



## Legislative Fiscal Bureau

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May 22, 2007

Joint Committee on Finance

Paper #885

### **TANF Overview (DWD -- Economic Support and Child Care)**

#### *Bill Agency*

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#### **Papers Regarding the Use of TANF Funding**

The federal temporary assistance for needy families (TANF) program provides an annual block grant that is the main source of funding for the Wisconsin Works (W-2) program, the Wisconsin Shares child care subsidy program, and a number of other state programs that provide assistance to low-income families. Other significant sources of funding for these programs include the federal child care and development block grant (CCDBG), and state general purpose revenues (GPR) that are required under federal maintenance-of-effort provisions.

The state's W-2 legislation was enacted in April, 1996, and the federal TANF legislation was signed into law several months later, in August of 1996. W-2 replaced the former aid to families with dependent children (AFDC) program at the state level, while TANF replaced AFDC at the federal level. Implementation of W-2 began in the Spring of 1997.

In the initial years of W-2 and TANF, the amount of federal and state funding provided exceeded program expenditures, and significant surpluses accrued. This occurred primarily because of two reasons. First, the TANF block grant was based on expenditures for AFDC in federal fiscal year 1994. However, after the implementation of W-2, caseloads fell significantly below the levels seen in 1994 under the AFDC program. Second, participation in the child care subsidy program was much lower than anticipated in the early years of implementation.

The 1999-01 biennial budget bill utilized surplus TANF revenues that had accumulated during the 1997-99 biennium to fund a portion of the state earned income tax credit (EITC) and a number of other programs that were previously funded with GPR. In addition, eligibility requirements for the child care subsidy program were relaxed and a number of other programs were created to assist low-income families. Although sufficient revenues were available to fund

these programs in the 1999-01 biennium, the decisions made in that budget created a structural deficit in the TANF program whereby ongoing expenditures exceeded ongoing revenues.

In more recent years, the TANF program has experienced deficits as the early surpluses were depleted and the costs of the child care subsidy program increased. As a result, many of the new programs created in the 1999-01 budget were eliminated, and many of the funding shifts were decreased or reversed.

The Governor's budget bill (SB 40) would make two significant adjustments to the TANF budget to address potential deficits in the 2007-09 biennium. First, the amount of TANF funding used for the EITC would be reduced significantly from the amounts budgeted in the current biennium. In addition, a number of cost-saving measures would be adopted for the child care subsidy program. SB 40 also includes proposals for new TANF-related programs and benefits.

After reviewing the estimates used in SB 40, it appears that there would still be a deficit of approximately \$32.7 million at the end of the 2007-09 biennium, if the child care copayment amounts assumed under the bill were reduced (as requested by the Governor after the bill was introduced) and if the child care program were funded at a level adequate to eliminate the need for waiting lists. Subsequent to introduction of the bill, the Governor proposed adding \$7 million GPR annually to reduce the amount of TANF used to fund the EITC. If these additional funds were provided, the estimated deficit would be reduced to \$18.7 million. The primary reason for the remaining deficit is that the savings associated with implementing attendance-based reimbursement of child care providers were overestimated in SB 40.

This office has prepared 10 additional papers regarding the use of TANF funds in the 2007-09 biennium for the Department of Workforce Development (DWD) and other agencies as follows:

**Revised Estimates for TANF-Related Programs (Paper #886).** This paper reestimates the 2008-09 ending TANF balance under the bill as recommended by the Governor.

**W-2 Agency Contracts (Paper #887).** This paper provides options to fund W-2 benefits, services, and administration for the next 24 months of the 2006-2009 W-2 agency contracts.

**Real Work, Real Pay Demonstration Project (Paper #888).** This paper discusses the real work, real pay pilot project and different funding options should the Governor's proposal be adopted.

**Benefits for Pregnant Women (Paper #889).** This paper discusses the Governor's proposal to extend caretaker of a newborn infant (CNI) grants to women who do not have children and who are in their third trimester of an at-risk pregnancy.

**Caretaker of a Newborn Infant (Paper #890).** This paper discusses the Governor's proposal to extend CNI grants from 12 weeks to 26 weeks and reestimates the costs of the benefits, as well as the savings in child care to reflect that individuals would be caring for their infants an additional 14 weeks, instead of engaging in work and training activities, and may not need child care.

**Child Care Subsidies (Paper #891).** This paper reestimates the costs of the child care subsidy program under current law and the savings from attendance-based provider reimbursements. This paper also discusses other cost saving measures for Wisconsin Shares.

**Quality Rating System for Child Care Providers (Paper #892).** This paper discusses the Governor's proposal to implement a quality rating system for licensed child care providers.

**Quality Care for Quality Kids (Paper #893).** This paper provides options to reduce funding in quality care for quality kids programs in order to reduce the projected TANF deficit or increase funding for other TANF-related programs, such as child care.

**Emergency Assistance (Paper #894).** This paper discusses the Governor's proposal to increase funding for emergency assistance to reflect actual expenditures in the program.

**TANF Program Reductions Options (Paper #895).** This paper provides options to reduce funding for several TANF-related programs in order to reduce the projected TANF deficit or increase funding for other TANF-related programs, such as child care.

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