Children and Families

TANF and Economic Support

(LFB Budget Summary Document: Page 91)

LFB Summary Items for Which an Issue Paper Has Been Prepared

Item #	Title
3, 12, 19, 23, 24, 31 & 32	Estimates for TANF-Related Programs Under Current Law (Paper #210)
4, & 5	Wisconsin Shares Child Care Subsidy Program (Paper #211)
17	Child Care Access Program (Paper #212)
12 & 31	Administration of Child Care and TANF Programs (Paper #213)
20	Wisconsin Works Agency Contracts (Paper #214)
26 & 28	Grant Programs (Paper #215)
35	Child Support IT Modernization Project (Paper #216)
--	Statutory Language Update (Paper #217)

LFB Summary Items Removed From Budget Consideration

Item #	Title
6	Direct Child Care Services -- Eligibility Expansion for "like-kin" Kinship Care
7	Direct Child Care Services -- Presumptive Authorizations
8	Quality Care for Quality Kids -- Child Care Foundational Training
9	Quality Care for Quality Kids -- Tribal Training and Technical Assistance
10	Quality Care for Quality Kids -- Early Mental Health Consultation
11	Quality Care for Quality Kids -- After School Network
13	Child Care Partnership Grant Program
14	Child Care Quality Improvement Program -- Child Care Counts
15	Out-of-School Time Program Grants
16	Child Care Water Safety Grants
18	Transfer Head Start State Supplement From DPI to DCF
21	Transitional Jobs and Transform Milwaukee
22	Expand Transform Milwaukee and Transitional Jobs Program
25	Case Management Service Grants for Homeless Families
27	Civil Legal Assistance
29	Child Support Debt Reduction
30	Skills Enhancement Grants
33	Earned Income Tax Credit
36	Assignment of Child Support When Entering Out-of-Home Care
37	Eliminate Birth Cost Recovery

(over)

LFB Summary Item Addressed in a Separate Paper

Item #	Title
23	Kinship Care Reestimate and Rate Increase

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Joint Committee on Finance Paper #210

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

[LFB 2025-27 Budget Summary: Page 94, #3; Page 97, #12;
Page 102, #19; Page 103, #23, Page 104, #24; Page 107, #31, and Page 108, #32]

INTRODUCTION

This paper provides estimates of revenue and expenditures for economic support programs administered by the Department of Children and Families (DCF) for the 2025-27 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 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 2025-27 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, updated for actions of the Committee to date. 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

	2024-25 Adjusted Base	Reestimate 2025-26	Reestimate 2026-27	Change to Base 2025-26	Change to Base 2026-27
Opening Balance (Carryover)		$508,507,700	$377,062,100		
Revenue					
GPR Base Funding	$161,070,100	$161,770,100	$161,770,100	$700,000	$700,000
FED -- TANF Block Grant	311,009,600	307,336,800	311,009,600	-3,672,800	0
FED -- CCDF	172,614,100	185,524,200	184,594,200	12,910,100	11,980,100
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	1,551,700	1,500,000	1,500,000	-51,700	-51,700
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 (SEG)	9,139,700	9,139,700	9,139,700	0	0
Total Revenues	$662,682,400	$672,568,000	$675,310,800	$9,885,600	$12,628,400
Expenditures					
Child Care					
Direct Child Care Services	428,779,700	$431,000,000	$448,000,000	$2,220,300	$19,220,300
Quality Care for Quality Kids	46,018,700	46,018,700	46,018,700	0	0
State Administration and Licensing	48,269,900	48,052,900	48,791,600	-217,000	521,700
Employment Programs					
W-2 Benefits	29,000,000	26,806,500	26,987,700	-2,193,500	-2,012,300
W-2 Worker Supplement	2,700,000	1,000,000	1,000,000	-1,700,000	-1,700,000
W-2 Service Contracts	57,071,200	57,071,200	57,071,200	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
Child Welfare Programs					
Kinship Care Benefits & Assessments	35,661,000	38,752,900	39,124,800	3,091,900	3,463,800
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
Housing Programs					
Emergency Assistance	6,000,000	10,414,400	10,414,400	4,414,400	4,414,400
Case Mgt. Services for Homeless	500,000	500,000	500,000	0	0
Homeless Grants (additional)	500,000	500,000	500,000	0	0
Grant Programs					
Boys & Girls Clubs of America	2,807,000	2,807,000	2,807,000	0	0
GED Test Assistance	241,300	241,300	241,300	0	0
Adult Literacy	118,100	118,100	118,100	0	0
Legal Services	500,000	500,000	500,000	0	0
Families and Schools Together	250,000	250,000	250,000	0	0
Jobs for America's Graduates	1,000,000	1,000,000	1,000,000	0	0
Wisconsin Community Services	400,000	400,000	400,000	0	0
Fostering Futures	560,300	560,300	560,300	0	0

	2024-25 Adjusted Base	Reestimate 2025-26	Reestimate 2026-27	Change to Base 2025-26	Change to Base 2026-27
Administrative Support					
State TANF Administration	19,569,000	19,727,000	19,940,800	158,000	371,800
Local Fraud Prevention	605,500	605,500	605,500	0	0
Funding Transfers to Other Agencies					
DHS -- SSI Caretaker Supplement	18,145,000	10,990,400	10,990,400	-7,154,600	-7,154,600
DHS -- Social Services Block Grant	14,653,500	14,653,500	14,653,500	0	0
DOR -- Earned Income Tax Credit	66,600,000	63,000,000	61,800,000	-3,300,000	-4,800,000
Total Expenditures	$808,694,100	$804,013,600	$821,019,200	-$4,680,500	$12,325,100
Year-End Closing Balance		$377,062,100	$231,353,700		

Carryover of Opening Balance from 2024-25 into 2025-26

The opening balance of all funds for TANF-related programs coming in to the 2025-27 biennium is estimated to be $508.5 million. This is $2.0 million less than previously estimated under SB 45/AB 50. The difference is primarily due to more recent estimates of expenditures for 2024-25 under several programs. Spending for the SSI caretaker supplement is estimated to be $1.5 million higher and spending for the refundable portion of the earned income tax credit is expected to be $3.2 million higher than originally forecast under the bill. However, spending is expected to be lower under the W-2 worker supplement by $1.7 million and lower by $1.0 million under other programs.

2025-27 Program Estimates -- Revenue

As shown in the table, TANF-related revenues are estimated to increase by $9.9 million in 2025-26 and by $12.6 million in 2026-27 compared to the adjusted base. This is mostly due to an increase in CCDF revenues ($12.9 million FED in 2025-26 and $12.0 million in 2026-27), including an increase in state matching funds ($700,000 GPR annually). Based on recent increases in CCDF funding, federal law will require the state match for CCDF initiatives to increase by $700,000 GPR annually. This funding could be used for current child care quality programs, which would free up federal CCDF funding for other purposes. It would not, by itself, represent an overall increase in expenditures for child care programs (a topic discussed in subsequent papers).

In addition to the increase in child care funding, federal funding under the TANF block grant is estimated to be reduced by $3.7 million in federal fiscal year (FFY) 2025-26 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.

2025-27 Program Estimates -- Expenditures

As shown in the table, program expenditures are estimated to decrease $4.7 million in 2025-26 and increase by $12.3 million in 2026-27 compared to the base. This includes both the cost to continue programs under current law and the costs adopted by the Committee under Motion

#6 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.

Wisconsin Shares Subsidies at Current Reimbursement Rates. SB 45/AB 50 would decrease the TANF/CCDF allocation for direct care services by $25,291,400 in 2025-26 and by $25,290,600 in 2026-27 to reflect DCF's estimates of the cost of subsidies under current law. The estimate was based on caseload data and projections through the fall of 2024. DCF indicates that, although the caseload in Milwaukee County recovered after the COVID-19 pandemic, caseloads outside of Milwaukee had continued to decline.

More recently available data through March, 2025, shows that caseloads outside of Milwaukee County are increasing, instead of decreasing as originally forecast. The change in the caseload trend growth could be the result of many factors, including: (a) the expansion of the eligibility threshold from 185% of the FPL to 200% of the FPL effective July 1 under 2023 Act 19; and (b) DCF's implementation of a waiver of copayments for families with income at or below 100% of the FPL in the fall of 2024. Higher than expected growth in caseloads will increase subsidy issuance relative to the estimated amount for 2024-25 and in future years. For example, as Milwaukee caseloads increased from the fall of 2021 to March, 2025, monthly issuance almost doubled from $11.6 million to $22.7 million. Increases in caseloads outside of Milwaukee could have a similar effect on monthly subsidy expenditures.

Based on the more recent data, Wisconsin Shares issuance under current law is estimated to be $431.0 million in 2025-26, and $448.0 million in 2026-27. Compared to the base allocation of $428.8 million, that represents an increase of $2.2 million FED in 2025-26 and $19.2 million FED in 2026-27.

Wisconsin Works Benefits. 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 caseloads through March, 2025, it is estimated that benefits will be $26,806,500 in 2025-26 and $26,987,700 in 2026-27. This represents a funding decrease of $2,193,500 in 2025-26 and $2,012,300 in 2026-27.

Wisconsin Works Worker Supplement. From the allocation for the worker supplement, DCF pays a $50 supplemental payment in addition to case management follow-up services to participants that leave a subsidized employment position as an additional incentive for eligible families to retain unsubsidized employment and participate in services that may improve employment. Based on W-2 benefit and caseload information through March, 2025, as well as the trend in expenditures for the worker supplement, it is estimated that the allocation for the supplement can be reduced by $1,700,000 FED annually. The allocation for the supplement was established by 2017 Act 59 and has not been updated since that time. Based on current and projected caseloads, the allocation can be reduced to better reflect expected supplement payments.

Kinship Care. It is estimated that kinship care benefits costs will increase by $3,091,900 in

2025-26 and $3,463,800 in 2026-27 to fund projected benefits payments, based on current kinship care rates. Effective July 1, 2025, provisions of 2023 Act 119 provided eligibility for kinship care benefits to relatives (including first cousins once removed), like-kin, and extended family members of children who fall within the definition of Indian children for the purpose of federal law. This reestimate includes funding required to support payments, based on current eligibility standards and payment rates during the 2025-27 biennium.

Emergency Assistance. The emergency assistance (EA) program provides assistance to needy families with children in cases of fire, flood, natural disaster, energy crisis, homelessness, or impending homelessness. The statutes authorize DCF to set maximum payment amounts for EA. Using its authority under current law, DCF issued a public notice in the Administrative Register dated March 11, 2024, that announced increases to the emergency assistance maximum payment amounts effective on and after April 1, 2024. The increase in the maximum payment amounts resulted in the receipt of more applications and approvals for assistance. As a result, it is estimated that EA will expend $10.6 million in 2024-25. For comparison, the original TANF allocation for EA in 2024-25 was only $6.0 million. On October 14, 2024, Secretary-Designee Jeff Pertl submitted a request under s. 49.175 (2) of the statutes to reallocate $4,589,400 in 2024-25 to EA from three TANF-related programs with projected underspending. The Committee did not object to the request and the reallocation was approved. Based on the current payment rates, and approved spending for 2024-25, SB 45/AB 50 would increase the statutory allocation for EA to match the current level of expenditures under the program by providing $4,414,400 in 2025-26 and 2026-27 above base funding of $6.0 million.

