



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #850

Temporary Assistance for Needy Families (TANF)

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

[LFB 2005-07 Budget Summary: Page 548, #1]

INTRODUCTION

The purpose of this paper is to establish a projected 2005-07 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2005-07 based upon more recent information, and fully funding projected costs of certain programs.

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

Table 1 shows the estimated revenues and expenditures for W-2 and other public assistance programs under the bill. The table compares the administration's figures with revised estimates prepared by this office. Note that the table includes a reestimate of the W-2 agency contracts based on the amount that would be required to fully fund the program with the Governor's proposal to extend grants to pregnant women in their third trimester of an at-risk pregnancy and to custodial parents of newborn infants from 12 weeks to 26 weeks. In addition, the reestimate for the child care program is based on the amount that would be required to fully fund the program with the Governor's proposal to extend grants to custodial parents of newborn infants from 12 weeks to 26 weeks. The revised revenue and expenditure estimates are discussed in more detail in the sections that follow the table.

TABLE 1

Revised Estimates of TANF Related Revenues and Expenditures

	Governor		Revised Estimates		Difference	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Revenues						
State General Purpose Revenue (GPR)	\$164,947,200	\$157,949,400	\$164,981,300	\$157,985,800	\$34,100	\$36,400
Day Care Licensing Fees (PR)	1,292,500	1,292,500	1,292,500	1,292,500	0	0
Day Care Licensing SSBG Transfer (PR-S)	474,600	474,600	328,800	328,800	-145,800	-145,800
AFDC Overpayment Recoveries (PR)	341,300	461,600	589,500	626,600	248,200	165,000
CCDBG and TANF Overpayments (FED)	1,509,900	2,194,900	1,509,900	2,194,900	0	0
TANF Block Grant (FED)	314,499,400	314,499,400	314,499,400	314,499,400	0	0
Child Care Block Grant (FED)	81,832,300	81,832,300	81,832,300	81,832,300	0	0
FSET Funds (PR-S)	8,112,600	8,112,600	8,112,600	8,112,600	0	0
Child Support Collections (PR)	15,426,000	14,906,400	15,426,000	14,906,400	0	0
Public Benefits Funding (SEG)	9,232,000	9,232,000	9,232,000	9,232,000	0	0
Transportation Fund (SEG)	2,881,400	2,638,500	2,881,400	2,638,500	0	0
TANF Carryover from Prior Year (FED)	<u>18,340,300</u>	<u>0</u>	<u>18,531,100</u>	<u>-9,765,000</u>	<u>190,800</u>	<u>-9,765,000</u>
Total Available	\$618,889,500	\$593,594,200	\$619,216,800	\$583,884,800	\$327,300	-\$9,709,400
Expenditures						
W-2 Agency Contract Allocations						
Benefits	\$59,526,100	\$52,612,800	\$62,376,100	\$58,312,900	\$2,850,000	\$5,700,100
Administration	20,107,500	19,049,200	20,107,500	19,049,200	0	0
Services	49,879,200	44,151,800	49,987,000	44,367,400	107,800	215,600
Child Care						
Direct Child Care Subsidies	\$307,282,800	\$300,509,900	\$314,058,600	\$309,238,000	\$6,775,800	\$8,728,100
Child Care State Administration	1,488,500	1,488,500	1,488,500	1,488,500	0	0
Quality Rating System	2,900,000	1,400,000	2,900,000	1,400,000	0	0
Quality Care for Quality Kids	8,603,500	8,603,500	8,603,500	8,603,500	0	0
Day Care Licensing	5,987,900	5,987,900	5,876,200	5,878,500	-111,700	-109,400
Other Benefits						
Kinship Care	\$23,748,400	\$23,748,400	\$23,748,400	\$23,748,400	\$0	\$0
Caretaker Supplement for Children of SSI Recipients	29,973,600	28,893,300	30,444,000	30,394,000	470,400	1,500,700
Emergency Assistance	4,500,000	4,500,000	4,500,000	4,500,000	0	0
Administrative Support						
State Administration	\$17,004,500	\$17,004,500	\$17,004,500	\$17,004,500	\$0	\$0
Other Support Services						
Children First	\$1,361,000	\$1,361,000	\$1,361,000	\$1,361,000	\$0	\$0
English for Southeast Asian Children*	0	0	0	0	0	0
Transportation	900,000	900,000	900,000	900,000	0	0
Grant Programs						
Early Childhood Excellence	\$2,250,000	\$0	\$2,250,000	\$0	\$0	\$0
Boys and Girls Clubs	300,000	300,000	300,000	300,000	0	0

