



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

May 21, 2013

Joint Committee on Finance

Paper #195

### **Revised Estimates for TANF-Related Programs (Children and Families -- Economic Support and Child Care)**

[LFB 2013-15 Budget Summary: Page 99, #5, Page 105, #1, Page 118, #15, and Page 119, #20]

---

#### **CURRENT LAW**

The purpose of this paper is to establish a projected 2013-15 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2013-15 based upon more recent information and fully funding projected costs of certain programs administered by the Department of Children and Families (DCF).

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.

The following table 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 DCF and this office. It should be noted that the Department of Administration (DOA) has requested the changes in the following table for child care state administration and licensing and state administration of public assistance programs. In addition, DOA acknowledged the new revenue estimates prepared by DCF in a letter addressed to the Co-Chairs of the Joint Committee on Finance.

The revised estimates are discussed in more detail in the sections that follow the table.

## Reestimates of W-2 and TANF Related Revenues and Expenditures

	<u>Governor</u>		<u>Reestimate</u>		<u>Change to Governor</u>	
	<u>2013-14</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2014-15</u>
<b>Revenues</b>						
State General Purpose Revenue in DCF (GPR)	\$160,373,800	\$160,373,800	\$160,373,800	\$160,373,800	\$0	\$0
TANF Carryover (FED)	83,979,900	40,508,500	86,985,400	45,836,300	3,005,500	5,327,800
TANF Block Grant (FED)	313,616,200	313,616,200	313,861,100	313,861,100	244,900	244,900
Child Care Block Grant (FED)	86,761,400	86,761,400	87,751,600	87,194,000	990,200	432,600
Overpayment Recoveries (FED)	4,286,600	4,286,600	4,286,600	4,286,600	0	0
Child Support Collections (PR)	3,228,200	3,010,800	3,228,200	3,010,800	0	0
Child Care Licensing Fees (PR)	1,703,700	1,703,700	1,703,700	1,703,700	0	0
AFDC Overpayment Recoveries (PR)	200,000	160,600	200,000	160,600	0	0
SSBG from DHS (PR)	100,000	100,000	100,000	100,000	0	0
Public Benefits Fund (SEG)	<u>9,139,700</u>	<u>9,139,700</u>	<u>9,139,700</u>	<u>9,139,700</u>	<u>0</u>	<u>0</u>
Total Revenues	\$663,389,500	\$619,661,300	\$667,630,100	\$625,666,600	\$4,240,600	\$6,005,300
<b>Expenditures</b>						
<b>W-2 Agency Contracts and Benefits</b>						
Benefits	\$72,131,500	\$64,294,000	\$72,131,500	\$64,294,000	\$0	\$0
Administration	10,107,200	10,107,200	10,107,200	10,107,200	0	0
Services	47,479,300	48,229,300	47,479,300	48,229,300	0	0
<b>Other TANF Employment Programs</b>						
Transform Milwaukee Jobs Program	3,750,000	5,000,000	3,750,000	5,000,000	0	0
<b>Child Care</b>						
Direct Child Care Subsidies	272,976,700	273,156,500	272,976,700	273,156,500	0	0
Child Care State Administration and Licensing	30,240,600	32,305,700	29,719,000	31,799,500	-521,600	-506,200
Quality and Availability Programs	13,095,800	13,095,800	13,095,800	13,095,800	0	0
<b>Other Benefits</b>						
Kinship Care	20,582,700	20,582,700	20,095,600	20,095,600	-487,100	-487,100
Caretaker Supplement for Children of SSI Recipients	33,688,000	33,688,000	33,688,000	33,688,000	0	0
Emergency Assistance	7,500,000	7,500,000	7,500,000	7,500,000	0	0
<b>Administrative Support</b>						
State Administration	12,775,600	12,891,200	12,697,100	12,812,700	-78,500	-78,500
Fraud Prevention/Program Integrity	605,500	605,500	605,500	605,500	0	0
<b>Other Support Services</b>						
Children First	1,140,000	1,140,000	1,140,000	1,140,000	0	0
<b>Grant Programs</b>						
Boys and Girls Clubs	1,500,000	1,500,000	1,500,000	1,500,000	0	0
<b>Expenditures in Other Programs</b>						
Earned Income Tax Credit	70,664,200	70,664,200	70,664,200	70,664,200	0	0
Social Services Block Grant	15,443,200	15,443,200	15,443,200	15,443,200	0	0
Child Welfare Safety Services	7,711,100	7,711,100	7,711,100	7,711,100	0	0
Child Welfare Prevention Services	<u>1,489,600</u>	<u>1,489,600</u>	<u>1,489,600</u>	<u>1,489,600</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$622,881,000	\$619,404,000	\$621,793,800	\$618,332,200	-\$1,087,200	-\$1,071,800
Ending Balance	\$40,508,500	\$257,300	\$45,836,300	\$7,334,400		

