Children and Families

TANF and Economic Support

(LFB Budget Summary Document: Page 84)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1, 2, 3, 16, 23, & 26	Revised Estimates for TANF-Related Programs under Current Law (Paper #200)
4	Statewide Expansion of Transform Milwaukee and Transitional Jobs (Paper #201)
6	Wisconsin Shares Child Care Subsidies (Paper #202)
7 & 8	Wisconsin Shares Eligibility (Paper #203)
9, 10, 11, & 12	Quality Rating and Improvement System (Paper #204)
13 & 14	Quality Care for Quality Kids (Paper #205)
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LFB Summary Items Removed From Budget Consideration

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5	Work Experience Program Drug Testing -- Marijuana
24	Internet Assistance
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LFB Summary Items to be Addressed in a Separate Paper

Item #	Title
17	Kinship Care (Paper #211)
27	Child Welfare Prevention Services (Paper #214)

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June, 2021 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 Adjusted Base	Reestimate 2021-22	Reestimate 2022-23	Change to Base 2021-22	Change to Base 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 Adjusted Base	Reestimate 2021-22	Reestimate 2022-23	Change to Base 2021-22	Change to Base 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	69,700,000	63,600,000	66,600,000	-6,100,000	-3,100,000
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.

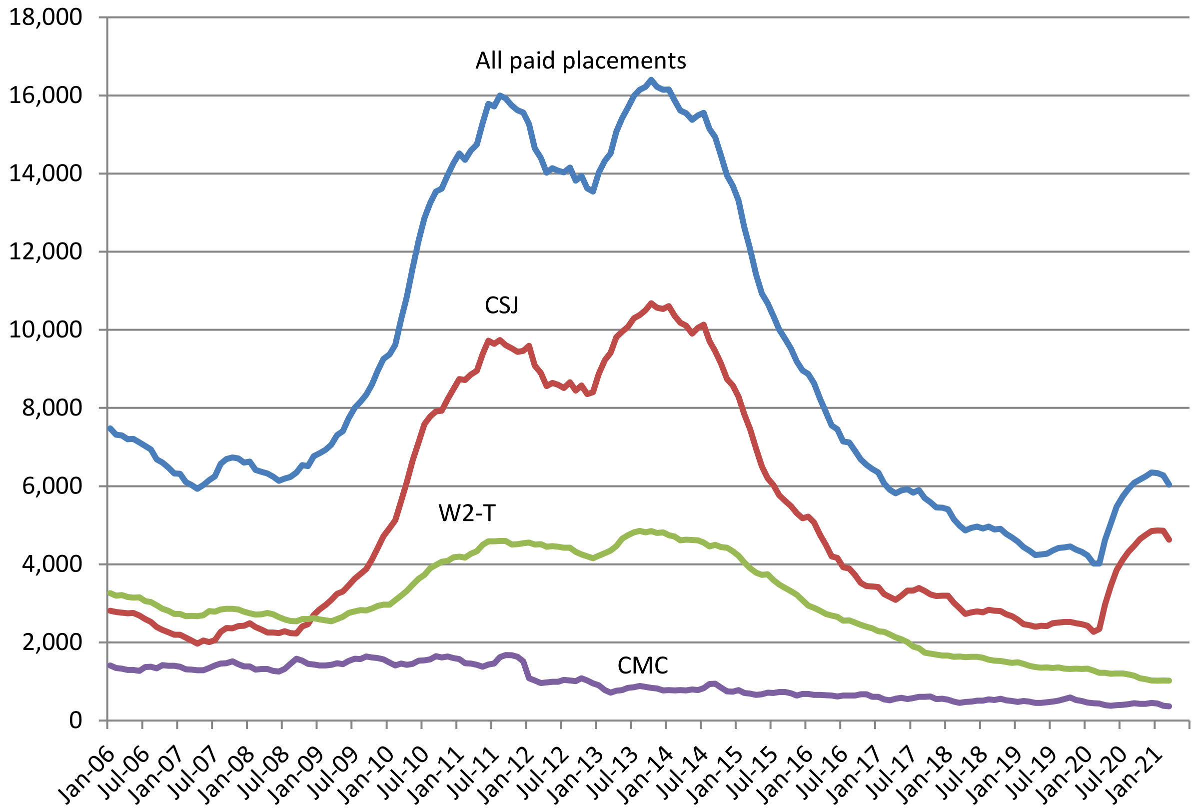
Wisconsin Shares Child Care Subsidy Program. As discussed in more detail in Issue Paper #202, the Wisconsin Shares child care subsidy program is estimated to underspend the direct child care services TANF allocation by $34.8 million in 2020-21 (approximately 9.5% of the allocation). Through February, 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.

