



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #200

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

[LFB 2017-19 Budget Summary: Page 97, #1; Page 100, #2; Page 102, #5; and Page 108, #13]

INTRODUCTION

The purpose of this paper is to establish a projected 2017-19 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2017-19 based upon more recent information and fully funding projected costs of certain programs administered by the Department of Children and Families (DCF) and the Department of Health Services (DHS).

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 regarding specific TANF-related programs.

The following table shows the estimated revenues and expenditures for Wisconsin Works (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.

W-2 and TANF-Related Revenue and Expenditures

	Governor		Reestimate		Change to Governor	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Revenues						
State General Purpose Revenue (GPR)	\$160,373,800	\$160,373,800	\$160,373,800	\$160,373,800	\$0	\$0
TANF Block Grant (FED)	313,896,000	293,706,900	313,896,000	308,814,900	0	15,108,000
TANF Contingency Fund (FED)	0	0	0	0	0	0
Child Care Development Fund (FED)	94,928,600	94,928,600	94,928,600	94,928,600	0	0
TANF and CCDF Recoveries (FED)	4,287,600	4,287,600	4,287,600	4,287,600	0	0
Carryover from Prior Year (All Funds)	188,111,300	141,536,100	231,901,500	201,300,700	43,790,200	59,764,600
Child Support Collections (PR)	2,942,800	2,635,800	2,942,800	2,635,800	0	0
Child Care Licensing Fees (PR)	1,650,000	1,650,000	1,650,000	1,650,000	0	0
AFDC Recoveries, State Share (PR)	160,600	160,600	160,600	160,600	0	0
SSBG from DHS (PR)	100,000	100,000	100,000	100,000	0	0
Public Benefits Funding (SEG)	9,139,700	9,139,700	9,139,700	9,139,700	0	0
Total Available	<u>\$775,590,400</u>	<u>\$708,519,100</u>	<u>\$819,380,600</u>	<u>\$783,391,700</u>	<u>\$43,790,200</u>	<u>\$74,872,600</u>
Expenditures						
<i>Wisconsin Works</i>						
Subsidized Employment Benefits	\$54,173,300	\$54,173,300	\$42,500,000	\$44,625,000	-\$11,673,300	-\$9,548,300
Worker Supplement	2,700,000	2,700,000	2,700,000	2,700,000	0	0
Service Contracts	55,000,000	55,000,000	52,000,000	54,600,000	-3,000,000	-400,000
<i>Other TANF Employment Programs</i>						
Transform Milwaukee/Transitional Jobs	7,000,000	8,000,000	7,000,000	8,000,000	0	0
<i>Child Care</i>						
Direct Child Care Subsidies	289,215,200	308,167,800	289,215,200	310,369,200	0	2,201,400
Child Care State Administration	36,189,400	36,030,000	36,189,400	36,030,000	0	0
Quality Care for Quality Kids	15,652,700	15,652,700	15,652,700	15,652,700	0	0
<i>Other Benefits</i>						
Kinship Care Benefits	22,012,100	22,741,200	22,012,100	22,741,200	0	0
SSI - Caretaker Supplement	27,339,100	27,339,100	26,038,000	26,038,000	-1,301,100	-1,301,100
Emergency Assistance	7,000,000	7,000,000	7,000,000	7,000,000	0	0
<i>Child Support Related to W-2</i>						
Children First	1,140,000	1,140,000	1,140,000	1,140,000	0	0
<i>Administrative Support</i>						
State Administration	15,987,000	15,902,900	15,987,000	15,902,900	0	0
Local Fraud Aids	605,500	605,500	605,500	605,500	0	0
<i>Grant Programs</i>						
Grants to Boys and Girls Clubs of America	1,275,000	1,275,000	1,275,000	1,275,000	0	0
Wisconsin Community Services	400,000	400,000	400,000	400,000	0	0
Fostering Futures - Connections Count	360,300	560,300	360,300	560,300	0	0
GED Testing	115,000	115,000	115,000	115,000	0	0
Adult Literacy	41,600	41,600	41,600	41,600	0	0
Legal Services	500,000	500,000	500,000	500,000	0	0
Homeless Grants	500,000	500,000	500,000	500,000	0	0
Early Absenteeism	0	500,000	0	500,000	0	0
Early Learning Texting	35,000	60,000	35,000	60,000	0	0
Public Messaging Campaign	400,000	600,000	400,000	600,000	0	0
ACP Enhancement	50,000	0	50,000	0	0	0
FAST	250,000	250,000	250,000	250,000	0	0
Offender Reentry	187,500	250,000	187,500	250,000	0	0
<i>Expenditures in Other Programs</i>						
Earned Income Tax Credit	69,700,000	82,700,000	69,700,000	82,700,000	0	0
SSBG Transfer to DHS/Community Aids	14,653,500	14,653,500	14,653,500	14,653,500	0	0
Child Welfare Safety Services	6,282,500	7,314,300	6,282,500	7,314,300	0	0
Child Welfare Prevention Services	5,289,600	5,289,600	5,289,600	5,289,600	0	0
Total Expenditures	<u>\$634,054,300</u>	<u>\$669,461,800</u>	<u>\$618,079,900</u>	<u>\$660,413,800</u>	<u>-\$15,974,400</u>	<u>-\$9,048,000</u>
TANF Balance:	\$141,536,100	\$39,057,300	\$201,300,700	\$122,977,900		

