of that needed to meet the MOE requirement, GPR funding currently budgeted for the W-2 program could be replaced with funds from the unexpended amounts identified above. The GPR would then be available for other uses, without restriction.

Based on the most recent information available, it is currently estimated that GPR funding appropriated to DWD for the W-2 program may exceed the amount needed to meet the MOE requirement by a potential range of \$9.0 million to \$18.0 million in 1998-99. However, this estimate is based on several assumptions. It is possible that changes in work participation rates, required modifications to cost allocation assumptions, federal requirements regarding the earned

income tax credit and homestead tax credit, and lower than anticipated allowable child support collections could reduce these numbers significantly.

Federal law includes significant penalties if a state fails to meet its TANF maintenance of effort requirement. First, the state's basic TANF grant will be reduced by the amount by which qualified state expenditures in the previous year are less than the MOE requirement. Further, if the TANF grant is reduced in a fiscal year under this provision, the state must expend additional state revenues in the following year equal to the amount of the reduction. Finally, if a state receives a welfare-to-work (WtW) formula grant and fails to meet the TANF maintenance of effort, the amount of the TANF block grant will be reduced in the following year by an amount equal to the WtW grant (approximately \$12.9 million in Wisconsin).

As noted, federal law allows states to carry forward any unused TANF funds without fiscal year limitation. Therefore, if the amounts above are not expended in 1998-99, they may be carried forward to the next biennium.

PROCESS FOR EXPENDING AVAILABLE FUNDING

Four sections of the Wisconsin statutes govern the process for expending the funding amounts identified above. These are section 16.54(2)(a)2., section 49.175, and sections 13.10 and 13.101. In general, these provisions require passive review or approval by the Joint Committee on Finance. Certain proposals may also require additional legislation.

Current Statutory Provisions

Under s. 16.54(2)(a)2. of the Wisconsin statutes, the Governor may not administer and state agencies may not encumber or expend federal block grant funds authorized under any federal law enacted after August 31, 1995, without notifying the Joint Committee on Finance of the grant and the proposed expenditures. If the Co-chairs of the Committee do not notify the Governor within 14 working days after receiving the request that a meeting of the Committee has been scheduled to review the proposal, the moneys may be expended as proposed by the Governor. If a meeting is scheduled, no moneys may be expended without approval by the Committee. Because the federal welfare reform legislation was enacted after August 31, 1995, expenditure of the TANF and child care block grants is subject to the review process established under s. 16.54.

Section 49.175 establishes a number of statutory allocations of funding for various components of the W-2 program and provides that DWD may transfer up to 10% of the amounts budgeted from one allocation to another. The Department may transfer more than 10% only if: (a) the Secretary of Administration approves the transfer; and (b) DWD submits a request for the transfer to the Joint Committee on Finance and the Committee does not, within 14 days after receiving the request, schedule a meeting to review the request. If a meeting is scheduled, the Department may not transfer more than 10% from one allocation to another unless the Committee approves the transfer.

It should be noted that section 16.54(2)(a)2. and section 49.175 provide conflicting guidance as to whether a request must be submitted to the Committee if the Department wishes to transfer less than 10% from one allocation to another. The statutory language under s. 49.175 indicates that a transfer of funds may be made without approval of the Committee, while the statutory language under s. 16.54 indicates that approval of the Joint Committee on Finance would be required.

Under sections 13.10 and 13.101, the Joint Committee on Finance may transfer funds between appropriations and programs, including between two fiscal years of the same biennium, between two appropriations of the same agency, and between the appropriation of one agency and an appropriation of a different agency.

Applicability of the Current Statutory Provisions

The applicability of the statutes outlined above depends upon the nature of the proposed expenditure.

Existing W-2 Related Allocations. Proposals to expend any excess funding for the purposes specified under the existing statutory allocations for the W-2 program are subject to the processes specified under s. 49.175 and s. 16.54(2)(a)2. Under section 49.175, DWD could transfer up to 10% of the amount budgeted for child care and for the W-2 agency contracts to other allocations specified in the statutes. As noted, this language conflicts with s. 16.54, which requires approval by the Joint Finance Committee.

