



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #185

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

[LFB 2019-21 Budget Summary: Page 61, #1 and Page 75, #23 (part)]

INTRODUCTION

This paper provides reestimates of revenue and expenditures for economic support programs administered by the Department of Children and Families (DCF) for the 2019-21 biennium. These programs are supported primarily with: (a) the temporary assistance for needy families (TANF) block grant (FED); state general purpose revenue (GPR), which the state is required to provide to comply with TANF maintenance of effort requirements; (c) the federal child care development fund (FED), together with several other minor funding sources. These revenue sources are combined to fund a wide range of programs, including the Wisconsin Shares, Wisconsin Works (W-2), several other benefits and grant programs, and programs administered by other agencies.

The paper includes reestimates of revenues, expenditures, and program balances for the 2019-21 biennium based on the most recent information available, including estimates of costs to fully fund current programs and the Governor's 2019-21 budget recommendations that remain for the Committee's consideration.

The table on the following page shows the estimated revenues and expenditures for W-2 and other public assistance programs under the bill, updated for actions of the Committee through the date of this paper. The table compares the administration's figures with revised estimates prepared by DCF and this office. Subsequent papers address alternatives that the Committee could consider regarding specific TANF-related programs.

W-2 and TANF-Related Revenue and Expenditures

	Governor		Reestimate		Change to Governor	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Carryover from Previous Year	\$275,538,200	\$162,189,100	\$303,984,700	\$217,119,400	\$28,446,500	\$54,930,300
Revenues						
State General Purpose Revenue (GPR)	\$160,373,800	\$160,381,400	\$160,373,800	\$160,381,400	\$0	\$0
TANF Block Grant (FED)	308,124,300	312,059,600	308,124,300	312,059,600	0	0
Child Care Development Fund (FED)	128,174,600	128,174,600	126,889,000	126,889,000	-1,285,600	-1,285,600
TANF and CCDF Recoveries (FED)	4,287,600	4,287,600	4,287,600	4,287,600	0	0
Child Support Collections (PR)	2,703,900	2,749,000	2,703,900	2,749,000	0	0
Child Care Licensing Fees (PR)	1,750,000	1,750,000	1,750,000	1,750,000	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
Utility Public Benefits Funding (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	\$614,814,500	\$618,802,500	\$613,528,900	\$617,516,900	-\$1,285,600	-\$1,285,600
Total Available (Including Carryover)	\$890,352,700	\$780,991,600	\$917,513,600	\$834,636,300	\$27,160,900	\$53,644,700
Expenditures						
<i>Wisconsin Works</i>						
Subsidized Employment Benefits	\$41,156,900	\$41,157,200	\$31,110,000	\$31,732,200	-\$10,046,900	-\$9,425,000
Worker Supplement	2,700,000	2,700,000	2,700,000	2,700,000	0	0
Service Contracts	51,528,300	51,528,300	50,000,000	50,000,000	-1,528,300	-1,528,300
Other TANF Employment Programs						
Transform Milwaukee/Transitional Jobs	8,000,000	9,000,000	8,000,000	9,000,000	0	0
Child Support Related to W-2						
Children First	2,280,000	2,280,000	2,280,000	2,280,000	0	0
Child Care						
Direct Child Care Subsidies	367,968,000	376,852,600	367,133,800	376,018,400	-834,200	-834,200
Child Care State Administration	39,722,100	40,215,200	40,152,100	41,555,200	430,000	1,340,000
Quality Care for Quality Kids	16,532,700	16,683,700	16,532,700	16,683,700	0	0
Other Benefits						
Kinship Care Benefits	26,847,200	28,448,100	26,847,200	28,448,100	0	0
SSI - Caretaker Supplement	25,013,300	25,013,300	25,013,300	25,013,300	0	0
Emergency Assistance	6,000,000	6,000,000	6,000,000	6,000,000	0	0
Administrative Support						
State Administration	16,461,200	16,608,300	16,671,200	17,268,300	210,000	660,000
Local Fraud Aids	605,500	605,500	605,500	605,500	0	0
Grant Programs						
Grants to Boys and Girls Clubs of America	2,675,000	2,675,000	2,675,000	2,675,000	0	0
Wisconsin Community Services	425,000	425,000	425,000	425,000	0	0
Fostering Futures - Connections Count	560,300	560,300	560,300	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	1,000,000	1,000,000	1,000,000	1,000,000	0	0
Families and Schools Together	250,000	250,000	250,000	250,000	0	0
Offender Reentry	825,000	825,000	825,000	825,000	0	0
Substance Abuse Prevention	500,000	500,000	500,000	500,000	0	0
Child Abuse Prevention Grant	500,000	500,000	500,000	500,000	0	0
Expenditures in Other Programs						
Earned Income Tax Credit	85,700,000	86,700,000	69,700,000	69,700,000	-16,000,000	-17,000,000
SSBG Transfer to DHS/Community Aids	14,653,500	14,653,500	14,653,500	14,653,500	0	0
Child Welfare Safety Services	9,300,900	10,191,900	9,300,900	10,191,900	0	0
Child Welfare Prevention Services	<u>6,302,100</u>	<u>7,464,600</u>	<u>6,302,100</u>	<u>7,464,600</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$728,163,600	\$743,494,100	\$700,394,200	\$716,706,600	-\$27,769,400	-\$26,787,500
TANF Balance	\$162,189,100	\$37,497,600	\$217,119,400	\$117,929,700	\$54,930,300	\$80,432,100

