



## Legislative Fiscal Bureau

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May 21, 2001

Joint Committee on Finance

Paper #1046

### *Temporary Assistance for Needy Families (TANF)*

## **Program Reduction Options to Pay for Child Care Subsidies (DWD -- Economic Support and Child Care)**

[LFB 2001-03 Budget Summary: Page 339, #5, Page 731, #1, Page 735, #2, Page 736, #6 & #7, Page 737, #8 & #10, Page 740, #16, Page 741, #18, Page 742, #21, Page 743, #23, Page 744, #27 & 29, Page 745, #32, Page 746, #34 and Page 748, #43]

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## **CURRENT LAW**

### **TANF Funding**

Under current law, funds from the temporary assistance for needy families (TANF) block grant are used for a variety of programs to assist low-income families. Under the Governor's budget bill, it is projected that there will be a shortfall in funding for the Wisconsin Shares child care subsidy program of \$32.0 million in 2001-02 and \$63.1 million in 2002-03 for a total of \$95.1 million. This paper explores possible reductions in TANF-funded programs in the Department of Workforce Development (DWD) and other departments that could provide additional funding for child care subsidies.

## **GOVERNOR**

### **TANF Funding for DWD Programs**

#### *a. Programs with Funding Reductions*

Due to anticipated growth in the child care subsidy program, the Governor recommended eliminating funding for some programs and reducing funding for others. Programs where new funding would be completely eliminated include: community youth grants; alcohol and other

drug abuse (AODA) programs; Wisconsin economic development initiative; legal services; and English for Southeast Asian children. For the community youth grants and AODA programs, funds would be provided in 2001-02 to fulfill contractual obligations from the 1999-01 biennium.

Programs where funding would be reduced include literacy grants and work-based learning programs. The bill would provide funding in 2001-02 for both of these programs to fulfill contractual obligations from the 1999-01 biennium. In 2002-03, the bill would provide funds for new grants at a reduced level. Literacy grants would be reduced from an annual grant of \$1,404,100 in the last biennium, to annual grants of \$750,000 starting in 2002-03. Work-based learning programs administered by the Governor's Work-Based Learning Board would be reduced from an annual grant of \$6,084,500, to annual grants of \$2,000,000 starting in 2002-03. The bill would also reduce funds for the Milwaukee Private Industry Council by \$500,000 annually.

***b. Programs with Funding Increases***

The Governor also proposed to increase TANF funding for several programs in DWD, including: (a) W-2 benefits, which would be increased by \$1,386,500 in 2001-02 and \$2,773,000 in 2002-03; (b) job access loans, which would be increased by \$400,000 annually; (c) children first, which would be increased by \$1,660,000 annually; (d) state administration of overpayment collections, which would be provided \$18,800 in 2001-02 and \$25,100 in 2001-02; and (e) the fatherhood initiative, which would be provided \$200,000 annually. In addition, community reinvestment funding would increase by \$33,583,800 in 2001-02, as reestimated, to fund current obligations for community reinvestment associated with the 1997-1999 W-2 contracts.

***c. Programs with no Funding Changes***

The Governor proposed keeping funding levels for other expenditures in DWD constant. This includes items such as: (a) performance bonuses, which would be provided \$14,772,600 in 2001-02 for bonuses related to the 2000-2001 W-2 contracts as reestimated; (b) the employment skills advancement program, which would be provided \$100,000 annually; (c) the workforce attachment and advancement program, which would be provided \$10,000,000 annually; and (d) the early childhood excellence program, which would be provided \$7,500,000 annually.

**TANF Funding in Other Departments**

***a. Programs with Funding Reductions***

The only proposal to reduce the amount of TANF funding being used in another department is the elimination of the community marriage coordinator in the Department of Health and Family Services (DHFS).

***b. Programs with no Funding Changes***

The Governor also proposed to maintain current funding levels for TANF-funded programs in other departments. In the Department of Public Instruction, the budget would maintain funding for Head Start at \$3,712,500 annually and aid to Milwaukee Public Schools at \$1,410,000 annually. In the Department of Military Affairs, the Governor would continue to provide \$83,200 annually for the badger challenge program. In the Governor's office, the bill would maintain funding of \$50,000 annually for a literacy program. In the Child Abuse and Neglect Prevention Board, funds would be maintained at \$340,000 annually. In DHFS, the budget would maintain current funding levels for the following programs: (a) early pregnancy identification at \$100,000 annually; (b) nutrition services at \$1,000,000 annually; (c) immunization services at \$1,000,000 annually; and (d) domestic violence services at \$1,000,000 annually.

