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Joint Committee on Finance

Paper #250

Estimates for TANF-Related Programs under Current Law (Children and Families -- TANF and Economic Support)

[LFB 2023-25 Budget Summary: Page 91, #1; and Page 98, #13 and #14]

INTRODUCTION

This paper provides estimates of revenue and expenditures for economic support programs administered by the Department of Children and Families (DCF) for the 2023-25 biennium. These programs are supported primarily with: (a) the temporary assistance for needy families (TANF) block grant (FED); (b) 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 and development fund (CCDF), 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 estimates of revenues, expenditures, and program balances for the 2023-25 biennium based on the most recent information available, including estimates of costs to fully fund current programs and the TANF-related budget items 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 AB 43/SB 70, updated for actions of the Committee through the date of this paper (such as standard budget adjustments under Motion #12). The estimates were 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

	2022-23	Reestimate		Change to Base	
	Adjusted Base	2023-24	2024-25	2023-24	2024-25
Opening Balance (Carryover)		\$516,500,000	\$485,981,000		
Revenue					
GPR Appropriations Base Funding	\$160,381,400	\$160,381,400	\$160,381,400	\$0	\$0
FED -- TANF Block Grant	311,009,600	307,336,800	311,009,600	-3,672,800	0
FED -- CCDF	163,919,100	172,614,100	172,614,100	8,695,000	8,695,000
FED -- CCDF & TANF Recoveries	4,287,600	4,287,600	4,287,600	0	0
PR -- Child Support Collections	2,749,000	2,749,000	2,749,000	0	0
PR -- Child Care Fees	1,530,800	1,500,000	1,500,000	-30,800	-30,800
PR -- Social Services Block Grant	100,000	100,000	100,000	0	0
PR -- Public Assistance Recoveries	160,600	160,600	160,600	0	0
SEG -- Public Benefits Fund	9,139,700	9,139,700	9,139,700	0	0
Total Revenues	\$653,277,800	\$658,269,200	\$661,942,000	\$4,991,400	\$8,664,200
Expenditures					
<i>Child Care</i>					
Direct Child Care Services	\$383,900,400	\$368,459,800	\$401,279,700	-\$15,440,600	\$17,379,300
Quality Care for Quality Kids	16,683,700	16,683,700	16,683,700	0	0
Child Care Admin. and Licensing	42,877,700	43,836,300	44,103,900	958,600	1,226,200
<i>Child Welfare Programs</i>					
Kinship Care Benefits & Assessments	31,441,800	28,194,900	28,528,800	-3,246,900	-2,913,000
Child Welfare Safety Services	10,314,300	10,314,300	10,314,300	0	0
Child Welfare Prevention Services	6,789,600	6,789,600	6,789,600	0	0
Child Abuse Prevention Grant	500,000	500,000	500,000	0	0
Substance Abuse Prevention Grant	500,000	500,000	500,000	0	0
<i>Employment Programs</i>					
W-2 Benefits	34,000,000	28,000,000	29,000,000	-6,000,000	-5,000,000
W-2 Service Contracts	57,071,200	57,071,200	57,071,200	0	0
W-2 Worker Supplement	2,700,000	2,700,000	2,700,000	0	0
Transitional/Transform Milwaukee Jobs	9,500,000	9,500,000	9,500,000	0	0
Children First	1,140,000	1,140,000	1,140,000	0	0
<i>Housing Programs</i>					
Emergency Assistance	6,000,000	6,000,000	6,000,000	0	0
Homeless Grants	500,000	500,000	500,000	0	0
Case Mgt. Services for Homeless Families	500,000	500,000	500,000	0	0
<i>Administrative Support</i>					
Public Assistance & TANF Admin.	17,820,700	18,371,700	18,437,200	551,000	616,500
Local Fraud Prevention	605,500	605,500	605,500	0	0
<i>Grant Programs</i>					
GED Test Assistance	241,300	241,300	241,300	0	0
Legal Services	500,000	500,000	500,000	0	0
Adult Literacy	118,100	118,100	118,100	0	0
Boys & Girls Clubs of America	2,807,000	2,807,000	2,807,000	0	0
Wisconsin Community Services	400,000	400,000	400,000	0	0
Jobs for America's Graduates	500,000	500,000	500,000	0	0
Fostering Futures	560,300	560,300	560,300	0	0
FAST	250,000	250,000	250,000	0	0
Offender Reentry	0	0	0	0	0

