



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 14, 2015

Joint Committee on Finance

Paper #210

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

[LFB 2015-17 Budget Summary: Page 97, #1]

INTRODUCTION

The purpose of this paper is to establish a projected 2015-17 ending balance in federal funding from the temporary assistance for needy families (TANF) block grant. The paper includes reestimates of revenues and expenditures for 2015-17 based upon more recent information and fully funding projected costs of certain programs administered by the Department of Children and Families (DCF).

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 regarding specific TANF-related programs.

The following table 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 DCF and this office.

W-2 and TANF-Related Revenue and Expenditures

	<u>Governor</u>		<u>Reestimate</u>		<u>Change to Governor</u>	
	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>
Revenues						
General Purpose Revenue in DCF (GPR)	\$160,623,800	\$160,373,800	\$160,373,800	\$160,373,800	-\$250,000	\$0
TANF Prior-year Carryover (all funds)	74,582,200	79,000,000	122,617,900	103,153,800	48,035,700	24,135,800
TANF Block Grant (FED)	312,713,400	313,861,200	312,713,400	313,896,000	0	34,800
Child Care Block Grant (FED)	91,463,900	91,188,900	91,123,300	91,188,900	-340,600	0
Overpayment Recoveries (FED)	4,286,600	4,287,600	4,286,600	4,287,600	0	0
TANF Contingency Fund (FED)	50,000,000	0	15,031,500	0	-34,968,500	0
SSBG from DHS (FED)	100,000	100,000	100,000	100,000	0	0
Child Support Collections (PR)	3,010,800	3,010,800	3,010,800	3,010,800	0	0
Child Care Licensing Fees (PR)	1,700,400	1,715,900	1,700,400	1,715,900	0	0
AFDC Overpayment Recoveries (PR)	160,600	160,600	160,600	160,600	0	0
Income Augmentation Carryforward (PR)	4,730,300	0	4,730,300	0	0	0
Public Benefits Fund (SEG)	9,139,700	9,139,700	9,139,700	9,139,700	0	0
Total Revenues	<u>\$712,511,700</u>	<u>\$662,838,500</u>	<u>\$724,988,300</u>	<u>\$687,027,100</u>	<u>\$12,476,600</u>	<u>\$24,188,600</u>
Expenditures						
<i>W-2 Agency Contracts and Benefits</i>						
Benefits	\$89,796,000	\$88,796,000	\$83,000,000	\$83,000,000	-\$6,796,000	-\$5,796,000
Contracts	58,336,500	58,336,500	58,336,500	58,336,500	0	0
<i>Other TANF Employment Programs</i>						
Transitional Jobs /Transform Milwaukee	6,000,000	7,000,000	6,000,000	7,000,000	0	0
<i>Child Care</i>						
Direct Child Care Subsidies	267,945,900	286,777,400	262,064,700	280,719,700	-5,881,200	-6,057,700
Child Care State Administration and Licensing	34,244,600	33,248,300	35,244,600	33,248,300	1,000,000	0
Quality and Availability Programs	15,492,700	15,492,700	15,492,700	15,492,700	0	0
<i>Other Benefits</i>						
Kinship Care	21,222,700	21,435,000	21,222,700	21,435,000	0	0
Caretaker Supplement for Children of SSI Recipients	31,338,200	31,338,200	31,338,200	31,338,200	0	0
Emergency Assistance	8,500,000	8,400,000	8,500,000	8,400,000	0	0
<i>Administrative Support</i>						
State Administration	14,834,100	14,967,700	14,834,100	14,967,700	0	0
Local Fraud Aids	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	1,100,000	1,100,000	1,100,000	1,100,000	0	0
Wisconsin Community Services	400,000	400,000	400,000	400,000	0	0
Fostering Futures- Connections Count	0	360,300	0	360,300	0	0
<i>Expenditures in Other Programs</i>						
Earned Income Tax Credit	62,500,000	62,500,000	62,500,000	62,500,000	0	0
Social Services Block Grant	15,018,700	14,653,500	15,018,700	14,653,500	0	0
Child Welfare Safety Services	3,647,200	5,392,700	3,647,200	5,392,700	0	0
Child Welfare Prevention Services	1,389,600	1,389,600	1,389,600	1,389,600	0	0
Total Expenditures	<u>\$633,511,700</u>	<u>\$653,333,400</u>	<u>\$621,834,500</u>	<u>\$641,479,700</u>	<u>-\$11,677,200</u>	<u>-\$11,853,700</u>
Ending Balance	\$79,000,000	\$9,505,100	\$103,153,800	\$45,547,400		

