



## Legislative Fiscal Bureau

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June 23, 2010

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Children and Families: Overview of Pending Section 13.10 and ARRA Requests

### INTRODUCTION

There are four requests from the Department of Children and Families (DCF) pending before the Joint Committee on Finance. This memorandum briefly describes current estimates, summarizes the requests, and provides an overview of the impact on the programs related to the temporary assistance for needy families (TANF) block grant if the Committee were to approve these requests. Separate papers have been prepared for each of the four requests pending before the Committee.

### BACKGROUND

#### **2009 Wisconsin Act 28 and Current Estimates**

Under Act 28, it was estimated that the TANF ending balance at the end of 2010-11 would total \$8,600. However, more recent estimates show that the TANF ending balance would total approximately \$153.5 million at the end of 2010-11. If no further adjustments were made to ongoing revenues or expenditures, the TANF ending balance would total \$92.7 million at the end of 2012-13 and would total \$5.9 million at the end of 2014-15. The reasons for the revised estimates are described below.

*TANF Opening Balance.* The TANF opening balance in 2009-10 was \$13.3 million higher than what was budgeted in Act 28 because there was an additional \$13.3 million carried over from 2008-09.

*Reestimate of Revenues.* The child care development block grant (CCDBG) and child

support collections are estimated to be \$2.5 million more in 2009-10 and \$0.1 million less in 2010-11 than what was budgeted in Act 28.

*TANF Emergency Fund.* The federal American Recovery and Reinvestment Act of 2009 (ARRA) established a TANF emergency fund of \$5 billion, which set aside a maximum amount that each state can access equal to one-half of the state's TANF block grant. Until September 30, 2010, states can claim emergency funds in an amount equal to 80% of the increased expenditures in the following areas: (a) TANF caseload and basic assistance costs; (b) non-recurrent, short-term benefits; (c) subsidized employment costs; and (d) certain costs of operating a summer food service site under the summer food service program. Once claimed, TANF emergency funds can be spent for any TANF-approved purpose. Because TANF emergency funds may only be claimed for these specified expenditures, a state may receive less of these funds than the amount set aside under the federal ARRA if the state does not have sufficient expenditures in one or more of these categories.

If the state receives the entire amount of TANF emergency funds for which it is eligible, the state would receive an additional \$88.7 million over the 2009-11 biennium than what was budgeted under Act 28.

*Underspending in Wisconsin Shares.* Act 28 budgeted \$385.0 million in 2009-10 and \$402.5 million in 2010-11 for Wisconsin Shares, the state's child care subsidy program. However, based on expenditure data through May, 2010, it is anticipated that actual costs for Wisconsin Shares will total approximately \$339.0 million in 2009-10 and \$342.0 million 2010-11.

*Reallocation of Underspending in Wisconsin Shares.* Section 49.175(2) of the Wisconsin statutes allows DCF to reallocate TANF funds that have already been allocated for any TANF purpose if the Secretary of the Department of Administration (DOA) approves the reallocation. The DOA Secretary has approved reallocation of child care subsidy savings to a variety of programs during the current biennium. The following table shows all of the reallocations approved by the DOA Secretary.

**Reallocations Approved by DOA from Child Care Savings  
2009-10 and 2010-11**

<u>TANF Program</u>	<u>2009-10</u>	<u>2010-11</u>
Wisconsin Works Benefits	\$5,643,600	\$19,287,000
Wisconsin Works Administration	2,148,900	3,123,400
Wisconsin Works Services	3,931,000	13,434,100
Child Care Fraud Detection and Prevention*	3,120,800	3,200,000
Caretaker Supplement for Children of SSI Recipients	776,200	0
Kinship Care	1,805,100	0
Automated Attendance Tracking System*	0	1,000,000
Earned Income Tax Credit**	29,000,000	9,759,300
Quality Rating and Improvement System***	<u>0</u>	<u>10,046,800</u>
 Total	 \$46,425,600	 \$59,850,600

\*DCF requests approval to move funds from aids appropriation to operations appropriation before spending funds in 2010-11.