Program Reestimates

As shown in the table, revised estimates of TANF-related revenues are \$1.3 million lower annually and expenditures are lower by \$27.8 million in 2019-20 and by \$26.8 million in 2020-21 than previously estimated. The closing TANF balance for the 2019-21 biennium is estimated to be \$80.4 million higher than projected under the bill. This is primarily due to two factors -- a greater carryover of TANF funding from 2018-19, and lower projected expenditures for W-2 benefits and services and the earned income tax credit (EITC) in the 2019-21 biennium.

Carryover of TANF Funds from 2018-19 to 2019-20. TANF-related revenue is expected to exceed TANF-related expenditures in 2018-19 by \$304.0 million. This excess revenue is carried forward and may be expended in future years. This amount is \$28.4 million higher than the estimate the administration used in preparing the Governor's budget recommendations. Overall, the additional carryover amount is due to a reduction in projected 2018-19 program costs.

Revenue in 2018-19 is lower than expected due to DCF receiving approximately \$1.0 million less from discretionary federal child care development funds (CCDF) than projected under the bill. This funding is now reflected in the 2018-19 carryover into 2019-20.

Based on more recent caseload and issuance information, the following estimated expenditures for 2018-19 are less than previously estimated: (a) direct child care subsidies under Wisconsin Shares (-\$28,369,200); and (b) emergency assistance (-\$1,800,000). Finally, expenditures for grants to the Boys and Girls Clubs of America are expected to be \$1.0 million more than estimated under the bill due to a reallocation of TANF funding approved by the Department of Administration (DOA) on March 22, 2019. The grant contract was underspent during 2017-18 and the reallocation increased the 2018-19 TANF allocation in order to expend those funds in the current contract year.

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.