Caretaker Supplement. The caretaker supplement provides monthly cash payments to individuals who receive supplemental security income (SSI) payments with dependent children. Under the program, in addition to state and federal SSI benefits, SSI recipients with dependent children receive a caretaker supplement of $275 per month for the first child and $165 per month for each additional child. Funding for the program would decrease by $7,154,600 in 2025-26 and 2026-27 to reflect the anticipated decrease in caseloads relative to the costs projected under 2023 Act 19.

Earned Income Tax Credit. Based on tax data supplied by the Department of Revenue through April, 2025, estimated TANF expenditures for EITC claims are lower compared to base funding by -$3,300,000 in 2025-26 and -$4,800,000 in 2026-27. Pursuant to federal law, TANF block grant funds may be used to support only the refundable portion of the EITC to tax credit claimants. Because EITC claims are estimated to decrease relative to the base, the TANF-funded portion is also estimated to decrease.

Administration. Expenditures for TANF and CCDF administration will include adjustments for realignment and compensation reserves (-$1.5 million in 2025-26 and -$0.6 million in 2026-27). Other costs for standard budget adjustments were already adopted under Motion 6 and are not part of the costs reflected in this modification.

Projected Ending Balance

As indicated in the table, the estimate for the 2025-27 ending TANF balance based on current law is $231.4 million. Assuming revenues and expenditures would not change, ongoing expenditures in 2026-27 would be $821.0 million compared to ongoing revenues of $675.3 million. As a result, there would be a structural deficit of TANF funding of approximately $145.7 million after 2026-27. Thus, the projected ending TANF balance would be sufficient to cover projected imbalances for one year into the next biennium if current funding and expenditure trends were maintained. If the Committee chooses to add TANF funding for programs or to provide TANF funding for new programs, the ending balance would be reduced or reductions in other TANF programs would be required if other sources of revenue were not utilized.

CONCLUSION

Modify TANF allocations to reflect the estimated cost to continue TANF-related programs under current law to decrease funding allocated by $6,148,500 ($700,000 GPR, -$6,796,000 FED, and -$52,500 PR) in 2025-26 and increase funding by $10,856,700 ($700,000 GPR, $10,165,500 FED, and -$8,800 PR) in 2026-27 as shown in the following table.

Cost to Continue TANF-Related Programs

	2025-26				2026-27			
	GPR	PR	FED	Total	GPR	PR	FED	Total
This Modification								
CCDF Match	$700,000		-$700,000	$0	$700,000		-$700,000	$0
Wisconsin Shares			2,220,300	2,220,300			19,220,300	19,220,300
Administration		-$52,500	-1,474,500	-1,527,000		-$8,800	-566,100	-574,900
W-2 Benefits			-2,193,500	-2,193,500			-2,012,300	-2,012,300
W-2 Supplement			-1,700,000	-1,700,000			-1,700,000	-1,700,000
Em. Assistance			4,414,400	4,414,400			4,414,400	4,414,400
EITC			-3,300,000	-3,300,000			-4,800,000	-4,800,000
Kinship Care			3,091,900	3,091,900			3,463,800	3,463,800
SSI Caretaker			-7,154,600	-7,154,600			-7,154,600	-7,154,600
Subtotal	**$700,000**	**-$52,500**	**-$6,796,000**	**-$6,148,500**	**$700,000**	**-$8,800**	**$10,165,500**	**$10,856,700**
Motion 6								
CCDF SBA		$24,800	$968,800	$993,600		$25,200	$968,800	$994,000
TANF SBA			474,400	474,400			474,400	474,400
Overall Total	$700,000	-$27,700	-$5,352,800	-$4,680,500	$700,000	$16,400	$11,608,700	$12,325,100

This paper reflects more recent TANF-related program revenue and expenditure information than was available when SB 45/AB 50 was prepared. Funding of $1,468,000 (all funds) in 2025-26 and $1,468,400 (all funds) for certain items shown in the table are not included because they have either already been approved by the Committee, such as standard budget adjustments (adopted under Motion 6). As part of Motion #4 (May 8), the Committee removed several items from the Governor's initial TANF budget. These expenditure reductions were shown in the fiscal effect section of Motion #4 and are not reflected in this modification. Finally, the reduction in federal funding provided for the EITC reduces the transfer of PR-S from DCF to Shared Revenue and Tax Relief (SRTR) by $3,300,000 in 2025-26 and by $4,800,000 in 2026-27.

	Change to Base
GPR	$1,400,000
FED	3,369,500
PR	- 61,300
Total	$4,708,200
	PR-S
DCF	$8,100,000
SRTR	- 8,100,000
Total	$0

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Joint Committee on Finance Paper #211

Wisconsin Shares Child Care Subsidy Program
(Children and Families -- TANF and Economic Support Programs)

[LFB 2025-27 Budget Summary: Page 94, #4, and #5]

CURRENT LAW

Wisconsin Shares Child Care Subsidy Program

The Wisconsin Shares program, administrated by the Department of Children and Families (DCF), provides child care assistance for low-income families to enable parents and other caretakers to work or to prepare for employment through work programs and education or training. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent. Wisconsin Shares is funded using the federal temporary assistance for needy families (TANF) block grant and the federal child care development fund (CCDF), which consists of funding from the federal child care development block grant (CCDBG) and Title IV-A of the Social Security Act.

The child care subsidy is transferred to an electronic benefit transfer (EBT) account established on behalf of the parent at the beginning of each payment period (generally at the beginning of each month). Parents are free to transfer funds at any time from the EBT account via telephone, website, or an EBT "swipe" card. The charged amounts are immediately and electronically transferred into the child care provider's bank account. Parents are responsible for managing the subsidy they receive and may decide whether to reserve a slot at a child care provider or save subsidy amounts for future use as needed. Parents may select child care providers that charge more than their subsidy amount, but they are responsible for the difference in cost.

DCF uses market surveys to establish the maximum reimbursement amounts Wisconsin Shares will pay for child care in each county. Subsidy amounts are determined by these maximum payment amounts, with downward adjustments made for a family's copay, which depends on the size of the family, income, and other factors. Several groups are exempt from copayments, including foster care parents, subsidized guardians, interim caretakers, and kinship care parents who have court-ordered placement of a child.

Initial eligibility for Wisconsin Shares is limited to families with gross income of no more than 200% of the federal poverty level (FPL), which is $53,300 for a family of three in 2025. This is roughly 54% of the state median income. Rather than lose eligibility once their income equals 200% FPL, copayments increase by $1.00 for every $5.00 by which a participating family's gross income exceeds 200% FPL. These families retain eligibility until either the copayment reduces the subsidy to $0, or their income increases to the exit threshold of 85% of the state median income (SMI), which is approximately $84,000 for a family of three. The policy is intended to avoid a "benefit cliff" at 200% FPL that would cause participants to lose eligibility for all subsidies by increasing their earnings above the threshold. Once a case has been closed for more than a calendar month, the family must reapply using the 200% FPL standard.

Federal law requires that payment rates for child care services are sufficient to ensure equal access to child care services comparable to those provided to families not eligible to receive CCDF assistance. To meet that goal, federal guidance encourages (but do not require) states to waive copayments for families with income at or below 150% of the FPL ($39,975 for a family of 3 in 2025). Further, pursuant to a final rule implemented by the federal Administration for Children and Families (ACF) effective on April 30, 2024, states are required to set copayments to be no higher than 7% of a participating family's income. Previously, federal guidance had established the 7% of income standard as a benchmark to determine whether child care was affordable and whether the copayment was a barrier to families receiving CCDF assistance.

DISCUSSION POINTS

1. This paper discusses the funding that would be allocated, by statute, for direct child care services under SB 45/AB 50. This includes the following recommended changes to Wisconsin Shares: (a) the cost to increase maximum reimbursement rates to the 75th percentile under the most recent child care price survey; (b) the cost to continue in 2025-26 of DCF's policy of waiving copays for participating families with income less than 100% of the FPL; and (c) the cost in 2026-27 of rescaling copayments to include two different policy changes: (i) waiving copays for participating families with income less than 150% of the FPL; and (ii) setting a ceiling on copayments so that no families pay more than 7% of their income for copayments.

2. In addition, this paper also presents estimates for the fiscal effect of several different policies to expand to eligibility for Wisconsin Shares subsidies.

3. The cost to support Wisconsin Shares by continuing reimbursement rates under current law and projections of caseloads for the 2025-27 biennium are discussed in Paper #210 (Estimates for TANF-Related Programs under Current Law), and is not included in this paper.

Cost to Continue 100% FPL Copayment Waiver

4. Low-income families are not in a similar position to more affluent families in the child care market with respect to the treatment of child care costs under the tax code. Low-income families are limited in their ability to use the child care and dependent tax credit because they typically have little or no income tax liability that could be offset with the credit. Waiving copays for the low-income families could be a way to provide for more equitable access to child care.

5. CCDF rule guidance permits, and encourages, states to waive copayments for low-income families to make child care more affordable and accessible. Previously, ACF permitted copayment waivers for up to 100% of the FPL. ACF issued new guidance in 2024 allowing states to waive copayments for families with incomes up to 150% of the FPL.

6. DCF indicates that in response to the guidance issued by ACF, DCF used its authority under current law to implement, beginning November, 2024, a waiver of copayments for participating families with income at or below 100% of the FPL at an annualized cost of $6,530,000 FED. For a family of three in 2025, 100% of the FPL is $26,650.

7. Because the implementation of the copayment waiver date does not align with the state fiscal year, only eight months of the annual cost ($4,353,300 FED) are included into the adjusted base for the 2025-27 budget.

8. SB 45/AB 50 would provide $2,176,700 FED annually to support the full annualized cost of continuing the policy to waive copayments for families with income below 100% of the FPL. The Committee could decide to approve the funding provided under SB 45/AB 50 to continue the full-year cost of the 100% FPL copayment waiver [Alternative A1].

9. On the other hand, federal guidance does not require a waiver of copayments. Thus, the Committee could decide that the same concerns could be addressed via smaller changes in DCF's copayment schedule, which under current law already limits the costs for such families. Further, to the extent these families have taxable income, some of them may be able to use the child care and dependent credit to claim a portion of child care costs to reduce their tax liability.

10. Thus, the Committee could instead decide that it is unnecessary to implement a waiver for families with income less than 100% of the FPL and require DCF to rescind its current policy of waiving copays for families with incomes of less than 100% of the FPL [Alternative A2]. This alternative would reduce funding by $4,353,300 FED annually for the costs already in the base budget for copayment waiver policy.

11. Alternatively, the Committee could maintain the base amount of funding to reduce the copays, rather than waive them completely, for families with income below 100% of the FPL [Alternative A3]. DCF would take the current level of funding into account when creating its copayment schedule.

Reimbursement Rate Increase

12. Federal regulations recommend, and state statutes specify, that the maximum reimbursement rates should be set to the 75th percentile of the market rate. This means that maximum reimbursement rates would fully pay the price of at least 75 percent of the slots for children within the licensed capacity of all child care providers (the 75th percentile). Family copayments are subtracted from the maximum to calculate the subsidy amount paid to the provider.

13. Provisions of 2021 Act 58 provided funding for DCF to set maximum reimbursement rates to the 80th percentile in January, 2022. However. the next market rate survey in 2022 showed that the enhanced rates were equal to the 74th percentile of the market rate after price increases that year.