\*\*Need Joint Committee on Finance approval to increase 20.835(2)(kf) appropriation before funds can be spent on the earned income tax credit.

\*\*\*Need Joint Committee on Finance approval of QRIS plan and to move \$892,400 from aids appropriation to operations appropriation before these funds can be spent in 2010-11.

As noted in the table, although the DOA Secretary has approved the reallocation of funds for the specified programs, Committee approval is needed to transfer or spend funds for child care fraud detection and prevention, the automated attendance tracking system, the child care quality rating and improvement system (QRIS), and the earned income tax credit (EITC).

Attachment 1 shows current estimates of the TANF program with the reallocations that need no approval from the Committee, except that funding for child care fraud detection and prevention is also included in Attachment 1. DCF is requesting that these funds be transferred to another appropriation, described in further detail below, in order to spend the funds on these administrative costs. However, it is assumed that \$3.2 million annually would continue to be spent on child care fraud detection and prevention activities even without Committee approval of the transfer of funds.

**SUMMARY OF PENDING REQUESTS**

**Request Under Section 13.10**

DCF has requested transferring funds from the kinship care program to the SSBG in the Department of Health Services in the amount \$1,416,800 in 2010-11 in order to generate additional matching funds under Title IV-E of the federal Social Security Act of \$368,400 in 2010-11 for costs spent on out-of-home care costs for licensed foster care placements that were formerly kinship care placements. The \$368,400 would be available for the child welfare program and, therefore, are not shown in the TANF budget.

In addition, DCF has requested that \$3,200,000 be transferred from the TANF and CCDBG aids appropriation to the TANF and CCDBG operations appropriation for child care fraud detection and prevention. The costs associated with child care fraud detection and prevention are administrative costs, rather than aids costs.

### **QRIS Plan**

DCF has requested approval of a plan to implement a child care QRIS. If the plan is approved, it is estimated that total costs of \$64.4 million would be incurred from 2010-11 through 2014-15. Of this amount, \$42.2 million would be for administration of the QRIS, and \$22.2 million would be for the costs of providing tiered reimbursements to child care providers. It should be noted that the separate QRIS paper has been revised from the original May 24, 2010, paper prepared for the Committee to incorporate reestimates of the child care subsidy program and the other pending requests noted in this overview paper.

### **ARRA Request**

DCF has requested increased expenditure authority of \$88.7 million for the remaining TANF emergency funds. Of this amount, DCF requests specific expenditures totaling \$36.7 million of these funds for: (a) a transitional jobs demonstration project (\$17.2 million in 2010-11); (b) the EITC (\$19.2 million in 2010-11); and (c) the summer food service program (\$0.3 million in 2010-11). The remaining \$52.0 million would be available for DCF to expend on any TANF-related purpose.

### **Request Under Section 16.515**

DOA has requested increased expenditure authority for the EITC supplement appropriation in order to spend an increase of \$29.0 million in 2009-10 and 2010-11 in TANF funds for the EITC. As noted above, DOA has reallocated underspending in Wisconsin Shares for the EITC and has requested approval to spend additional ARRA funds for the EITC. However, TANF funds cannot be spent for the EITC unless the expenditure authority for the EITC supplement appropriation is correspondingly increased. If this expenditure authority is not increased, then the TANF funds reallocated for the EITC would lapse to the TANF balance to be used for other TANF purposes.

### **Fiscal Effect of Approval of All Pending Requests**

Attachment 2 shows the current estimates of the TANF program, assuming that all of DCF's pending requests are approved by the Committee. As shown in Attachment 2, if all of the pending requests are approved, the estimated TANF balance would be \$68 million at the end of 2010-11. However, there would be a deficit by the end of 2012-13 of \$34 million. The estimated deficit would grow to \$150.8 million by the end of 2014-15 if no changes were made to ongoing revenues and expenditures.