### Revenues Available for W-2 and Related Programs

**TANF Block Grant.** The TANF program was reauthorized under the federal Deficit Reduction Act (DRA) of 2005. Under the federal DRA, the TANF block grant was funded through September 30, 2010. Through a series of continuing resolutions, the TANF program has

been extended through September 30, 2013, at the same funding levels. It is assumed that this program will continue to be funded at the same level through the 2013-15 biennium. It should be noted that the TANF program is exempt from the funding reductions under the federal Budget Control Act (BCA) sequestration.

During the current biennium, two tribes, the St. Croix Tribe and the Lac Courte Oreilles Tribe, had indicated an interest in operating their own TANF programs. Funding for tribal TANF programs is paid directly to the tribes and is subtracted from the block grant amount for the state. The TANF block grant amounts under AB 40 assumed a reduction based on the estimated amounts that would go to these two tribes. The St. Croix Tribe has withdrawn its application to operate its own TANF program. As a result, the above table shows an increase to the TANF block grant to the state in an amount that would have gone to the St. Croix Tribe (\$0.2 million annually), for a total TANF block grant of \$313.9 million annually.

**Child Care Development Block Grant.** The CCDBG program, along with the TANF program, has also been extended through September 30, 2013. The CCDBG provides a combination of entitlement and discretionary funds for child care services for low-income families and to improve the quality and supply of child care for all families.

CCDBG entitlement funds are allocated to states in two components. First, each state receives a fixed amount based on funding received under the three child care programs previously authorized under the former aid to families with dependent children (AFDC) program. These funds are often referred to as "mandatory" funds. Second, any remaining entitlement funds, after the allocation of the fixed amounts, are distributed according to each state's share of children under age 13. The entitlement portion of the CCDBG is exempt from the funding reductions under the federal BCA sequestration.

States receive discretionary funds based on each state's share of children under age five, the state's share of children receiving free or reduced-price lunches, and the state per capita income. The discretionary portion of the CCDBG is subject to the funding reductions under the federal BCA sequestration. AB 40 estimated this reduction at \$2.2 million annually.

The table above shows an increase in the CCDBG from the estimate under AB 40 for three reasons. First, the entitlement portion of the CCDBG has been increased to reflect more recent estimates of the amount the state would receive in the 2013-15 biennium (\$0.9 million annually). Second, the continuing resolution that extends the TANF and CCDBG programs through September 30, 2013, added funding to the CCDBG in federal fiscal year (FFY) 2013 to reduce the impact of the funding reductions under the federal BCA sequestration. This increase would affect the CCDBG discretionary funding for the first three months in state fiscal year (SFY) 2013-14, resulting of a net increase of \$0.1 million in SFY 2013-14 compared to AB 40. Finally, more recent estimates of the federal BCA sequestration by DCF show an additional reduction of the CCDBG in SFY 2014-15 of \$0.5 million. The CCDBG is estimated at \$87.8 million in 2013-14 and \$87.2 million in 2014-15.

#### **Carryover of TANF funds from 2012-13 to 2013-14**

TANF revenue is expected to exceed TANF expenditures in 2012-13 by \$87.0 million.

This excess revenue is carried forward to be spent in future years. This amount is \$3.0 million higher than the amount estimated under AB 40 and represents an increase in revenue of \$1.5 million and a reduction in expenditures of \$1.5 million.

As noted above, the TANF block grant in 2012-13 is estimated to be higher because the St. Croix tribe withdrew its application to operate its own TANF program (\$0.2 million). In addition, more recent estimates of the CCDBG in 2012-13 have been revised downward (-\$0.2 million), and more recent estimates of revenue from TANF and CCDBG overpayment recoveries has been revised upward (\$1.5 million).

Finally, child care expenditures in 2012-13 are estimated to be less than the amount assumed under the bill by approximately \$1.5 million.