	Governor		Revised Estimates		Difference	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Expenditures in Other Programs						
Earned Income Tax Credit	\$59,532,000	\$59,532,000	\$59,532,000	\$59,532,000	\$0	\$0
Head Start*	0	0	0	0	0	0
SSBG Transfer to DHFS/Community Aids	13,420,500	13,420,500	13,420,500	13,420,500	0	0
Brighter Futures/Tribal Adolescent Services*	0	0	0	0	0	0
Domestic Violence*	0	0	0	0	0	0
Child Abuse and Neglect Prevention Board*	0	0	0	0	0	0
Child Welfare Safety Services	7,323,600	7,323,600	7,323,600	7,323,600	0	0
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	0	0
Milwaukee Child Welfare - WiSACWIS	1,310,800	1,317,700	1,310,800	1,317,700	0	0
Total Expenditures	\$618,889,500	\$593,594,200	\$628,981,800	\$609,629,300	\$10,092,300	\$16,035,100
Ending Balance	\$0	\$0	-\$9,765,000	-\$25,744,500	-\$9,765,000	-\$25,744,500

*TANF funding would be eliminated for English for Southeast Asian children, Head Start, brighter futures and tribal adolescent services, domestic violence programs, and the Child Abuse Neglect and Prevention (CANP) Board and replaced with an identical amount of GPR, allocated in the Department of Public Instruction, the Department of Health and Family Services (DHFS), and the CANP Board.

REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

TANF and Child Care Development Block Grant (CCDBG) Reauthorizations.

Under federal law, authorization for the TANF and CCDBG programs expired on September 30, 2002. Congress has passed a continuing resolution extending the programs through June 30, 2005. At that time, legislation will be needed to either continue or reauthorize the programs. The estimates in the paper assume that funding levels will continue at the same levels provided under the current federal programs.

Child Care Licensing Activities. DHFS indicates that the bill overstates the amount that should be transferred to the Department of Workforce Development (DWD) under the initiative to transfer child care licensing activities from DHFS to DWD. DOA has requested a change to the bill to reflect the correct amounts to be transferred to DWD. As a result, the reestimates reduce GPR funding by \$24,100 annually and PR-S funding (social services block grant funding) transferred from DHFS by \$145,800 annually.

In addition, to offset increased CCDBG expenditures for child care licensing activities due to standard budget adjustments, which were not included in AB 100, the administration indicates that \$58,200 GPR in 2005-06 and \$60,500 GPR in 2006-07 should be added to the TANF-related programs. [Paper #858 has been prepared regarding these provisions.]

AFDC Overpayment Recoveries. DWD estimates that \$589,500 in 2005-06 and \$626,600 in 2006-07 would be collected in aid to families with dependent children (AFDC) overpayment recoveries. These amounts exceed those in AB 100 by \$248,200 in 2005-06 and \$165,000 in 2006-07.

Carryover of TANF Funds from 2004-05 to 2005-06. On January 4, 2005, the Joint Committee on Finance held a meeting regarding a request from DWD to expend \$4,798,100 from high performance bonus funds for one-time supplemental funding for programs to improve child care quality and availability. The Committee denied the request. Instead, the Committee placed \$18,531,100 in unappropriated TANF high performance bonus funds in the Committee's federal program supplements appropriation in 2004-05 to be used for child care or cash benefits.