REVISED ESTIMATES OF REVENUES AND EXPENDITURES FOR TANF RELATED PROGRAMS

As shown in the table, the closing TANF balance for the 2015-17 biennium is estimated to be \$36 million higher than projected under the bill. Revised estimates of TANF-related revenues are \$12.5 million higher* and expenditures are \$23.5 million lower than previously estimated. This is primarily due to three factors: a greater carryover of TANF funding from 2014-15, lower expenditures for W-2 benefits, and lower expenditures under the child care subsidy program.

Carryover of TANF funds from 2014-15 to 2015-16. TANF-related revenue is expected to exceed TANF-related expenditures in 2014-15 by \$122.6 million. This excess revenue is carried forward to be spent in future years. This amount is \$48 million higher than the amount estimated under the bill. Overall, the carryover represents an increase in base revenue of \$33.9 million and a reduction in base expenditures of \$14.1 million.

Revenue in 2014-15 is higher than expected for two reasons. First, DCF has received TANF contingency funding of \$34.9 million in 2014-15 which DCF was projected under the bill to receive in 2015-16. Such funding is now reflected in the 2014-15 carryover into 2015-16. Second, federal discretionary funding awarded under the child care development block grant for 2014-15 is \$1 million lower than anticipated.

Expenditures in 2014-15 are lower than expected for five reasons. First, more recent caseload and issuance data for base level spending for W-2 benefits through February, 2015, is \$9 million below the previously estimated base amount. Second, actual expenditures in 2014-15 for direct child care subsidies were below the estimate by \$5.5 million. Third, contract expenditures for the Transform Milwaukee subsidized employment program are \$2 million higher than estimated. Fourth, DCF has determined that \$1 million anticipated to be spent in 2014-15 for the implementation of the electronic benefits transfer system for the child care subsidy program will be spent during the 2015-17 biennium. Finally, based upon more recent information, it is estimated that funding for the caretaker supplement will be \$0.6 million less than previously estimated.

W-2 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. The bill assumed that caseload and spending levels would remain flat over the 2015-17 biennium.

The table includes the revised estimated costs of W-2 benefits under the bill, including proposed statutory changes to lower the lifetime participation limit from 60 months to 48 months. The reestimate is based on more recent caseload and issuance data through February, 2015, which is \$9 million lower than previously assumed. Adjusted for the lower base year expenditures, the estimated cost of W-2 benefits is lower by \$6.8 million in 2015-16 and \$5.8 million in 2016-17.

Child Care Subsidies. Wisconsin's child care subsidy program, known as "Wisconsin

*The TANF prior-year carryover of \$17.4 million from 2015-16 into 2016-17 is not included as revenue because such funding is already reflected in revenues for 2015-16.

Shares," provides child care assistance for low-income families to enable eligible persons to work or to prepare for employment. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent.

The bill would reduce funding for the child care subsidy program, Wisconsin Shares, by \$6.8 million in 2015-16 and increase funding by \$12 million in 2016-17. The reestimate is based on estimated caseloads, subsidy amounts, the implementation costs of the electronic benefit transfer (EBT) system, and adjustments under YoungStar, the state's quality rating and improvement system.

The table includes the estimated costs to fully fund the direct child care subsidy program under the bill. This reestimate is based upon more recent caseload and issuance data for base level spending in the direct child care subsidy program, which were lower than previously projected. With these adjustments, the estimated cost of the child care subsidy program is lower than the estimates used in the bill by \$5.9 million in 2015-16 and \$6.0 million in 2016-17.

MISCELLANEOUS REVENUES AND EXPENDITURES FOR W-2 AND RELATED PROGRAMS

In addition to the revisions for child care subsidies, W-2 benefits, and the 2014-15 carryover, the revised estimates also reflect updated information in the following areas.

