



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #886

Revised Estimates for TANF-Related Programs (DWD -- Economic Support and Child Care)

Bill Agency

[LFB 2007-09 Budget Summary: Page 605, #1; Page 608, #2; Page 616, #13 and #14]

CURRENT LAW

The purpose of this paper is to establish a projected 2007-09 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2007-09 based upon more recent information, and fully funding projected costs of certain programs.

The paper provides a new TANF base for the Committee to work from based on projected costs of programs under the bill. Subsequent papers address alternatives that the Committee could consider in establishing the budget for Wisconsin Works (W-2), child care, and other TANF-related programs.

Table 1 shows the estimated revenues and expenditures for W-2 and other public assistance programs under the bill. The table compares the administration's figures with revised estimates prepared by this office. Note that the table includes a reestimate of the W-2 agency contracts based on the amount that would be required to fully fund the program with the Governor's proposals to extend grants to pregnant women in their third trimester of an at-risk pregnancy and to custodial parents of newborn infants from 12 weeks to 26 weeks. In addition, the W-2 agency contracts include a reestimate for W-2 benefits associated with the proposed real work, real pay pilot project. Also, the reestimate for the child care program is based on the amount that would be required to fully fund the program with the Governor's proposals to extend grants to custodial parents of newborn infants from 12 weeks to 26 weeks and to implement the following cost saving measures: (a) attendance-based reimbursement payments; and (b) lower income eligibility. The reestimate for the child care program does not include savings that would result from increasing copayments and implementing a waiting list. In addition, the table does not decrease TANF funding for the earned income tax credit by \$7 million as requested by the administration after introduction of the budget bill. The revised revenue and expenditure

estimates are discussed in more detail in the sections that follow the table.

Revised Estimates of TANF Related Revenues and Expenditures

	<u>Governor</u>		<u>Revised Estimates</u>		<u>Difference</u>	
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>
Revenues						
State General Purpose Revenue (GPR)	\$150,061,200	\$150,061,200	\$150,061,200	\$150,061,200	\$0	\$0
AFDC Overpayment Recoveries (PR)	187,500	210,400	187,500	210,400	0	0
CCDBG and TANF Overpayment Recoveries (FED)	2,194,900	2,194,900	2,194,900	2,194,900	0	0
TANF Block Grant (FED)	314,499,400	314,499,400	314,499,400	314,499,400	0	0
Child Care Development Block Grant (FED)	83,362,100	83,362,100	82,862,100	82,862,100	-500,000	-500,000
Child Support Collections (PR)	7,644,400	7,288,900	7,644,400	7,288,900	0	0
Department of Administration (SEG)	9,232,000	9,232,000	9,232,000	9,232,000	0	0
W-2 Agency Filing Fees (PR)	0	0	500	500	500	500
TANF Carryover (FED)	0	0	0	-15,127,100	0	-15,127,100
Total Revenues	\$567,181,500	\$566,848,900	\$566,682,000	\$551,222,300	-\$499,500	-\$15,626,600
Expenditures						
<i>W-2 Agency Contracts</i>						
Benefits	\$48,276,900	\$51,003,200	\$48,640,100	\$51,188,600	\$363,200	\$185,400
Administration	13,201,100	13,201,100	13,201,100	13,201,100	0	0
Services	38,604,400	40,066,300	38,471,500	38,471,500	-132,900	-1,594,800
<i>Child Care</i>						
Direct Child Care Subsidies*	\$314,888,400	\$315,821,900	\$329,538,600	\$334,586,300	\$14,650,200	\$18,764,400
Child Care State Administration	2,956,900	2,355,200	2,956,900	2,355,200	0	0
Quality Care for Quality Kids	8,703,500	8,703,500	8,703,500	8,703,500	0	0
Day Care Licensing	5,236,800	5,245,500	5,236,800	5,245,500	0	0
<i>Other Benefits</i>						
Kinship Care	\$23,655,000	\$23,655,000	\$23,579,800	\$23,579,800	-\$75,200	-\$75,200
Caretaker Supplement for Children of SSI Recipients	30,272,400	30,272,400	30,094,700	30,094,700	-177,700	-177,700
Emergency Assistance	8,900,000	9,400,000	8,900,000	9,400,000	0	0
<i>Administrative Support</i>						
State Administration	\$16,972,000	\$17,201,500	\$16,972,000	\$17,201,500	\$0	\$0
Fraud Prevention/Program Integrity	605,500	605,500	605,500	605,500	0	0
<i>Other Support Services</i>						
Children First	\$1,140,000	\$1,140,000	\$1,140,000	\$1,140,000	\$0	\$0
<i>Grant Programs</i>						
Boys and Girls Clubs	\$350,000	\$350,000	\$350,000	\$350,000	\$0	\$0
Educare	750,000	750,000	750,000	750,000	0	0
<i>Expenditures in Other Programs</i>						
Earned Income Tax Credit	\$30,616,700	\$25,004,300	\$30,616,700	\$25,004,300	\$0	\$0
Social Services Block Grant	13,420,500	13,420,500	13,420,500	13,420,500	0	0
Child Welfare Safety Services	5,631,300	5,631,300	5,631,300	5,631,300	0	0
Child Welfare Prevention Services	1,489,600	1,489,600	1,489,600	1,489,600	0	0
Milwaukee Child Welfare/Ewisacwis	1,510,500	1,532,100	1,510,500	1,532,100	0	0
Total Expenditures	\$567,181,500	\$566,848,900	\$581,809,100	\$583,951,000	\$14,627,600	\$17,102,100
Ending Balance	\$0	\$0	-\$15,127,100	-\$32,728,700		