REVISED ESTIMATES OF REVENUES AND EXPENDITURES FOR TANF RELATED PROGRAMS

As shown in the table, the closing TANF balance for the 2017-19 biennium is estimated to be \$83.9 million higher than projected under the bill. Revised estimates of TANF-related revenues are \$58.9 million higher* and expenditures are \$25.0 million lower than previously estimated. This is primarily due to two factors: a greater carryover of TANF funding from 2016-17 and lower expenditures for W-2 benefits and services.

Carryover of TANF funds from 2016-17 to 2017-18. TANF-related revenue is expected to exceed TANF-related expenditures in 2016-17 by \$231.9 million. This excess revenue is carried forward to be spent in future years. This amount is \$43.8 million higher than the amount estimated under the bill. Overall, the additional carryover amount is due to an increase in 2016-17 base revenue of \$15.4 million and a reduction in base expenditures of \$28.4 million.

Revenue in 2016-17 is higher than expected mainly due to DCF receiving approximately \$16.1 million more from the TANF contingency fund than projected under the bill. Such funding is now reflected in the 2016-17 carryover into 2017-18. In addition, TANF and CCDF fraud overpayment recoveries are estimated to be \$0.6 million less than projected and child care licensing fees are expected to be \$0.1 less than estimated.

Based upon more recent caseload and issuance information, the following estimated expenditures for 2016-17 are less than previously estimated: (a) W-2 benefits (\$18.1 million); (b) W-2 service contracts (\$5.2 million); (c) Transform Milwaukee/Transitional Jobs (\$2.8 million); (d) caretaker supplement (\$4.0 million); (e) kinship care (\$1.0 million); and (f) emergency assistance (\$0.9 million). Similarly, the following expenditures in 2016-17 are anticipated to be higher than previously estimated: (1) child welfare safety services (\$0.2 million); and (2) administration of TANF related programs (\$0.1 million). Finally, expenditures for child care administration are expected to be \$3.3 million more than previously estimated due to needed modifications to bring child care information technology systems into compliance with federal regulations and to continue implementing the electronic benefit transfer system for the child care subsidy program.