	2022-23	Reestimate		Change to Base	
	Adjusted Base	2023-24	2024-25	2023-24	2024-25
<i>Funding Transfers to Other Agencies</i>					
DHS -- SSI Caretaker Supplement	\$18,145,000	\$7,866,000	\$9,174,900	-\$10,279,000	-\$8,970,100
DHS -- Social Services Block Grant	14,653,500	14,653,500	14,653,500	0	0
DOR -- Earned Income Tax Credit	<u>66,600,000</u>	<u>61,725,000</u>	<u>65,002,000</u>	<u>-4,875,000</u>	<u>-1,598,000</u>
Total Expenditures	\$727,620,100	\$689,288,200	\$728,361,000	-\$38,331,900	\$740,900
Year-End Closing Balance		\$485,481,000	\$419,062,000		

Carryover of Opening Balance from 2022-23 into 2023-24

The opening balance of all funds for TANF-related programs coming in to the 2023-25 biennium is estimated to be \$516.5 million. This is \$55.9 million more than previously estimated under AB 43/SB 70. The difference is primarily due to several factors.

First, the Wisconsin Shares child care subsidy program is estimated to significantly underspend the TANF allocation for direct care subsidies due to the effects of the COVID-19 pandemic. Although caseloads in the program have begun to recover, they have not yet reached pre-pandemic participation levels. Based on more recent caseload data, subsidies in 2022-23 are estimated to be \$15.7 million lower than originally forecast under AB 43/SB 70. Further, the opening balance reflects \$11.0 million of unspent supplements CCDF provided to support the rate increase in 2021-22 that could not be expended due to the decrease in child care subsidy expenditures.

Second, TANF funding provided for SSI caretaker supplement administration and benefits has continued to decrease in order to meet federal maintenance of effort requirements for that program. The updated estimate reflects a decrease of \$12.4 million for 2022-23.

Third, it is estimated that the cost of the TANF-funded portion of the state earned income tax credit (EITC) for 2022-23 is less than previously estimated by \$9.9 million. EITC claims in tax years 2020 and 2021 (affecting fiscal years 2020-21 and 2021-22) were significantly reduced relative to the amounts forecasted by pandemic-era programs. For example, enhanced unemployment compensation is taxable income but not "earned income," and thus for those receiving enhanced benefits the computation of EITC phases-out, if not disqualifying the credit claimant altogether. Expenditures have not yet recovered to their pre-pandemic levels.

Finally, estimated expenditures in 2022-23 are also lower for the Transform Milwaukee and Transitional Jobs programs (-\$3.5 million) and for kinship care benefits (-\$3.4 million).

Program Estimates -- Revenues

As shown in the table, TANF-related revenues are estimated to increase by \$5.0 million in 2023-24 and by \$8.7 million in 2024-25 compared to the adjusted base. This is mostly due to an increase in CCDF revenues, including a permanent annual increase of \$8.7 million provided under the federal Consolidated Appropriations Act, 2023. In addition to the increase in child care funding, federal funding under the TANF block grant is estimated to be reduced by \$7.3 million

in federal fiscal year (FFY) 2023-24 in resolution of a state appeal of a series of penalties issued by the federal Department of Health and Human Services, and corrective compliance plans undertaken by DCF, relating to work participation targets for TANF-related programs from FFY 2011-12 through 2016-17. Due to the difference in timing between federal and state fiscal years, the penalty is anticipated to reduce TANF revenues across both 2023-24 (-\$5.5 million) and 2024-25 (-\$1.8 million). [Because the 2022-23 adjusted base already reflects an anticipated decrease in revenues of \$1.8 million, a \$3.7 million decline is reflected solely in 2023-24 in the Table.]