## **OTHER ISSUES AFFECTING TANF PROGRAMS**

**TANF Emergency Funds.** The revised TANF estimates assume the state receives the entire

amount of federal TANF emergency funds set aside for the state. An application for the TANF emergency funds has been approved for \$50.5 million. DCF will submit another application(s) to access the remaining \$43.8 million in TANF emergency funds before the deadline of September 30, 2010.

If DCF does not have enough qualifying expenditure activities to access the remaining TANF emergency funds, the state could access these funds by creating a 100% wage subsidy under the W-2 trial jobs and the transitional jobs pilot project under 2009 Act 333. Act 333 provides a mechanism to access TANF emergency funds by enhancing existing programs. However, this would create new expenditures, which are not part of these estimates. As a result, these funds would not be available for current TANF expenditures. Therefore, the ending balance in the 2009-11 biennium would decrease by up to \$43.8 million because these funds would be used for a new expenditure and would not be available for current TANF programs.

**Additional Federal Funds.** There are currently initiatives at the federal level to extend the TANF emergency fund for one year and to increase child care funding. This could provide an additional \$78.6 million in TANF emergency funds and an additional \$26 million annually in child care funding. If received, this funding could be used to address future deficits.

However, neither of these initiatives has been enacted. In addition, the new TANF emergency funds could only be accessed for reimbursement on expenditures for specified purposes: (a) increases in TANF caseload and basic assistance costs; (b) increases in non-recurrent, short-term benefits; (c) increases in subsidized employment costs; and (d) certain costs of running a summer food service site under the summer food service program.

**W-2 Caseload.** The estimates assume that W-2 expenditures will remain high through the 2011-13 and 2013-15 biennia. Caseloads may decrease as the economy improves, so there could be underspending in this area compared to the estimates. However, national unemployment rates are expected to remain above 8% until 2013, and then remain above 7% until 2015.

**General Fund Condition.** It should also be noted that the general fund is facing significant challenges in the next biennium, so it may be unrealistic to expect more GPR funding to be provided to support TANF-related programs.

KS/sas  
Attachments

## ATTACHMENT 1

### Reestimates of W-2 and TANF Related Revenues and Expenditures Without the QRIS, Transitional Jobs, Summer Food Service Program, or Increases in the EITC 2009-10 through 2014-15