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June, 2021 | Joint Committee on Finance | Paper #201

Statewide Expansion of Transform Milwaukee and Transitional Jobs (Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 86, #4]

CURRENT LAW

The Transform Milwaukee program offers subsidized work to low-income individuals in the City of Milwaukee for up to 1,040 hours (six months, full-time) and provides employers with a wage subsidy to offset their hiring costs. The program also offers training to provide job skills to individuals that match employers' needs. In contrast with Wisconsin Works, childless individuals may qualify for the Transform Milwaukee program, and the income eligibility limit is higher [150% of the federal poverty level (FPL), compared to 115% of the FPL under Wisconsin Works).

Subsequent to the enactment of the Transform Milwaukee program, 2013 Act 113 authorized DCF to establish a similar program in areas outside Milwaukee, to the extent funding is available. DCF must give priority to areas with relatively high rates of unemployment and childhood poverty and other areas with special needs that DCF prioritizes. The same eligibility and program requirements apply to both programs.

The programs are pool funded with $8,500,000 in 2019-20 and $9,500,000 in 2020-21 from the federal temporary assistance for needy families (TANF) block grant. There were 362 participants in Transitional Jobs in federal fiscal year 2019-20 and 196 participants in September, 2020. There were 898 participants in Transform Milwaukee jobs in federal fiscal year 2019-20 and 486 participants in September, 2020.

Under the programs, the Department of Children and Families (DCF) may reimburse an employer or contractor for a minimum of 20 hours per week for any of the following costs that are attributable to the employment of an eligible individual: (a) a wage subsidy equal to the amount of wages paid to the individual for hours actually worked, not to exceed 40 hours per week at the applicable federal or state minimum wage; (b) federal social security and Medicare taxes; (c) state and federal unemployment taxes; and (d) worker's compensation insurance premiums. An employer or, subject to DCF's approval, a contractor, may pay a participant an amount that exceeds the wage subsidy. Participants can work in the program for a maximum of 1,040 hours.

The main goals of the Transform Milwaukee and Transitional Jobs programs are to: (a) assist parents to gain stable unsubsidized employment; (b) increase child support payments through stable unsubsidized employment; (c) support reunification plans with children by enhancing parental capabilities and long-term child safety through stable unsubsidized employment; and (d) help foster youth live independently through stable unsubsidized employment. The programs assist participants facing disadvantages and barriers to employment, such as youth lacking formal education or work experience.

DCF contracts with four organizations -- Community Action, Inc., the Northwest Wisconsin Concentrated Employment Program, Inc., UMOS, Inc., and Workforce Resources, Inc. -- to administer the programs in eight geographic regions of the state covering 34 counties.

The program proceeds in four phases. First, the contracting agencies review applications to determine if an applicant meets the program eligibility requirements. Agencies must inform and provide basic information about other programs, including FoodShare, Wisconsin Shares child care subsidies, and Wisconsin Works.

Second, eligible participants enter the orientation phase, whereby agencies assess participants and create an employability plan based on the participant's goals and abilities. Orientation activities prepare individuals for employment in a subsidized job, including trainings on resume writing, workplace expectations, and job readiness skills. Participants may qualify for stipends for participating in orientation activities, not to exceed the minimum wage for each hour of participation for up to 40 hours per week. Orientation hours do not count towards the maximum of 1,040 hours worked in a subsidized job.