14. According to DCF, child care prices continued to rise in 2023, 2024, and 2025. The 2024 market rate survey indicated that the statewide maximum rates as of the fall of 2023 were at the 50th percentile. The most recent market rate survey conducted by DCF in March, 2025, indicates that the statewide the maximum rates in 2025 are at the 41st percentile. This means that the 2025 maximum reimbursement rates, before adjusting downward for copays, are sufficiently high enough to pay for the entire cost of 41% of the child care slots available in the statewide survey

15. SB 45/AB 50 would provide $32,917,000 FED annually to increase payment rates for direct child care subsidies under the Wisconsin Shares program [Alternative B1]. Increasing the maximum reimbursement rates to more closely match the cost of child care in the marketplace could support increased participation in Wisconsin Shares and assist working families maintain employment across the state.

16. In preparing estimates for SB 45/AB 50, DCF originally determined that this funding would fully pay the price of at least 75 percent of the slots for children within the licensed capacity of all child care providers. However, as discussed in Paper LFB Paper 210, because caseloads under current law are expected to increase compared to the original forecast, the cost of increasing reimbursement rates in Wisconsin Shares is relatively higher. It is now estimated that the funding increase in SB 45/AB 50 [Alternative C1] would increase rates to approximately the 63rd percentile of the prices measured under the 2025 market rate survey.

17. Because both prices for child care and caseloads in Wisconsin Shares are forecast to increase over time, the Committee could accept the proposed increase and also increase funding for 2026-27, for a total increase of $32,917,000 FED in 2026-26 and $61,600,000 in 2026-27 [Alternative B2]. As discussed, market rates rose sharply after the previous funding increase for reimbursement rates such that the maximum rates fell below the 75th percentile. The additional funding under this Alternative is estimated to be sufficient to set rates in 2026-27 to the 75th percentile of the 2025 market rate survey.

18. Alternatively, the Committee could choose to provide a different level of funding so that all maximum reimbursement rates exceed one of the following target percentiles as measured by the 2025 market rate survey: (a) $23,900,000 FED in 2025-26 and $24,900,000 in 2026-27 to raise rates to the 60th percentile; (b) $18,900,000 FED in 2025-26 and $19,600,000 FED in 2026-27 to raise rates

to the 55th percentile; (c) $12,400,000 in 2025-26 and $12,900,000 in 2026-27 to raise rates to the 50th percentile; or (d) $6,900,000 in 2025-26 and $7,200,000 in 2026-27 to raise rates to the 40th percentile [Alternative B3].

19. The Committee could decide that a change in funding is unnecessary for several reasons, and choose to take no action on this budget item [Alternative B4]. First, the Committee could decide that other priorities should be addressed prior to increasing reimbursement rates, such as funding the copayment waivers and the cost to continue the program under current law. Second, the Committee could find that there is insufficient data to determine funding levels needed for a rate increase, since DCF only recently implemented changes for the copayment waiver for families at or below 100% of the FPL and for full-time/part-time authorizations. The issue could be revisited at a later date when DCF has obtained Wisconsin Shares payment and caseload data under the program modifications in SB 45/AB 50, similar to the rate increase occurring in January, 2019. Third, DCF currently is able to increase rates if there is underspending in the program, similar to the October, 2018, rate increase. Fourth, the funding increase in the bill for child care subsidies is the most significant contributing factor to the structural imbalance in the TANF program. As discussed in LFB Paper 210, under the bill with the modifications the Committee has made to date, ongoing TANF-related program expenditures are estimated to exceed ongoing revenue by approximately $145.7 million in 2026-27, which may require increased revenues or program reductions in TANF-funded programs in the 2027-28 biennium.

Replace Subsidy Phaseout with a 150% FPL Copayment Waiver and 7% Income Copayment Cap

20. Under current policies, DCF sets copayments via a schedule that sets copayments to $0 for families at or below 100% of the FPL ($26,650 for a family of 3 in 2025) and that increase to up to 7% of income at 200% of the FPL ($53,300 for a family of 3 in 2025).

21. For families in the phaseout threshold under Wisconsin Shares, their copayment is increased by $1 for every $5 they earn above 200% of the FPL. Families are free to choose a child care provider that charges more or less than their subsidy amount. If the provider costs more than the subsidy, then the family would owe the difference (plus their copayment amount).

22. The recent federal rule changes and accompanying guidance do not specify whether a subsidy phaseout in order to avoid a cliff effect from abruptly terminating eligibility at an exit threshold is allowable under the 7% income cap on copayments.

23. In order to comply with the 7% of income copayment cap, SB 45/AB 50 would provide $22,705,500 in 2026-27 to implement a Wisconsin Shares policy that would both: (a) increase the copayment waiver from 100% of the FPL to 150% of the FPL; and (b) limit a participating family's out-of-pocket expenses to be no more than 7% of family income. As part of the change, SB 45/AB 50 would repeal the subsidy phaseout. Instead, copayments would be set to $0 until the family's income reaches 150% of the FPL ($39,975 for a family of 3), and after that threshold is reached, the copayments would increase up to the 7% income maximum as the family's income increases to the exit threshold of 85% SMI (at which point they would no longer be eligible for the program). Further, AB 50/SB 45 would provide $19,400 FED in 2025-26 for information technology changes needed to implement the changes.

24. The Committee could find that the proposed change would meet federal CCDF regulations, as well as provide for enhance subsidies for participating families, and thus adopt the proposed funding and statutory changes sought by SB 45/AB 50 [Alternative C1].

25. Instead, the Committee could choose to maintain the phaseout of subsidies using state funding [Alternative C2]. Based on Wisconsin Shares caseload data from DCF, it is estimated that annual funding of $32,000,000 GPR (with an identical reduction in federal funding) could maintain eligibility under the current subsidy phaseout threshold as a state program.

26. Alternatively, the Committee could comply with the changes to federal regulations by repealing the subsidy phaseout and restoring the previously existing exit threshold "cliff" at 200% of the FPL ($53,300 for a family of 3), effectively removing all participants from the program with incomes above that level. [Alternative C3]. Since there would be no eligibility for such families, there would be no family with costs above 7% of their income participating in the program, and thus presumably conforming with federal regulations. It is estimated that Alternative C3 would reduce expenditures by $32,000,000 FED annually.

However, removing this extended eligibility would disproportionally impact children exiting from the foster care system. More than 33% of the children participating above the 200% FPL threshold qualify for child care subsidies because they come from the Title IV-E foster care system. Under current law, foster care children qualify for Wisconsin Shares using their original family's income. If they are permanently placed into a different family, their eligibility is redetermined using their new family's income. As a result, the extended eligibility above the phase-out threshold allows for children exiting the foster care system to continue to receive child care subsidies.

27. The Committee could decide to maintain the subsidy phaseout under current law. The subsidy phaseout was enacted as part of 2017 Act 59 to avoid a cliff effect that would otherwise make participants ineligible due to very small increases in their income. The policy has complied with federal regulations since that time. Absent a clear indication from ACF that the policy cannot conform to federal regulations, the Committee may not wish to repeal it at this time.

28. For example, a viable alternative may be pursued via separate legislation to more specifically define the treatment of subsidies under the phaseout threshold. As discussed, under current law the subsidy is reduced by increasing the family copayment by $1 for every $5 earned above 200% of the FPL. Current law could be altered to maintain the copayment at its current level and instead achieve the same effect by reducing the reimbursement rate. In so doing, the minimum family contribution would remain below 7% of their income. Because families are free to choose more or less expensive child care providers, it may be the case that the ability to use a less expensive provider would be found to comply with the federal rule change.

Expanded Eligibility for Wisconsin Shares

29. Instead of the proposed changes under SB 45/AB 50, the Committee may wish to consider eligibility expansion for Wisconsin Shares. The estimated costs in 2026-27 is shown for several different options in the table below, including changes to: (a) the initial eligibility threshold for being accepted into the program; and (b) the phaseout threshold after which subsidy amount decreases by $1 for every $5 earned above the threshold, under current law.

Estimated Cost of Proposed Changes to Wisconsin Shares Eligibility
($ in Millions)

Threshold	Federal Poverty level			
Initial	210%	220%	210%	225%
Phaseout	200	200	210	225
Estimated Cost	$3.0	$5.5	$15.0	$35.5
Alternative	D1a	D1b	D2a	D2b

30. Alternative D1a and D1b would expand the initial eligibility for Wisconsin Shares subsidies to 210% and 220% of the FPL, respectively. In both cases, the phaseout threshold for the calculation of the subsidy would remain at 200% of the FPL, and as a result, the expanded eligibility would qualify for only the reduced subsidy amounts.

31. On the other hand, as discussed above, it is unclear whether these alternatives would comply with federal regulations restricting copayments to no more than 7% of a participating family's income.

32. Alternatives D2a and D2b would expand both the initial eligibility and phaseout thresholds to 210% and 225% of the FPL, respectively. Unlike Alternatives D1a and D1b, the newly eligible participants would qualify for full subsidy amounts until their incomes exceed the phaseout threshold. As a result, the estimated costs of these alternatives are larger.

33. Finally, the Committee could decide that it is unnecessary to increase eligibility for the program given the increase in the cost to continue subsidies under current law and the costs of other changes made under the other items listed above [Alternative D3].

ALTERNATIVES

A. Cost to Continue 100% FPL Copayment Waiver

1. Provide $2,176,700 FED annually to support the cost of continuing the Wisconsin Shares policy of waiving copayments for families with incomes of 100% of the FPL or less.

ALT A1	Change to Base
FED	$4,353,400

2. Reduce funding by $4,353,300 FED annually and require DCF to end its policy to waive copayments for families with incomes of 100% of the FPL or less.

ALT A2	Change to Base
FED	-$8,706,600

3. Take no action.

B. Increase Maximum Reimbursement Rates

1. Provide $32,917,000 FED annually to increase payment rates for direct child care subsidies under the Wisconsin Shares program. It is estimated that this funding would increase maximum reimbursement rates to the 62nd percentile of the 2025 market rate survey.

ALT B1	Change to Base
FED	$65,834,000

2. Provide $32,917,000 FED in 2025-26 and $61,600,000 in 2026-27 to increase payment rates for direct child care subsidies under the Wisconsin Shares program. It is estimated that this funding would increase maximum reimbursement rates to the 75th percentile of the 2025 market rate survey in 2026-27.

ALT B2	Change to Base
FED	$94,517,000

3. Provide one of the following amounts of funding so that all maximum reimbursement rates exceed one of the following target percentiles as measured by the 2025 market rate survey: (a) $23,900,000 FED in 2025-26 and $24,900,000 in 2026-27 to raise rates to the 60th percentile; (b) $18,900,000 FED in 2025-26 and $19,600,000 FED in 2026-27 to raise rates to the 55th percentile; (c) $12,400,000 in 2025-26 and $12,900,000 in 2026-27 to raise rates to the 50th percentile; or (d) $6,900,000 in 2025-26 and $7,200,000 in 2026-27 to raise rates to the 40th percentile.

ALT B3	Change to Base
a. FED	$48,800,000
b. FED	38,500,000
c. FED	25,300,000
d. FED	14,100,000

4. Take no action.

C. Replace Subsidy Phaseout with a 150% FPL Copayment Waiver and 7% Income Copayment Cap

1. Provide $22,705,500 FED in 2026-27 to implement a Wisconsin Shares policy that would: (a) increase the copayment waiver to 150% of the FPL; and (b) limit a participating family's copayment to be no more than 7% of family income. Further, repeal the subsidy phaseout under current law such that instead of increasing by $1 for every $5 a participating family earns above the 200% FPL threshold, DCF would set copayments under its current law authority to be $0 until the

family's income reaches 150% of the FPL. After that threshold is reached, the copayments would increase up to the 7% income maximum as the family's income increases to the exit threshold of 85% SMI (at which point they would no longer be eligible for the program).