**Eligibility Changes for the Employment Skills Advancement Program**

The employment skills advancement program awards grants to eligible individuals to be used for tuition, books, transportation or other direct costs of training or education in a vocational training or educational program. The bill would modify three eligibility requirements for the employment skills advancement program to: (a) increase the maximum lifetime grant amount from \$500 to \$1,000; (b) reduce the recipient's required contribution from 100% to 50% of the amount of the grant; and (c) increase the income limit from 165% to 185% of poverty.

**DISCUSSION POINTS**

1. During the 1999-01 budget process, there was a large TANF balance. The Legislature used this balance to create new programs, supplement existing programs and to replace GPR for existing programs. For the 2001-03 biennium, availability of TANF funding is much more limited because ongoing costs in the TANF program exceed ongoing revenues and child care costs have increased dramatically in the last two years.

2. The Wisconsin Shares child care subsidy program is projected to have a deficit of \$95.1 million over the biennium. Options for changing eligibility requirements to confine the program within available funding are presented in that paper. This paper explores options to reduce or eliminate certain TANF-funded programs to provide additional funds for child care subsidies. This paper also provides options to partially fund the child care subsidy shortfall using the \$21,228,700 TANF balance identified in the TANF reestimates paper #1041 and \$1,080,600 in newly identified federal child care revenues. Separate papers address the issue of using some of the funds allocated for the local pass-through child care program and programs to improve child care quality and availability to fund child care subsidies.

3. As part of the Governor's proposed budget, several programs were either reduced or eliminated to provide additional funds for child care subsidies. Additional reductions in DWD are possible, including programs in DWD that the Governor partially reduced, as well as programs where funding was added or kept at the base level. The following programs administered by DWD

are discussed in this paper: (a) W-2 benefits; (b) W-2 performance bonuses; (c) community reinvestment funds; (d) job access loans; (e) employment skills advancement program; (f) children first; (g) state administration; (h) work-based learning programs; (i) fatherhood initiative (j) workforce attachment and advancement; (k) early childhood excellence; and (l) literacy grants. This paper does not address benefit programs such as kinship care, caretaker supplement, emergency assistance, state food stamps for legal immigrants, funeral and burial reimbursement, transportation services and the earned income tax credit (EITC), because those allocations are based on projected caseload for those programs.

4. In addition, this paper examines the following programs in other state departments which were expanded in the 1999-01 budget using TANF funds: (a) Head Start in the Department of Public Instruction; (c) early identification of pregnancy program in DHFS; (d) literacy grants in the Governor's office; (e) nutrition services in DHFS; (f) immunization services in DHFS; (g) domestic violence services in DHFS; and (h) the Child Abuse Neglect and Prevention Board in DHFS. This paper does not explore reducing programs in other state departments where TANF replaced GPR that had been used prior to the 1999-01 budget, since doing so would either have a negative GPR impact or would result in cuts into the base of these programs.

### **Federal Child Care Revenues**

5. Action by the Joint Committee on Finance on April 24, 2001, provided funding to address a projected shortfall in the direct child care program for 2000-01. As part of this action, \$1,233,300 in CCDF matching funds and \$846,800 GPR were provided in 2000-01 in lieu of using \$2,080,100 in CCDF discretionary funds as originally proposed by the Governor. This action results in a gain of \$2,080,100 in CCDF discretionary funds that can be budgeted in the 2001-03 biennium. Through reestimates of the amount of CCDF funding available, an additional \$2,382,000 in untapped FFY 2001 CCDF funds earmarked for child care quality improvement was also identified. These new revenues total \$4,462,100. However, the actual net amount of revenue that could be added for child care subsidies totals only \$1,080,600 over the biennium, due to an adjustment needed to correct double counting of revenue in past years and a revised federal matching rate. These funds must be obligated by September 30, 2002.

### **W-2 Benefits**

6. The bill would increase the amount available for subsidized employment benefits under the W-2 program by \$1,386,500 in 2001-02 and \$2,773,000 in 2002-03. The amount of funding provided assumes that the caseload will increase from 6,679 in January, 2001 to 7,651 per month under the next W-2 contracts, which would take effect on January 1, 2002. The administration states that additional funds were added to the benefits allocation to address the possibility of a caseload increase. It is possible that additional funds for benefits would be needed because Wisconsin's unemployment rate has been rising. Unemployment rates in recent months have been as follows: 3.4% in December, 2000, 3.8% in January, 2001, 4.3% in February, 2001, and 4.1% in March, 2001.

7. However, additional funds for benefits may not be needed because the W-2 caseload

has steadied, with a -0.03% average monthly change for January, 2000, through January, 2001. Accordingly, the recommendation to provide increased funds for W-2 benefits could be denied, which could provide funds for child care subsidies totaling \$1,386,500 in 2001-02 and \$2,773,000 in 2002-03.