### **Expenditures for W-2 and Related Programs for the 2013-15 Biennium**

**Child Care Subsidies.** The bill would reduce funding for the child care subsidy program, Wisconsin Shares, by \$16.8 million in 2013-14 and by \$19.0 million in 2014-15 based on a reestimate under current law of base funding for the program in 2012-13, as well as a 1% increase in 2013-14 and another 2% increase in 2014-15. The reestimate is based on current and estimated caseloads, subsidy amounts, and adjustments under YoungStar, the state's quality rating and improvement system. The bill provides an additional \$1.0 million in 2013-14 and \$3.4 million in 2014-15 in order to: (a) provide child care for participants in the transform Milwaukee jobs program; (b) increase child care provider reimbursement rates in 2014-15; and (c) increase reimbursements under YoungStar for four-star providers from up to 5% from the maximum reimbursement rate to up to 10%. These issues are addressed in separate papers.

This office has reviewed the estimates for the child care subsidy program for the 2013-15 biennium. Estimates prepared by this office are very similar, with less than a 1% difference from the estimates under the bill. Therefore, the estimates provided under the bill appear reasonable.

**State Administration of Child Care and Public Assistance Programs.** The bill adjusted funding for state administration of child care and licensing and state administration for public assistance programs related to standard budget adjustments, realignments, child care program integrity, legal counsel staff, child care provider payments, and the transform Milwaukee program. However, although the bill provides the intended level of funding in each of these separate actions, the statutory TANF allocations for state administration of child care and state administration of public assistance programs do not reflect all of the adjustments made. As a result, the statutory allocations overstate the amount needed for state administration of child care and licensing and state administration of public assistance programs, which resulted in too much TANF funding budgeted for administration.

To reflect the level of funding provided under the bill for state administration of child care and licensing, the TANF statutory allocation should be reduced by \$521,600 in 2013-14 and by \$506,200 in 2014-15. The TANF statutory allocation for state administration of child care and licensing would be \$29.7 million in 2013-14 and \$31.8 million in 2014-15.

To reflect the level of funding provided under the bill for state administration of public

assistance programs, the TANF statutory allocation should be reduced by \$78,500 annually. The TANF statutory allocation for state administration of public assistance programs would be \$12.7 million in 2013-14 and \$12.8 million in 2014-15.

**Kinship Care.** Certain relatives who provide care and maintenance for a child may receive a kinship care payment of \$220 per month if: (a) there is a need for the child to be placed with the relative and the placement is in the best interests of the child; (b) the child meets the criteria, or would be at risk of meeting the criteria, for a child or juvenile in need of protection or services, if the child were to remain at home; and (c) the relative meets other nonfinancial requirements, including a background check.

Funding in the bill should be reduced by \$487,100 in each year to reflect current estimates of the funding that is needed to support the kinship care payments in the 2013-15 biennium. The estimate is based on caseload data from March, 2012, through February, 2013, and includes fully funding all current wait-listed and county-funded cases. Kinship care caseloads are expected to remain stable over the biennium. With this change, \$20.1 million annually would be budgeted for DCF, counties, and tribes to make these payments.

### **Ending TANF Balance**

As indicated in the table, the reestimated 2014-15 ending balance under the bill would be \$7.3 million. Although there is a balance of \$7.3 million, it should be noted that estimates for W-2 benefits provided under the bill appear to be optimistic. To fully fund W-2 benefits over the 2013-15 biennium, additional funds would be needed, and the amount of the funds needed would exceed \$7.3 million. This issue is addressed in a separate paper.

Further, ongoing expenditures exceed ongoing revenues by \$38.5 million in 2014-15. This structural deficit of \$38.5 million will have to be addressed in the next biennium.

Finally, if the Committee chooses to add funding to any programs, such as the W-2 contracts or child care provider reimbursement rates, the ending balance would be reduced and/or reductions in other TANF programs would be required.

### **MODIFICATION**

Modify the Governor's recommendations to reduce federal funding budgeted for TANF related expenditures by \$1,087,200 FED in 2013-14 and \$1,071,800 FED in 2014-15 due to reestimates for the 2013-15 biennium as follows: (a) reduce funding for child care state administration and licensing (-\$521,600 FED in 2013-14 and -\$506,200 FED in 2014-15); (b) reduce funding for the kinship care program (-\$487,100 FED annually); and (c) reduce funding for state administration of public assistance programs (-\$78,500 FED annually).

<b>Change to Bill Funding</b>	
FED	- \$2,159,000

Prepared by: Kim Swissdorf