

Recent Cuts in TANF-Related Programs

Jon Peacock, August 2006

Spending for W-2 and TANF related programs peaked in Wisconsin in 2002. Since that time, the Legislature has had to make substantial cuts in a wide range of TANF-funded programs. This paper briefly examines those cuts and the likelihood that more reductions will be needed in the 2007-09 budget, unless there is an increase in state or federal revenue for W-2 and related programs.

In the first several years of W-2, Wisconsin built up a significant reserve of unspent TANF funds. In light of that balance and lower-than-anticipated enrollment in Wisconsin Shares, the Governor and Legislature decided in the 1999-2001 budget bill to expand eligibility for the child care subsidies and reduce co-pays. They also initiated several new services and programs related to W-2,¹. In addition, the Governor and Legislature used TANF funds to help finance several existing programs, including roughly \$50 million per year for the state earned income tax credit (EITC) and approximately \$10 million annually for the Milwaukee child welfare system. Much of the TANF funding used for these new purposes replaced state funding, thereby freeing up GPR funds for the tax cuts enacted in the 1999–2001 budget bill.

Table 1: Selected Cuts in TANF-Related Programs (2001–2007)

	Appropriations			percent change 2001-07
	SFY 2001	SFY 2004	SFY 2007	
W-2 Cash Benefits	\$49,309,600	\$76,772,300	\$51,930,000	5.3
W-2 - Local Admin. & Services	128,433,800	66,439,400	60,297,100	-53.1
W-2 - State Administration	27,454,400	18,484,600	16,060,000	-41.5
SSBG Transfer to DHFS/Community Aids	18,086,200	13,420,500	13,420,500	-25.8
Workforce Attachment	10,000,000	0	0	-100
Community Youth Grants	7,500,000	300,000	300,000	-96.0
Early Childhood Excellence Initiative	7,500,000	2,500,000	0	-100
Agency Performance Bonuses	7,413,100	0	0	-100
Work-Based Learning Programs	6,084,500	0	0	-100
Partnership for Full Employment	3,513,300	0	0	-100
Transportation	2,000,000	0	0	-100
Adolescent Services/Pregnancy Prevention	1,808,300	1,367,100	0	-100
Literacy Initiative	1,454,100	0	0	-100
Aid to Milwaukee Public Schools	1,410,000	0	0	-100
Substance Abuse Services	1,000,000	0	0	-100
Nutritional Services	1,000,000	0	0	-100
Immunization	1,000,000	0	0	-100

¹ These new services included substance abuse treatment and literacy services, the Workforce Attachment Fund, and Community Youth Grants.



The measures enacted in the 1999-2001 budget resulted in annual TANF spending levels that exceeded the frozen federal funding level, so the state began to steadily spend down its TANF reserves. In the 2001-03 biennium, the state began cutting back some of the new W-2 services. In each subsequent budget, the cuts have gone deeper because of the following factors:

- Far fewer TANF dollars have been available to carry forward from previous years.
- The child care subsidy caseload has grown steadily, and the cost per child has also increased.
- The W-2 cash assistance caseload rebounded in the early part of this decade (before starting downward again in mid-2004).
- The revenue sources have not adjusted for inflation. In fact, if the TANF block grant had been adjusted each year based on the change in the consumer price index, Wisconsin would receive about \$91 million more in the current fiscal year.

Table 1 illustrates how the growth in child care subsidies and the use of TANF for the EITC has squeezed other areas of TANF spending and has led to many cuts since state FY 2001. The table selectively includes the larger cuts, rather than all TANF and W-2 appropriations. It includes the appropriations for W-2 cash benefits – even though spending in that area is up slightly since 2001 – because there has been a large drop since 1998 in cash assistance spending, and there was also a significant cut in the 2005-2007 budget.

The 2007-09 biennial budget is expected to be the first time that the state is not able to carry forward significant TANF reserves. Without those carryover dollars, the state faces a small structural deficit in the TANF and W-2 related part of the next budget, although it won't be as big a TANF hole as budget writers faced at the outset of the 2005-07 budget.

In light of that structural deficit, the continued frozen level of federal funds, and ongoing growth in the cost of the child care subsidy program, the 2007-09 TANF and W-2 related budget will be another very challenging one. More cuts are likely if the state continues to fund most of the EITC with TANF dollars.