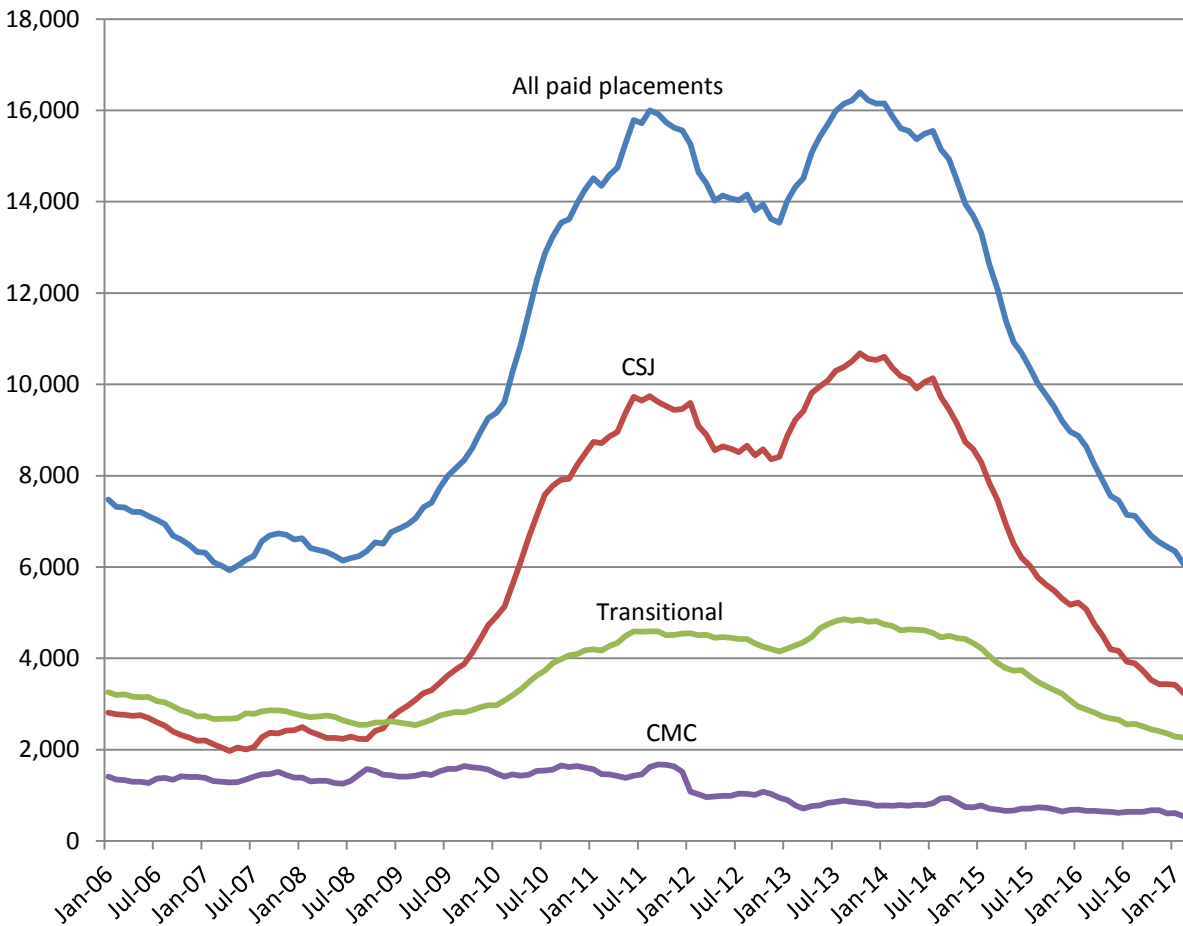
W-2 Benefits. Participants in W-2 are assigned by the local W-2 agency to either unsubsidized employment or one of three types of subsidized employment: trial employment match program (TEMP) jobs, community service jobs (CSJ), and transitional placements. W-2 grants may be provided to custodial parents of newborn infants (CMC) and to at-risk pregnant women. From the W-2 benefits allocation, DCF pays a monthly grant amount to W-2 participants placed in subsidized employment positions and to participants who receive a caretaker of a newborn infant grant or an at-risk pregnancy grant.

As shown in the chart below, there has been significant volatility in W-2 paid placements over the previous decade. Two main factors contributed to the increase in caseloads beginning in

* The TANF prior-year carryover from 2017-18 into 2018-19 is not included as revenue because such funding is already reflected in revenues for 2017-18.

2008-09. First, the recession in 2008 and 2009 increased demand for the program and the slow subsequent recovery period made it more difficult to transition out of a W-2 employment placement into unsubsidized employment. Second, the W-2 service delivery system was restructured in January, 2013, from a mix of county and private agencies into eight private agencies serving 10 large geographic areas. DCF indicates that the new contract structure and performance goals changed the W-2 programs in several ways which led to higher caseloads.

**Paid W-2 Placements
(January, 2006 - February, 2017)**



As shown in the figure, there was a substantial decline in program participation after 2014. DCF indicates that this is due to job gains after the 2008-2009 recession ended. Other factors contributing by an unknown degree are a renewed emphasis on work requirements by W-2 agencies and sanctions for nonparticipation in work activities. DCF indicates that the 48-month lifetime participation limit on W-2 work placements instituted under 2015 Act 55 is not a contributing factor because the limit is still being implemented.