These TANF high performance bonus funds are included in the TANF carryover revenue. DWD anticipates that all of these funds would carry over into 2005-06 and that DWD would not request any of the high performance bonus funds from the Joint Committee on Finance in 2004-05 for TANF-related expenditures.

However, based on more recent estimates that would indicate lower revenues and greater expenditures in 2004-05, \$9.6 million in additional funding would be needed for the TANF-related programs in 2004-05: (a) a reduction in program revenue of \$1.4 million; (b) a reduction in CCDBG funds of \$3.3 million; (c) an increase of TANF carryover from 2003-04 to 2004-05 of \$0.2 million; (d) an estimated increase for child care subsidies of \$3.4 million; (e) an estimated increase in benefits for the caretaker supplement for children of supplemental security income of \$0.3 million; (f) an increase in emergency assistance expenditures of \$2 million; and (g) a reduction of \$0.6 million for job access loans to reflect that this program would no longer be funded as part of the TANF program.

If DWD requested (and the Committee approved) \$9.6 million in 2004-05 from the unappropriated TANF high performance bonus funds in the Committee's federal program supplements appropriation, \$8.9 million would be carried over into 2005-06. This would leave a deficit in the TANF programs at the end of 2006-07 of \$35.3 million instead of \$25.7 million (as shown in Table 1).

Public Benefits Funding. Although AB 100 makes no change to current law, public benefits funding of \$9,232,000 annually continues to support W-2 and TANF-related programs. Some would argue that supporting W-2 and TANF-related programs is not an appropriate use of public benefits funding. Public benefits funding for W-2 and TANF-related programs could be eliminated. However, either additional state revenue or additional reductions to W-2 and TANF-related programs in the amount of \$18,464,000 would be needed to offset the elimination of public benefits funding.

EXPENDITURES FOR W-2 AND RELATED PROGRAMS FOR THE 2005-07 BIENNIUM

Subsidized Employment Benefits. Table 1 includes a reestimate of funding for subsidized employment benefits, under the bill, of \$62.4 million in 2005-06 and \$58.3 million in 2006-07. The increased costs of \$2.9 million in 2005-06 and \$5.7 million in 2006-07 are based on a reestimate of the cost to fund the provision under the bill that would extend grants to caretakers of newborn infants and to extend grants to pregnant women in their third trimester of an at-risk pregnancy. Papers #853 and #854 have been prepared regarding these provisions.

Services. Table 1 includes a reestimate of funding for subsidized employment services, under the bill, of \$50 million in 2005-06 and \$44.4 million in 2006-06. The increased costs of \$0.1 million in 2005-06 and \$0.2 million in 2006-07 are based on a reestimate of the cost to fund the provision under the bill that would extend grants to pregnant women in their third trimester of an at-risk pregnancy. [Paper #853 has been prepared regarding this provision.]

Child Care Subsidies. Table 1 includes the estimated cost to fully fund the direct child care subsidy program under the bill of \$314.1 million in 2005-06 and \$309.2 million in 2006-07. This includes a reestimate to fully fund the direct child care subsidy program under current law of \$317.4 million in 2005-06 and \$321.9 million in 2006-07, less the reestimated savings of the provision under the bill that would extend grants to caretakers of newborn infants from 12 weeks to 26 weeks of \$3.3 million in 2005-06 and \$6.6 million in 2006-07, and the provision under the bill that would implement a tiered reimbursement system of \$6 million in 2006-07. The estimates exceed the level of funding provided under the bill by \$15.5 million over the biennium. [Papers #854, #855, and #857 have been prepared to provide the Committee with options to change program requirements to reduce the cost of the program, modify the Governor's provision to extend caretaker of a newborn infant (CNI) grants to increase the projected savings, modify the provision to implement a tiered reimbursement system to increase the projected savings, or to provide additional funds for the program.]

Child Care Licensing Activities. Table 1 includes a reestimate of child care licensing expenditures. Expenditures are reduced by \$24,100 GPR annually and \$145,800 PR-S annually to reflect that these amounts would not be transferred to DWD from DHFS.

