



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #861

Temporary Assistance for Needy Families (TANF)

Program Reduction Options (DWD -- Economic Support and Child Care)

[LFB 2005-07 Budget Summary: Page 561, #20 & #21, and Page 562, #23 & #24]

INTRODUCTION

Under current law, funds from the federal temporary assistance for needy families (TANF) block grant and child care development block grant (CCDBG) are used for a variety of programs to assist low-income families. To address an annual structural deficit of \$51.0 million in the TANF-related programs, the Governor's budget bill provides additional sources of revenue and reduces or eliminates TANF funding for several programs, some of which would be replaced with GPR. Under the bill, as reestimated in Paper #850, there would be an ongoing structural deficit of \$22.9 million annually at the end of the 2005-07 biennium. This paper explores possible reductions in other TANF-related programs that could be used to address the projected structural deficit, to replace other sources of funding, or to restore funding for other programs that would be reduced under the bill.

The Governor recommends decreases in base funding for TANF programs of \$14,708,800 in 2005-06 and \$40,004,100 in 2006-07. According to the Executive Budget in Brief document, the decreases reflect an effort to bring the TANF program into balance, while providing sufficient funding for Wisconsin Works (W-2) agency contracts, expanding the caretaker of newborn infant grants, and retaining funding for programs that support low-income families. The bill would eliminate TANF funding English for Southeast Asian children, Head Start, Brighter Futures, tribal adolescent services, grants for services to victims of domestic violence, and the Child Abuse and Neglect Prevention (CANP) Board. However, funding for these programs would be replaced with GPR in the Department of Public Instruction (DPI), the Department of Health and Family Services (DHFS), and the CANP Board. The bill would also reduce funding for the 2006-2007 W-2 agency contracts for services and benefits by 21% and for child care subsidies by 2.5%.

On the other hand, the bill would increase funding for Children First (the state employment and work experience program for noncustodial parents who fail to pay child support) and for transportation services. In addition, although the early childhood excellence program would be eliminated, it would not be eliminated until 2006-07.

GOVERNOR

The following table shows base level funding, the Governor's recommended funding, and the proposed change to base for the TANF-related programs discussed in this paper.

<u>Program</u>	<u>Base Funding</u>	<u>Governor</u>		<u>Change to Base</u>	
		<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Children First	\$1,140,000	\$1,361,000	\$1,361,000	\$221,000	\$221,000
Early Childhood Excellence	2,500,000	2,250,000	0	-250,000	-2,500,000
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	0	0
Transportation Services	<u>0</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>
Total	\$5,129,600	\$6,000,600	\$3,750,600	\$871,000	-\$1,379,000

DISCUSSION POINTS

1. In the 1997-99 and 1999-01 biennia, the TANF program had a fairly large balance. This balance was mainly due to the dramatic decline in cash assistance caseloads when W-2 was first implemented and to smaller than anticipated caseloads for the child care subsidy program. The Governor and Legislature used this balance to create new programs, supplement existing programs, and to replace GPR for existing programs. As TANF costs began to exceed ongoing revenues, the large TANF balance that had accumulated early in the program began to decline. For 2001-03, child care costs increased. In addition, the slowing economy caused more individuals to seek cash assistance under the W-2 program. There was a projected \$95 million annual structural deficit in the TANF program going into the 2003-05 biennium. 2003 Act 33 (the 2003-05 biennium budget bill) reduced and eliminated funding for TANF-related programs to address the structural deficit. As noted above, there is a projected \$51 million annual structural deficit in the TANF program going into the 2005-07 biennium.

2. To address the deficit, the Governor, in AB 100, introduces new revenue sources, reduces funding for a number of programs, and replaces TANF funding with GPR for a number of other programs. The Committee could consider eliminating or reducing funding for several other programs in order to address the structural deficit, to increase funding for W-2 agency contracts or other TANF-related programs, or to replace new revenue sources. These are discussed below.