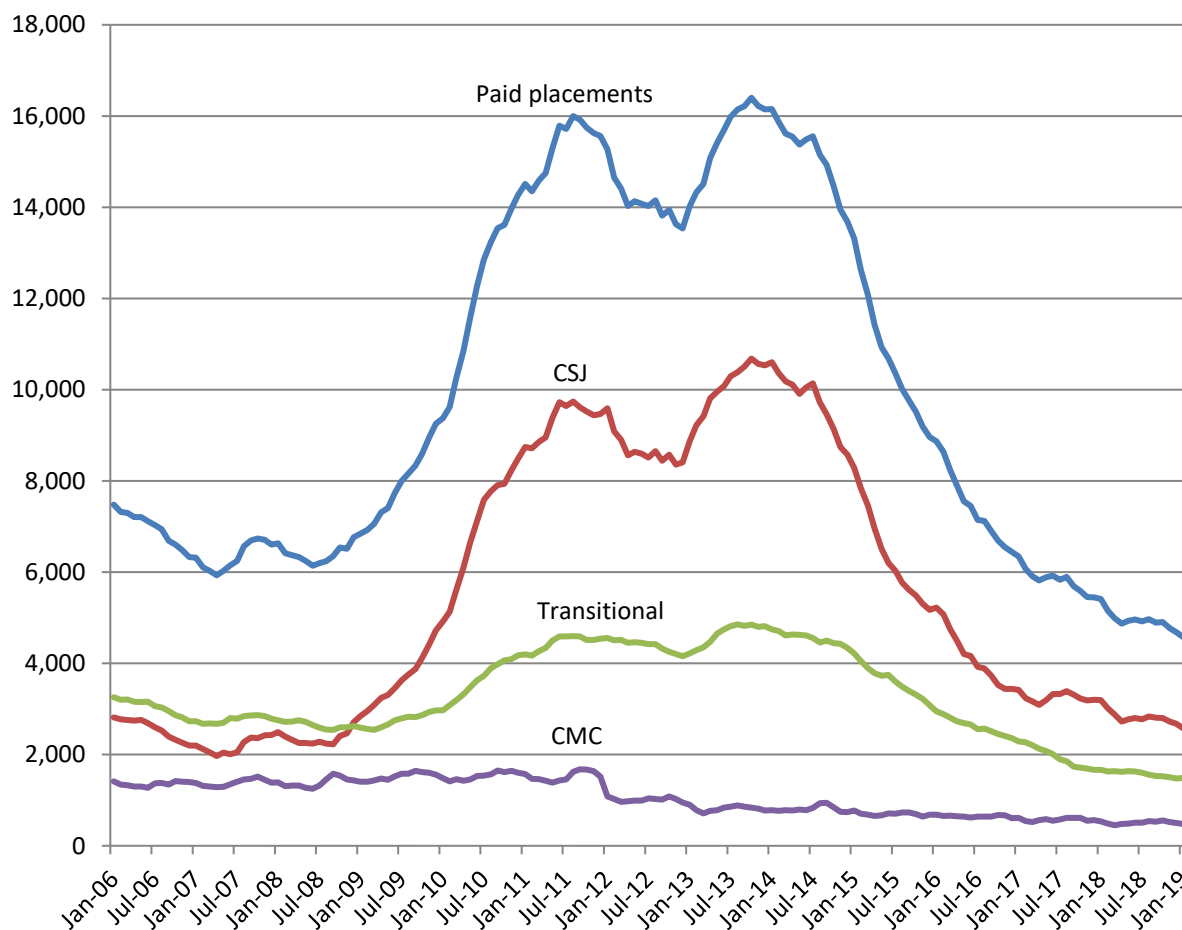
Under the bill, the estimated expenditures for W-2 benefits were based on the assumption that caseload and spending levels would stabilize in the 2019-21 biennium above base year spending levels. However, the estimated expenditures for W-2 benefits in the 2019-21 biennium under the bill are \$19.5 million lower than previously forecast. This is so for two reasons. First, as part of its Executive Session on May 9, 2019, the Committee approved Motion #5, which removed the Governor's recommended funding of \$5.3 million annually for W-2 Internet service provider subscriptions.

Second, 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, 2019. The estimated cost of

W-2 benefits is lower by \$4.8 million in 2019-20 and by \$4.1 million in 2020-21. For similar reasons, the service costs under the W-2 contracts are lower by \$1.5 million annually.

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 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, 2019)**



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 has not yet been 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 34.4% in 2016-17 and by 16.9% in 2017-18. Through February, 2019, total W-2 benefit payments have decreased by 16.1% in 2018-19 compared to 2017-18. Another factor in decreased expenditures is that the average monthly cost per case fell from \$514 in 2014-15 to \$449 in 2017-18. 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.