8. An argument could be made that any savings resulting from reducing W-2 benefits should instead be used to help create a contingency fund for the W-2 contracts since the Governor proposed elimination of the contingency fund and additional benefit funds may be needed if there is an economic downturn. An alternative to place these funds in a contingency fund is included in Paper #1042.

### **Performance Bonuses**

9. As reestimated, the bill would provide \$14,772,600 in 2001-02 for performance bonuses associated with the 2000-2001 W-2 contracts. While the contracts state that these funds will be available, the contracts also contain a clause stating that the obligations of DWD are contingent upon legislative authorization and budget appropriations by the federal government and State Legislature. The Legislative Reference Bureau indicates that this clause is unclear and could be interpreted as either requiring the Legislature to appropriate funds for performance bonuses or as allowing the Legislature to appropriate the funds designated for performance bonuses for other uses. It could be argued that providing sufficient funds for child care subsidies is a higher priority than providing funds for performance bonuses and that funds for performance bonuses should be reduced or eliminated. This could provide up to \$14,772,600 for child care subsidies in 2001-02.

10. An argument could be made that these funds have already been contractually obligated to the W-2 agencies and should not be deleted. In addition, it is possible that litigation would result if these funds were reallocated. It could also be argued that all or part of the funds would more appropriately be placed in a contingency fund for the W-2 contracts since they were originally part of the W-2 contracts. An alternative to place these funds in a contingency fund is included in Paper #1042.

### **Community Reinvestment**

11. As reestimated, the bill would provide \$33,583,800 in 2001-02 for community reinvestment activities associated with the 1997-1999 W-2 contracts. This is composed of \$12,734,800 remaining unspent from the first six months of the contracts, as well as \$20,849,000 that has not yet been budgeted for the last six months of the contracts. The bill would also provide \$8,309,500 over the biennium for community reinvestment activities associated with the 2000-2001 W-2 contracts. As with the performance bonuses, the contracts contain a clause stating that the obligations of DWD are contingent upon legislative authorization and budget appropriations by the federal government and State Legislature. It could be argued that providing sufficient funds for child care subsidies is a higher priority than providing funds for community reinvestment and that funds for community reinvestment should be reduced or eliminated. This could provide up to \$36,353,700 in 2001-02 and \$5,539,700 in 2002-03 for child care subsidies.

12. As with performance bonuses, an argument could be made that these funds have already been contractually obligated to the W-2 agencies and should not be deleted. It could also be argued that all or part of the funds would more appropriately be placed in a contingency fund for the W-2 contracts since they were originally part of the W-2 contracts. Alternatives to place these funds in a contingency fund is included in Paper #1042.

### **Milwaukee Private Industry Council**

13. The Governor proposed reducing funding for the Milwaukee Private Industry Council (PIC) by \$500,000 annually for a new allocation of \$500,000 annually. As discussed in Paper #1044, the Legislative Audit Bureau found that the PIC was not meeting all of its contract requirements and that little is known about the effectiveness of the PIC's work. The remaining \$500,000 annual allocation could be reduced or eliminated, which could provide up to \$500,000 annually for child care subsidies.

### **Job Access Loans**

14. The Governor proposed adding \$400,000 annually for job access loans due to increased demand for the program for a total allocation of \$1,000,000 annually. Loans are provided to persons with income up to 115% of the federal poverty level and can be used to: (a) address an immediate financial crisis; (b) obtain or continue employment; or (c) repair or purchase a vehicle for employment. In 1999-00, the budget for the program was \$600,000 but actual loans totaled \$1,422,000. For 2000-01, the budget is \$600,000 but the administration is projecting expenditures of \$1,200,000.

15. An argument could be made that the need for child care subsidies outweighs the need to meet demand for job access loans and that funding should be maintained at the current level of \$600,000 annually. If the Legislature does not adopt the proposed increase, W-2 agencies would still have job access loan repayments of approximately \$200,000 annually that could be used to cover additional loans. Loan repayments are used by W-2 agencies to provide loans in excess of their contractual allocations. Therefore, maintaining current law would actually provide \$800,000 annually for job access loans. In addition, W-2 agencies could use their performance bonuses or community reinvestment funds to supplement their allocations for job access loans. This option would provide \$400,000 annually for child care subsidies.

16. Conversely, an argument could be made that not approving the Governor's recommended increase would result in a reduced service level since the administration estimates expenditures of \$1,200,000 for 2001-02. In addition, it could be argued that the job access loans provide a critical service by providing funds up front to low-income persons trying to enter the workforce.