Children First

3. The bill would increase funding for the children first program by \$221,000 annually. Base funding for the program is \$1,140,000. The program provides job training and work

experience to low-income or underemployed noncustodial parents to help them meet their child support financial obligations. A noncustodial parent who has no current means of meeting a child support obligation may be ordered by a court into the program. Children first participants often face significant barriers to meaningful employment, including low education achievement, poor work histories, alcohol and/or drug abuse problems, and criminal records. The program is administered through partnerships between county child support agencies, W-2 agencies, and the county or tribal judicial system. It currently operates in 39 counties and with the Lac du Flambeau tribe.

4. Under the program, the Department of Workforce Development (DWD) reimburses the county child support or W-2 agency at a rate of up to \$400 per participant. Currently, about 5,000 persons participate in the program per year. Costs above those reimbursed by DWD are funded by the county.

5. The Committee could eliminate the children first program and reduce funding by \$1,361,000 annually to offset the TANF structural deficit, replace other revenue sources, or increase funding for other programs.

6. However, in the past, concerns have been raised about the need to provide additional services to noncustodial parents to enable them to provide enhanced financial support to their children. Increased child support payments could help some families achieve self-sufficiency and be less reliant on public assistance programs.

7. Under AB 100, funding for the children first program would increase by \$221,000 annually to expand the program to Brown, Douglas, Eau Claire, La Crosse, and Rock Counties. The administration indicates that the additional funding would serve 550 additional noncustodial parents to help them meet their child support financial obligations.

8. The Committee could reduce funding by \$221,000 annually for the children first program, which would maintain the current level of funding to serve 5,000 noncustodial parents, rather than 5,550, and use the savings to offset the TANF structural deficit, replace other revenue sources, or increase funding for other programs.

Early Childhood Excellence

9. AB 100 would reduce funding by \$250,000 in 2005-06 and \$2,500,000 in 2006-07 for the early childhood excellence program, which provides grants to early childhood centers for children under age five who come from families with incomes at or below 200% of the federal poverty level. The centers provide child care educational services, outreach, and training for parents and child care providers. A local matching contribution of 25% is required.

10. The early childhood excellence program was created under 1999 Wisconsin Act 9 (the 1999-01 biennial budget act) to develop early childhood centers that include appropriate environmental stimuli at the appropriate time in a child's development through the use of music, reading, foreign language, and educational games. It was also the intent that parents would be required to participate in the program before or after work and would be given materials that

describe the importance of the early years in children's brain development. Base funding in 2004-05 is \$2,500,000.

11. For 2004-05, the \$2,500,000 is allocated as follows: (a) \$1,750,000 to 18 early childhood centers based on a per pupil amount of approximately \$738 per child; (b) \$500,000 for grants ranging from \$1,000 to \$3,000 to 194 child care program sites (some programs may have multiple sites) that serve low-income children and are nationally accredited as meeting high quality standards; and (c) \$250,000 for the University of Wisconsin-Extension for evaluation of the project, dissemination of best practices guidelines, and monitoring grantee compliance. In order to receive the \$1,000 to \$3,000 grants, grantees are required to participate in a training event offered by the early childhood excellence centers and UW-Extension. Grantees are required to use the grant funding to implement ideas learned from the centers.

12. The funding provided under AB 100 for 2005-06 would be allocated as follows: (a) \$1,750,000 to early childhood centers; and (b) \$500,000 for grants to child care program sites that serve low-income children and are nationally accredited as meeting high quality standards. No funding would be provided for the UW-Extension. Since under AB 100 the early childhood excellence program would be eliminated in 2006-07, no further evaluation of the program would be necessary.

13. In June, 2002, the UW-Extension released some findings comparing the quality of classrooms in the 28 early childhood excellence centers that had received funding. According to the findings, compared to the quality of the classrooms before the program, the quality of classrooms in the early childhood excellence centers had improved significantly for three- to five-year-olds, and improved, but not significantly, for infants and toddlers. Overall, the quality of classrooms in the early childhood excellence centers was significantly higher than for randomly selected classrooms in programs that had not received grants, both for the three- to five-year-olds and for the infant and toddler classes. In addition, before the early childhood excellence initiative, only 50% of the 28 centers were nationally accredited or met Head Start performance standards. By June, 2002, all of the centers had met or were in the process of meeting those standards.