Any expenditure for an existing allocation identified under s. 49.175 in excess of 10% must be approved by the Joint Committee on Finance under the passive review process under s. 49.175 and 16.54(2)(a)2. The amount that is 10% of the child care funding is \$17.7 million in 1998-99. The amount that is 10% of the W-2 agency contracts is \$32.8 million in 1998-99. It should be noted that none of the \$7.1 million ending balance amount could be expended without approval by the Joint Committee on Finance under the s. 16.54(2)(a)2. review process.

Transfer to Another Appropriation. If a proposal is made to expend funding for a program or project that is not one of the allocations under 49.175, and the program would use TANF funds, the Joint Committee on Finance would have to approve the expenditure under the passive review process established under s. 16.54(2)(a)2. If, however, the program or project would result in federal funds or state GPR being reduced in one appropriation and transferred to another appropriation, the Joint Committee on Finance would have to approve the transfer under s. 13.10 and s. 13.101.

Expenditures for a New Program. Proposals to create a new program or project not currently authorized by the Legislature that are funded with federal TANF dollars would be subject to approval by the Joint Committee on Finance under section 16.54(2)(a)2.

In addition to approval by the Finance Committee, legislation may be required for certain proposals. For example, a proposal to reduce GPR funding in DWD and decrease taxes would

require a modification to the tax statutes. Other proposals may require a new appropriation, which would also necessitate a modification to current law. Finally, certain proposals may involve programs for which statutory language would be desirable in order to maintain legislative oversight.

Prepared by: Joanne Simpson

ATTACHMENT I

Preliminary Profit Calculation Based on Expenditures Through August 31, 1998

W-2 Agency	Total Allocation	Total Expenses	Surplus (Total Allocation Less Expenses)	75% of Surplus	Distribution of 75% of Surplus			45% - Retained by State
					7% - Agency Unrestricted	10% - Agency Unrestricted	45% - Community Reinvestment	
Statewide Total	\$321,040,085	\$189,772,560	\$131,267,525	\$98,450,644	\$16,854,604	\$8,159,604	\$36,718,218	\$36,718,218
Counties								
Adams	1,151,508	401,750	749,758	562,319	60,454	50,186	225,839	225,839
Ashland	1,028,769	287,530	741,239	555,929	54,010	50,192	225,863	225,863
Barron	1,368,705	666,759	701,946	526,460	71,857	45,460	204,571	204,571
Bayfield	371,379	245,315	126,064	94,548	19,497	7,505	33,773	33,773
Brown	9,152,991	3,384,376	5,768,615	4,326,461	480,532	384,593	1,730,668	1,730,668
Buffalo	620,763	199,932	420,831	315,623	32,590	28,303	127,365	127,365