ALT C1	**Change to Base**
FED	$22,705,500

2. Repeal and recreate the subsidy phaseout under current law as a separate state program funded with $32,000,000 GPR annually. Current funding would be reduced by $32,000,000 FED annually to account for the reduction federal support for the program.

ALT C2	**Change to Base**
GPR	$64,000,000
FED	-64,000,000
Total	$0

3. Repeal the subsidy phaseout under current law and instead provide for an exit threshold at 200% of the FPL after which participants would lose eligibility for the program. Reduce funding by $32,000,000 FED annually to account for the reduction in eligibility and subsidy issuance.

ALT C3	**Change to Base**
FED	-$64,000,000

4. Take no action.

D. Expanded Eligibility for Wisconsin Shares

1. Provide funding in 2026-27 and modify current law to support increasing the initial eligibility threshold to one of the following: (a) $3.0 million to increase eligibility to 210% of the FPL; or (b) $5.5 million to increase eligibility to 220% of the FPL. The phaseout threshold would not be changed, and thus the expanded eligibility would provide for a reduced subsidy amount for these participants.

ALT D1	**Change to Base**
a. FED	$3,000,000
b. FED	$5,500,000

2. Provide funding in 2026-27 and modify current law to support increasing both the initial eligibility and phase out thresholds to one of the following: (a) $15,000,000 FED to increase both thresholds to 210% of the FPL; or (b) $35,500,000 FED to increase both thresholds to 225% of the

FPL. The newly eligible participants would qualify for full subsidy amounts until their incomes exceed the new phaseout threshold.

ALT D2	Change to Base
a. FED	$15,000,000
b. FED	$35,500,000

3. Take no action.

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Joint Committee on Finance Paper #212

Child Care Access Program
(Children and Families -- TANF and Economic Support)

[LFB 2025-27 Budget Summary: Page 101, #17]

CURRENT LAW

The child care development fund (CCDF) refers to a combination of federal discretionary and entitlement funds the Department of Children and Families (DCF) uses to support child care services for low-income families and improve the quality and supply of child care for all families. The CCDF includes funding the state receives under the Child Care and Development Block Grant (CCDBG) and provisions of the Social Security Act.

Base funding of $46 million FED annually supports programs to improve child care quality and availability. The funding the state receives under CCDF is earmarked for certain kinds of child care activities, including expansion, quality improvements, and resource and referral services. Federal law requires states to use a portion of federal and state funding sources for child care quality improvements. States must use at least 70% of their total CCDBG entitlement funds for child care services for families that are trying to become independent of TANF through work activities and families at risk of becoming dependent on TANF. Further, states are required to spend no less than 9% in each fiscal year of their CCDF child care allotments (discretionary and entitlements) to improve the quality of child care (of which at least 3% must be spent to improve the quality of care for infants and toddlers). No more than 5% of a state's federal child care allotment may be used for administrative costs.

In addition to funding budgeted in DCF, provisions of 2023 Act 19 created a continuing appropriation under the Wisconsin Economic Development Corporation (WEDC) and provided $15,000,000 GPR in the Committee's supplemental appropriation to support child care providers. The enrolled bill would have supported loans to child care providers. The Governor's partial veto removed references from the appropriation to revolving loans. As partially vetoed, WEDC is not limited to expending funding solely on loans, and could, for example, issue grants to child care providers that are not required to be repaid. Notwithstanding the Governor's partial veto, subsequent legislation (2023 Assembly Bill 388, as amended by Assembly Substitute Amendment 1) would have required WEDC to establish a child care center renovations loan program and revolving loan fund. The bill would have credited the $15,000,000 funding set aside in Act 19 to the revolving loan fund as well as all moneys received as repayments of loans. Assembly Bill 388, as amended, passed both the Assembly and Senate and was later enrolled and presented to the Governor. The Governor vetoed the bill in its entirety.

In a May 20, 2024, letter submitted to the Committee, WEDC requested a transfer of $15,000,000 GPR in 2023-24 from s. 20.865(4)(a) to the appropriation under s. 20.192 (1)(bn). WEDC indicated that it would implement the child care fund by transferring all funding to DCF for use in the Child Care Counts program. The Committee did not approve the request. Provisions of SB 45/AB 50 would have provided funding for the Child Care Counts program, but the Committee removed this item from consideration by Motion 4 on May 8, 2025.

The $15,000,000 GPR set aside in the Committee's supplemental appropriation will lapse to the general fund if it is not expended by the end of 2024-25.

DISCUSSION POINTS

1. In partnership with the Department of Children and Families, the Institute for Research on Poverty (IRP) conducted a survey of 3,546 child care providers in 2024 as part of its report, *Child Care Supply and Demand Challenges in Wisconsin*. Most child care providers reported having unfilled slots of child care available, with more than 33,000 potential slots of care going unfilled statewide. Just over half of child care providers reported having a waitlist. Providers reported more than 48,000 waitlist spots, with demand greatest for infants. Group centers reported not enough staff as the top reason for having waitlists, while family providers' top reason was that they were serving the number of children they wanted to serve.

2. When asked what if anything would help them serve more children, providers' most common answer was the need to address staffing challenges. More than a third of all child care providers, including 55% of group centers, reported that keeping staff or filling staff vacancies has been "very" or "extremely" challenging. The most common reported impacts were asking current staff to work more hours or take on more duties, hiring less qualified staff, serving fewer children, turning families away, and raising tuition.

3. SB 45/AB 50 would create an annual GPR appropriation and provide $10,000,000 in 2025-26 to support grants to two new programs intended to increase the child care workforce and build child care capacity and availability. As no funding would be provided in 2026-27, the grant program would not be part of the base funding for the 2027-29 budget. The Legislature could re-evaluate these programs as part of its 2027-29 budget deliberations.

4. First, DCF would be required to provide a grant of $4,500,000 GPR to Wonderschool, Inc. (or a successor organization) for the purposes of: (a) building child care capacity in this state; and

(b) increasing the child care workforce by launching an online software platform linked to DCF's website to connect child care providers with child care workers and a pool of substitute child care workers.

5. Wonderschool, Inc. provides services for child care providers to start up and expand their child care business, including management software, training and resources, and guidance on licensing, business planning, and early education curriculums. Wonderschool, Inc. tools are intended to simplify administrative tasks and help recruit, train, and coach child care providers to meet licensing requirements and boost the availability of child care.

6. To assist staffing, Wonderschool, Inc. offers an online software platform providing a pool of substitute teachers that matches workers to child care providers and facilitates payments. Wonderschool, Inc. also offers a recruitment platform that uses a large database of pre-screened staff to assist providers to locate employees.

7. Second, DCF would be required to provide a grant of $5,500,000 GPR to the Wisconsin Early Childhood Association, Inc. (WECA) to provide child care providers or prospective child care providers: (a) assistance with licensing and certification, prioritizing locations with a high need for child care services and child care providers that serve infants and toddlers; (b) coaching services and other support services, including for substitute child care workers; and (c) tax education assistance for family child care centers.

8. WECA is the nonprofit Wisconsin-based affiliate of the National Association for the Education of Young Children (NAEYC). WECA's mission is to support programs and services that improve teacher retention, grow the education level of the early childhood workforce, and increase the average wage for the child care workforce through skill development and professional mentoring. DCF currently contracts with WECA to administrate several childcare programs, including the TEACH and REWARD scholarship and stipend programs.

9. The Committee could find that the two proposed grants would help to address shortages of child care capacity in the state by bolstering the workforce and assisting new child cares to become licensed. Therefore, the Committee could approve the $10,000,000 GPR in 2025-26 and statutory changes in AB 50/SB 45 to support child care access grants [Alternative 1]. The Committee also has the option of supporting both programs with a smaller amount of funding than provided under SB 45/AB 50 or supporting only one of the two proposed grant programs.

10. Alternatively, the Committee could choose to adopt Alternative 1 and repeal the WEDC child care fund appropriation if it does not wish WEDC to administer a grant program to support child care providers [Alternatives 2 or 3]. If the Committee does not allocate the $15 million in the Committee's program supplements appropriation before July 1, 2025, this funding will lapse to the general fund at the end of the 2024-25 fiscal year.

11. These grants potentially could be supported with federal funding the state receives under the CCDF. However, the amounts available would be limited, and could not support the full cost for two reasons. First, federal regulations prohibit states from providing CCDF-funded assistance to child care providers prior to their licensure. As a result, programs that would assist new child care providers

to become licensed and start or expand their business cannot be funded using CCDF. Second, DCF reports that, on an annualized basis, it currently spends more than 30% of CCDF for services other than direct childcare services (such as administration or child care quality and availability programs). DCF indicates that in the short term, this is not an issue due to the difference in timing between the state and federal fiscal years and increases in federal funding. However, if additional programs were added for child care availability initiatives, DCF would not be able to remain within the federal requirement to spend no less than 70% of CCDF on direct child care services (unless federal funding were to increase in future years). This could eventually require the substitution of GPR funding for federal CCDF expenditures for administration and quality initiatives.

12. Finally, the Committee could decide to reject the funding for child care access grants proposed in SB 45/AB 50, as neither program would address the macroeconomic factors impacting childcare capacity and the workforce or the regulatory compliance costs faced by the industry [Alternative 3 and 4]. For example, child care providers responding to the IRP survey indicated that the background check and educational requirements were too expensive and time-consuming for both potential employees and employers. In particular, low pay coupled with high training requirements made it especially difficult to recruit, train, and retain staff. Several providers described how the high costs of hiring and training new staff ended up being sunk costs when the employees quit so soon after being hired. Further, they identified that some of the coursework and training was not applicable for the positions they were hiring for, such as training related to infants and toddlers to recruit staff that work only with school-age children. Many providers requested changes to regulations that would emphasize on-site learning over coursework. The Committee may wish to pursue regulatory reviews and changes instead of, or in addition to, the proposed grant programs.

ALTERNATIVES

1. Adopt the provisions in SB 45/AB 50 that would create a new annual GPR appropriation and provide $10,000,000 in 2025-26 to support grants to two new programs. First, require DCF to provide a grant of $4,500,000 to Wonderschool, Inc. (or a successor organization) for the purposes of: (a) building child care capacity in this state; and (b) increasing the child care workforce by launching an online software platform linked to DCF's website to connect child care providers with child care workers and a pool of substitute child care workers. Second, require DCF to provide a grant of $5,500,000 to the Wisconsin Early Childhood Association, Inc. in order to provide child care providers or prospective child care providers: (a) assistance with licensing and certification, prioritizing locations with a high need for child care services and child care providers that serve infants and toddlers; (b) coaching services and other support services, including for substitute child care workers; and (c) tax education assistance for family child care centers.

ALT 1	Change to Base
GPR	$10,000,000

2. Adopt the funding and statutory changes in Alternative 1. In addition, repeal WEDC's child care fund appropriation under s. 20.192 (1)(bn) of the statutes.

ALT 2	**Change to Base**
GPR	$10,000,000

3. Take no action on funding child care access grants. In addition, repeal WEDC's child care fund appropriation under s. 20.192 (1)(bn) of the statutes.