*Reestimates for child care subsidies include: (a) a reestimate to fully fund the child care subsidy program under current law; (b) reestimated savings from the provision to extend CNI grants; (c) reestimated cost savings from attendance-based reimbursements; and (d) cost savings from lowering the income eligibility. These reestimates do not include savings from increased copayments or savings from the implementation of a waiting list.

REVENUES AVAILABLE FOR W-2 AND RELATED PROGRAMS

TANF and Child Care Development Block Grant (CCDBG) Reauthorizations. The TANF and CCDBG programs were reauthorized under the federal Deficit Reduction Act of 2005. The TANF block grant was funded through September 30, 2010, at the same level. Therefore, Wisconsin will continue to receive \$314.5 million annually during the 2007-09 biennium. Overall funding for the CCDBG increased slightly, so it was initially estimated that Wisconsin's share would increase from \$81.8 million to \$83.4 million. However, more recent estimates of the CCDBG show a reduction of \$500,000 annually, for total funding of \$82.9 million annually during the 2007-09 biennium.

W-2 Agency Filing Fee. SB 40 provided no revenue from filing fees. 2005 Wisconsin Act 25 required all W-2 agencies, which are not county departments or tribal governing bodies, to include a statement of economic interests and a \$50 filing fee with the submission of a bid to participate in W-2 under the W-2 agency contracts. The Department of Workforce Development (DWD) estimates that \$500 will be received in 2006-07 from these filing fees. The amount for the filing fee has been adjusted to \$500 in 2007-08 and 2008-09.

Carryover of TANF Funds from 2006-07 to 2007-08. It is estimated that actual child care expenditures exceeded the amount budgeted by \$14.6 million in 2005-06. As a result, approximately \$6.1 million GPR and \$4.0 million in child support funds were transferred from the amounts budgeted for W-2 and related programs in 2006-07 to fund child care expenditures in 2005-06. Also, due to the implementation of a new W-2 service delivery model in Milwaukee County, \$4.5 million less was expended for the W-2 agency contracts in 2005-06 than what was budgeted. According to DWD, this \$4.5 million was used to fund child care expenditures in 2005-06, but is still needed to fund the W-2 agency contracts in 2006-07. Although, 2007 Act 5 provided sufficient funding for the direct child care program, actions taken to address the child care deficit in 2005-06 resulted in less revenues for W-2 and TANF-related programs in 2006-07.

As a result of the decreased revenue for W-2 and TANF-related programs in 2006-07, it is estimated that there will be a deficit of \$12.3 million at the end of 2006-07. However, DWD indicates that any there may be underspending in W-2 and TANF-related programs in the Department of Health and Family Services (DHFS) to address the deficit. Therefore, no carryover deficit is shown in 2007-08.

EXPENDITURES FOR W-2 AND RELATED PROGRAMS FOR THE 2007-09 BIENNIUM

Subsidized Employment Benefits. Table 1 includes a reestimate of funding for subsidized employment benefits, under the bill, of \$48.6 million in 2007-08 and \$51.2 million in 2008-09. The increased cost of \$0.4 million in 2007-08 and \$0.2 million in 2008-09 are based on a reestimate of the costs to fund the provisions under the bill that would: (a) extend grants to caretakers of newborn infants; (b) extend grants to pregnant women in their third trimester of an

at-risk pregnancy; and (c) pay wage subsidies and employer reimbursements under the real work, real pay pilot program. Separate budget papers have been prepared on each of these provisions.

Services. Table 1 includes a reestimate of funding for subsidized employment services, under the bill, of \$38.5 million annually. The decreased costs of \$0.1 million in 2007-08 and \$1.6 million in 2008-09 reflect that wage subsidies and employer reimbursements under the real work, real pay pilot project would be paid under W-2 "benefits," rather than W-2 "services."

