



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>

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Joint Committee on Finance

Paper #200

Revised Estimates for TANF-Related Programs under Current Law (Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 84, #1; Page 86 #2 & #3; Page 92, #16; Page 95, #23 and Page 96, #26]

INTRODUCTION

This paper provides reestimates of revenue and expenditures for economic support programs administered by the Department of Children and Families (DCF) for the 2021-23 biennium. These programs are supported primarily with: (a) the temporary assistance for needy families (TANF) block grant (FED); (b) state general purpose revenue (GPR), which the state is required to provide to comply with TANF maintenance of effort requirements; (c) the federal child care and development fund (CCDF), together with several other minor funding sources. These revenue sources are combined to fund a wide range of programs, including the Wisconsin Shares, Wisconsin Works (W-2), several other benefits and grant programs, and programs administered by other agencies.

The paper includes reestimates of revenues, expenditures, and program balances for the 2021-23 biennium based on the most recent information available, including estimates of costs to fully fund current programs and the Governor's 2021-23 budget recommendations that remain for the Committee's consideration.

The table on the following page shows the estimated revenues and expenditures for W-2 and other public assistance programs under the bill, updated for actions of the Committee through the date of this paper. The table compares the administration's figures with revised estimates prepared by DCF and this office. Subsequent papers address alternatives that the Committee could consider regarding specific TANF-related programs.

W-2 and TANF-Related Revenue and Expenditures

	2020-21	Reestimate		Change to Base	
	Adjusted Base	2021-22	2022-23	2021-22	2022-23
Opening Balance (Carryover)		\$294,209,000	\$262,757,200		
Revenue					
GPR Appropriations Base Funding	\$160,381,400	\$160,381,400	\$160,381,400	\$0	\$0
FED -- TANF Block Grant	312,059,600	307,336,800	311,009,600	-4,722,800	-1,050,000
FED -- CCDF	126,889,000	145,719,100	145,719,100	18,830,100	18,830,100
FED -- CCDF & TANF Recoveries	4,287,600	4,287,600	4,287,600	0	0
PR -- Child Support Collections	2,749,000	2,749,000	2,749,000	0	0
PR -- Child Care Fees	1,778,400	1,500,000	1,500,000	-278,400	-278,400
PR -- Social Services Block Grant	100,000	100,000	100,000	0	0
PR -- Public Assistance Recoveries	160,600	160,600	160,600	0	0
SEG -- Public Benefits Fund (SEG)	9,139,700	9,139,700	9,139,700	0	0
Total Revenues	\$617,545,300	\$631,374,200	\$635,047,000	\$13,828,900	\$17,501,700
Expenditures					
Child Care					
Direct Child Care Services	\$365,700,400	\$330,641,200	\$330,641,200	-\$35,059,200	-\$35,059,200
Quality Care for Quality Kids	16,683,700	16,683,700	16,683,700	0	0
Child Care Admin. and Licensing	42,439,200	41,573,200	41,573,200	-866,000	-866,000
Child Welfare Programs					
Kinship Care Benefits & Assessments	28,159,200	26,336,000	26,620,800	-1,823,200	-1,538,400
Child Welfare Safety Services	9,314,300	9,314,300	9,314,300	0	0
Child Welfare Prevention Services	6,789,600	6,789,600	6,789,600	0	0
Child Abuse Prevention Grant	500,000	500,000	500,000	0	0
Substance Abuse Prevention Grant	500,000	500,000	500,000	0	0
Employment Programs					
W-2 Benefits	31,732,200	37,000,000	34,000,000	5,267,800	2,267,800
W-2 Worker Supplement	2,700,000	2,700,000	2,700,000	0	0
W-2 Service Contracts	50,000,000	54,009,700	57,071,200	4,009,700	7,071,200
Transitional/Transform Milwaukee Jobs	9,500,000	9,500,000	9,500,000	0	0
Children First	1,140,000	1,140,000	1,140,000	0	0
Housing Programs					
Emergency Assistance	6,000,000	6,000,000	6,000,000	0	0
Homeless Grants	500,000	500,000	500,000	0	0
Case Mgt. Services for Homeless Families	500,000	500,000	500,000	0	0
Administrative Support					
Public Assistance & TANF Admin.	17,548,100	16,862,700	16,973,900	-685,400	-574,200
Local Fraud Prevention	\$605,500	\$605,500	\$605,500	0	0
Grant Programs					
GED Test Assistance	175,000	175,000	175,000	0	0
Legal Services	500,000	500,000	500,000	0	0
Adult Literacy	41,600	41,600	41,600	0	0
Boys & Girls Clubs of America	2,675,000	2,675,000	2,675,000	0	0
Wisconsin Community Services	400,000	400,000	400,000	0	0
Fostering Futures	560,300	560,300	560,300	0	0
FAST	250,000	250,000	250,000	0	0
Offender Reentry	250,000	250,000	0	0	-250,000