14. In the August, 2004, newsletter for centers for excellence published by the UW-Extension, *Centers for Excellence Insights*, the UW-Extension reviewed whether the centers for excellence maintained the high standards of excellence. The UW-Extension found that only two of the centers were not nationally accredited nor met Head Start performance standards. In addition, the UW-Extension indicated that preliminary data confirmed that the centers for excellence consistently maintained a high quality of care.

15. Under AB 100, the program would be eliminated to coincide with the proposed implementation of the tiered reimbursement system for child care providers. The intent under the bill is to reward early childhood excellence centers under the tiered reimbursement system, discussed in Paper #857, rather than through the early childhood excellence program. However, the tiered reimbursement system would not be implemented until 2006-07, so the early childhood excellence program would not be eliminated until 2006-07.

16. The Committee could eliminate funding for the early childhood excellence program in 2005-06, rather than 2006-07, and, instead, use the \$2,250,000 allocated under the bill for the program in 2005-06 to address the projected TANF structural deficit, replace new sources of funding, or increase funding for other programs.

17. Alternatively, the Committee could eliminate the funding targeted toward the early childhood centers, and retain the \$500,000 in grants to nationally accredited centers statewide that serve low-income children. This would generate savings of \$1,750,000 in 2005-06. As a result, nationally-accredited centers would be rewarded through the early childhood excellence program in 2005-06 and through the tiered reimbursement system, if the Governor's initiative were approved, in 2006-07.

18. However, federal regulations regarding the CCDBG require states to allocate 4% of child care funds for consumer education activities for parents and the public, to increase parental choice, and to improve quality and availability of child care. If the Committee chooses to reduce or eliminate funding for the early childhood excellence program, the Committee would have to ensure that there are sufficient funds allocated for other efforts to improve the quality of child care to meet the spending level required under the CCDBG.

Child Welfare Prevention Services (Primary Prevention Grant Program)

19. The Governor proposed maintaining TANF funding for the primary prevention grant program in the Department of Health and Family Services at \$1,489,600 annually. The TANF funding was first provided in 2000-01 and replaced GPR funding. State funding was initially provided as part of the state's assumption of child welfare responsibilities in Milwaukee County on January 1, 1998. The state agreed to continue funding this contract as part of its child welfare costs in Milwaukee County, since the County has supported this grant prior to the state assumption of child welfare activities in the County.

20. The TANF funding supports two initiatives to reduce the incidence of child abuse and neglect in Milwaukee County: (a) home visiting for first-time parents in Milwaukee County; and (b) community-based grant for prevention services. DHFS allocates the TANF funds to Community Advocates, which allocates the funding to local organizations that administer and implement the prevention programs.

21. In a November, 2004, review conducted by DHFS on the prevention grant to Community Advocates, DHFS estimated that, in calendar year 2003, \$912,100 of the TANF grant was used to support home visitation services. In addition to the TANF grant, in calendar year 2003, the home visitation providers were reimbursed \$796,800 in federal medical assistance (MA) funds through the child care coordination benefit to fund case management activities. These activities included conducting assessments for 1,619 recipients, developing care plans for 654 clients, and monitoring 2,738 clients. In 2002-03, 1,916 parents and children received services through the home visitation program.

22. There are two home visitation programs in Milwaukee County: (a) Target on

Prevention (TOP), which serves the Bureau of Milwaukee Child Welfare, Site 1, services region; and (b) Supporting Today's Parents (STP), which serves the rest of the county. Both of these programs receive funding from Community Advocates and provide services to first-time medium- and high-risk mothers. The programs have common characteristics, but are administered by different agencies. Community Advocates is the lead agency for TOP and Rosalie Manor administers the STP program. Under both the TOP and STP programs, first-time mothers, while in the hospital, are voluntarily assessed for risk characteristics. Mothers who are found to be at medium- to high-risk are referred for home visitation services if the mother agrees.