4. Take no action.

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Joint Committee on Finance Paper #213

Administration of Child Care and TANF Programs (Children and Families -- TANF and Economic Support)

[LFB 2025-27 Budget Summary: Page 97, #12 and Page 107, #31]

BACKGROUND

The federal temporary assistance for needy families (TANF) program, under Title IV, Part A of the Social Security Act, funds public assistance benefits and services with federal block grants to states. The Child Care and Development Block Grant (CCDBG) Act and mandatory funding under the Social Security Act provide a combination of federal discretionary and entitlement funds for child care services for low-income families and to improve the quality and supply of child care for all families.

Federal statutes provide states flexibility to develop, operate, and implement their own public assistance programs, supported entirely or partially with federal TANF and CCDBG funds, provided that certain federal regulations are met. As part of its program management responsibilities, the Department of Children and Families (DCF) is required to recover all overpayments of benefits paid for participation in Wisconsin Works (W-2) employment positions, child care subsidies, emergency assistance, and other economic support programs. DCF must also conduct activities to reduce payment errors and distribute funds to W-2 agencies for the administrative costs of reducing payment errors.

DISCUSSION POINTS

1. This paper discusses several administrative costs for TANF-related and child care programs for which SB 45/AB 50 would provide funding in the 2025-27 biennium. The Committee could choose to provide funding for any or all of the following items.

BRITS Enhancements and CRES Development

2. DCF and the Department of Health Services (DHS) use the benefit recovery investigative tracking system (BRITS) to investigate, establish, and collect public assistance overpayments in public assistance programs. This includes: Wisconsin Works (W-2), Wisconsin Shares, job access loans, BadgerCare Plus, FoodShare, Medical Assistance, and SeniorCare, among others. DCF uses BRITS to investigate error and fraud allegations, then DCF's public assistance collections section (PACS) recovers any established debts. The program became operational in 2017, and additional features to the system are in development.

3. When a debtor falls behind on repaying an overpayment, the delinquent claims are forwarded to the Central Recoveries Enhanced System (CRES) for collection. BRITS interfaces with CRES, which PACS uses to monitor delinquent claims and determine eligibility for collections actions, such as tax intercept or levy.

4. The redesign of the portion of BRITS used to track public assistance fraud referrals, fraud investigations, and investigative outcomes became operational in 2017. Since that time, users have requested certain changes and enhancements, however those were put on hold to allow for updates to other systems. This includes workflow enhancements, functionality to allow referral and investigation information to be marked confidential, and independent processing to allow multiple agencies to simultaneously work on the same investigation.

5. The redesign of the BRITS claims establishment process and claims management functions became operational in December, 2024. Now that this phase of the project is complete, DCF indicates that PACS has requested system enhancements for both the investigation system and additional enhancements for the collections system, including: (a) credit/debit card processing; (b) moving e-payment functionality from a Department of Workforce Development external site to a DCF platform; (c) generating notices to debtors regarding their balances and responses to correspondence received; (d) improved search functionality; and (e) improved user experience and information presentation.

6. Although BRITS interfaces with CRES, CRES is a separate system that is not a part of BRITS. CRES is functioning properly and complies with federal regulation. However, DCF indicates that batch processing between the two systems creates an ongoing risk that the two programs will desynchronize and cause data errors. Further, CRES needs to migrate from an Oracle database to a structured query language platform by 2027 in order to continue to work with BRITS. Thus, DCF seeks to merge CRES into BRITS.

7. Provisions of 2023 Act 19 allocated one-time TANF funding of $118,300 in 2023-24 and $322,900 in 2024-25 for enhancements and system upgrades to BRITS. However, BRITS development and implementation was slower than anticipated and the intended timeline was delayed. DCF must decide whether to sustain a higher level of system work in 2025-27 or limit funding for the development team to its base budget of $1,279,000.

8. The adjusted base budget for DCF already includes anticipated funding from DHS in the amount of $1,213,000 in 2025-26 and $1,238,000 in 2026-27 to support its share of the costs of

the BRITS and CRES enhancements. SB 45/AB 50 would provide additional one-time funding of $587,000 FED in 2025-26 and $599,000 FED in 2026-27 to maintain the information technology team working on improvements to BRITS and CRES for another two years [Alternative A1].

9. The Committee could instead decide to delay the BRITS enhancements [Alternative A2]. DCF indicates that the proposed updates to BRITS and CRES could be delayed beyond 2026-27 without risking noncompliance with federal regulations. However, denying funding for the project would reduce staff and cause others to migrate into maintenance roles instead of working on enhancement projects. DCF would lose their experience and knowledge. Further, DCF indicates that if CRES were not rewritten into BRITS to be one system, CRES would nevertheless require a conversion to a structured query language platform in order for the systems to continue to work together. As a result, even absent a rewrite, DCF would still incur costs of $200,000 to update CRES. In addition, CRES as a separate system would require program enhancements and maintenance that could incur another $400,000 of costs in future years.

Emergency Assistance

10. The emergency assistance (EA) program provides assistance to needy families with children in cases of fire, flood, natural disaster, energy crisis, homelessness, or impending homelessness. Benefits are in the form of cash, voucher, or vendor payment. EA payments can only be used for temporary or transitional shelter in cases where the need arises out of a fire, flood, or natural disaster. To qualify, the family must meet certain financial and nonfinancial criteria. Recipients who are homeless or facing impending homelessness may only use assistance to obtain or retain permanent living accommodations. Assistance can only be provided to a family group once in a twelve-month period.

11. W-2 agencies administer the EA program at the local level as part of their contract with DCF. W-2 agencies are required to determine the EA group's social service needs and make appropriate referrals for services such as counseling, family shelter, and child care funding. Applicants for EA may apply by submitting a form to the W-2 agency or apply online via ACCESS Wisconsin. ACCESS Wisconsin is an online application intended to simplify applying for and managing public assistance benefits. Applicants then schedule a meeting with the W-2 agency. W-2 agencies must determine eligibility for EA within five working days. If the group is found eligible, assistance must be provided within the same five working days.

12. DCF indicates that the current process for applying is burdensome and inefficient, resulting in low approval rates for the program and delays in receiving benefits for those that qualify. For example, W-2 agencies approved only 13.3% of applications in 2022 and 14.0% in 2023. The delays and rejections are especially problematic because EA serves families with acute needs in cases of natural disasters, energy crisis, and homelessness.

13. In 2024, there were 29,816 EA applications of which 21,204 were processed in a timely manner, 3,677 were not processed in a timely manner, and 4,935 were withdrawn by the applicant before the processing deadline passed. The processing timeframe for EA applications was increased from five working days to ten working days on October 1, 2024. Overall, the approval rate in 2024 was 21.8%.

14. DCF has proposed to implement a series of upgrades and enhancements to the ACCESS system intended to address the most common reasons for application denial and are expected to: (a) improve the application experience with expedited processing; (b) decrease the applicant's verification burden; and (c) increase the overall approval rate to assist more eligible individuals in need. This includes enhancements to ACCESS to enable: secure messaging and electronic case files; video conferencing capabilities; enhanced appointment scheduling features; document submission features that would enable applicants to submit pictures and other documents from their mobile phone; expanding data verification; and enhancing data exchanges between W-2 and ACCESS.

15. SB 45/AB 50 would provide one-time funding of $1,944,000 FED in 2025-26 and $2,040,000 FED in 2026-27 to support these information technology upgrades and improvements to the ACCESS system.

16. Provisions of 2015 Act 55 require W-2 agencies to recover incorrectly paid EA payments. DCF implemented the requirement by promulgating an administrative rule that took effect in October 2024. Starting January 1, 2025, PACS is responsible for recovering any established debts. DCF indicates that PACS will use the collections functionality in BRITS to facilitate claims establishment and claims management for its other public assistance clients. However, EA was not planned for the initial release of the BRITS collections system since the initial plan was for that system to be operational prior to the implementation of the rule change.

17. SB 45/AB 50 would provide one-time funding of $125,800 FED in 2025-26 and $83,700 FED in 2026-27 for to determine the requirements and costs needed to include EA into BRITS for establishing and collecting overpayments. Development and implementation would begin during the 2027-29 biennium. In the interim, DCF would use a manual process outside of the BRITS system for establishing claims, noticing, and collection processing of EA overpayments.

18. The Committee could decide that system enhancements for EA would improve the applications process and overpayment prevention, and provide the funding included in SB 45/AB 50 [Alternative B1].

19. Alternatively, the Committee could decide to approve only the enhancements for BRITS and delay the proposed upgrades for ACCESS [Alternative B2]. DCF indicates that ACCESS is in compliance with federal regulations. Further, W-2 agencies are capable of accepting applications under their current contracts.

Information Technology Backlog Resources

20. DCF indicates that a backlog of IT projects for TANF-related projected has reached an estimated 56,000 hours of workload, representing a cost of $8.1 million. The average IT project included in the backlog has been delayed by four years.

21. The backlog includes projects such as: (a) updates to CARES Worker Web (CWW) to ensure job access loans are determined accurately based on income and assets and other program policies; (b) updates to the CWW Worker Dashboard to flag discrepancies and assign work items for follow up and resolution; (c) improving systems to identify fraud and reduce W-2 overpayments; (d)

improving W-2 eligibility determinations by marking pending status for missing required documents; and (e) creating centralized program documentation for W-2 child support liaison referrals to track progress in program enrollment and job attainment.

22. According to DCF, the backlog is a result of two main factors. First, costs for IT projects have increased in recent years. This includes both price increases for the cost of vendor contracts and for cost sharing with DHS for maintenance and system improvements of IT projects that DCF programs use (CARES and ACCESS). By contrast, the funding available for the IT vendor contract has remained at $1.5 million since 2021. Second, in recent years, DCF has shifted resources away from IT projects when necessary to cover increases in other administrative costs. This has delayed IT projects until funding is available.

23. DCF states that the current administrative budget is used mainly for operating and maintaining current systems, leaving little funding for additional projects to improve IT systems (whether initiated by DCF or mandated under state and federal law).

24. SB 45/AB 50 would provide $1,700,200 FED in 2025-26 and $1,800,300 FED in 2026-27 to fund vendor contract costs to develop information technology systems. The additional funding would offset the backlog in a number of IT projects with the goal of using existing system capabilities to improve customer and worker experiences and bring DCF's public-facing system development in line with standard exhibited in other states. DCF indicates that their IT vendor contract is already in force and that no new positions or request for proposals would be necessary.

25. The Committee could decide that increased funding for IT projects would reduce the present backlog in TANF-related IT projects as well as improve the operations of W-2 processes for applications and fraud prevention, and therefore provide the funding for these purposes in SB 45/AB 50 [Alternative C1].

26. Alternatively, the Committee could approve one-time funding for a portion of the amount during the 2025-27 biennium. [Alternative C2]. For example, the Committee could choose to provide 75% of the funding as ongoing ($1,275,200 in 2025-26 and $1,350,300 in 2026-27) and 25% of the amount ($425,000 in 2025-26 and $450,000 in 2026-27) as one-time funding that would not be included as part of the adjusted base for the 2027-29 biennium. If additional funding is needed at that time, more TANF funding could be requested based on the scope of the projects undertaken and work remaining.

27. However, DCF indicates that the large IT project backlog accumulated over many years and will need to be addressed over many years. As a result, one-time funding may not be sufficient to both complete the needed projects and fund the IT vendor contract in the next biennium.

Child Care Administration

28. The Committee could choose to provide funding for one or more of the following items under SB 45/AB 50 for child care administration as shown in the following table.