Burnett	870,489	210,956	659,533	494,650	45,701	44,895	202,027	202,027
Calumet	684,767	250,623	434,144	325,608	35,950	28,966	130,346	130,346
Chippewa	2,767,903	786,086	1,981,817	1,486,363	145,315	134,105	603,472	603,472
Clark	794,050	178,818	615,232	461,424	41,688	41,974	188,881	188,881
Columbia	1,289,806	509,170	780,636	585,477	67,715	51,776	232,993	232,993
Crawford	511,173	221,100	290,073	217,555	26,837	19,072	85,823	85,823
Dane	13,430,492	7,768,604	5,661,888	4,246,416	705,101	354,132	1,593,592	1,593,592
Dodge	1,645,029	767,588	877,441	658,081	86,364	57,172	257,273	257,273
Door	561,991	381,315	180,676	135,507	29,505	10,600	47,701	47,701
Douglas	3,945,776	1,359,198	2,586,578	1,939,934	207,153	173,278	779,751	779,751
Dunn	2,044,151	740,739	1,303,412	977,559	107,318	87,024	391,608	391,608
Eau Claire	5,543,133	1,883,346	3,659,787	2,744,840	291,014	245,383	1,104,222	1,104,222
Florence	347,484	115,073	232,411	174,308	18,243	15,607	70,229	70,229
Fond du Lac	1,946,334	821,446	1,124,888	843,666	102,183	74,148	333,668	333,668
Grant (SW Consortium)*	3,444,936	1,438,472	2,006,464	1,504,848	180,859	132,399	595,795	595,795
Green Lake	625,833	246,509	379,324	284,493	32,856	25,164	113,237	113,237
Iron	314,782	96,918	217,864	163,398	16,526	14,687	66,092	66,092
Jackson	990,481	353,915	636,566	477,425	52,000	42,542	191,441	191,441
Jefferson	1,659,306	925,447	733,859	550,394	87,114	46,328	208,476	208,476
Kenosha	9,405,809	6,710,181	2,695,628	2,021,721	493,805	152,792	687,562	687,562
La Crosse	5,991,367	1,634,957	4,356,410	3,267,308	314,547	295,276	1,328,742	1,328,742
Langlade	1,035,559	379,008	656,551	492,413	54,367	43,805	197,121	197,121
Lincoln	1,047,924	292,242	755,682	566,762	55,016	51,175	230,285	230,285
Manitowoc	2,381,217	947,463	1,433,754	1,075,316	125,014	95,030	427,636	427,636
Marathon	5,497,851	2,529,081	2,968,770	2,226,578	288,637	193,794	872,073	872,073
Marquette	2,004,751	373,761	1,630,990	1,223,243	105,249	111,799	503,097	503,097
Marquette	397,331	151,249	246,082	184,562	20,860	16,370	73,666	73,666
Menominee	1,340,312	642,721	697,591	523,193	70,366	45,283	203,772	203,772
Monroe	1,949,503	559,866	1,389,637	1,042,228	102,349	93,988	422,945	422,945
Oconto	1,092,413	315,359	777,054	582,791	57,352	52,544	236,447	236,447
Outagamie	3,601,080	1,116,801	2,484,279	1,863,209	189,057	167,415	753,369	753,369
Ozaukee	728,326	289,357	438,969	329,227	38,237	29,099	130,945	130,945
Pepin	225,225	166,822	58,403	43,802	11,824	3,198	14,390	14,390
Pierce	702,708	459,725	242,983	182,237	36,892	14,535	65,405	65,405
Polk	1,499,888	426,198	1,073,690	805,268	78,744	72,652	326,936	326,936
Portage	2,782,687	740,971	2,041,716	1,531,287	146,091	138,520	623,338	623,338
Price	612,725	329,057	283,668	212,751	32,168	18,058	81,262	81,262