	2020-21	Reestimate		Change to Base	
	Adjusted Base	2021-22	2022-23	2021-22	2022-23
Funding Transfers to Other Agencies					
DHS -- SSI Caretaker Supplement	\$25,013,300	\$18,564,700	\$18,145,000	-\$6,448,600	-\$6,868,300
DHS -- Social Services Block Grant	14,653,500	14,653,500	14,653,500	0	0
DOR -- Earned Income Tax Credit	<u>69,700,000</u>	<u>63,600,000</u>	<u>66,600,000</u>	<u>-6,100,000</u>	<u>-3,100,000</u>
Total Expenditures	\$704,530,900	\$662,826,000	\$665,613,800	-\$41,704,900	-\$38,917,100
Year-End Closing Balance		\$262,757,200	\$232,190,400		

Carryover of TANF Funds from 2020-21 into 2021-22

The opening balance of all funds for TANF-related programs coming in to the 2021-23 biennium is estimated to be \$294.2 million. This is \$3.8 million more than previously estimated under Assembly Bill 68/Senate Bill 111 (AB 68/SB 111). The difference is due to two factors. First, as discussed in a subsequent paper, it is estimated that the cost of the TANF-funded portion of the state earned income tax credit (EITC) for 2020-21 is less than estimated under AB 68/SB 111 by \$6.1 million. Second, DCF indicates that approximately \$2.3 million of child support revenues were repaid in 2020-21. Under state and federal law, participants must assign to the state any right to support or maintenance from any other person that accrues during the time that any W-2 benefit is paid to the family group. For current support payments, the state first pays the federal government its share of the assigned child support collected (25%) and then passes through the remainder to the family (75%). The Administration for Child and Families notified DCF that it overspent child support revenues during federal fiscal year 2016, which was repaid in 2020-21 and thus lowered revenues relative to the previous estimate.

Program Reestimates -- Revenues

As shown in the table, revised TANF-related revenues are estimated to increase by \$13.8 million in 2021-22 and \$17.5 million in 2022-23 compared to the base. This is mostly due to an anticipated increase in CCDF revenues, including a permanent annual increase of \$8.9 million provided under the American Rescue Plan Act.

Program Reestimates -- Expenditures

Expenditures are estimated to decrease \$41.7 million in 2021-22 and by \$38.9 million in 2022-23 compared to the base. This is primarily due to an anticipated decline in child care subsidies, an increase in Wisconsin Works (W-2) benefits and service contracts, and a decrease in transfers to the Department of Health Services for the Caretaker Supplement.

Wisconsin Shares Child Care Subsidy Program. As discussed in more detail in Issue Paper #202, the Wisconsin Shares child care subsidy program is estimated to underspend the direct child care services TANF allocation by \$34.8 million in 2020-21 (approximately 9.5% of the allocation). Through February, 2021, the number of families and children participating in Wisconsin Shares decreased by 20% and 18%, respectively in 2020-21 compared to the prior year due to social distancing measures necessitated by the pandemic that reduced child care provider capacity and