Third, participants are placed in subsidized employment at a host worksite to earn pay and acquire skills, references, and experience needed to obtain unsubsidized employment. Agencies negotiate agreements with employers to provide a wage subsidy of no more than the state or federal minimum wage ($7.25 per hour) and may also agree to reimburse payroll taxes and insurance attributable to employment of a participant. Employers must pay at least the minimum wage to participants. Participants are required to work at least 20 hours a week, and may work for more than 40 hours a week, but such hours are not subsidized. Participants may work for an overall maximum of 1,040 hours in a subsidized job. Agencies assist participants to successfully complete the period of subsidized employment. If the subsidized job is not a successful match, the agency reassesses the participants and attempts to make another match, including any additional orientation activities that would prepare the participant for a new worksite. The participant is not be eligible for additional stipends for orientation activities, however.

Fourth, in the post-subsidized employment phase, agencies provide up to 60 days of job search assistance and retention services to assist individuals to find and secure unsubsidized employment.

Transform Milwaukee and Transitional Jobs have two target populations: the general public and the former out-of-home care population. DCF contracts with UMOS to serve the general population and with the Milwaukee Area Workforce Development Board to serve the out-of-home care population. To be eligible to participate in the program, an individual must: (a) be at least 18 years of age; (b) if older than 25 years of age, be a parent of a child under age 18 or be a relative and primary caregiver of a child under age 18; (c) have an annual household income below 150% of the FPL; (d) be unemployed for at least four weeks; (e) be ineligible to receive unemployment insurance benefits; (f) not be participating in a W-2 employment position; and (g) satisfy drug abuse screening, testing, and treatment requirements.

Furthermore, pursuant to the Transform Milwaukee policy manual, individuals that meet the eligibility requirements must be either a young, childless adult between 18 to 25 years of age, or a parent with a child support order, a reunification plan, or an ex-offender. However, these additional requirements do not apply to individuals between 18 to 25 years of age who were in out-of-home care at or after age 16. Pursuant to DCF policy guidance, out-of-home care is defined to include placements under the Children's Code (Chapter 48) and the Juvenile Justice Code (Chapter 938).

DISCUSSION POINTS

1. Due to the economic disruption caused by the COVID-19 pandemic, the unemployment rate spiked considerably in 2020, particularly for younger workers. According to the quarterly census of employment and wages produced by the federal Bureau of Labor Statistic (BLS), in April alone, employment in Wisconsin declined 14.5% compared to 2019. Social distancing measures used to combat the pandemic heavily affected younger workers because, as a group, they tend to concentrate in entry levels positions in certain industries, such as leisure and hospitality, which experienced severe declines in employment (which declined 51.5% in April 2020 compared to 2019). According to labor force statistics from the Census Bureau's current population survey, the unemployment rate for younger workers aged 20 to 24 increased to 25.6% in April, 2020.

2. BLS local area unemployment statistics show that the statewide unemployment rate increased to 14.8% in April, 2020, and has steadily improved to 3.8% through March, 2021. However, the unemployment rate for young adults remains elevated. According to the current population survey, the unemployment rate in March, 2021, for aged 20 to 24 years was 10.3% (compared to 6.6% in March, 2019). As a result, younger workers facing barriers to employment are in particular need of assistance.

3. Transitional Jobs is not currently available statewide. The four administering agencies and the regions they serve are as follows offer services: (a) Community Action, Inc. in Rock and Walworth counties; (b) UMOS, Inc. in five regions, including Adams, Clark, Jackson, and Juneau counties, Brown, Marinette, Oconto, Outagamie, and Winnebago counties, Florence, Forest, Langlade and Menominee counties, Kenosha county, and Racine county; (c) Northwest Wisconsin Concentrated Employment Program, Inc. in Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn counties; and (d) Workforce Resources, Inc. in Barron, Chippewa, Dunn, Pierce, Polk and St. Croix counties.

4. Assembly Bill 68/Senate Bill 111 would increase funding for the Transform Milwaukee and Transitional Jobs programs by $2,600,000 FED in 2021-22 and $5,200,000 FED in 2022-23 to expand the program statewide to the remaining 38 counties that do not have a transitional jobs program. The total funding that would be budgeted for these programs would be $12,100,000 FED in 2021-22 and $14,700,000 FED in 2022-23.

5. Program expansion could assist disadvantaged workers to find employment quickly as the economy recovers from the disruption of the COVID-19 pandemic. Assuming that wage subsidies and other reimbursements for each participant would cost approximately $10,000 on average (1,040 hours of participation at minimum wage plus payments for other costs of employment), it is estimated that providing $2,600,000 in 2021-22 could provide capacity for up to 260 participants and providing $5,200,000 in 2022-23 could provide capacity for up to 520 participants.