Federal CCDF Funding under SB 45/AB 50 for Child Care Administration

	2025-26	2026-27	Positions	Source
Child Care Audits	$506,000	$0	0.00	FED
Licensing Positions	277,400	369,800	3.00	FED
12-month Authorizations	2,562,000	0	0.00	FED
Total	$3,345,400	$369,800	3.00	FED

29. *Child Care Audits*. DCF conducts audits of child care programs to prevent fraud and correct payment mistakes. Referrals for audits are received through either a mailbox or automatically generated program integrity reports. If the referral is screened in for further review, an auditor is assigned to review the case and issue stipulations for the child care provider to correct violations.

30. DCF indicates that it has a caseload backlog of over 400 audits. According to DCF, most of the audit process is performed manually and thus slower than modern processes used for parent overpayment calculations and other public assistance programs.

31. SB 45/AB 50 would provide $506,000 FED in one-time funding in 2025-26 to improve audit processing and reduce the backlog. The funding would be used to automate parts of the auditing process to improve program integrity efforts and provide for case management and assistance to program managers and investigators.

32. *Licensing Positions*. In general, child care providers must be licensed by DCF in order to receive compensation for caring for four or more children under the age of seven. Licensed group child care centers may provide care for nine or more children. Licensed family child care centers, usually operating out of the provider's home, may provide care for up to eight children. Licensed day camps may provide care for more than four children, usually operating seasonally and outdoors.

33. According to DCF, the current caseload per worker (85) for licensing enforcement and health and safety investigations far exceeds those recommended the National Association for Regulatory Administration (50 to 60). This reduces their ability to monitor health and safety compliance, investigate complaints, and provide technical assistance to providers.

34. DCF also indicates that health and safety complaints have grown in number and severity, increasing the need for timely investigations and corrective measures. In 2017, there were 2,530 complaints. In 2020, there were of complaint 5,382 complains, an increase of 113%. Likewise, licensing enforcement actions have increased, with order letters increasing from an average of 699 for the period of 2017 to 2020 to 1,030 for the period from 2021 to 2024. Order letters are issued for repeat violations and egregious violations, and represent enforcement actions requiring investigations and compliance documents.

35. Despite the increased workload, the number of staff in DCF's Bureau of Early Care Regulation has not increased since 2020.

36. SB 45/AB 50 would provide $277,400 FED in 2025-26 and $369,800 FED in 2026-27 to support 3.0 positions to help reduce licensor caseloads and help licensors maintain quality technical assistance for the providers they serve. DCF states that the new specialist positions could reduce caseloads from 85 per worker down to 78 per worker, thereby freeing up time for provider support and technical assistance.

37. *Wisconsin Shares 12-Month Authorizations.* Federal law requires a 12-month eligibility redetermination period for participating families regardless of temporary changes in participation in work training, or education activities and changes in income, as long as the family's income does not exceed the federal threshold amount of 85% of the SMI. Thus, the eligibility requirements under the CCDF program are generally considered to be met for a period of 12 months. States have the option to terminate assistance prior to eligibility redetermination if a parent loses employment, but must continue assistance for at least three months to allow for job search.

38. Wisconsin is currently under a corrective action plan for not providing the required full 12 months of eligibility and for ending eligibility during certain activity break periods. DCF rules were found to be out of compliance with federal CCDF regulations, requiring changes to the Wisconsin Shares authorization process. Specifically, a non-compliance letter from the federal CCDF administrator noted that it considers the first month to be the first full month of eligibility (rather than a partial month), and thus DCF provided for only 11 full months of eligibility.

39. DCF indicates that the implementation of the required rule changes will incur costs to update various IT systems before August, 2026 (including ACCESS, CARES, and CSAW). SB 45/AB 50 would provide $2,562,000 FED in 2025-26 to support the information technology changes needed to comply with a federal corrective action plan.

ALTERNATIVES

A. BRITS and CRES

1. Provide one-time funding of $587,000 FED in 2025-26 and $599,000 FED in 2026-27 to maintain the information technology team working on improvements to the Benefit Recovery Investigative Tracking System and Central Recoveries Enhanced System. The funding would enhance the BRITS system and migrate CRES from Oracle to the BRITS structured query language platform.

ALT A1	Change to Base
FED	$1,186,000

2. Provide one-time funding of $200,000 FED in 2025-26 to migrate CRES from an Oracle Database to a structured query language platform. The system would not be integrated into BRITS.

ALT A2	Change to Base
FED	$200,000

3. Take no action.

B. Emergency Assistance

1. Provide one-time funding of $1,944,000 FED in 2025-26 and $2,040,000 FED in 2026-27 to support information technology upgrades and improvements to the ACCESS system used by the EA program for accepting and processing benefit applications. Further, provide one-time funding of $125,800 FED in 2025-26 and $83,700 FED in 2026-27 to determine the requirements and costs needed to include EA into BRITS for establishing and collecting overpayments.

ALT B1	Change to Base
FED	$4,193,500

2. Provide one-time funding of $125,800 FED in 2025-26 and $83,700 FED in 2026-27 to determine the requirements and costs needed to include EA into BRITS for establishing and collecting overpayments.

ALT B2	Change to Base
FED	$209,500

3. Take no action

C. Information Technology Backlog Resources

1. Provide ongoing funding of $1,700,200 FED in 2025-26 and $1,800,300 FED in 2026-27 to fund vendor contract costs to develop information technology systems.

ALT C1	Change to Base
FED	$3,500,500

2. Adopt the funding amounts in Alternative C1, but provide a portion of the funding on a one-time basis during the 2025-27 biennium, in an amount selected by the Committee.

ALT C2	Change to Base
FED	$3,500,500

3. Take no action

D. Child Care Administration

1. Provide a total of $3,345,400 FED in 2025-26 and $369,800 FED in 2026-27 for all of the following child care administrative items: (a) $506,000 FED in 2025-26 to improve audit processing and reduce the backlog; (b) $277,400 FED in 2025-26 and $369,800 FED in 2026-27 to support 3.0 full-time positions to help reduce large licensor caseloads; and (c) provide $2,562,000 FED in 2025-26 to support the information technology changes needed to comply with a federal corrective action plan for 12-month periods of eligibility for child care subsidies.

ALT D1	Change to Base	
	Funding	Positions
FED	$3,715,200	3.00

2. Adopt any combination of following child care administration items: (a) $506,000 FED in 2025-26 to improve audit processing and reduce the backlog; (b) $277,400 FED in 2025-26 and $369,800 FED in 2026-27 to support 3.0 full-time positions to help reduce large licensor caseloads; and (c) provide $2,562,000 FED in 2025-26 to support the information technology changes needed to comply with a federal corrective action plan for 12-month periods of eligibility for child care subsidies.

ALT D2	Change to Base	
	Funding	Positions
a. FED	$506,000	0.00
b. FED	647,200	3.00
c. FED	2,562,000	0.00

3. Take no action.

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Joint Committee on Finance | Paper #214

Wisconsin Works Agency Contracts
(Children and Families -- TANF and Economic Support)

[LFB 2025-27 Budget Summary: Page 102, #20]

CURRENT LAW

Wisconsin Works Contracts. Wisconsin Works (W-2) is a work-based program that provides training and support services to assist low-income parents obtain permanent and stable employment. W-2 also provides employment support services and cash assistance to eligible families. Local W-2 agencies help applicants participate in work preparation activities, find or keep jobs, and pay for the costs of maintaining employment. Eligibility for the program does not entitle an individual to any service or benefit.

W-2 is administered at the local level by private agencies that enter into contracts with the Department of Children and Families (DCF) to provide W-2 services in geographical areas determined by DCF. DCF may either award a contract on the basis of a competitive process approved by the Department of Administration or award a contract to a W-2 agency if that agency has met performance standards under the immediately preceding contract period. Pursuant to the contracts, local W-2 agencies administer the program and help applicants participate in work preparation activities, find or keep jobs, and pay for the costs of maintaining employment. DCF pays cash W-2 benefits to participants directly.

To date, DCF has entered into seven sets of contracts with W-2 agencies. The seventh contract period covered calendar years 2013 through 2016 with up to four additional two-year extensions. DCF exercised its option to renew the contracts, and the contracts remained in effect for a period of 12 years through December, 2024. In 2024, DCF began accepting requests for proposals for the eighth set of W-2 contracts. However, the process did not conclude in time for the 2025 contract year, and as a result, the current contracts were extended through 2025.

Job Access Loans. Pursuant to rules promulgated by DCF, W-2 agencies issue job access loans to individuals. There is no bank intermediary or background credit check. Participants have 12 months to repay the loan in cash or via community service, although repayment may be extended to 24 months with W-2 agency approval. The minimum loan amount available is $25, and the maximum an individual may receive is $1,600 in any 12-month period. The maximum allowable outstanding balance for any individual receiving a job access loan is $1,600.

In general, individuals who meet the nonfinancial and financial eligibility requirements for participation in a W-2 employment position may be eligible for a job access loan if the individual: (a) needs the loan to address an immediate and discrete financial crisis that is not the result of the individual's failure to accept a bona fide job offer or the individual's termination of a job without good cause; (b) needs the loan to obtain or continue employment or to repair or purchase a vehicle that is needed to obtain or continue employment; (c) is not in default with respect to the repayment of any previous job access loan or repayment of any W-2 grant or wage overpayments; and (d) is not a migrant worker.

The W-2 agency must determine a minimum monthly repayment amount for each loan, and an individual receiving a loan must submit to the agency a repayment plan for the loan which includes the maximum cash repayment amount and the shortest repayment period that the W-2 agency determines is feasible. At least 25% of the loan amount must be repaid in cash. The remaining 75% may be repaid in cash or through a combination of cash and volunteer in-kind community work approved by the W-2 agency.

Job access loans are funded from the federal temporary assistance for needy families (TANF) block grant and revenue from loan repayments. The W-2 contracts specify funding and a total target issuance amount for each W-2 agency in their respective region. Repayments of previous loans are used to issue new job access loans and may also be used to fund administrative costs associated with collecting delinquent repayments.

DCF certifies delinquent repayments to the Department of Revenue for setoff against state tax refunds and credits. Any revenues recovered must be used to make additional job access loans. DCF may also collect delinquent repayments through other legal means.

DISCUSSION POINTS

A. Job Access Loans

1. The job access loan program is intended to assist W-2 participants to overcome barriers to attaining or retaining employment. The program provides short-term, interest-free loans to assist W-2 participants with specific job-related expenses. This includes a variety of costs necessary for a job, such as a work uniform or tools, driver's license fees, car repairs, interview clothes, and a computer for remote work.

2. W-2 agencies make the loans via funding from the DCF contract. The program effectively operates as a sort of revolving loan fund because loan repayments are credited as program

revenue that can be used as an additional source of funding for future loans.

3. The following table shows the total statewide job access loan issuance and outstanding balances in 2019 through 2024. Note that in-kind contributions must be performed during the proscribed timeframe and thus the outstanding amounts due are all cash repayments for 2019 through 2023. As shown in the table, the vast majority of loan amounts are repaid in cash. Issuance of job access loans decreased in 2020 and 2021 due to the COVID-19 pandemic. Beginning in 2023, loan issuance increased significantly.

