



## Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1054

### *Temporary Assistance for Needy Families (TANF)*

### **Federal Block Grant Appropriations (DWD -- Economic Support and Child Care)**

[LFB 2001-03 Budget Summary: Page 753, #48]

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#### **CURRENT LAW**

Under current law, funding from the federal temporary assistance for needy families (TANF) block grant and the federal child care and development fund is deposited into two continuing appropriations in the Department of Workforce Development (DWD). Funding from these two appropriations, along with state GPR, other federal funds and program revenue from child support assigned to the state by public assistance recipients, is used to support the TANF program, which includes the Wisconsin Works (W-2) program, child care subsidies, kinship care, the SSI caretaker supplement and related programs. Under current law, these are annual appropriations, meaning that funds are expendable only up to the amount shown in the Chapter 20 schedule and only for the fiscal year for which they were appropriated. At the end of each fiscal year, the unencumbered balances in these appropriations remain in the appropriation accounts, but may not be expended unless reappropriated in a subsequent fiscal year.

Neither the appropriation schedule nor the appropriation language in Chapter 20 indicate specific dollar amounts for the individual components of the TANF program. Instead, s. 49.175 of the statutes directs DWD to allocate funding from these appropriations for specific program expenditures. Section 49.175 also allows DWD to transfer funds among allocations if the Secretary of the Department of Administration (DOA) approves the redistribution.

If DWD receives more federal block grant revenues than expected, additional funds are carried over from one fiscal year to the next, or there are unappropriated funds, then those funds can be appropriated either through separate legislation or through the approval process in ss.

16.515(1)/16.54(2)(a)2. Under these provisions, DWD may not encumber or expend moneys received as a part of the grant unless the Governor first notifies the Co-chair of the Joint Committee on Finance, in writing, that the grant has been made. The notice must describe how the funds would be used. If the Co-chairs of the Committee do not notify the Governor that the Committee has scheduled a meeting for the purpose of reviewing the proposed expenditure of grant moneys within 14 working days of the notification, the moneys may be expended as proposed by the Governor. If the Committee notifies the Governor within 14 days that the Committee has scheduled a meeting to review the proposal, no moneys received as a part of the grant may be expended without the approval of the Committee. Allocations specified in s. 49.175 are exempt from this provision.

## **GOVERNOR**

Convert DWD's TANF and child care and development fund appropriations from annual to continuing, sum certain appropriations that would be limited to the amounts in the Chapter 20 schedule. Continuing appropriations are expendable until fully depleted or repealed by subsequent action of the Legislature. The amount of a sum certain, continuing appropriation for a given fiscal year consists of the balance in the appropriation account at the end of the previous fiscal year, if any, together with any moneys appropriated in the Chapter 20 schedule for that fiscal year. The bill would also require DWD to submit an annual report to the Secretary of the Department of Administration on expenditures made for the TANF program.

As under current law, the bill would maintain an allocation schedule in s. 49.175 that identifies the amounts to be expended from state and federal appropriations for specific components of the TANF program and would maintain DWD and DOA's ability to transfer funds among allocations.

## **DISCUSSION POINTS**

1. The bill would change DWD's federal block grant appropriations for the TANF program from annual to continuing appropriations. As part of the 1999-01 budget bill, the Governor recommended changing these appropriations from continuing to annual appropriations and the Legislature concurred in this recommendation. It was believed that this change would provide greater legislative oversight since expenditure authority would be limited to the amounts shown in the appropriation schedule and would terminate at the end of each fiscal year. Prior to the 1999-01 biennium, the appropriation language allowed DWD to expend "all moneys received" from federal block grants for public assistance benefits and administration.

2. The Governor's proposal to change DWD's federal block grant appropriations back to continuing appropriations represents a combination of the two approaches that have been used since the implementation of W-2. While unspent funds could be carried over from year to year, DWD would only be authorized to expend the amounts in the Chapter 20 appropriations schedule. DWD would not be permitted to spend "all moneys received" as it could when these two

appropriations were previously classified as continuing appropriations. Any federal funds received in excess of those in the Chapter 20 schedule and s. 49.175 would not be available for expenditure unless they were allocated through separate legislation or through the process required in s. 16.54. The allocation schedule in s. 49.175 would remain in effect and DWD would still have the ability to transfer funds among allocations.