### **Employment Skills Advancement Program**

17. The Governor proposed to maintain funding for the employment skills advancement

program at \$100,000 annually. This program provides grants to eligible individuals to be used for tuition, books, transportation or other direct costs of training or education in a vocational training or educational program. This program has had limited participation. In 1999-00, only \$1,000 in grants were awarded. For 2000-01, a total of \$1,931 in grants had been awarded as of March, 2001. The Governor proposed modifying the following eligibility requirements for this program to increase participation: (a) increase the maximum lifetime grant amount from \$500 to \$1,000; (b) reduce the recipient's required contribution from 100% to 50% of the amount of the grant; and (c) increase the income limit from 165% to 185% of poverty.

18. While the Governor's proposal to relax the eligibility requirements may increase participation in the program, it could be argued that the eligibility requirements for the program would remain too onerous to encourage additional participation. If the eligibility requirements were significantly relaxed to encourage participation, the cost of the program could increase dramatically. In addition, there are a wide variety of financial aid programs available from the federal government and through the Higher Education Aids Board, which have greater access to funding and less stringent eligibility requirements. Therefore, it could be argued that the employment skills advancement program should be eliminated and the savings should be allocated to child care subsidies.

19. Conversely, concerns have been raised that the W-2 program has not had enough of a commitment to higher education to enable participants to move out of poverty and that the employment skills advancement program should be retained. Participation could increase with the Governor's proposed statutory changes and with additional publicity performed by the W-2 agencies.

### **Children First**

20. The children first program provides job training and work experience to low-income or underemployed noncustodial parents to help these parents meet their child support financial obligations. A noncustodial parent who has no current means of meeting a child support obligation may be ordered by a court into the program. Children first participants often face significant barriers to meaningful employment, including low educational achievement, poor work histories, alcohol and/or drug abuse problems, and criminal records. The program is administered through partnerships between county child support agencies, W-2 agencies, and the county or tribal judicial system. It currently operates in 43 counties and with the Lac du Flambeau tribe. DWD reimburses county child support or W-2 agencies at a rate \$400 per participant (up to \$400 per participant under the bill).

21. The bill would increase the amount of funding from the TANF program dedicated to the children first initiative from the current level of \$1,140,000 per fiscal year to \$2,800,000 per year during the 2001-03 biennium. The additional dollars would be used to fund the participation of 7,000 additional noncustodial parents per year and expansion of the program into Ashland, Brown, Columbia, Florence and LaCrosse counties. In calendar year 2000, the program served a total of 4,960 participants. The Committee could decide that child care subsidies are a higher priority than expanding the children first program. If the Committee chooses not to implement the proposed

expansion of the program or chooses to implement it at a reduced level, the savings could be used to fund child care subsidies.

22. However, concerns have been raised about the need to provide additional services to noncustodial parents to enable them to provide enhanced financial support to their children. Increased child support payments could help some families achieve self-sufficiency and be less reliant on public assistance programs.

### **State Administration**

23. Funds could be reallocated from the state administration allocation to the child care subsidy program. The Governor's budget provided \$18,800 in 2001-02 and \$25,100 in 2002-03 in TANF funds for 0.5 FTE for the public assistance collections unit as discussed in Paper #1053. Because the public assistance collections unit generates program revenue to cover the cost of the position, TANF funds do not need to be used. Instead, these funds could be allocated to child care subsidies with no impact on the public assistance collections unit.

### **Work-Based Learning Programs**

24. The Governor proposed reducing TANF funding for work-based learning programs administered by the Governor's Work-Based Learning Board. These funds are used for state-regulated youth apprenticeship programs and other local work-based learning programs for youth from families with income levels up to 200% of the federal poverty level. The Board plans to serve a total of 5,300 youth from Spring, 2000, through December 31, 2001: 800 in youth apprenticeship programs and 4,500 in work experience programs.

25. The current contract terms run through December 31, 2001, and include \$7,399,000 in funding. For 2001-02, the Governor's budget would provide \$6,399,000 for current contractual obligations. For 2002-03, the Governor would provide \$2,000,000 for new grants.

26. The proposed \$2,000,000 allocation for work-based learning programs in 2002-03 could be further reduced or eliminated. A reduction in these programs could provide up to \$2,000,000 for child care subsidies. It could be argued that the Governor's Work-Based Learning Board has other GPR and program revenue that would allow some of these services to continue. The Governor proposed continuing \$3.1 million annually for local youth apprenticeship grants, \$300,000 annually for youth apprenticeship training grants, and \$2.3 million annually for school-to-work.

27. Conversely, it could be argued that work-based learning programs should not be further reduced because they provide preventive services to youth that will make them less reliant on public assistance in the future.