Job Access Loan Issuance and Outstanding Balances (2019-2024)

Loan Issuance Year	# of Loans Issued	Total Loan Amount Issued	Total Repayment Plan In Cash	Total Repayment Plan In-Kind	Total Loan Outstanding Amount
2019	629	$842,544	$839,064	$3,480	$333,622
2020	272	344,014	343,405	609	182,248
2021	186	230,710	230,464	247	164,113
2022	404	561,904	558,529	3,375	293,633
2023	803	1,178,629	1,177,788	841	888,838
2024	1,617	2,311,001	2,285,048	22,809	2,219,228

4. Policy changes may account for the increase in loan issuance. DCF indicates that in 2022 policies for job access loans regarding vehicle loan requirements, eligibility for noncustodial parents, and asset eligibility requirements for housing were updated to conform with state statutes. Further, effective February 20, 2024, DCF issued new policy guidance clarifying that to be eligible, an individual must need a job access loan to obtain employment or to continue employment (in addition to meeting the other eligibility criteria). Previously, an individual actually had to have a bona fide job offer or be employed in order to receive a receive a loan. These changes likely increased the number of participants eligible for loans, thereby increasing the demand for the program.

5. Current funding levels for job access loans are insufficient for a full year of demand. DCF indicates that absent additional funding for job access loans, it is likely that the program would stop issuing loans prior to the end of the contract period each year.

6. Provisions of SB 45/AB 50 would provide $1,821,200 FED in 2025-26 and $2,000,000 FED in 2026-27 to fund W-2 administrative contracts to support the increased usage of job access loans under the new set of contracts currently being negotiated. However, according to DCF, a technical correction is needed to adjust the funding for 2025-26, as it was intended that $2,821,200 would be provided in 2025-26. Including base funding and the technical correction, $59,892,400 FED in 2025-26 and $59,071,200 FED in 2026-27 would be budgeted overall to support W-2 contracts (Alternative A1).

7. Alternatively, the Committee could choose to provide a different level of federal funding to support job access loans (Alternative A2). DCF would be required to use the amount of funding allocated as part of its negotiations for the next round of W-2 contracts. DCF would set contract

amounts for job access loans in each W-2 region as one of the terms of the contracts that are agreed to by each W-2 agency.

8. The Committee could choose to maintain base funding for job access loans (Alternative A3). As shown in the table above, the outstanding loan balances are relatively high in 2019 through 2022 compared to issuance. It is unclear whether the Covid-19 pandemic temporarily reduced repayments, or whether the increase in issuance for 2023, 2024, and in the future will result in a similar number of outstanding balances accruing. The Committee may decide to withhold additional funding for job access loans until collections of job access loans improves.

B. W-2 Service Contract -- Inflation Adjustment

9. W-2 service contracts fund the costs of subsidized employment placements, work support services, education and training, and agency administration.

10. As part of its agency budget request in the fall of 2024, DCF sought an inflation adjustment to the base TANF allocation for W-2 contracts ($2,102,300 in 2025-26 and $1,940,400 in 2026-27). According to DCF, the increase is higher in 2025-26 because the TANF allocation would also include funding increases intended for the last half of the 2025 calendar year W-2 contract.

11. This increase in funding would enable DCF to negotiate the new set of W-2 contracts with expanded services in line with inflation-adjusted increases. Given the delayed process for executing the next round of contracts, additional funding may assist DCF to procure service providers in all regions of the state. Further, additional funding would enable service agencies to recruit and retain staff.

12. The Committee could choose to provide such funding in addition to, or instead of, the amount sought under SB 45/AB 50 as it could improve the provision of W-2 services under the next round of agency contracts (Alternative B1).

13. Alternatively, the Committee could provide for a different amount of funding for W-2 contracts above the base funding amount: (a) $571,000 FED annually to support an increase of 1.0%; (b) $856,000 FED annually to support an increase of 1.5%; (c) $1,141,000 to support an increase of 2.0%; (d) $1,427,000 to support an increase of 2.5%; or (e) $1,712,000 to support an increase of 3.0% (Alternative B2).

14. On the other hand, the Committee could maintain current funding for W-2 service contracts for several reasons. First, DCF has authority under current law to negotiate the next round of W-2 contracts and can use the current base funding of $57.0 million to appropriately emphasize job access loans and other programs when reaching agreements with the W-2 agencies. However, this may require DCF to reduce expenditures for job access loans or other services, depending on the amounts agreed to under the new contracts.

15. Second, expenditures for the W-2 contract have underspent the TANF allocation in recent years. The TANF allocation for W-2 contracts was most recently increased to the current $57.0 million pursuant to 2021 Act 58. Since that time, expenditures for the W-2 contracts have been smaller

than the amount provided. For example, according to DCF, expenditures for W-2 service contracts totaled $54.4 million in 2023-24. No additional funding was provided as part of 2023 Act 19 and no funding was recommended in SB 45/AB 50 for this purpose.

16. Finally, as noted in LFB Paper #210, notwithstanding the large opening balance of funding the state receives under the temporary assistance for needy families (TANF) block grant, there is an ongoing structural deficit in federal revenues compared to federally-funded expenditures. The federal funding sought for W-2 service contracts would increase ongoing expenditures in TANF programs, exacerbating this issue. The Committee could therefore choose to maintain current spending for W-2 contracts and require DCF to negotiate contracts using the base funding amount.

ALTERNATIVES

A. Job Access Loans

1. Provide $2,821,200 FED in 2025-26 and $2,000,000 FED in 2026-27 to fund W-2 administrative contracts to support job access loans.

ALT A1	Change to Base
FED	$4,821,200

2. Provide annual funding in one of the following amounts to fund W-2 administrative contracts: (a) $500,000 FED; (b) $1,000,000 FED; (c) $1,500,000 FED; or (d) $2,000,000 FED.

ALT A2	Change to Base
a. FED	$1,000,000
b. FED	2,000,000
c. FED	3,000,000
d. FED	4,000,000

3. Take no action.

B. W-2 Service Contact Inflation Adjustment

1. Provide $2,102,300 FED in 2025-26 and $1,940,400 FED in 2026-27 to support an inflation adjustment to the base funding allocated to the W-2 services contract, as well an increase under the second half of the 2025 calendar-year W-2 contract.

ALT B1	Change to Base
FED	$4,042,700

2. Provide annual funding in one of the following amounts to increase the base funding allocated to the W-2 services contract: (a) $571,000 FED annually to support an increase of 1.0%; (b)

$856,000 FED annually to support an increase of 1.5%; (c) $1,141,000 to support an increase of 2.0%; (d) $1,427,000 to support an increase of 2.5%; or (e) $1,712,000 to support an increase of 3.0%.

ALT B2	**Change to Base**
a. FED	$1,142,000
b. FED	1,712,000
c. FED	2,282,000
d. FED	2,854,000
e. FED	3,424,000

3. Take no action.

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Joint Committee on Finance Paper #215

Grant Programs (Children and Families - TANF and Economic Support)

[LFB 2025-27 Budget Summary: Page 105, #26, Page 106, #28 and #30]

CURRENT LAW

Under current law, the federal funds the state receives from the temporary assistance for needy families (TANF) block grant and child care development fund (CCDF) support programs that assist low-income families. Most of the federal funding, together with several sources of state funds, support child care subsidies under the Wisconsin Shares program and Wisconsin Works (W-2) related benefits.

In addition to Wisconsin Shares and W-2 related programs, the Department of Children and Families (DCF) distributes some of the federal funding as grants to counties and nonprofit entities to support programs that are intended to achieve the purposes of TANF. The four purposes of the TANF program are to: (1) provide assistance to needy families so that children can be cared for in their own homes; (2) reduce the dependency of needy parents by promoting job preparation, work and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families. Programs advancing purposes "1" and "2" are for "needy" persons, thereby requiring financial eligibility tests. By contrast, programs advancing purposes "3" and "4" are not for "needy" applicants and thus do not need to be means tested.

The current grant funding represents a minor share of the total program funding for DCF's economic assistance programs. In 2023-24, of the total DCF expenditures for TANF-related program ($676.1 million), DCF expended $8.9 million for grant programs, which included grants for: (a) Boys and Girls Clubs ($5.7 million); (b) Jobs for America's Graduates ($1.0 million); (c) civil legal assistance ($0.5 million); (d) Fostering Future ($0.5 million); and (e) grants to various organizations to support specific programs ($1.2 million).

DISCUSSION POINTS

1. This paper discusses two grant programs for which SB 45/AB 50 would provide additional funding in the 2025-27 biennium.

Boys and Girls Clubs

2. In the 2024-25, DCF is allocated $2,807,000 FED TANF for grants to the Wisconsin Chapter of the Boys and Girls Clubs of America to fund programs that improve social, academic, and employment skills of youth. Most of this funding ($1,532,000 annually) is budgeted for the Be Great: Graduate program across the state. The program helps teens who are at risk of dropping out of school to develop the academic, behavioral, and social skills they need to be successful. The remaining funding ($1,275,000) is budgeted to support Wisconsin After Three, which provides structured afterschool programming to youth five days a week to improve social, academic, and employment skills of low-income youth through tutoring in math and English, study habits, and exposure to career options and role models.

3. The Boys and Girls Club is required to match the TANF grant amounts for this program. According to DCF, more than 60% of their participants utilize TANF or related programs.

4. 2023 Act 19 provided additional one-time funding of $5,000,000 FED TANF in 2023-24 to increase the grant amount in that year. According to the Wisconsin Chapter of the Boys and Girls Club, this funding was distributed to all clubs across the state based on budget size and number of youth served. Generally, 70% of the funding was for Wisconsin After 3 and 30% for Be Great Graduate.

5. Because the funding was provided on a one-time basis in 2023-24, funding for the grant returned to $2,807,000, beginning in 2024-25. This decrease in funding reduced the agency's ability to maintain programming and the agency's infrastructure of buildings and staff from the previous year.

6. SB 45/AB 50 would provide $6,700,000 annually to increase the grant DCF provides to the Boys and Girls Clubs of Wisconsin. Although not specified in the bill, the Administration indicates that the TANF funding increase would support the Wisconsin After Three program. Further, the funding could support the Boys and Girls Clubs as it builds new clubhouses in Neenah, Ripon, Oshkosh, Beloit, Baraboo, Holman and other communities. Including base funding of $2,807,000, total funding for Boys and Girls Clubs would be $9,507,000 annually.

7. The Committee could choose to provide $6,700,000 FED annually to support the Boys and Girls Clubs of Wisconsin [Alternative A1]. Alternatively, the Committee could choose to provide funding in a different amount [Alternative A2].

Jobs for America's Graduates (JAG)

8. JAG is a state-based national nonprofit organization that assists youth in reaching economic and academic success. JAG provides an in-school program to improve social, academic,

and employment skills of youth. The program helps the most at-risk Wisconsin students overcome learning loss and become gainfully employed through Wisconsin employers, post-secondary degrees, or military careers.

9. JAG is designed to address barriers that prevent students from graduating from high school on time. Services involve classroom instruction, adult mentoring, leadership development, guidance and counseling, job and postsecondary education placement services, links to community services, and 12-month follow-up services. According to DCF, the JAG graduation rate is 98% and provides follow-up services for a year after graduation to ensure college or employment success.

10. In the 2023-24 school year, JAG served 424 participants and 113 follow-up graduates (including both TANF and privately funded programs). Almost 83% of graduates went into training or post-secondary education and 82 students moved into full-time employment in 2024 with an average wage for graduates of $15.18. JAG engaged with 106 employers throughout Wisconsin for tours, internships, and employment.