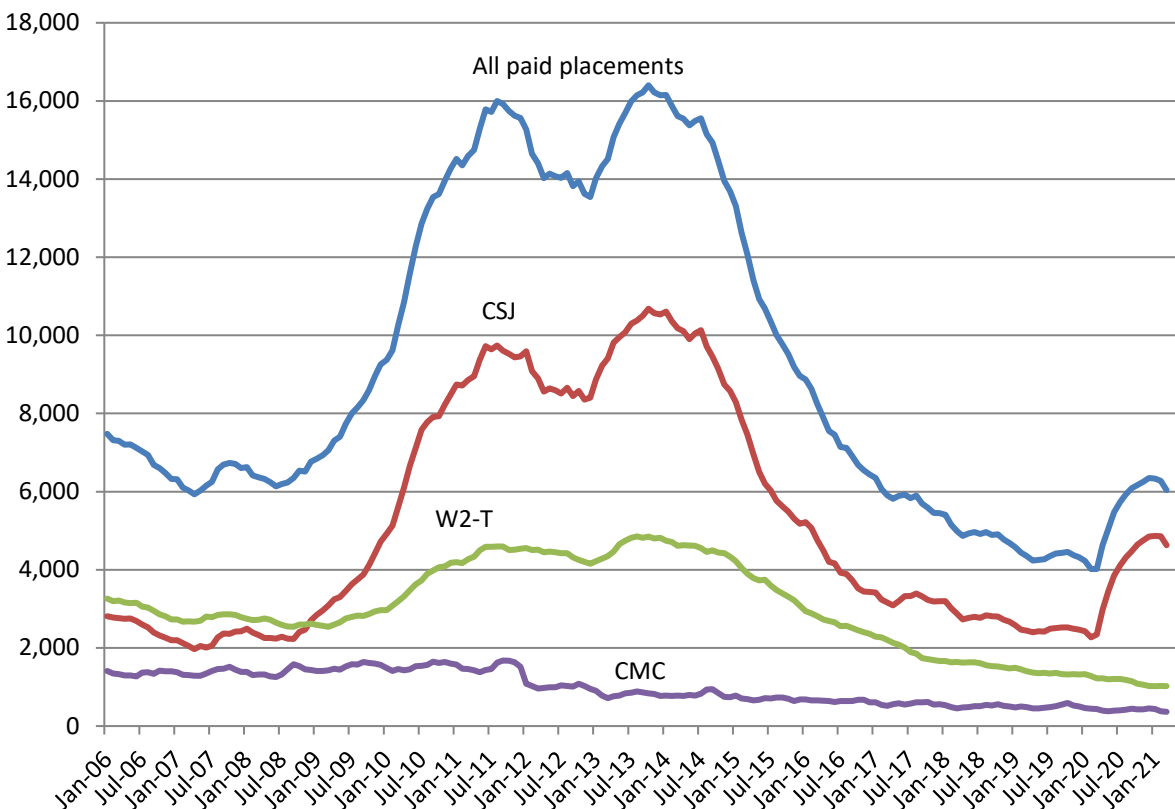
temporarily closed providers. Further, many students transitioned to remote schooling, and therefore no longer participated in before- and after- school programs. In addition, many families either lost their jobs or worked from home due to the pandemic, further reducing their need (or ability to pay) for child care. It is therefore estimated that the cost to continue the program under current law, not including certain temporary rate increases provided by DCF in March, 2021, would be \$35,059,200 lower annually, compared to the base.

Wisconsin Works. Participants in W-2 are assigned by the local W-2 agency to either unsubsidized employment or one of three types of subsidized employment: trial employment match program (TEMP) jobs, community service jobs (CSJ), and transitional placements. W-2 grants may be provided to custodial parents of newborn infants (CMC) and to at-risk pregnant women. 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.

As shown in the following Figure, due to economic disruption caused by the COVID-19 pandemic, paid caseloads in W-2, and CSJ placements in particular, increased throughout 2020-21 compared to 2019-20. Overall paid W-2 cases increased from 4,020 in February, 2020, to 6,277 in February, 2021. Based on current and projected caseloads, DCF estimates that W-2 benefits in 2020-21 will be approximately \$41.8 million. As a result, the Committee recently approved a request to reallocate \$10.1 million from the TANF allocation for Wisconsin Shares to W-2 benefits in 2020-21 to bring the total amount budgeted for W-2 benefits in 2020-21 to \$41,832,200. Because this reallocation is not reflected in the adjusted base it is not shown in the table above or the estimated program costs for W-2 benefits under AB 68/SB 111.

As shown in the Figure, the CSJ caseload remains elevated. However, growth in caseloads substantially abated as the economy recovered compared to earlier in 2020. CSJ caseloads may continue to decline as current participants find employment faster than new applicants enter W-2 as the inoculation campaign to protect against COVID-19 greatly improves economic circumstances over 2021-22. Given that caseloads remained elevated for some time in previous economic recessions, and that the economic disruption caused by the COVID-19 pandemic is unprecedented over the life of the W-2 program, it is unclear to what extent caseloads may improve by the end of 2022-23.