ATTACHMENT I (Continued)

**Preliminary Profit Calculation
Based on Expenditures Through August 31, 1998**

W-2 Agency	Total Allocation	Total Expenses	Surplus (Total Allocation Less Expenses)	75% of Surplus	7% - Agency Unrestricted	10% - Agency Unrestricted	Distribution of 75% of Surplus		45% - Retained by State
							45% - Community Reinvestment	45% - Retained by State	
Racine	\$13,774,970	\$4,830,974	\$8,943,996	\$6,707,997	\$723,186	\$598,481	\$2,693,165	\$2,693,165	\$2,693,165
Rock	9,891,744	3,488,929	6,402,815	4,802,111	519,317	428,279	1,927,258	1,927,258	1,927,258
Rusk	990,156	240,568	749,588	562,191	51,983	51,021	229,594	229,594	229,594
St. Croix	1,138,495	402,562	735,933	551,950	59,771	49,218	221,480	221,480	221,480
Sauk	1,731,239	622,404	1,108,835	831,626	90,890	74,074	333,331	333,331	333,331
Sawyer	1,484,569	314,203	1,170,366	877,775	77,940	79,983	359,926	359,926	359,926
Sheboygan	2,714,790	977,003	1,737,787	1,303,340	142,526	116,081	522,366	522,366	522,366
Taylor	613,219	165,412	447,807	335,855	32,194	30,366	136,648	136,648	136,648
Trempealeau	1,014,769	372,861	641,908	481,431	53,275	42,816	192,670	192,670	192,670
Vernon	759,363	411,445	347,918	260,939	39,867	22,107	99,482	99,482	99,482
Washington	823,200	320,073	503,127	377,345	43,218	33,413	150,357	150,357	150,357
Waupaca	2,017,347	871,196	1,146,151	859,613	105,911	75,370	339,166	339,166	339,166
Waushara	1,586,188	701,922	884,266	663,200	83,275	57,992	260,966	260,966	260,966
Winnebago	1,049,837	245,670	804,167	603,125	55,116	54,801	246,604	246,604	246,604
Wood	5,103,647	1,857,125	3,246,522	2,434,892	267,941	216,695	975,128	975,128	975,128
County Total	3,378,784	1,064,742	2,314,042	1,735,532	177,386	155,815	701,165	701,165	701,165
	\$147,481,024	\$59,192,893	\$88,288,131	\$66,216,098	\$7,742,754	\$5,847,334	\$26,313,005	\$26,313,005	\$26,313,005
Tribes									
Bad River	350,129	177,745	172,384	129,288	18,382	11,091	49,908	49,908	49,908
Lac du Flambeau	623,171	334,007	289,164	216,873	32,716	18,416	82,870	82,870	82,870
Oneida	673,985	340,088	333,897	250,423	35,384	21,504	96,767	96,767	96,767
Tribes Total	\$1,647,285	\$851,840	\$795,445	\$596,584	\$86,482	\$51,010	\$229,546	\$229,546	\$229,546
Milwaukee Agencies									
Employment Solutions	56,017,923	45,643,947	10,373,976	7,780,482	2,940,941	483,954	2,177,793	2,177,793	2,177,793
MAXIMUS	29,267,959	25,270,310	3,997,649	2,998,237	1,536,568	146,167	657,751	657,751	657,751
OIG-GM	28,922,835	21,727,930	7,194,905	5,396,179	1,518,449	387,773	1,744,978	1,744,978	1,744,978
UMOS	25,659,181	17,915,540	7,743,641	5,807,731	1,347,107	446,062	2,007,281	2,007,281	2,007,281
YW Works	20,234,843	14,510,381	5,724,462	4,293,347	1,062,329	323,102	1,453,958	1,453,958	1,453,958
Milwaukee Total	\$160,102,741	\$125,068,108	\$35,034,633	\$26,275,975	\$8,405,394	\$1,787,058	\$8,041,761	\$8,041,761	\$8,041,761
Other Non-County									
Forest - Forward Serv.	550,410	217,790	332,620	249,465	28,897	22,057	99,256	99,256	99,256
Juneau - West. WIPIC	1,108,862	381,511	727,351	545,513	58,215	48,730	219,284	219,284	219,284
Kewaunee - Forward Serv.	448,152	206,411	241,741	181,306	23,528	15,778	71,000	71,000	71,000
Oneida - Forward Serv.	1,386,829	482,654	904,175	678,131	72,809	60,532	272,395	272,395	272,395
Shawano - Job Center	1,207,172	614,594	592,578	444,434	63,377	38,106	171,476	171,476	171,476
Vilas - Forward Serv.	513,796	257,202	256,594	192,446	26,974	16,547	74,462	74,462	74,462
Walworth - Kaiser	2,054,645	750,511	1,304,134	978,101	107,869	87,023	391,604	391,604	391,604
Waukesha - Curtis&Assoc.	4,539,168	1,749,046	2,790,122	2,092,592	238,306	185,429	834,428	834,428	834,428
Other Non-County Total	\$11,809,034	\$4,659,719	\$7,149,315	\$5,361,986	\$619,974	\$474,201	\$2,133,905	\$2,133,905	\$2,133,905

* Includes the following counties: Grant, Green, Iowa, Lafayette, Richland
SOURCE: The total allocation and total expense amounts are from DWD; the remaining figures are calculated based on the agency contracts.

APPENDIX A

DISTRIBUTION OF PROFIT UNDER THE W-2 AGENCY CONTRACTS

The W-2 agency implementation contract includes funding for subsidized employment benefits, W-2 office costs and other program expenses. The contract period is September 1, 1997, through December 31, 1999. Each agency contract provides that any funding in excess of that used for benefits and other allowable program costs is to be distributed according to a formula developed by DWD.