11. Base funding for the grant to JAG is $1,000,000 FED (TANF). SB 45/AB 50 would provide an additional $1,000,000 annually so that $2,000,000 annually would be budgeted to maintain current JAG programming in 16 schools across the state and support the possible expansion into additional schools [Alternative B1]. Other funding options are provided for the Committee's consideration [Alternative B2].

ALTERNATIVES

A. Boys and Girls Clubs of Wisconsin

1. Provide $6,700,000 FED annually to increase the grant DCF provides to the Boys and Girls Clubs of Wisconsin. Including base funding of $2,807,000, total funding for Boys and Girls Clubs would be $9,507,000 annually.

ALT A1	Change to Base
FED	$13,400,000

2. Provide additional funding to the Boys and Girls Clubs of Wisconsin in one of the following amounts: (a) $1,000,000 FED annually; (b) $2,000,000 FED annually; (c) $3,000,000 FED annually; or (d) $4,000,000 FED annually.

ALT A2	Change to Base
a. FED	$2,000,000
b. FED	4,000,000
c. FED	6,000,000
d. FED	8,000,000

3. Take no action.

B. Jobs for America's Graduates

1. Provide $1,000,000 FED TANF annually for the grant to the Jobs for America's Graduates program.

ALT B1	**Change to Base**
FED	$2,000,000

2. Provide additional funding for the JAG grant in one of the following amounts: (a) $500,000 FED annually; (b) $250,000 FED annually; or (c) $100,000 FED annually.

ALT B2	**Change to Base**
a. FED	$1,000,000
b. FED	500,000
c. FED	200,000

3. Take no action.

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Joint Committee on Finance Paper #216

Child Support Information Technology Modernization (Children and Families -- TANF and Economic Support)

[LFB 2025-27 Budget Summary: Page 109, #35]

CURRENT LAW

The Kids Information Data System (KIDS) is the primary system used by state, county, and tribal staff for all of the child support enforcement case and financial management functions. KIDS contains almost 500,000 cases across the state, of which 160,000 receive only financial management and processing services. KIDS is a mainframe system, created using COBOL programming, that was implemented statewide in September, 1996.

The Department of Children and Families (DCF) indicates that the aged architecture in KIDS is difficult to maintain and enhance, thereby increasing the complexity and expense of upgrading information technology (IT) systems to meet federal performance standards. Further, according to DCF, the system is limited in terms of user interface, is unintuitive, lacks access to modern communication methods, and its automated data reporting is insufficient for the needs of users and the families served by it.

DCF has worked with the federal Office of Child Support Enforcement (OCSE) in preparing and planning a modernization project for KIDS. OCSE approved DCF's Streamlined Feasibility Study and Implementation Advanced Planning Documents, and set an agreed upon framework for federal cost reimbursement for the project. Most administrative and enforcement costs incurred by the state and counties are reimbursed by OCSE based on a federal financial participation rate of 66% of eligible costs under Title IV-D of the Social Security Act.

Provisions of 2023 Act 19 provided DCF with one-time funding to begin a multiyear project to update KIDS. DCF estimated that the total cost of the IT system, including upgrades, would be $270.2 million for the period from 2018-19 through 2028-29, including: planning, development, statewide implementation, hardware, software, operation, and maintenance. The project management and quality assurance vendors began work in January, 2024, while other vendors began working on the project six months later. The design, development, and implementation phase of the project was originally scheduled to last through December, 2026, with activities for federal certification, operations, and final statewide implementation occurring by September, 2028.

DISCUSSION POINTS

1. Because funding was provided under Act 19 for the 2023-25 biennium on a one-time basis, SB 45/AB 50 would also provide one-time funding of $17,562,000 ($5,971,100 GPR and $11,590,900 FED) in 2025-26 and $27,568,900 ($9,373,400 GPR and $18,195,500 FED) in 2026-27 to support the ongoing replacement of KIDS [Alternative 1]. The funding would not be made part of the base budget for the 2027-29 biennium. The federal funding would be 66% matching funds under Title IV-D of the Social Security Act.

2. DCF indicates that GPR funding is needed for this project for two main reasons. First, DCF lacks a current PR funding source large enough for the scope of the project. New or higher fees would likely not be sufficient to cover costs, given that a substantial portion of fees would be owed in cases with child support arears due and owing (in such cases child support would be prioritized over fee collections to the extent that any funding could be recovered). Second, even assuming DCF could impose fees large enough to defray costs of the KIDS modernization project, such fees may not qualify for federal match. GPR expenditures can be assumed to have a 34% state share and 66% federal IV-D match. By contrast, PR revenues are generally treated as an offset to federal matching funds. Thus, each dollar of PR utilized for the project would likely reduce federal reimbursements by the same amount.

3. The Committee could choose to reduce the funding provided to account for more recent cost estimates for the project. Subsequent to the time SB 45/AB 50 was prepared, DCF reports that it has now contracted with four vendors for project management, design, quality assurance, and verification. The new end date for the project is scheduled for September, 2030, requiring a new funding timeline through 2029-31. Based upon more recent information from the completion of the request for proposals, execution of vendor contracts, and the finalizing of the master project schedule, DCF estimates that the anticipated cost of the project compared to SB 45/SB 50 will decrease by $5,723,500 (-$1,946,000 GPR and -$3,777,500 FED) in 2025-26 and by $6,682,900 (-$2,272,200 GPR and -$4,410,700 FED) in 2026-27. Further, DCF anticipates that it will lapse $6,364,000 GPR in 2024-25 due to the rescheduling of costs under the new master project timeline.

4. The following table shows the anticipated changes in spending relative to the bill under the new timeline. Because the funding was provided on a one-time basis under both 2023 Act 19 and SB 45/AB 50, there is no base amount of funding for the project under current law.

Alternative 2: KIDS Modernization Cost Estimates

	2025-26		
Project Category	SB 45/AB 50	Change to SB 45/AB 50	Change to Base
Design, Development, and Implementation	$8,401,400	-$4,047,000	$4,354,400
Project Management	2,859,400	-104,300	2,755,100
Quality Assurance	2,958,800	-1,428,800	1,530,000
Hardware/Software/Subscriptions	802,500	555,000	1,357,500
Ind. Verification & Validation	699,100	0	699,100
Travel	0	0	0
Project Contingency	1,840,800	-698,400	1,142,400
Total	$17,562,000	-$5,723,500	$11,838,500
GPR	$5,971,100	-$1,946,000	$4,025,100
FED	11,590,900	-3,777,500	7,813,400

	2026-27		
Project Category	SB 45/AB 50	Change to SB 45/AB 50	Change to Base
Design, Development, and Implementation	$15,523,600	-$5,545,600	$9,978,000
Project Management	3,218,500	-98,500	3,120,000
Quality Assurance	2,611,000	70,400	2,681,400
Hardware/Software/Subscriptions	1,764,200	0	1,764,200
Ind. Verification & Validation	699,100	0	699,100
Travel	294,900	0	294,900
Project Contingency	3,457,600	-1,109,200	2,348,400
Total	$27,568,900	-$6,682,900	$20,886,000
GPR	$9,373,400	-$2,272,200	$7,101,200
FED	18,195,500	-4,410,700	13,784,800

5. The Committee could find that the KIDS system upgrade would comply with federal requirements, increase the funding received under federal incentive payment metrics, and improve service under the child support enforcement program, and thus approve the proposed one-time funding increase [Alternative 2]. Under this alternative, one-time funding of $11,838,500 ($4,025,100 GPR and $7,813,400 FED) in 2025-26 and $20,886,000 ($7,101,200 GPR and $13,784,800 FED) in 2026-27 would be provided to support the ongoing project to replace KIDS with a modern web-based information technology system.

6. The Committee could also choose to provide the reestimated funding on an ongoing basis [Alternative 3]. As discussed, the KIDS upgrade is a long-term project expected to span multiple biennial budgets. Authorizing one-time funding for the project rather than including it in the base may force DCF to wait on progressing through its project timeline in order to see whether the next block of funding will be approved. Providing for a baseline of funding into the next biennium would enable DCF to manage project expenditures and contracts knowing that it has secured an ongoing source of funding for the project.

7. Finally, the Committee could choose to terminate the implementation of the KIDS upgrade by taking no action on the proposal [Alternative 4]. DCF indicates that delaying approved spending timelines would likely imperil federal matching funds for the project, ultimately increasing the amount of state funding necessary to upgrade KIDS in the future. This would include federal reimbursements for previous expenditures, which may require DCF to return funding to OCSE. DCF indicates that certain timelines must be met in order for the project to meet federal approvals for reimbursement. A two-year delay would likely require DCF to restart the entire process for OCSE approval.

8. Generally, any contract delays would result in future work that is likely to be more expensive due to inflation. Further, as COBOL is an outdated programming language, it is becoming more difficult to find COBOL-proficient developers to work on such projects as experienced developers retire and new developers are not instructed on COBOL. Due to the age of the system and the need for specialized developers, in the future DCF may not be able to obtain the necessary vendors at the same cost, or at all. Vendors currently under contract may not be available to (or willing to) commit to another modernization project if the current project were terminated.

9. As of April 18, 2025, DCF had expended $14.7 million (all funds) on the modernization project and 41,300 hours of staff work for planning, project management, and design, development, and implementation work. Rejecting the proposed funding would necessarily entail the loss of much of these preparations as the timeline, vendor availability, and contracted cost would no longer be applicable. Further, KIDS s would be two years older and would still need to be replaced.

ALTERNATIVES

1. Provide one-time funding of $17,562,000 ($5,971,100 GPR and $11,590,900 FED) in 2025-26 and $27,568,900 ($9,373,400 GPR and $18,195,500 FED) in 2026-27 to support the ongoing replacement of KIDS. The funding would not be made part of the base budget for the 2027-29 biennium.

ALT 1	Change to Base
GPR	$15,344,500
FED	29,786,400
Total	$45,130,900

2. Provide one-time funding of $11,838,500 ($4,025,100 GPR and $7,813,400 FED) in 2025-26 and $20,886,000 ($7,101,200 GPR and $13,784,800 FED) in 2026-27 would be provided to support the ongoing project to replace KIDS with a modern web-based information technology system. The funding would not be made part of the base budget for the 2027-29 biennium.

ALT 2	Change to Base
GPR	$11,126,300
FED	21,598,200
Total	$32,724,500

3. Adopt Alternative 2, but provide funding on an ongoing basis such that the amounts provided would be made part of the base budget for the 2027-29 biennium.

ALT 3	**Change to Base**
GPR	$11,126,300
FED	21,598,200
Total	$32,724,500

4. Take no action.

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Joint Committee on Finance Paper #217

Statutory Language Update
(Children and Families -- TANF and Economic Support)

CURRENT LAW

Several Wisconsin Statutes identify the "Boys' Clubs of America" in reference to the nationwide nonprofit organization, Boys and Girls Clubs of America.

MODIFICATION

Replace all mention of "Boys' Clubs of America" with "Boys and Girls Clubs of America" in the Wisconsin Statutes.

> **Explanation:** The former Boys' Clubs of America changed its name to the Boys and Girls Clubs of America in 1990 to recognize the involvement of girls in the organization. The modification would identify the organization by its current name and would result in more uniform statutory language.

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CHILDREN AND FAMILIES

TANF and Economic Support

LFB Summary Item for Which No Issue Paper Has Been Prepared

Item #	Title
34	Child Care Fee Revenue Adjustment

LFB Summary Items Which are Informational and No Action is Required

Item #	Title
1	TANF and CCDF-Related Revenues and Expenditures
2	Direct Child Care Services -- Overview