In addition, DOA indicates that standard budget adjustments should have been included to increase the costs of child care licensing activities by \$58,200 in 2005-06 and \$60,500 in 2006-07. In total, this would reduce costs for child care licensing activities by \$111,700 in 2005-06 and \$109,400 in 2006-07 so that licensing costs would total \$5,876,200 in 2005-06 and \$5,878,500 in 2006-07.

Caretaker Supplement. Based on current expenditure estimates for state supplemental security income, funding in the bill should be increased by \$0.5 million in 2005-06 and \$1.5 million in 2006-07 to support the SSI caretaker supplement program in the 2005-07 biennium. It is currently projected that expenditures for state-only cases (those recipients who only receive the state supplement, but do not receive a federal SSI benefit) will decrease, but expenditures for both the federal-state SSI cases (those who receive both a federal and a state SSI benefit) and the caretaker supplement will increase over the biennium.

ENDING TANF BALANCE

As indicated in Table 1, the reestimated 2006-07 ending balance under the bill would be a deficit of \$25.7 million. This assumes that funding for the 2006-2007 W-2 agency contracts and child care subsidies would be increased by the Committee to fully fund the projected cost of these programs over the biennium, including the provisions that would extend CNI grants to

parents of newborn infants from 12 weeks to 26 weeks and extend benefits to pregnant women in their third trimester of an at-risk pregnancy.

The deficit also assumes that the balance of \$18.5 million in TANF high performance bonus funds in the Committee's federal program supplements appropriation would be used to support TANF expenditures in 2005-07. As noted above, an additional \$9.6 million could be needed to fund TANF-related programs in 2004-05, which could reduce the TANF carryover amount to \$8.9 million, rather than \$18.5 million.

It is also possible that additional TANF high performance bonus funds could be received in 2005-06 and 2006-07. Wisconsin has received these bonuses in four out of the past five years in amounts that ranged from \$10.3 million to \$15.9 million. Whether Wisconsin would receive the bonus and the amount of the bonus if received is unknown. Receipt of TANF high performance bonus funds would be affected by how Wisconsin compares to other states and whether the TANF reauthorization process would change the amount of the bonus or the process of distributing bonus funds. Neither AB 100 nor the estimates of this paper include TANF high performance bonus funds as a revenue source. [This issue is addressed in Paper #862.]

In addition to the estimated \$25.7 million deficit at the end of 2006-07, the Committee should be aware of the structural imbalance in the W-2 program under the bill. Using the revised estimates, ongoing revenues would be \$586.7 million annually and ongoing spending commitments would be \$609.6 million annually. Therefore, there would be an estimated structural deficit of \$22.9 million per year going into the 2007-09 biennium. The amount of the structural deficit could be affected by TANF reauthorization. In addition, the projected deficit would be partially offset if not all funds are obligated or spent in the 2005-07 biennium. Therefore, unless additional state funds are provided, it is likely that additional TANF program reductions would be necessary in the 2007-09 biennium.

MODIFICATION

Modify the Governor's recommendations to reflect reestimates for 2005-07 as follows: (a) increase program revenue by \$248,200 in 2005-06 and \$165,000 in 2006-07 to reflect a reestimate of AFDC overpayment recoveries; and (b) increase funding for benefits for the caretaker supplement by \$484,800 in 2005-06 and \$1,542,900 in 2006-07 to fully fund projected costs of the program (a reduction for administration costs of the caretaker supplement program of \$14,400 in 2005-06 and \$42,200 in 2006-07 is addressed in Paper #396).

<u>Modification</u>	<u>FED</u>	<u>PR</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	\$0	\$413,200	\$413,200
2005-07 FUNDING--DWD (Change to Bill)	\$1,614,500	\$413,200	\$2,027,700
2005-07 FUNDING--DHFS (Change to Bill)	\$0	\$2,027,700	\$2,027,700

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