Paid W-2 Placements (January, 2006-March, 2021)



Based on W-2 benefit and caseload information through March, 2021, and unemployment data and other economic indicators, it is estimated that W-2 benefits under current law will increase by \$5,267,800 FED in 2021-22 and by \$2,267,800 in 2022-23 compared to the base TANF allocation (which is a reduction in funding of \$4,832,200 in 2021-22 and \$7,832,200 relative to 2020-21 expenditures when including the funding reallocated for benefits). For similar reasons, the cost of the W-2 administrative contracts are expected to increase by \$4,009,700 in 2021-22 and by \$7,071,200 in 2022-23 relative to the base to provide case management services to participants, including work placements and employment search assistance.

Caretaker Supplement. The supplemental security income (SSI) program provides cash benefits to individuals and couples with low income and limited resources who are elderly, blind, or disabled. SSI recipients with dependent children receive a "caretaker supplement" payment, in addition to state and federal SSI benefits. Eligible individuals and families with one child receive a supplement of \$250 per month, while eligible individuals and families with more than one child receive a supplement of \$250 per month for the first child and \$150 per month for each additional child. TANF funding transferred from DCF to the Department of Health Services supports SSI caretaker supplement payments.

For two reasons, it is projected that the current TANF allocation should be reduced by \$6,448,600 in 2021-22 and by \$6,868,300. First, the state share of the caretaker supplement is estimated to increase by \$3.1 million annually. This is so because federal law imposes a

maintenance of effort (MOE) requirement on states that offer SSI supplement programs in order to ensure that states cannot use federal cost of living adjustments for SSI to back out state funding from supplement programs. Wisconsin meets the requirement by maintaining the total state SSI benefit expenditures each calendar year at a level equal to the prior calendar year's expenditures. Thus, as the federal cost of living adjustment increases the federal funding for SSI, the state share of the SSI caretaker supplement must increase. Second, a continuing downward trend in caseloads over the past few years has decreased the expended amount of benefits. Based on caseloads through March, 2021, it is anticipated that benefits will decline by \$3.3 million in 2021-22 and by \$3.7 million in 2022-23.

Earned Income Tax Credit. As discussed in a subsequent paper, based on tax data supplied by the Department of Revenue through May, 2021, estimated TANF expenditures for EITC claims are lower than previously estimated by \$6.1 million in 2021-22 and \$3.1 million in 2022-23. Pursuant to federal law, TANF block grant funds may be used to support only the refundable portion of the EITC period to tax credit claimants. Because EITC claims are estimated to decrease relative to the base, the TANF-funded portion is also estimated to decrease.

Projected Ending Balance

As indicated in the table, the revised estimate for the 2021-23 ending TANF balance based on current law is \$232.2 million. Ongoing expenditures are estimated to exceed ongoing revenue by approximately \$30.6 million in 2022-23. Thus, the ending balance would be sufficient to cover projected imbalances if current programs and caseload trends were maintained into the next biennium.

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 if other sources of revenue were not utilized.

Note that subsequent to the introduction of AB 68/SB 111 the state received substantial federal funding under the American Rescue Plan Act (ARPA) of 2021. This includes an estimated \$357.9 million for child care stabilization grants and \$223.2 million in supplemental funding under the CCDF. This one-time funding is not made part of the estimates provided in the table. To the extent AB 68/SB 111, as enacted, were to utilize this funding, the TANF ending balance could be much larger.

MODIFICATION

Modify TANF allocations to reflect the estimated cost to continue TANF-related programs under current law to increase funding allocated by \$2,828,900 FED in 2021-22 and \$2,220,700 FED in 2022-23 as follows: (a) increase funding for W-2 benefits by \$5,267,800 in 2021-22 and by \$2,267,800 in 2022-23; (b) increase funding for W-2 service contracts by \$4,009,700 in 2021-22 and by \$7,071,200 in 2022-23; (c) decrease funding by \$250,000 in 2022-23 for the offender reentry pilot program, for which funding under current law was intended to lapse; (d) decrease

funding for the caretaker supplement by \$6,448,600 in 2021-22 and by \$6,868,300 in 2022-23; and (e) decrease funding for the refundable portion of the EITC by \$6,100,000 in 2021-22 and by \$3,100,000 in 2022-23.

Change to Base	
FED	- \$4,150,400

Explanation: This modification reflects more recent TANF-related program revenue and expenditure information than was available when the Governor's budget was prepared. Certain items shown in the table are not included in this modification because they have either already been approved by the Committee, such as standard budget adjustments, or are considered under other LFB Papers, including the papers prepared on the Wisconsin Shares and kinship care programs.

Prepared by: John Gentry