According to the implementation contract, a surplus amount is calculated by subtracting all allowable agency expenses from the total dollar amount provided to the agency. Of this unexpended balance, the W-2 agency would be authorized to retain savings up to 7% of the implementation contract amount. Any additional savings above 7% would be shared as follows: (a) 10% of the excess would be available for unrestricted use by the W-2 agency; (b) 45% would be retained by the state to reduce state costs; and (c) 45% would be retained by the agency for investment in the community, under a plan approved by the Department. The following simplified example clarifies how this formula works.

If an agency's implementation contract was \$5.0 million, and the agency had \$600,000 remaining at the end of the contract period, the excess funding would be divided between the agency and the state. First, \$350,000 would be provided to the agency as profit (7% of the implementation contract). The remaining \$250,000 would then be divided in the following way: (a) 10%, or \$25,000, would be provided to the agency for unrestricted use; (b) 45%, or \$112,500, would be returned to the state; and (c) 45%, or \$112,500, would be provided to the agency and the agency would then be required to reinvest those funds in the community under a plan approved by DWD.

If the agency, however, had less than \$350,000 remaining at the end of the contract period, the entire amount remaining would be retained by the agency as profit.

The W-2 implementation contract allows for a calculation of unexpended funding to be made twice during the contract period, as described by the following sections.

Preliminary Profit Calculation. An agency may submit a written request to the Department to receive a part of the profit based on actual activities and expenditures for the first year of the contract (September 1, 1997, through August 31, 1998). The request must be submitted to DWD by November 16, 1998.

If a request is submitted, a portion of the profit may be provided to the agency if expenditures through August 31, 1998, are less than budgeted through that time. The original contract specified that the maximum amount the agency would be allowed to receive is 75% of 7% of the implementation contract.

Under an amendment to the W-2 agency contracts issued on October 1, 1998, the W-2 agencies may also receive a portion of the additional savings above 7% (the 10% in unrestricted funds and the 45% to be used for community reinvestment). The amendment requires each agency to submit a request to the Department specifying the amount of requested profit and additional savings up to 75% of the estimated amount based on expenditures through August 31. This request must be submitted by November 16, 1998. It should be noted that agencies have the option to receive the full 75% of the estimated amount of profit, or an amount less than 75%.

In order to receive the portion of the profit for community reinvestment, an agency must submit a proposed plan describing the services to be provided, the recipients of the services, the time period during which services will be provided, the service providers, and a description of how the community reinvestment services do not duplicate services or persons to be served under the W-2 implementation contract. According to DWD, services provided must be allowable under federal requirements for the use of TANF funds. Administrative costs will be limited to 10% of total expenditures. The plan must be submitted by November 16, 1998.

The 7% portion of the preliminary profits will be distributed by December 31, 1998. The remaining portion of the preliminary profits will be distributed upon approval by DWD of the plan pertaining to community reinvestment. Upon distribution of this remaining portion of the preliminary profit, the state share will be retained in proportion to the amount retained by the agency for community reinvestment. Therefore, if the agency chooses to receive only 25% of the funds available for community reinvestment, the state share that may be retained will be 25%.

The actual amount of funding that will be distributed under the formula described above will not be known until the agencies submit their requests. Based on expenditures through August 31, 1998, the total amount of unspent funding that may be distributed as profit is \$131.3 million.

Of this \$131.3 million amount, the maximum amount that may be distributed under the preliminary profit calculation in December, 1998, is \$98.5 million (75% of \$131.3 million). Of the \$98.5 million amount: (a) the maximum that may be retained by the agency for unrestricted use is \$25.0 million; (b) the maximum amount that may be distributed for community reinvestment is \$36.7 million; and (c) the maximum amount that may be retained by the state is \$36.7 million.

Final Profit Calculation. The final profit calculation by the Department will occur within six months after the close of the W-2 agency implementation contract (December 31, 1999). The final profit will be distributed within 60 days of the Department's calculation.