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>REVENUES</b>						
State General Purpose Revenue in DCF (GPR)	\$194,214,900	\$146,982,600	\$160,166,500	\$160,166,500	\$160,166,500	\$160,166,500
AFDC Overpayment Recoveries (PR)	297,900	292,900	292,900	292,900	292,900	292,900
W-2 Agency Filing Fees (PR)	1,000	1,000	1,000	1,000	1,000	1,000
TANF Contingency Funds (FED)	15,725,000		0	0	0	0
TANF Stimulus Funds (FED)	81,310,800	13,039,000	0	0	0	0
Overpayment Recoveries (FED)	2,500,000	2,530,000	2,530,000	2,530,000	2,530,000	2,530,000
TANF Block Grant (FED)	314,499,400	314,499,400	314,499,400	314,499,400	314,499,400	314,499,400
Child Care Block Grant (FED)	86,791,600	86,126,500	86,126,500	86,126,500	86,126,500	86,126,500
Public Benefits Fund (SEG)	9,139,700	9,139,700	9,139,700	9,139,700	9,139,700	9,139,700
Child Support Collections (PR)	8,127,800	5,594,900	5,594,900	5,594,900	5,594,900	5,594,900
TANF Carryover (FED)	<u>48,664,300</u>	<u>174,044,900</u>	<u>153,504,000</u>	<u>126,108,000</u>	<u>92,712,000</u>	<u>52,316,000</u>
Total Revenues	\$761,272,400	\$752,250,900	\$731,854,900	\$704,458,900	\$671,062,900	\$630,666,900
<b>EXPENDITURES</b>						
<b>W-2 Agency Contracts</b>						
Benefits	54,783,000	70,516,600	70,516,600	70,516,600	70,516,600	70,516,600
Administration	10,395,900	11,370,400	11,370,400	11,370,400	11,370,400	11,370,400
Services	42,402,500	48,905,600	48,905,600	48,905,600	48,905,600	48,905,600
Transitional Jobs Demonstration Project	0	0	0	0	0	0
<b>Child Care</b>						
Direct Child Care Subsidies	339,000,000	342,000,000	349,000,000	355,000,000	362,000,000	368,000,000
Child Care State Administration	2,770,800	3,125,800	3,125,800	3,125,800	3,125,800	3,125,800
Quality Care for Quality Kids	5,384,600	5,384,600	5,384,600	5,384,600	5,384,600	5,384,600
Day Care Licensing	5,763,900	5,763,900	5,763,900	5,763,900	5,763,900	5,763,900
Automated Attendance Tracking System	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Child Care Fraud Prevention/Program Integrity	3,120,800	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
<b>Other Benefits</b>						
Kinship Care Benefits and Assessments	26,240,100	24,435,000	24,435,000	24,435,000	24,435,000	24,435,000
Caretaker Supplement for Children of SSI Recipients	30,676,000	29,933,200	29,933,200	29,933,200	29,933,200	29,933,200
Emergency Assistance	6,500,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
<b>Administrative Support</b>						
State Administration	15,399,900	15,505,700	15,505,700	15,505,700	15,505,700	15,505,700
Kinship Care Administration	235,100	235,100	235,100	235,100	235,100	235,100
Fraud Prevention/Program Integrity	605,500	605,500	605,500	605,500	605,500	605,500
<b>Other Support Services</b>						
Children First	1,140,000	1,140,000	1,140,000	1,140,000	1,140,000	1,140,000
<b>Grant Programs</b>						
Boys and Girls Clubs	350,000	350,000	350,000	350,000	350,000	350,000
<b>Expenditures in Other Programs</b>						
Earned Income Tax Credit	6,664,200	6,664,200	6,664,200	6,664,200	6,664,200	6,664,200
Social Services Block Grant	13,420,500	13,420,500	13,420,500	13,420,500	13,420,500	13,420,500
Child Welfare Safety Services	6,350,300	6,350,300	6,350,300	6,350,300	6,350,300	6,350,300
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	1,489,600	1,489,600
Milwaukee Child Welfare/eWISACWIS	1,350,900	1,350,900	1,350,900	1,350,900	1,350,900	1,350,900
DPI Summer Food Service Program	0	0	0	0	0	0
<b>Repayment of Federal Funds</b>						
AFDC Overpayment	<u>13,183,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$587,227,500	\$598,746,900	\$605,746,900	\$611,746,900	\$618,746,900	\$624,746,900
Ending Balance	\$174,044,900	\$153,504,000	\$126,108,000	\$92,712,000	\$52,316,000	\$5,920,000

## ATTACHMENT 2

### Reestimates of W-2 and TANF Related Revenues and Expenditures With the QRIS, Transitional Jobs, Summer Food Service Program, and Increases in the EITC 2009-10 through 2014-15

