



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #857

Temporary Assistance for Needy Families (TANF)

Federal Block Grant Operations Appropriation (DWD -- Economic Support and Child Care)

[LFB 2003-05 Budget Summary: Page 508, #42, part]

CURRENT LAW

Under current law, funding from the federal TANF block grant and federal child care development fund is deposited into two, sum-certain annual appropriations: one for federal block grant operations [s. 20.445(3)(mc)] and one for federal block grant aids [s. 20.445(3)(md)]. The two appropriations, along with state GPR, other federal funds, and program revenue from child support assigned to the state by public assistance recipients, are 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 an annual appropriation, funds are expendable only up to the amounts 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 of these federal block grant appropriations remain in the appropriation accounts, but may not be expended unless reappropriated in the subsequent fiscal year. If DWD receives more federal block grant revenues than expected, additional funds are carried over from one fiscal year to the next, or the unappropriated funds can be appropriated through separate legislation, or through the approval process in ss. 16.515(1)/16.54(2)(a)2.

Statutory allocations for all TANF-related programs are specified under s. 49.175.

GOVERNOR

Modify the DWD federal block grant operations appropriation [s. 20.445 (3)(mc)] to allow DWD to transfer funds between fiscal years, and provide that any funds that are transferred to the next fiscal year and are not spent or encumbered by September 30 of that next fiscal year would lapse to the general fund on October 1 of that year.

DISCUSSION POINTS

1. DOA officials indicate that the language that would require any unspent or unencumbered funds to lapse to the general fund on October 1 is an error. An amendment has been drafted to eliminate this language, and instead, provide that funds that are not spent or encumbered by September 30 of the next fiscal year may only be spent or encumbered after that date with the approval of the Joint Committee on Finance.

2. Prior to the 1999-01 biennium, the TANF and child care federal block grant appropriations were continuing, "all moneys received" appropriations. Under an "all moneys received" appropriation, an agency can spend up to the amount of revenues deposited to the appropriation without being limited to the Chapter 20 authorization level. As part of the 1999-01 biennial budget act, the Governor recommended, and the Legislature adopted, changing DWD's federal block grant operations and aids appropriations for TANF and child care from continuing appropriations to annual appropriations. It was believed that this change would provide greater legislative oversight since expenditure authority would be limited to the amounts in the schedule for each fiscal year.

3. In the 2001-03 biennial budget bill, the Governor proposed modifying the appropriations from annual to continuing, sum certain appropriations. Under this proposal, expenditures would have been limited to the amounts in the schedule; however, unexpended funds in one fiscal year could have been carried forward and expended in subsequent fiscal years, without limit. The Committee deleted the proposal.

4. The current proposal would modify only the federal block grant operations appropriation to allow funds appropriated for one fiscal year to be spent or encumbered until September 30 of the next fiscal year. The intent would be that after September 30, funds could only be spent or encumbered with the approval of the Joint Committee on Finance. The expenditure level would still be limited by the statutory allocations under s. 49.175.

5. The federal block grant operations appropriation currently funds the following: (a) state administration of the TANF program; (b) programs to improve child care quality and availability, including the DWD Office of Child Care and DHFS licensing staff, and funding for child care resource and referral agencies, technical assistance, child care scholarships, and other programs; and (c) the child care local pass-through program, which provides grants to local public agencies to improve the quality of child care.

6. DWD had requested the language included in the bill for the federal block grant operations appropriation so that the state budget authority would coordinate with the federal fiscal year, which ends September 30.

7. It should be noted that the expenditures that are currently being funded from the federal block grant operations appropriation are largely for state administrative activities, which are predominantly salary, fringe benefits, and related supplies and services costs, and should be largely spent or encumbered by the end of the state fiscal year. The other activities funded from this appropriation are contracted or granted out by DWD, and if not expended by the end of the fiscal year, can be encumbered until the end date of the contract or award.

8. Many of the DWD programs are contract or grant programs that cross over two fiscal years. DWD routinely encumbers these funds in order to manage its finances between fiscal years. Final information on DWD fiscal year expenditures is typically not available until four or five months after the end of the fiscal year, because of delays in closing out encumbrances. In some instances, DWD has granted or contracted out funds appropriated for one fiscal year for use in another fiscal year in order to allow for consistency in program operations, or because of delays in getting programs started.

9. Given DWD's current use of encumbrances to manage funds, it is difficult to ascertain the benefit provided under the Governor's proposal to allow DWD two more months to spend funds from its federal block grant operations appropriation. In addition, such an extension may result in further delay of information on fiscal year closing balances under the TANF program.

10. However, DWD officials indicate that it would be helpful to have the flexibility to use unspent, unencumbered funds after June 30 if, after final year close-out, an unexpected surplus is identified that could be used to offset another expense within the appropriation. For example, an unexpected surplus in fringe benefit dollars could be used to offset another expense within the appropriation. It should be noted that, if such a transaction would require that funds be transferred between lines within an appropriation, the transfer could not be completed without approval from DOA.

11. If the Committee adopts the modifications for the federal block grant operations appropriation, it may want to include the same modifications for the federal block grant aids appropriation, to align both TANF-related, federal block grant appropriations to the federal fiscal year.

ALTERNATIVES

1. Adopt the Governor's proposal to modify DWD's federal block grant operations appropriation [s. 20.445 (3)(mc)] to allow DWD to transfer funds between fiscal years, with an amendment to provide that any transferred funds not spent by September 30 of the next fiscal year could only be spent or encumbered after that date with the approval of the Joint Committee on Finance.

2. In addition to Alternative 1, make the same modifications to DWD's federal block grant aids appropriation [s. 20.445 (3)(md)].
3. Delete provision.

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