23. In 2004, Community Advocates allocated \$577,500 of the TANF grant from DHFS to 11 providers in Milwaukee County to support prevention-related services. These programs are part of a county-wide continuum of services available to all families in Milwaukee to prevent child abuse and neglect, and included partially supporting a family resource center, parenting training, education, and referrals for additional services, a crisis nursery, services to adolescents who have been sexually abused, and support, counseling, and employment services to teen fathers.

24. The Committee could consider reducing or eliminating funding for this program in order to provide TANF funds for other purposes. Deleting the TANF funds for this program would free up to \$1,489,600 annually that could be used offset the TANF structural deficit, replace other revenue sources, or increase funding for other programs.

25. Eliminating these funds, however, would affect the ability of this program to provide primary prevention activities and would reduce the number of services available for parents and families in Milwaukee County.

Transportation

26. AB 100 would provide \$900,000 annually to fund transportation services. W-2 agencies may provide transportation assistance to W-2 participants. These programs support capacity building and group transportation solutions, such as expanded transit services, transit route extensions, increased frequency of services, shared ride taxi service expansions, employer initiatives, volunteer driver programs, and improved coordination among existing employment transportation services.

27. Currently, funding from the Department of Transportation, the federal job access and reverse commute program, and local agencies support transportation programs for W-2 participants. 2003 Act 33 eliminated TANF funding for transportation assistance. AB 100 would restore TANF funding at its level prior to Act 33.

28. The Committee could eliminate TANF funding for transportation assistance and use the funds to offset the TANF structural deficit, replace other revenue sources, or increase funding for other programs. There is some funding to support transportation assistance for W-2 participants from other sources.

29. However, one of the major obstacles facing W-2 participants is transportation.

Transportation services provide W-2 recipients with the ability to get to work-related activities. Lack of transportation could qualify as good cause to miss required work or educational activities if the financial and employment planner determines it to be good cause.

ALTERNATIVES

A. Children First

1. Approve the Governor's recommendation on the funding level for Children First as provided under the bill in the amount of \$1,361,000 FED annually. This amount represents base funding of \$1,140,000 and additional funding of \$221,000 annually.

2. Reduce funding by \$221,000 FED annually to maintain base funding of \$1,140,000 FED for the children first program.

Alternative A2	FED
2005-07 FUNDING (Change to Bill)	- \$442,000

3. Reduce funding by \$1,361,000 FED annually to eliminate the children first program. Delete the statutory authority and allocation.

Alternative A3	FED
2005-07 FUNDING (Change to Bill)	- \$2,722,000

B. Early Childhood Excellence Program

1. Approve the Governor's recommendation on the funding level for the early childhood excellence program of \$2,250,000 FED in 2005-06 and eliminate funding, the statutory allocation, and the statutory authority for the program beginning July 1, 2006.

2. Reduce funding by \$2,250,000 FED in 2005-06 to eliminate the early childhood excellence program in 2005-06, rather than in 2006-07 under the bill. Delete the statutory authority and allocation for the early childhood excellence program beginning July 1, 2005, rather than July 1, 2006.

Alternative B2	FED
2005-07 FUNDING (Change to Bill)	- \$2,250,000

3. Reduce funding by \$1,750,000 FED in 2005-06 to maintain funding only for grants to child care centers that are nationally accredited for meeting quality standards. Funding would total \$500,000 in 2005-06 for the early childhood excellence program.

Alternative B3	FED
2005-07 FUNDING (Change to Bill)	- \$1,750,000

C. Child Welfare Prevention Services

1. Approve the Governor's recommendation on the funding level for child welfare prevention services as provided under the bill in the amount of \$1,489,600 FED annually.

2. Reduce funding by \$1,489,600 FED annually to eliminate TANF funding for child welfare prevention services. Delete the statutory allocation.

Alternative C2	FED
2005-07 FUNDING (Change to Bill)	- \$2,979,200

D. Transportation Services

1. Approve the Governor's recommendation on the TANF funding level for transportation services of \$900,000 FED annually.

2. Reduce funding by \$900,000 FED annually to eliminate TANF funding for transportation assistance for W-2 participants.

Alternative D2	FED
2005-07 FUNDING (Change to Bill)	- \$1,800,000

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