Because of the decrease in caseloads, total W-2 benefit payments have decreased substantially over the last few years. Total W-2 benefit payments decreased by 16% in 2014-15

and by 35% in 2015-16. Through February, 2017, total W-2 benefit payments have decreased by 37% in 2016-17 compared to 2015-16. Another factor in decreased expenditures is that the average monthly cost per case fell from \$497 in 2015-16 to \$457 in the previous twelve months. DCF indicates that this may be due in part to two reasons: (a) individuals participating for a shorter time period in CSJ placements than in prior years due to finding unsubsidized employment; and (b) non-participation leading to increased sanctions and lower payments.

Under the bill, the estimated expenditures for W-2 benefits were based on the assumption that caseload and spending levels would stabilize in the 2017-19 biennium and remain relatively flat compared to base levels that were estimated using 2016 caseload data. However, the estimated expenditures for W-2 benefits in 2016-17 are \$18.1 million lower than previously forecast. The table includes the revised estimated costs of W-2 benefits under the bill and is based on more recent caseload and issuance data through February, 2017. Adjusted for the lower base year expenditures, the estimated cost of W-2 benefits is lower by \$11.7 million in 2017-18 and by \$9.5 million in 2018-19. For similar reasons, the service costs under the W-2 contracts are lower by \$3.0 million in 2017-18 and by \$0.4 million in 2018-19.

MISCELLANEOUS REVENUES AND EXPENDITURES FOR W-2 AND RELATED PROGRAMS

TANF Block Grant. The above table shows an increase of \$15.1 million in 2018-19 to base funding received under the TANF block grant. As discussed in a separate paper, DCF anticipates a reduction in penalties from the federal government for failing to meet work participation targets in the W-2 program due to implementation of a corrective compliance plan with the federal government. Penalties under the bill were estimated as \$20.2 million in 2018-19, whereas the penalties are now estimated at \$5.1 million.

Wisconsin Shares Eligibility Expansion. As discussed in a separate modification paper, the cost of expanding the financial eligibility threshold for the Wisconsin Shares child care subsidy program is \$2.2 million more in 2018-19 than estimated under the bill.

SSI Caretaker Supplement. From the SSI caretaker supplement allocation, DCF transfers funding to DHS to provide a supplemental payment to SSI recipients with dependent children in addition to the state and federal SSI benefits they receive. Eligible SSI participants receive \$250 per month for the first child and \$150 per month for each additional child. Based upon more recent caseload information than was used for the original estimate, it is anticipated that expenditures will be less than estimated by \$1.3 million in 2017-18 and 2018-19.

ENDING TANF BALANCE

As indicated in the table, the revised estimate for the 2018-19 ending TANF balance is \$123.0 million. However, ongoing expenditures are estimated to exceed ongoing revenue by approximately \$77.7 million in 2018-19. Projected over the 2019-21 biennium, the structural deficit would be \$32.3 million more than the 2018-19 ending balance. Further, as discussed in other papers, the state may face additional penalties from the federal government for failing to meet work participation targets in the W-2 program. Such penalties could exceed \$21.5 million,

depending on the federal government's review of the state's corrective compliance plan. As a result, significant reductions in program spending may be required in order to fund TANF-related expenditures in the 2019-21 biennium.

In addition, the closing TANF balance may be needed to cover shortfalls and unexpected expenses in TANF-related programs in the 2017-19 biennium. For example, recent changes in federal law from the reauthorization of the Child Care Development Block Grant may require the state to incur additional costs in child care administration in order to comply with updated federal regulations.

Finally, if the Committee chooses to add funding to any TANF-related programs, such as child care provider reimbursement rates, or to provide funding for new programs, then 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 \$15,974,400 FED in 2017-18 and \$11,249,400 FED in 2018-19 due to reestimates for the 2017-19 biennium as follows: (a) decrease funding for W-2 benefits by \$11,673,300 in 2017-18 and by \$9,548,300 in 2018-19; (b) decrease funding for W-2 service contracts by \$3,000,000 in 2017-18 and by \$400,000 in 2018-19; and (c) decrease the funding transferred to DHS to support the SSI caretaker supplement program by \$1,301,100 FED annually, resulting in a matching decline in program revenue-service funds received by DHS as noted in LFB Paper 367.

	Change to	
	Base	Bill
FED	- \$23,814,300	- \$27,223,800

Explanation: This modification reflects more recent TANF-related program revenue and expenditure information than was available when the Governor's budget was prepared (data through March, 2017, instead of data through January, 2017, used in developing the Governor's bill).

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