3. DWD requested that its federal block grant appropriations be changed from annual appropriations to continuing appropriations for several reasons. First, the end of the federal fiscal year is September 30, while the end of the state fiscal year is June 30. Having an annual appropriation requires the state to obligate funds earlier than required by the federal government and effectively requires DWD to go through the annual obligation process twice. Second, use of an annual appropriation creates the need to reappropriate unexpended funds in subsequent fiscal years. Funds must be reappropriated even if they have already been obligated for contracts that span over more than one fiscal year. This creates the need for additional s. 16.54 requests that would not be necessary if these were continuing appropriations. It also causes confusion as to whether funds included in the budget are for new activities or are for existing obligations. In addition, the fact that unexpended funds need to be reappropriated creates uncertainty for the Department and contractors as to whether the programs will be able to continue in the next fiscal year.

4. Conversely, the Legislature expressed its interest in the last budget bill to exercise greater control over DWD's expenditures by converting the two federal block grant appropriations to annual appropriations. Maintaining current law would allow the Legislature to reassess whether funds should continue to be provided for programs with unspent funds on an annual basis. This would give the Legislature greater flexibility to decide whether to continue programs with unspent funds or to fund other items which may be experiencing shortfalls.

5. The Governor's recommendation would also require DWD to submit an annual report to the Secretary of DOA. This report could be used for tracking spending in specific programs, development of the biennial budget and to determine the amount of savings, if any, that would be available at the close of each fiscal year. The bill did not include an annual due date for the report. A reasonable deadline would be November 1<sup>st</sup> of each fiscal year, since that would give DWD time to review final expenditures. Otherwise, DWD would not be required to submit the report until June 30th of each fiscal year, which could limit its usefulness. The Committee may also want to require that the report be submitted to the Joint Committee on Finance since the Committee has previously indicated an interest in legislative oversight of the TANF program.

### **Technical Modifications**

6. As worded under current law, the general definition of "continuing appropriations" may be interpreted to imply that all PR, FED and SEG continuing appropriations authorize the expenditure of all moneys credited to the appropriation, regardless of the amounts shown in the appropriations schedule. This is inconsistent with the Governor's proposal regarding DWD's appropriations and with other existing sum certain, continuing appropriations of PR, FED and SEG funds. The definition of "continuing appropriation" should be modified to clarify that such

appropriations may be provided on a sum certain basis. This change should be done regardless of whether the Governor's recommendation is approved by the Committee.

7. The Legislative Reference Bureau advises that several other technical modifications would be needed to implement the intent of the Governor's proposal. An exemption would have to be added to the s. 16.54 approval process in order for DWD to carry unexpended funds forward from year to year. This modification only needs to occur if the Committee chooses to adopt the Governor's recommendation.

8. In addition, the Legislative Reference Bureau advises that s. 49.175 would need to be modified to clarify that DWD, subject to approval by DOA, can only reallocate funds among allocations within a specific fiscal year and that funds can only be reallocated for purposes permitted by the original appropriation source. These modifications to s. 49.175 would not represent a change from current practice and should be done regardless of whether the Governor's recommendation is approved by the Committee.

## **ALTERNATIVES TO BILL**

### **Adopt Governor's Recommendation**

1. Adopt the Governor's recommendations to:
  - a. Change DWD's federal block grant appropriations for the TANF program from annual to sum certain, continuing appropriations, with expenditure authority limited to the amounts in the Chapter 20 schedule.
  - b. Require DWD to submit an annual report to the Secretary of the Department of Administration on expenditures made for the TANF program.

### **Technical Modifications**

2. Modify the general definition of "continuing appropriations" to clarify that PR, FED and SEG continuing appropriations can be provided on a sum certain basis.
3. Add an exemption to the s. 16.54 approval process to permit DWD to carry unexpended funds forward from year to year if the funds have been allocated under s. 49.175.
4. Modify s. 49.175 to clarify that:
  - a. DWD, subject to approval by DOA, can only reallocate funds among allocations within a specific fiscal year.
  - b. Funds can only be reallocated for purposes permitted by the original appropriation source.

### **Annual Report of Expenditures**

5. Modify the Governor's recommendation to require DWD to submit an annual report of expenditures in the TANF program to both the Secretary of the Department of Administration and the Joint Committee on Finance by November 1<sup>st</sup> of each fiscal year.

### **Maintain Current Law**

6. Maintain current law, which would maintain DWD's federal block grant aids and operations appropriations as annual appropriations, and would not require DWD to submit an annual report to DOA on expenditures made for the TANF program.

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