APPENDIX B

RESTRICTIONS ON USES OF TANF FUNDING AND MAINTENANCE OF EFFORT REQUIREMENTS

TANF Funding

Wisconsin's annual TANF block grant allocation from the federal government is \$318.2 million. Under federal law, a tribal organization in a state may elect to operate a separate tribal public assistance program. For a tribe that submits an acceptable plan, the federal government will provide funding to the tribe and reduce the state's TANF block grant by an equivalent amount. After accounting for the four separate tribal programs (Potawatomi, Red Cliff, Sokaogon, Stockbridge-Munsee), Wisconsin's TANF block grant is estimated at \$317.5 million in 1997-98 and \$317.0 million in 1998-99.

Federal law and proposed regulations restrict the use of TANF funding. This office is continuously reviewing federal law and regulations and discussing the ways in which TANF funds may be used with other states and with national organizations. The following provisions related to the use of TANF funds reflect the major restrictions on the use of these funds based on the most recent information available. It should be noted that final regulations are not expected from the federal government until January or February, 1999.

General Requirements

There are three ways in which a state may use TANF funds. First a state may transfer up to 30% of the TANF block grant to the programs funded by the child care block grant and the social services block grant. Under 1997 Wisconsin Act 27 (the biennial budget) the full amount allowable was transferred to these two programs.

Second, a state may expend TANF funds for any use that was allowable under the previous aid to families with dependent children (AFDC), job opportunities and basic skills (JOBS), emergency assistance and child care programs.

Third, a state may expend TANF funds in any manner that is reasonably calculated to accomplish the purposes of the TANF program. There are four purposes specified in federal law. These are: (a) to provide assistance to "needy families" so children may be cared for in their homes or in the homes of relatives; (b) to end the dependence of "needy families" on government by promoting job preparation, work and marriage; (c) to prevent and reduce the incidence of out-of-wedlock pregnancies; and (d) to encourage the formation and maintenance of two-parent families.

The proposed regulations broaden these purposes as follows: (a) to develop employment opportunities and more effective work programs; (b) to promote family stability; and (c) to protect needy and vulnerable children. The proposed regulations are not yet final. Therefore, a stronger justification can be made to use TANF for one of the purposes specified in the law.

Generally, a “needy family” is a family whose income and assets are at or below the income or asset levels set by the state in the TANF plan submitted to the federal government. Therefore, the state may establish the level at which a family is considered needy. Some programs funded with TANF in Wisconsin (child care and the New Hope project) allow families to receive assistance if the family’s income is at or below 200% of the federal poverty level (\$27,300 annually for a family of three). This income limit could be higher; however, the state must be able to justify that the income limit chosen is a low-income standard.

The proposed regulations make a distinction between an expenditure that provides “assistance” and one that does not. Generally, “assistance” includes cash benefits and cash subsidies. Expenditures that do not meet the definition of assistance are classified as “non-assistance” and include expenditures that: (a) have no direct monetary value and do not involve direct or indirect monetary support, such as case management and counseling; and (b) are one-time or short-term in nature. One-time, short-term benefits are paid no more than once in a 12-month period, are paid within a 30-day period, and cover needs that do not extend beyond 90 days.

Expenditures Classified as Assistance

If the expenditure is for “assistance”, then several restrictions apply to the use of TANF funds for the expenditure. The nature of the restrictions depends upon whether the expenditure is a benefit for an adult, or whether the expenditure can be classified as a “child-only benefit”. If the expenditure is for an adult, the major restrictions regarding the use of TANF funds are described in the following sections.

Dependent Child. With the exception of pregnant women, TANF funds may not be used to provide assistance to men or women who have no dependent children. Further, TANF funds must be used for families in which a minor child is living in the home. States may define families to include non-custodial parents, who may then engage in work activities, counseling, educational activities, parenting classes or money management classes. To receive such services, however, the non-custodial parent must have a child whose custodial parent is receiving TANF assistance.

Paternity Establishment and Assignment of Child Support. Federal law requires that families who are receiving TANF assistance must cooperate in establishing paternity for each minor child. If the individual fails to cooperate with establishing paternity and enforcing a support order with respect to a minor child, the state is required to reduce the amount of assistance provided to the family by 25%. The state may also deny the family any assistance. In addition, any right a family member may have to support from any other person must be assigned to the state.