TANF Block Grant. The above table shows an increase of \$34,800 in 2016-17 to reflect a more accurate estimate of base funding received under the TANF block grant.

TANF Contingency Fund. Federal law establishes a TANF contingency fund to provide additional matching grants to states during times of economic downturns if certain conditions are met. Under the bill, it was estimated that the state would receive a total of \$50 million FED in 2015 and 2016. The above table reflects that DCF has now received TANF contingency funding of \$34.9 million for 2014-15. As a result, the prior year carryover from 2014-15 is higher and the TANF contingency funding for 2015-16 is lower by \$34.9 million.

Child Care Development Block Grant (CCDBG). The CCDBG provides a combination of federal funds for child care services for low-income families and to improve the quality and supply of child care for all families. The table above shows a decrease of \$340,600 in 2015-16 from the estimate under the bill because the discretionary portion of the CCDBG has been decreased to reflect the award letter for 2015-16.

State General Purpose Revenue. The bill would transfer \$250,000 GPR from child support administration to TANF-related programs. The transfer was meant to bolster TANF revenues, which DCF had projected in its agency request to be in a structural deficit over 2015-17. As a result of increased TANF contingency funding, the GPR transfer from child support administration is no longer necessary in order to fund the administration of TANF-related programs. The return of \$250,000 GPR into state child support operations would generate federal matching funds of \$485,300 FED under Title IV-D of the Social Security Act.

Child Care Administration. As discussed above, DCF indicates that \$1 million in funding provided for the implementation of the Wisconsin Shares EBT system will now be spent during

2015-16. Therefore, the table reflects the additional expenditure of \$1 million for child care administration.

ENDING TANF BALANCE

As indicated in the table, the revised estimate for the 2016-17 ending TANF balance is \$45.5 million. However, ongoing expenditures are estimated to exceed ongoing revenue by \$57.6 million in 2016-17. Projected over the 2017-19 biennium, the structural deficit would be \$69.7 million more than the 2016-17 ending balance. Further, as discussed in other papers, the state may face penalties from the federal government for failing to meet work participation targets in the W-2 program. Such penalties could exceed 5% of the funding from the TANF block grant (\$15.7 million). As a result, large reductions in program spending may be required in order to fund TANF-related expenditures in the 2017-19 biennium.

In addition, the closing TANF balance may be needed to cover shortfalls and unexpected expenses in TANF-related programs in the 2015-17 biennium. For example, DCF indicates that recent changes in federal law from the reauthorization of the CCDBG may require the state to incur additional costs in child care administration in order to comply with updated federal regulations. DCF currently expects that such costs could exceed \$10 million.

Finally, if the Committee chooses to add funding to any TANF-related programs, such as child care provider reimbursement rates, or to provide funding for new programs, then the ending balance would be reduced and/or reductions in other TANF programs would be required.

MODIFICATION

Modify the Governor's recommendations to reduce federal funding budgeted for TANF related expenditures by \$11,677,200 FED in 2015-16 and \$11,853,700 FED in 2016-17 due to reestimates for the 2015-17 biennium as follows: (a) decrease funding for W-2 benefits by \$6,796,000 in 2015-16 and by \$5,796,000 in 2016-17; (b) decrease funding for direct child care subsidies by \$5,881,200 in 2015-16 and \$6,057,700 in 2016-17; and (c) increase funding for child care state administration by \$1,000,000 in 2015-16. Also, increase federal funding for child support administration in 2015-16 by \$485,300 FED.

Change to Bill	
FED	- \$23,045,600

Explanation: This modification reflects more recent TANF-related program revenue and expenditure information than was available when the Governor's budget was prepared (data through March, 2015, instead of data through January, 2015, used in developing the Governor's bill). The bill transfers \$250,000 GPR in 2015-16 from child support administration to TANF-related programs. The modification would remove the transfer (and therefore there is no change in overall GPR funding). It is projected that removing the transfer would generate federal matching funds for child support enforcement of \$485,300 FED in 2015-16.

Prepared by: John D. Gentry