Program Modifications

Several other changes to the administration's initial TANF budget are described below.

Earned Income Tax Credit (EITC). As part of Motion #5 (May 9), the Committee removed the Governor's recommended expansion of the EITC, which would have increased the amounts qualifying individuals could claim. The refundable portion of the EITC is funded by TANF. By removing this item, estimated TANF funding for the program is decreased by \$16.0 million in 2019-20 and by \$17.0 million in 2020-21. This reduction was shown in the fiscal effect and section of Motion #5.

CCDF Revenue. The table shows a decrease of \$1.3 million in 2019-20 and 2020-21 from funding the state receives under the CCDF for child care programs. This is due to a decrease in discretionary funding received under the federal program, which is based on each state's share of children under age five, the state's share of children receiving free or reduced-price lunches, and state per capita income. CCDF funding in the 2019-21 biennium is project to remain at the same decreased level of funding for 2018-19.

Wisconsin Shares Child Care Subsidies. The cost of expanding the financial eligibility threshold for the Wisconsin Shares child care subsidy program under 2017 Act 59 (discussed in LFB Paper #188) is \$1.0 million less annually than estimated under the bill. Further, as part of Motion 5, the Committee removed the Governor's recommended extension of W-2 benefits by four weeks for custodial parents of infants. Expanding the placement for caretakers of infants has the estimated effect of decreasing costs in the Wisconsin Shares child care subsidy program by \$165,800 annually due to the anticipated decrease in child care use by parents with infants. Removal of the item increases the estimated costs of child care subsidies by the same annual amount.

State Administration of Public Assistance Programs and Child Care Programs. The bill provides for 2% general wage adjustments in both 2020 and 2021. However, the TANF allocations for state administration are not eligible to receive an increase through the pay plan supplement process. Further, the increased funding needed to cover the cost of the proposed wage adjustments were not included into the base funding for TANF-related programs as part of the budget bill. Thus, these costs are estimated as part of this paper. The cost of the wage adjustments approved

by the Committee is estimated as \$0.4 million in 2019-20 and \$1.3 million in 2020-21 under the TANF allocation for child care state administration and \$0.2 million in 2019-20 and \$0.7 million in 2020-21 under the TANF allocation for state administration of public assistance programs.

Projected Ending Balance

As indicated in the table, the revised estimate for the 2020-21 ending TANF balance is \$117.9 million. However, ongoing expenditures are estimated to exceed ongoing revenue by approximately \$99.2 million in 2020-21. Projected over the 2021-23 biennium, the structural imbalance would be \$80.4 million more than the 2020-21 ending balance. As a result, increased revenues or reductions in program spending may be required in order to fund TANF-related expenditures in the 2021-23 biennium.

In addition, the closing TANF balance may be needed to cover shortfalls and unexpected expenses in TANF-related programs in the 2019-21 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 \$27,769,400 FED in 2019-21 and \$26,787,500 FED in 2020-21 due to reestimates for the 2019-21 biennium as follows: (a) decrease funding for W-2 benefits by \$10,046,900 in 2019-20 and by \$9,425,000 in 2020-21; (b) decrease funding for W-2 service contracts by \$1,528,300 annually; (c) decrease funding for direct child care subsidies by \$834,200 annually; (d) increase funding for child care state administration by \$430,000 in 2019-20 and by \$1,340,000 in 2020-21; (e) increase funding for state administration of public assistance programs by \$210,000 in 2019-20 and by \$660,000 in 2020-21; and (f) decrease funding for the refundable portion of the EITC by \$16,000,000 in 2019-20 and by \$17,000,000 in 2020-21.

	Change to	
	Base	Bill
FED	- \$24,367,800	- \$54,556,900

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, 2019, instead of data through January, 2019, used in developing the Governor's bill).

Prepared by: John D. Gentry