Child Care Subsidies. Table 1 includes the estimated cost to fully fund the direct child care subsidy program under the bill of \$329.5 million in 2007-08 and \$334.6 million in 2008-09. This includes a reestimate to fully fund the direct child care subsidy program under current law of \$346.4 million in 2007-08 and \$356.4 million in 2008-09, less: (a) the reestimated savings of the provision under the bill that would extend grants to caretakers of newborn infants from 12 weeks to 26 weeks; (b) the reestimated savings from attendance-based provider reimbursements of \$13.0 million annually; and (c) the savings from lowering income eligibility to 175% of the federal poverty level, with a higher threshold once eligible of 190% of the federal poverty level.

These estimates do not show any savings from increasing child care copayments beyond the normal inflationary increases, which are included in the current law estimates. Although SB 40 assumed additional increases would occur, the administration has since indicated that the copayments would not be increased above the normal inflationary adjustments if additional TANF funding for the earned income tax credit (EITC) were reduced as discussed below. In addition, these estimates do not include savings from implementing a waiting list for non-W-2 participants. Because a waiting list would be implemented to produce a savings such that child care expenditures would not exceed the amount budgeted for child care, the savings from the implementation of a waiting list would depend on how much funding is available for the child care subsidy program.

SSI Caretaker Supplement. DHFS currently pays a caretaker supplement to certain supplemental security income (SSI) recipients with dependent children. A recipient with one dependent child receives a supplement equal to \$250 per month. A recipient with two or more dependent children receives a supplement of \$250 per month for the first child and \$150 per month for each additional dependent child.

Funding in the bill could be reduced by \$177,700 annually to reflect current estimates of the cost to fund SSI caretaker supplement payments in the 2007-09 biennium. With this change, \$30.1 million annually would be budgeted for DHFS to make SSI caretaker supplement payments.

Kinship Care. Certain relatives who provide care and maintenance for a child may receive a kinship care payment of \$215 per child per month if: (a) there is a need for the child to be placed with the relative and the placement is in the best interests of the child; (b) the child meets the criteria, or would be at risk of meeting the criteria, for a child or juvenile in need of protection or services, if the child were to remain at home; and (c) the relative meets other non-financial requirements, including a background check.

Funding in the bill could be reduced by \$75,200 annually to reflect current estimates of the funding that is needed to support the kinship care payments in the 2007-09 biennium. The estimate includes fully funding all current wait-listed and county-funded cases. Kinship care caseloads are expected to remain stable over the biennium. With this change, \$22.7 million annually would be budgeted for DHFS and counties to make these payments.

Earned Income Tax Credit. Although Table 1 does not reflect a reestimate of TANF funding provided for the EITC under SB 40, the administration has indicated a desire for the Committee to decrease TANF funding for the EITC by an additional \$7.0 million annually. Although the additional \$14.0 million would reduce the TANF deficit from \$32.7 million to \$18.7 million, an additional \$14.0 million GPR annually would be needed to fully fund the EITC.

ENDING TANF BALANCE

As indicated in Table 1, the reestimated 2008-09 ending balance under the bill would be a deficit of \$32.7 million. This assumes that funding for the 2006-2009 W-2 agency contracts and child care subsidies would be increased by the Committee to fully fund the projected cost of these programs over the biennium, including the provisions that would: (a) extend CNI grants to parents of newborn children from 12 weeks to 26 weeks; (b) extend benefits to pregnant women in their third trimester of an at-risk pregnancy; (c) implement a real work, real pay pilot program; and (d) implement child care cost saving measures of attendance-based provider reimbursements and lower income eligibility of 175% of the federal poverty level, with a higher threshold once eligible of 190%. Without reductions to TANF-related programs or increased state funding for TANF-related programs, there would continue to be an on-going deficit of \$17.6 million.

If the Committee chooses to reduce annual TANF funding provided for the EITC by \$7 million, then the reestimated 2008-09 ending balance would be a deficit of \$18.7 million, and there would be an ongoing deficit of \$10.6 million.

MODIFICATION

Modify the Governor's recommendations to reflect reestimates for 2007-09 as follows: (a) decrease CCDBG funding by \$500,000 FED annually and increase W-2 agency filing fees by \$500 annually to reflect reestimates of these revenue sources; (b) decrease funding for benefits for the caretaker supplement by \$177,700 annually to reflect the projected costs of the program; and (c) decrease funding for kinship care by \$75,200 annually to reflect the projected costs of the program. No change to base level funding is shown below because the change to base would depend on a number of other decisions the Committee would make on funding issues in other TANF-related budget papers.

DWD	Change to Bill	
	Revenue	Funding
FED	- \$1,000,000	- \$506,800
PR	<u>1,000</u>	<u>1,000</u>
Total	- \$999,000	- \$505,800

DHFS	Change to Bill	
	Revenue	Funding
PR	\$0	- \$505,800

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