### **Fatherhood Initiative**

28. A separate paper has been prepared on the proposed fatherhood initiative, which would be provided \$200,000 annually under the bill. If the Committee chooses not to implement the



proposed program or chooses to implement it at a reduced level, the savings could be used to fund child care subsidies.

### **Workforce Attachment and Advancement**

29. The bill would maintain funding of \$10,000,000 annually for the workforce attachment and advancement program. This program provides funds to workforce development boards and W-2 agencies for post-employment services to assist with job retention; incumbent worker training to promote job advancement and increased earnings; services to employers to retain workers and provide career progression paths; job readiness and placement services to unemployed persons; and basic skills development. Services are provided to individuals with income at or below 200% of the federal poverty level. As of the end of December, 2000, there had been 1,117 participants, including 835 active cases. The highest number of participants has been in the southeast workforce development area representing 23.1% of the caseload. This area includes Kenosha, Racine and Walworth counties. Conversely the Milwaukee region represented only 5% of the caseload. As of April, 2001, there were less than 100 cases in Milwaukee County. In addition, a total of \$4.9 million out of \$19.7 million had been spent at the end of February, 2001.

30. The program began in January, 2000. Current contracts are for the period of January 1, 2000, through December 31, 2001, and total funding available over the contract term is \$19,700,000. For 2001-02, the funding in the Governor's bill would provide \$9,641,000 for current contractual obligations associated with the 1999-01 biennium and \$359,000 for new grants. For 2002-03, the bill would provide an additional \$10,000,000 for new grants.

31. It could be argued that the services being provided through the workforce attachment and advancement program are already provided through the workforce investment act (WIA) and should also be part of the basic services performed by the W-2 agencies. In addition, given the low caseload in calendar year 2000 and the slow rate of initial spending, \$10,000,000 in annual funding may not be necessary for the program. Accounting for the fact that the program took awhile to be fully implemented, a reasonable estimate is that the program could be cut in half and still serve interested participants. New grants could be reduced to \$5,000,000 annually, which would save \$5,000,000 in 2002-03 that could be used for child care subsidies.

32. Alternatively, funds for the program could be eliminated and the W-2 agencies could implement the program using funds in their 2001-03 allocations for administration and services. This option would save \$359,000 in 2001-02 and \$10,000,000 in 2002-03 that could be provided for child care subsidies.

33. DWD argues against reducing or eliminating funding for this program because a primary goal of the Department is to help low-income families attach and advance in the workforce. Without this program, W-2 agencies may not have sufficient funds to provide these services in addition to their other responsibilities.

### **Early Childhood Excellence Initiative**

34. The bill would maintain funding of \$7,500,000 annually for the early childhood

excellence initiative. This program provides grants to develop early childhood centers for children under age five who come from families with incomes at or below 200% of the federal poverty level. The centers provide child care, educational services, outreach and training for parents of children served by the center and training for child care providers. A local matching contribution of 25% is required. Those who receive training under the grant may in turn apply for a grant to establish an early childhood program. A total of 2,300 participants are projected to be served in 2000-01, which represents a cost of approximately \$3,300 per participant. Families who participate in the program are eligible to receive child care subsidies to participate in the program and must pay the applicable copayment.

35. There are currently 18 early childhood excellence centers. Current grants are for the period of July 1, 2000, through December 31, 2001. For 2001-02, the funding in the Governor's bill would provide \$7,500,000 for current contractual obligations. For 2002-03, the bill would provide an additional \$7,500,000 for new grants.

36. While the early child excellence program provides child care services to participants, the state also provides child care subsidies to the parents who attend the centers, which makes the total cost of the centers much higher. The average annual subsidy cost of providing child care subsidies to 2,300 participants is \$12.8 million in 2001-02 and \$13.1 million in 2002-03. Adding the child care subsidy cost onto the cost of the early childhood excellence centers increases costs from \$7.5 million annually to a total cost of over \$20 million annually. If the \$7,500,000 annual allocation were just provided for child care subsidies, approximately 1,300 participants could be served per month. It can also be argued that the early childhood excellence initiative is duplicative of the Head Start program. Converting this program to child care subsidies would provide \$7,500,000 in 2002-03.

37. However, some may argue that it is more important to provide funds to the early childhood excellence centers than to use the funds for subsidies because models of high quality early childhood care programs need to be developed throughout the state. Research has shown that proper stimulation and nutrition in the early years can have a long-term impact on a child's educational, social and emotional development and the absence of proper stimulation or negative experiences can have detrimental effects.

