



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #864

Temporary Assistance for Needy Families (TANF)

TANF Maintenance-Of-Effort Appropriation (DWD -- Economic Support and Child Care)

[LFB 2005-07 Budget Summary: Page 564, #30]

CURRENT LAW

Under current law, GPR funding to meet the federal maintenance-of-effort (MOE) requirement for the temporary assistance for needy families (TANF) block grant and the child care development block grant (CCDBG) is provided in an annual appropriation [s. 20.445(3)(dz)] in the Department of Workforce Development (DWD).

In general, under an annual appropriation, funds are expendable only up to the amounts shown in the statutory appropriation schedule and only for the fiscal year for which they were appropriated. At the end of each fiscal year, the unencumbered balance lapses to the general fund. Funds may be carried over into the following fiscal year if they are encumbered. As noted, the TANF MOE appropriation is an annual appropriation. However, statutory language allows funds allocated but not encumbered by December 31 of each year lapse to the general fund on the next January 1 unless transferred to the next calendar year by the Joint Committee on Finance. Therefore, funds would lapse from the TANF MOE appropriation, if not encumbered, by the end of the calendar year, rather than the fiscal year.

Funds from the TANF MOE appropriation support TANF-related programs. Other GPR, PR, and SEG appropriations in DWD and the Department of Health and Family Services are also counted for purposes of the federal MOE requirement. Statutory allocations for all TANF-related programs are specified under s. 49.175 of the statutes.

GOVERNOR

Modify the TANF MOE appropriation from an annual appropriation to a continuing appropriation so that any unspent allocated funds would not lapse and would be expendable until fully depleted.

DISCUSSION POINTS

1. Funds from the TANF MOE appropriation may used for: (a) administration and benefit payments under Wisconsin Works (W-2); (b) the learnfare program; (c) children first; (d) payments to local governments, organizations, tribal governing bodies, and W-2 agencies; (e) emergency assistance; and (f) fraud investigation and error reduction. These funds are used to meet the MOE and match requirements for the TANF block grant and the CCDBG.

2. The bill would make the TANF MOE appropriation a continuing appropriation, rather than an annual appropriation. The administration indicates that changing the TANF MOE appropriation from an annual to a continuing appropriation would ensure that the funds needed to meet the TANF MOE requirement would be fully expended rather than lapsed. In addition, if funds in the TANF MOE appropriation are not expended or properly encumbered before the end of the calendar year, these funds could still be expended if the appropriation were a continuing, rather than an annual, appropriation.

3. Under federal law, to meet TANF MOE requirements, 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 mean federal fiscal year 1994 expenditures for the former aids to families with dependent children (AFDC) and job opportunities and basic skills (JOBS) programs, AFDC-emergency assistance, AFDC-related child care, and at-risk child care. In addition, the MOE requirement may be reduced by the percentage reduction in the state's TANF block grant attributable to tribal programs. The state's current MOE requirement for 2004-05 totals \$167,753,000. The MOE requirement for the 2005-07 biennium will be reduced to \$167,266,700 annually due to additional tribal TANF programs.

4. The following table shows the administration's estimated MOE funds by source and amount for fiscal years 2005-06 and 2006-07, as well as base funding from 2004-05.

**TANF Maintenance-of-Effort Funding
Fiscal Years 2004-05 through 2006-07**

<u>Funding Source</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
DWD -- Economic Support			
General Program Operations (GPR)	\$240,100	\$240,100	\$240,100
Wisconsin Works Child Care (GPR)	16,449,400	16,449,400	16,449,400
TANF Maintenance-of-Effort (GPR)	128,905,200	137,998,700	131,000,900
AFDC Overpayment Recoveries (PR)	800,000	341,300	461,600
Child Support Pass-Through (PR)	2,300,000	3,465,100	3,811,600
State Share of Child Support (PR)	10,491,100	8,255,000	7,735,400
Transportation Fund (SEG)	0	1,981,400	1,738,500
Public Benefits Funding (SEG)	9,232,000	9,232,000	9,232,000
Department of Health and Family Services			
Food Stamps for Qualified Aliens (GPR)	339,700	371,700	410,500
Alcohol and Drug Treatment (GPR)	5,000,000	5,000,000	5,000,000
Funerals/Burials for W-2 recipients (GPR)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total	\$174,057,500	\$183,634,700	\$176,380,000
MOE Requirement	\$167,753,000	\$167,266,700	\$167,266,700
Amount Greater Than MOE Requirement	\$6,304,500	\$16,368,000	\$9,113,300

5. In 2004-05, \$128,905,200 from the TANF MOE appropriation supports the TANF MOE requirement. Under AB 100, \$137,998,700 in 2005-06 and \$131,000,900 in 2006-07 from this appropriation would support the TANF MOE requirement.

6. However, funds used for the MOE requirement would exceed the amount necessary by \$16.4 million in 2005-06 and \$9.1 million in 2006-07. Therefore, the MOE requirement would still be met if \$16.4 million in 2005-06 and \$9.1 million in 2006-07 less were expended from the TANF MOE appropriation. As a result, it would not be necessary to spend these funds until depleted in order to meet the MOE requirement.

7. In addition, 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 five or six months after the end of the fiscal year due to 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. As noted above, under current law, DWD may encumber funds from the TANF MOE appropriation before December 31st, rather than June 30th, to address these issues.

8. Given DWD's ability to use encumbrances to manage funds and the availability of

funding that would exceed the MOE requirement, there may not be a need to make the TANF MOE appropriation a continuing, rather than an annual, appropriation.

9. The Committee may wish to deny the Governor's recommendation to make the TANF MOE appropriation a continuing, rather than an annual, appropriation. An annual appropriation, particularly for a GPR appropriation, provides the Legislature with greater oversight as to how much would be expended on an annual basis.

10. However, DWD indicates that it would be helpful to have a continuing appropriation for several reasons. First, a continuing appropriation could eliminate confusion about whether any previous payments returned to the state (such as recovered benefit overpayments) would be available to be re-spent to meet the MOE requirement. Second, some services, such as direct child care subsidies, are not contracted and cannot be encumbered. However, very little funding for child care subsidies is from the TANF MOE appropriation. Finally, a continuing appropriation would provide DWD with flexibility to accommodate any changes in the MOE requirements or the TANF budget.

ALTERNATIVES

1. Adopt the Governor's proposal to change DWD's TANF MOE appropriation [s. 20.445(3)(dz)] from an annual appropriation to a continuing appropriation.
2. Delete provision.

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