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>REVENUES</b>						
State General Purpose Revenue in DCF (GPR)	\$194,214,900	\$146,982,600	\$160,166,500	\$160,166,500	\$160,166,500	\$160,166,500
AFDC Overpayment Recoveries (PR)	297,900	292,900	292,900	292,900	292,900	292,900
W-2 Agency Filing Fees (PR)	1,000	1,000	1,000	1,000	1,000	1,000
TANF Contingency Funds (FED)	15,725,000	0	0	0	0	0
TANF Stimulus Funds (FED)	81,310,800	13,039,000	0	0	0	0
Overpayment Recoveries (FED)	2,500,000	2,530,000	2,530,000	2,530,000	2,530,000	2,530,000
TANF Block Grant (FED)	314,499,400	314,499,400	314,499,400	314,499,400	314,499,400	314,499,400
Child Care Block Grant (FED)	86,791,600	86,126,500	86,126,500	86,126,500	86,126,500	86,126,500
Public Benefits Fund (SEG)	9,139,700	9,139,700	9,139,700	9,139,700	9,139,700	9,139,700
Child Support Collections (PR)	8,127,800	5,594,900	5,594,900	5,594,900	5,594,900	5,594,900
TANF Carryover (FED)	48,664,300	145,044,900	68,005,700	12,431,000	-33,992,200	-88,415,400
Total Revenues	<u>\$761,272,400</u>	<u>\$723,250,900</u>	<u>\$646,356,600</u>	<u>\$590,781,900</u>	<u>\$544,358,700</u>	<u>\$489,935,500</u>
<b>EXPENDITURES</b>						
<b>W-2 Agency Contracts</b>						
Benefits	\$54,783,000	\$70,516,600	\$70,516,600	\$70,516,600	\$70,516,600	\$70,516,600
Administration	10,395,900	11,370,400	11,370,400	11,370,400	11,370,400	11,370,400
Services	42,402,500	48,905,600	48,905,600	48,905,600	48,905,600	48,905,600
Transitional Jobs Demonstration Project	0	17,151,500	17,151,500	0	0	0
<b>Child Care</b>						
Direct Child Care Subsidies	339,000,000	342,000,000	352,000,000	360,000,000	368,000,000	376,000,000
Child Care State Administration	2,770,800	3,125,800	3,125,800	3,125,800	3,125,800	3,125,800
Quality Care for Quality Kids	5,384,600	5,384,600	5,384,600	5,384,600	5,384,600	5,384,600
Day Care Licensing	5,763,900	5,763,900	5,763,900	5,763,900	5,763,900	5,763,900
Automated Attendance Tracking System	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Child Care Fraud Prevention/Program Integrity	3,120,800	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
YoungStar	0	10,046,800	8,027,200	8,027,200	8,027,200	8,027,200
<b>Other Benefits</b>						
Kinship Care Benefits and Assessments	26,240,100	23,018,200	22,618,700	22,618,700	22,618,700	22,618,700
Caretaker Supplement for Children of SSI Recipients	30,676,000	29,933,200	29,933,200	29,933,200	29,933,200	29,933,200
Emergency Assistance	6,500,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
<b>Administrative Support</b>						
State Administration	15,399,900	15,505,700	15,505,700	15,505,700	15,505,700	15,505,700
Kinship Care Administration	235,100	235,100	235,100	235,100	235,100	235,100
Fraud Prevention/Program Integrity	605,500	605,500	605,500	605,500	605,500	605,500
<b>Other Support Services</b>						
Children First	1,140,000	1,140,000	1,140,000	1,140,000	1,140,000	1,140,000
<b>Grant Programs</b>						
Boys and Girls Clubs	350,000	350,000	350,000	350,000	350,000	350,000
<b>Expenditures in Other Programs</b>						
Earned Income Tax Credit	35,664,200	35,664,200	6,664,200	6,664,200	6,664,200	6,664,200
Social Services Block Grant	13,420,500	14,837,300	15,236,800	15,236,800	15,236,800	15,236,800
Child Welfare Safety Services	6,350,300	6,350,300	6,350,300	6,350,300	6,350,300	6,350,300
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	1,489,600	1,489,600
Milwaukee Child Welfare/eWISACWIS	1,350,900	1,350,900	1,350,900	1,350,900	1,350,900	1,350,900
Summer Food Program-DPI	0	300,000	0	0	0	0
<b>Repayment of Federal Funds</b>						
AFDC Overpayment	13,183,900	0	0	0	0	0
Total Expenditures	<u>\$616,227,500</u>	<u>\$655,245,200</u>	<u>\$633,925,600</u>	<u>\$624,774,100</u>	<u>\$632,774,100</u>	<u>\$640,774,100</u>
Ending Balance	\$145,044,900	\$68,005,700	\$12,431,000	-\$33,992,200	-\$88,415,400	-\$150,838,600