### **Literacy Grants -- DWD**

38. The Governor proposed reducing TANF funding for literacy grants in DWD. The 1999-01 budget included \$1,404,100 annually for formula-based literacy grants, workplace literacy grants and child and family tutoring grants for families with income at or below 200% of the federal poverty level. In 1999-00, 1,079 participants were served. The current grants end on December 31, 2001. For 2001-02, the Governor's budget would provide \$1,375,800 for current contractual obligations. For 2002-03, the Governor would provide \$750,000 for new grants.

39. The proposed \$750,000 allocation for literacy grants in 2002-03 could be further reduced or eliminated. A reduction in this program could provide up to \$750,000 for child care subsidies. It could be argued that literacy services are already provided by the W-2 agencies through

their administration and services allocations and that the W-2 agencies would be able to absorb the participants being served by the literacy grants. For calendar year 2000, W-2 agencies spent \$4.5 million on education services, a portion of which was spent on literacy services. In its audit of the W-2 program, the Legislative Audit Bureau found that in calendar year 2000, literacy services were provided to approximately 2,700 participants, which represents approximately 7% of recipients during that time period.

40. It could also be argued that funds for literacy grants should be retained because the W-2 agencies would be unable to provide sufficient focus on literacy with base funding from the W-2 contracts.

### **Head Start**

41. The Governor proposed maintaining TANF funding for the Head Start supplement program in the Department of Public Instruction at \$3,712,500 annually. For 2000-01, the program's goal is to serve 728 children. Prior to the 1999-01 biennium, the program was funded with approximately \$4,950,000 GPR annually. As part of the 1999-01 budget, annual funding for the program was increased by \$2,475,000 to \$7,425,000. A total of \$1,237,500 in TANF funding was used to replace GPR funds that had been previously used and \$2,475,000 in TANF funding was provided to expand the program.

42. An option would be to eliminate the \$2,475,000 annual increase that was provided in the 1999-01 budget. This would result in a \$4,950,000 annual allocation for the program and would result in a \$2,475,000 savings in TANF funds annually that could be used for child care subsidies. It could be argued that similar services would continue to be provided to these children under the child care subsidy program.

43. However, some may argue that TANF funding should not be reduced for the program, because services would be eliminated for approximately 485 children per month. In contrast, \$2,475,000 for child care subsidies could only fund approximately 400 children per month.

44. Under the state's two-thirds funding calculation for school aids, if funding for a categorical aid such as Head Start is decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aid in order to maintain two-thirds funding of partial school revenues. If Head Start were reduced by \$2,475,000 annually, then a corresponding increase in general school aids of \$835,000 GPR annually would be required, meaning that the net amount available for child care subsidies would be \$1,640,000 annually.

### **Early Identification of Pregnancy**

45. The Governor also proposed maintaining TANF funding for the early identification of pregnancy program in DHFS at \$100,000 annually. This allocation was added in the 1999-01 biennium for outreach activities to make low-income pregnant women aware of the importance of early prenatal and infant health care and of the availability of medical assistance and other programs to support prenatal and infant care.

46. Due to a delay in program implementation, no funds were spent for the program in 1999-00. DHFS indicates that the \$100,000 for 2000-01 has been fully committed to: (a) inform low-income women who suspect they may be pregnant of the services available to them; (b) promote early confirmation of pregnancy; and (c) facilitate access to pregnancy testing services and appropriate care.

47. For 2001-02, the Governor's budget, as reestimated by this office, would provide \$50,000 for new grants. For 2002-03, the Governor's budget would provide \$100,000 for new grants. As a result, deleting the TANF funds for this program would free up \$50,000 in 2001-02 and \$100,000 in 2002-03 that could be used for child care subsidies.

48. However, DHFS is currently waiting for approval of a waiver to use medical assistance funds for family planning services for low-income women. The intent is to provide family planning services under MA to women between the ages of 14 and 44, whose income is below 185% of poverty, including single women, who are currently not eligible for these services. The waiver program could not be used for outreach activities. Therefore, DHFS officials indicate that the early identification of pregnancy outreach funding is necessary to reach additional women who could be served upon approval of the waiver.

#### **Literacy -- Governor's Office**

49. The Governor proposed maintaining TANF funding for a literacy program in the Governor's office. A total of \$25,000 would be provided to continue funding 30% of a literacy advocate in the Governor's Office and \$25,000 would be provided to continue support for literacy aids in libraries. Prior to the 1999-01 biennium, the literacy advocate was funded with GPR only, while the funding for literacy aids to libraries represented increased funding. No funds were spent for the program in 1999-00 and the position authority has not been used.

50. It could be argued that the annual allocation of \$25,000 added for literacy aids to libraries in the 1999-01 budget could be reduced without any substantial impact because the amount is minimal and literacy services are already provided by W-2 agencies through their administration and services allocation. The resulting savings of \$25,000 per year could be provided for child care subsidies. In addition, the authority for 0.3 FTE could be deleted.