Program Estimates -- Expenditures

As shown in the table, program expenditures are estimated to decrease \$38.3 million in 2023-24 and increase by \$0.7 million in 2024-25 compared to the base. This includes both the cost to continue programs under current law and the costs adopted by the Committee under Motion #12 for standard budget adjustments for CCDF/TANF administration. Other items that would increase spending relative to current law that remain for consideration by the Committee, such as TANF-funded grant programs and child care quality initiatives, are discussed in subsequent papers and are not shown in the table.

Similar to the discussion above for 2022-23, the estimated decline in expenditures is primarily due to a reduction in child care subsidies, a decrease in transfers to the Department of Health Services for the state's supplemental security income (SSI) caretaker supplement benefit payments, and a decrease in estimated EITC claims. Subsequent papers discuss the estimated cost to continue program expenditures under current law for Wisconsin Shares, SSI caretaker supplement benefits, and kinship care benefits. The remaining estimates are described below.

Wisconsin Works. 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. Based on W-2 benefit and caseload information through March, 2023, and unemployment data and other economic indicators, it is estimated that W-2 benefits under current law will decrease by \$6,000,000 FED in 2023-24 and by \$5,000,000 in 2024-25 compared to the base TANF allocation. The decrease is partly attributable to the low unemployment rate in the state. According to the U.S. Bureau of Labor Statistics' local area unemployment statistic program, the seasonally-adjusted unemployment rate in Wisconsin was a record low of 2.4% in April, 2023. Given the tight labor market, W-2 participants are better able to find employment and to exit W-2 participation into unsubsidized work.

Earned Income Tax Credit. Based on tax data supplied by the Department of Revenue through April, 2023, estimated TANF expenditures for EITC claims are lower than previously estimated by \$4.9 million in 2023-24 and \$1.6 million in 2024-25. Pursuant to federal law, TANF block grant funds may be used to support only the refundable portion of the EITC period to tax credit claimants. Because EITC claims are estimated to decrease relative to the base, the TANF-funded portion is also estimated to decrease.

Projected Ending Balance

As indicated in the table, the estimate for the 2023-25 ending TANF balance based on current law is \$419.1 million. Assuming revenues and expenditures would not change, ongoing expenditures in 2024-25 would be \$728.4 million compared to ongoing revenues of \$663.8 million (assuming the TANF penalty is no longer applicable going forward). As a result, there would be a structural deficit of TANF funding to spend down the balance of approximately \$63.9 million after 2024-25. Thus, the projected ending balance would be sufficient to cover projected imbalances if current programs and caseload trends were maintained into the next six years. If the Committee chooses to add funding to any TANF-related programs, such as kinship care benefit changes, or to provide funding for new programs, the ending balance would be reduced and/or reductions in other TANF programs would be required if other sources of revenue were not utilized.

MODIFICATION

Modify TANF allocations to reflect the estimated cost to continue TANF-related programs under current law to decrease funding allocated by \$10,875,000 FED in 2023-24 and \$6,598,000 FED in 2024-25 as follows: (a) decrease funding for W-2 benefits by \$6,000,000 in 2023-24 and by \$5,000,000 in 2024-25; and (b) decrease funding for the refundable portion of the EITC by \$4,875,000 in 2023-24 and \$1,598,000 in 2024-25.

Explanation: This modification reflects more recent TANF-related program revenue and expenditure information than was available when AB 43/SB 70 was prepared. Certain items shown in the table are not included in this modification because they have either already been approved by the Committee, such as standard budget adjustments, or are considered under other LFB Papers, including the papers prepared on the Wisconsin Shares, kinship care, and caretaker supplement programs. As part of Motion #10 (May 2), the Committee removed several items from the Administration's initial TANF budget. These expenditure reductions were shown in the fiscal effect section of Motion #10 and are not reflected in this modification.

Change to Base	
FED	-\$17,473,000

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