Time Limit. An individual may receive TANF assistance for a maximum of 60 months. States may exempt up to 20% of the average number of families receiving assistance in a year from the 60-month time limit by reason of hardship or if the family includes a member who has been battered or subjected to extreme cruelty. The proposed regulations indicate that the federal government may only allow exemptions for families that include a member who has been battered or subjected to extreme cruelty if the state has implemented a provision called the family violence option. Wisconsin has not implemented this provision.

Work Participation Requirements. Federal law requires that an individual who is receiving TANF assistance engage in work once the state determines the individual is ready, or after 24 months of receiving TANF assistance, whichever is earlier. For purposes of this provision, the types of required work activities are defined by the state. At state option, recipients of TANF assistance may be required to participate in community service employment if the individual has received assistance for two months.

In addition, the state must meet certain minimum work participation rates or incur financial penalties. For purposes of the work participation targets, federal law defines the types of activities that may be counted. The state's work participation rates may be reduced based on caseload reductions that have occurred since 1995. However, states may not count caseload reductions that have occurred due to changes in federal requirements or state eligibility requirements. DWD is currently working with the federal government to determine the state's actual minimum participation rates. Because of the significant caseload decreases of recent years, it is possible that Wisconsin's minimum participation rates could be reduced to zero.

Legal Immigrants. Federal law contains certain restrictions on using federal TANF funds to provide assistance to families that include a qualified legal immigrant, depending upon the individual's immigration status and when the person entered the United States.

States have the option to allow TANF assistance to all qualified legal immigrants who entered the U.S. prior to August 22, 1996. Qualified legal immigrants are defined as lawful permanent residents, refugees, asylees, those granted parole for more than one year, those whose deportation has been withheld, those considered conditional entrants before 1980, and certain victims of domestic violence.

Refugees, asylees, immigrants who have been granted withholding of deportation, veterans, active duty military personnel, spouses and dependents of veterans or active duty military personnel and Cuban-Haitian refugees who enter the country after August 22, 1996, are eligible for TANF funded assistance for five years after the date they enter the country. After this time, the state has the option to provide assistance to these families.

Other qualified legal immigrants who enter the U.S. after August 22, 1996, are not eligible for assistance funded with federal TANF dollars until five years after the date they enter. After this time, the state has the option to provide assistance to these families.

Immigrants who are not qualified generally include illegal immigrants, immigrants who are categorized as persons residing under the color of law (PRUCOL aliens), temporary agricultural workers and asylum applicants. These non-qualified immigrants are ineligible for TANF funded assistance.

Minor Parents. Assistance may be provided to unmarried minor parents only if the minor parent has a high school diploma or participates in educational activities toward attaining a high school diploma or its equivalent. In addition, no assistance may be provided to unmarried minor parents who are not living in an adult supervised living arrangement.

If an expenditure is made to provide assistance as a "child only" benefit, the provisions regarding time limits and work requirements do not apply. However, families would still be required to cooperate in establishing paternity for any minor child and assign any rights to child support to the state. In addition, assistance could not be provided to certain legal immigrants as described above.

Expenditures Classified as "Non-Assistance"

If the expenditure can be classified as "non-assistance", the time limits and work requirements would not be imposed. In addition, the family would not be required to assign child support rights to the state. It also appears that such expenditures may be provided to minor parents without restriction. It is unclear if expenditures for services that are "non-assistance" may be provided to legal immigrants who are not eligible for "assistance". Further, it is unclear if families receiving such services would have to include a pregnant individual or have a dependent child living in the home. This office is working to obtain clarification on these issues.

Other Restrictions

Whether for "assistance" or "non-assistance", federal law prohibits TANF funds from being used for medical services, except pre-pregnancy family planning services. States may use TANF funds for substance abuse treatment services to the extent that such services are not medical. According to the proposed regulations, the state would have to determine which substance abuse services are medical services.

Administrative costs may not exceed 15% of all TANF expenditures. Expenditures of federal funds for information technology and computerization needed for tracking or monitoring activities are not subject to the 15% limit.