51. However, it could be argued that funds should be retained for literacy aids because W-2 agencies do not have sufficient funds in the base W-2 contracts for literacy services.

#### **Nutrition Services**

52. The Governor proposed maintaining TANF funding for nutrition services administered by DHFS at \$1,000,000 annually. This funding is provided for nutrition education services to persons enrolled in the women, infants and children (WIC) supplemental food program. As part of the 1999-01 budget, \$500,000 in TANF funds was provided to expand the program and \$500,000 was used to replace GPR that had been previously budgeted for this purpose.

53. The TANF funds support nutrition education services for 75 permanent and 172

traveling clinics. In 1999-00, approximately \$500,000 in TANF served 14,338 participants. In addition, federal WIC funds were used to provide these services to 168,126 participants in 1999-00.

54. The grants for the nutrition services program are awarded on a calendar year basis. For 2001-02, the Governor's budget, as reestimated by this office, would provide \$500,000 for new grants. For 2002-03, the Governor's budget would provide \$1,000,000 for new grants.

55. An option would be to delete the \$500,000 added in 1999-01 to expand the program and instead use these funds for child care subsidies. Deleting the TANF funds for this program would free up \$250,000 in 2001-02 and \$500,000 in 2002-03 that could be used for child care subsidies.

56. However, reducing TANF funds would reduce nutritional services available to low-income women and children, particularly those served through the 172 traveling clinics which, according to DHFS, would be the most affected by a reduction in funding.

### **Immunization Services**

57. The Governor also proposed maintaining TANF funds for immunization services at \$1,000,000 annually. These funds are used for a variety of support activities, such as establishing and maintaining an immunization record system, notifying parents of children who are behind schedule to receive immunizations, identifying the transportation needs of clients and assisting clients in obtaining accurate records of previous immunizations. In 1997-98, medical assistance funding of \$900,000 and matching GPR funding of \$100,000 were provided on a one-time basis to support immunization services for a two-year period. In 1999-01, the one-time funds were replaced with TANF funding, and an additional \$500,000 TANF funds was provided to expand the program to \$1,000,000 per year.

58. The grants for the immunization services program are awarded on a calendar year basis. For 2001-02, the Governor's budget, as reestimated by this office, would provide \$500,000 for new grants. For 2002-03, the Governor's budget would provide \$1,000,000 for new grants.

59. An option would be to delete the \$500,000 added in 1999-01 to expand the program and instead use these funds for child care subsidies. Deleting the TANF funds for this program would free up \$250,000 in 2001-02 and \$500,000 in 2002-03 that could be used for child care subsidies.

60. However, eliminating these funds could impact local health departments' abilities to track immunizations, and to ensure that children stay on schedule and obtain the recommended immunizations.

### **Domestic Violence Services**

61. The Governor proposed maintaining TANF funds for domestic violence services at \$1,000,000 annually. DHFS provides funding to nonprofit and tribal domestic abuse programs in the state. Current funding for these programs includes \$5,070,200 GPR, \$1,126,200 in federal

Family Violence Prevention and Services Act funding, \$1,000,000 TANF and \$300,000 PR from court assessments on perpetrators of domestic violence. The TANF funds were added as part of the 1999-01 budget to augment the existing domestic abuse services program.

62. The \$1,000,000 TANF, as budgeted in 2000-01, funds 35 domestic abuse programs across the state, including nonprofit shelters, outreach programs and tribal programs. The TANF grants support several services at these agencies, including: (a) services for children who witness domestic violence; (b) legal assistance to victims in need of legal protection and other court action; (c) specialized training and assistance for domestic abuse service providers; and (d) programs aimed at assisting victims find employment and move into safe and affordable housing. These grants are awarded on a calendar year basis. In calendar year 2000, agencies receiving TANF funds provided TANF-funded services to 5,100 victims and children. For 2001-02, the Governor's budget would provide \$500,000 for existing contractual obligations. In addition, the budget would provide funds for contract renewals totaling \$500,000 in 2001-02 and \$1,000,000 in 2002-03.

63. TANF funding for domestic violence services could be reduced or eliminated in order to provide funds for child care subsidies. Doing so would restore the program to its level before 1999-01 and would still allow \$6.5 million in funds to support domestic abuse programs. Deleting the TANF funds for this program would free up \$500,000 in 2001-02 and \$1,000,000 in 2002-03 that could be used for child care subsidies.

64. If these TANF funds were no longer available for grants for domestic abuse services, the total funding for local domestic agencies would be reduced by 13%. In addition, for the average agency that receives TANF funds, those funds represent an estimated 20% of the agency's total revenue from DHFS. As a result, the TANF-funded services may not be available to victims and children without the TANF grant award.

