



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #863

Temporary Assistance for Needy Families (TANF)

AFDC Reimbursements of Expenditures (DWD -- Economic Support and Child Care)

INTRODUCTION

This paper is intended to notify the Joint Committee on Finance of additional revenue of \$3,008,500 in the child support local assistance appropriation in the Department of Workforce Development (DWD).

Prior to enactment of the federal Personal Responsibility and Work Reconciliation Act, which established a block grant program called temporary assistance for needy families (TANF), in 1996, public assistance for children in need had been provided under the aid to families with dependent children (AFDC) program. Rather than providing a block grant to states, under AFDC, the federal government paid a share of each state's program costs, based on the formula used to determine federal participation in Medicaid spending.

Wisconsin implemented a replacement of AFDC, Wisconsin Works (W-2), on a statewide basis on September 1, 1997, and the AFDC program finally ended in March, 1998. Although the AFDC program had ended, states were allowed to make necessary adjustments to previously recorded expenditures.

DWD, which administers TANF and assumed responsibility for the AFDC program in 1996, attempted to close-out the AFDC program during 2003-04 and performed a final reconciliation of AFDC transactions. During this process, DWD identified \$3,008,500 in eligible costs incurred during 1995-96 and 1996-97 for which federal AFDC matching funds had not been received. Of these costs, \$2,780,700 was incurred by local governments, and \$227,800 had originally been charged to a GPR appropriation. Wisconsin was still authorized to request AFDC

funding. Therefore, DWD requested and received \$3,008,500 in federal AFDC funds in June, 2004. DWD deposited these funds to the child support local assistance appropriation.

DISCUSSION POINTS

1. The Legislative Audit Bureau (LAB), in a report dated May 12, 2005, identified the \$3,008,500 federal AFDC funds in DWD's child support local assistance appropriation. The LAB report noted that DWD did not account for these funds as general purpose revenues under s. 20.906(1) of the statutes or as refunds of expenditures under s. 20.001(5) of the statutes. The federal AFDC funds collected for costs incurred by local governments (\$2,780,700), pursuant to s. 20.906(1), should have been turned into the state treasury and credited to the general fund because DWD has no statutory authority to retain these funds. The federal AFDC funds collected for costs charged to a GPR appropriation (\$227,800), pursuant to s. 20.001(5), may have been considered a refund of expenditure because the funds resulted from an adjustment made to a previously recorded expenditure. However, refunds of expenditures must serve to reduce or eliminate the previously recorded expenditure in the same fiscal year in which the original expenditure was made, which could not occur with these federal AFDC funds.

2. Instead, DWD placed these funds in an unrelated continuing federal appropriation, which prevented the funds from lapsing and prevented the Legislature from appropriating the funds.

3. According to the LAB report, DWD explained that they credited these funds to an unrelated continuing appropriation in order to have a source of funds available to pay a potential liability to the federal government regarding a dispute in AFDC overpayment recoveries [this issue is discussed in Paper #862]. DWD acknowledged that \$1.4 million of the \$10.7 million in dispute would need to be repaid.

4. The LAB suggested three options for the Legislature to maintain oversight of these funds: (a) lapse \$3,008,500 to the general fund and require DWD to report to the Committee in the event it needs to return funds to the federal government; (b) lapse \$1,608,500 to the general fund, but allow DWD to retain \$1,400,000 to repay AFDC overpayment recoveries that DWD acknowledges would need to be repaid; or (c) allow DWD to retain the entire \$3,008,500 to partially offset the potential AFDC overpayment recovery liability in dispute in the amount of \$10.7 million.

5. The Committee could lapse \$3,008,500 to the general fund. As indicated in Paper #862, DWD indicates that it is likely that the AFDC overpayment recovery dispute would not be resolved during the 2005-07 biennium because DWD would appeal any decision that required the state to repay funds. Therefore, \$3,008,500 could be transferred to the general fund, and the issue of the AFDC overpayment recoveries could be addressed during the 2007-09 biennium. More information would be available at that time regarding the final determination of the amount owed to the federal government.

6. On the other hand, the Committee may wish to allow DWD to retain \$3,008,500 in

its child support local assistance appropriation. In addition to the AFDC overpayment recovery dispute, Paper #862 also indicates a potential liability of \$15.4 million during the 2005-07 biennium if the child support demonstration waiver expires, no other federal provision allows states to pass through assigned child support without paying the federal share, and no statutory changes are made to the current state law that requires the pass-through. Therefore, DWD could use the \$3,008,500 to partially offset potential liabilities from the AFDC overpayment recovery dispute and the expiration of the child support demonstration waiver.

ALTERNATIVES

1. Lapse \$3,008,500 from the child support local assistance appropriation in DWD to the general fund on the effective date of the budget bill.

<u>Alternative 1</u>	<u>GPR-REV</u>
2005-07 REVENUE (Change to Bill)	\$3,008,500

2. Allow DWD to retain \$3,008,500 in its child support local assistance appropriation to partially offset potential liabilities related to the AFDC overpayment recovery dispute or expiration of the child support demonstration waiver. Require DWD to submit a request under s. 16.515 of the statutes to expend any of the funds, if necessary, to partially offset these potential liabilities once the amounts of the liabilities have been confirmed.

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