It should be noted that the proposed federal regulations for the TANF program indicate that extensive data reporting will have to be provided to the federal government. States will be required to report detailed information regarding individuals and families receiving TANF "assistance". Some data reporting requirements may be required for individuals who are receiving services that are not considered "assistance"; however, it is anticipated that the reporting requirements for these families will not be as detailed. Several states objected to the reporting requirements in the proposed regulations. It is uncertain if similar requirements will be included in the final TANF regulations.

Finally, federal law includes several penalties that may be imposed against the state for failing to meet various requirements of the TANF program. Penalties are generally taken as a percentage of the state's TANF block grant. If the TANF block grant is reduced, the state must expend its own funds in the following fiscal year to replace the reduction in the grant. If the state fails to expend its own funds, an additional 2% of the block grant plus the amount the state has failed to expend of its own funds may be reduced from the state's block grant. The total reduction

in the state's grant may not exceed 25%. If the reduction exceeds 25%, the federal government will continue to apply a penalty in subsequent years until the full amount of the penalty is taken.

Maintenance of Effort (MOE) Requirements

Under federal law, a state must spend an amount of state dollars equal to 75% of historic state expenditures if the state meets federal mandatory work requirements, or 80% if the state does not meet these requirements. Historic state expenditures generally means federal fiscal year (FFY) 1994 expenditures for the former AFDC and JOBS programs, AFDC-emergency assistance, AFDC-related child care and at-risk child care. In addition, the MOE may be reduced by the percentage reduction in the state's TANF block grant attributable to tribal programs. It is estimated that the state's MOE requirement for FFY 1998 is \$168.8 million, based on 75% of historic state expenditures. The major provisions regarding expenditures of state dollars that could count toward the MOE requirement are described in the following sections.

In order to count toward the maintenance of effort requirement, expenditures must be made for "eligible families". Eligible families must meet the income and resource requirements for needy families under the TANF program. Generally, in Wisconsin families may be eligible for TANF if family income is under 200% of the federal poverty level (\$27,300 annually for a family of three), but this income limit may be higher at state option. In addition, an eligible family must have a minor child living with a parent or include a pregnant individual.

Expenditures for eligible families that may count toward the MOE include: (a) cash assistance; (b) child care assistance; (c) educational activities to increase self-sufficiency and work; and (d) any other use of funds that would accomplish the purposes of the TANF program, described in the previous section. Expenditures for educational activities may not include public education expenditures unless the expenditure is for services or assistance to a member of an eligible family and is not generally available to persons who are not members of eligible families.

States may count expenditures for the above activities in state or local programs outside the TANF program (the W-2 program in Wisconsin), but only to the extent that: (a) the expenditures exceed the amount expended in FFY 1995; or (b) the state was entitled to payment for the expenditures under the former AFDC, JOBS, or emergency assistance programs. Unlike TANF expenditures, states may count toward the MOE requirement allowable expenditures on lawfully present immigrants and medical services (but only to the extent that the medical services exceed state or local dollars spent in FFY 1995). Further, states do not have to comply with provisions relating to work requirements, time limits, or the assignment of child support. Therefore, families receiving assistance funded with state MOE dollars: (a) would not have to meet work participation requirements; (b) could receive such assistance for longer than five years; and (c) would not have to assign support rights to the state.

Expenditures for eligible families that count toward the MOE may not include expenditures of any federal dollars, or any state funds used to match federal funds or spent as a condition of receiving federal funds. A portion of state child care expenditures used to match federal child care

block grant dollars may be allowable, but is limited to certain FFY 1994 or FFY 1995 expenditures (approximately \$9.3 million in Wisconsin). Additional state child care expenditures not used to match federal child care block grant dollars may count toward the MOE requirement. In addition, any state funds expended for Medicaid under Title XIX may not count toward the TANF maintenance of effort requirement.

Under federal law, the state's basic TANF grant will be reduced by the amount, if any, by which qualified state expenditures in the previous year are less than the MOE requirement. If the TANF grant is reduced in a fiscal year under this provision, the state must expend additional state revenues in the following year equal to the amount of the reduction. In addition, if a state receives a welfare-to-work (WtW) formula grant and fails to meet the TANF maintenance of effort, the amount of the TANF block grant will be reduced in the following year by an amount equal to the WtW grant (approximately \$12.9 million in Wisconsin).