### **Child Abuse and Neglect Prevention Board**

65. The Governor also proposed maintaining TANF funds for the Child Abuse and Neglect Prevention Board at \$340,000 annually. These TANF funds were provided as part of the 1999-01 budget to augment funding for 17 existing family resource centers. Each center receives an annual \$20,000 TANF grant to increase direct services by increasing staff hours, and to do one or more of the following: (a) provide additional parenting skills training; (b) increase the capacity for fathers to support their children emotionally; and (c) promote parental access to their children by occasionally acting as a host site for supervised visitation. This TANF funding was allocated to the Board to allow the Board to maintain total annual grant awards of \$100,000 to these family resource centers. In 1998, the Board reduced the annual awards to the 17 centers by \$20,000 each to reflect a reduction in federal funding the Board received. The TANF funds were provided to replace the lost federal funds and reestablish the annual award amount at \$100,000.

66. The family resource center grants (including the TANF funds) are awarded on a fiscal year basis. For 2001-02, the Governor's budget would provide \$340,000 to maintain the current grant level for these centers.

67. The Committee could consider reducing or eliminating the \$340,000 in TANF funds for the Board. This action would reduce the annual grants to family resource centers to \$80,000 and could provide \$340,000 in both 2001-02 and 2002-03 for child care subsidies. However, the Board's staff indicate that family resource centers require an operating budget of \$300,000 in order to achieve positive outcomes. The grant awards from the Board provide base funding for these centers and allow the centers to leverage additional funds. A one-fifth reduction in the grants awarded by the Board to these centers would decrease staffing and the ability to offer services to families.

**Summary of Alternatives**

68. This paper presents four alternatives: (a) approve the Governor's recommended funding levels for the programs described in this paper; (b) increase funding for child care subsidies using funding available in the TANF balance; (c) increase funding for child care subsidies using newly recognized CCDF discretionary funds; and (d) reduce funding for some combination of programs in order to provide increased funds for child care subsidies. Since any number of combinations of reductions could be made, a fiscal effect is not shown for program reductions.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide funds from the TANF program for the programs described in this paper and to make eligibility changes to the employment skills advancement program.

2. Increase funding for child care subsidies in the direct child care program by \$21,228,700 FED using funding available in the TANF balance.

<u>Alternative 2</u>	<u>FED</u>
<b>2001-03 FUNDING</b> (Change to Bill)	\$21,228,700

3. Increase funding for child care subsidies in the direct child care program by \$1,080,600 FED in 2001-02 by utilizing untapped CCDF funds earmarked for child care quality improvement in FFY 2001, which are recognized in Paper #1041.

<u>Alternative 3</u>	<u>FED</u>
<b>2001-03 FUNDING</b> (Change to Bill)	\$1,080,600

4. Reduce funding for any combination of the following TANF programs, increase funding for child care subsidies by the same amount and eliminate 0.3 FTE position authority in the Governor's Office if funding for the literacy program in the Governor's Office is deleted.

<u>Program</u>	<u>Potential Reduction</u>	
	<u>2001-02</u>	<u>2002-03</u>
<b>W-2 Agency Contract Allocations</b>		
Subsidized Employment Benefits	\$1,386,500	\$2,773,000
Local Agency Performance Bonuses	14,772,600	0
Community Reinvestment-W-2 Agencies	36,353,700	5,539,700
Milwaukee Private Industry Council	500,000	500,000
<b>Other Benefits</b>		
Job Access Loans	\$400,000	\$400,000
Employment Skills Advancement	100,000	100,000
<b>Child Support Related to W-2</b>		
Children First	\$1,660,000	\$1,660,000
<b>Administrative Support</b>		
State administration- fraud reduction	\$18,800	\$25,100
<b>Other Support Services</b>		
Work-Based Learning Programs	\$0	\$2,000,000
Fatherhood	200,000	200,000
<b>Grant Programs</b>		
Workforce Attachment and Advancement	\$359,000	\$10,000,000
Early Childhood Excellence	0	7,500,000
Literacy-DWD	0	750,000
<b>Expenditures in Other Programs</b>		
Head Start	\$2,475,000	\$2,475,000
Early Pregnancy Identification	50,000	100,000
Literacy-Governor's Office	25,000	25,000
Nutrition Services	250,000	500,000
Immunization	250,000	500,000
Domestic Violence	500,000	1,000,000
Child Abuse and Neglect Prevention Board	<u>340,000</u>	<u>340,000</u>
Total Expenditures	\$59,640,600	\$36,387,800
(Head Start GPR Offset)	\$825,000	\$825,000)

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