6. The Committee could find that participant outcomes in the Transform Milwaukee and Transitional Jobs programs merits expansion to the remaining 38 counties where the program is unavailable, and therefore allocate $2,600,000 FED in 2021-22 and $5,200,000 FED in 2022-23 to expand the program statewide (Alternative 1).

7. Additionally, given the Committee could provide additional funding to expand the number of subsidized job opportunities available in the program, and provide for additional capacity of 50, 100, 150, or 200 participants at an estimated annual cost of $500,000 FED, $1,000,000 FED, $1,500,000 FED, or $2,000,000 FED, respectively (Alternative 2).

8. DCF does not maintain information on how many individuals have applied for the program but are denied services due to a lack of capacity, nor does the Department track outcomes for participants after they leave the programs. The program was last evaluated by DCF in September, 2013. That evaluation provided some evidence that participants experienced short-term positive outcomes, as measured by increases in unsubsidized employment rates, quarterly wages, and child support payments. However, the evaluators concluded that these outcomes cannot necessarily be attributed to the program, due to limitations of the evaluation design and available data.

9. In the absence of a recent, independent evaluation of the program, it is difficult to assess how effective the program is in securing sustaining employment for program participants.

10. Further, the Committee could also find that DCF has sufficient funding to maintain the program at present. As shown in the following table, the Transform Milwaukee and Transitional Jobs programs have consistently underspent budged amounts.

Transform Milwaukee and Transitional Jobs
Comparison of Funding Allocations and Program Expenditures

Fiscal Year	Budgeted	Expenditures
2015-16	$6,000,000	$3,841,700
2016-17	7,000,000	5,328,200
2017-18	7,000,000	6,309,300
2018-19	8,000,000	6,210,400
2019-20	8,500,000	5,435,200

Caseloads through March, 2021, indicate that it is likely that total 2020-21 program costs will be significantly lower than the amounts budgeted for the program this year ($9,500,000). Therefore, the Committee could decide to maintain funding at the base level of $9,500,000 FED annually (Alternative 3).

11. On the other hand, DCF indicates that despite the COVID-19 pandemic, spending for Transform Milwaukee is expected to be at least $5.1 million in 2020-21. The remaining funding under the TANF allocation is for the rest of the state, including the expansion of Transitional Jobs that began in January 1, 2021. Because three new contracts were recently added, DCF expects costs to increase during the last months of 2020-21 as social distancing measures roll back across the state and vaccines are widely administered. If base funding were maintained, DCF states that it would not expand the program to additional counties due to concerns over insufficient funding.

ALTERNATIVES

1. Provide $2,600,000 FED in 2021-22 and $5,200,000 FED in 2022-23 to expand the Transform Milwaukee and Transitional Jobs program statewide to the remaining 38 counties that do not have a program.

ALT 1	**Change to Base**
FED	$7,800,000

2. Provide $2,600,000 FED in 2021-22 and $5,200,000 FED in 2022-23 to expand the Transform Milwaukee and Transitional Jobs program statewide to the remaining 38 counties that do not have a program. In addition, provide additional annual funding to increase the availability of subsidized jobs in one of the following amounts: (a) $500,000 FED; (b) $1,000,000 FED; (c) $1,500,000 FED; or (d) $2,000,000 FED.

ALT 2		**Change to Base**
a	FED	$8,800,000
b	FED	9,800,000
c	FED	10,800,000
d	FED	11,800,000

3. Take no action.

Prepared by: John D. Gentry

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June, 2021 Joint Committee on Finance Paper #202

Wisconsin Shares Child Care Subsidies
(Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 87, #6]

CURRENT LAW

The Wisconsin Shares program, administrated by the Department of Children and Families (DCF), provides child care assistance for low-income families to enable parents and other caretakers to work or to prepare for employment through work programs and education or training. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent.

DCF uses market surveys to establish the maximum reimbursement amounts Wisconsin Shares will pay for child care in each county. Subsidy amounts are determined by these maximum payment amounts, with downward adjustments made for a family's copay, which depends on the size of the family, income, and other factors. The subsidy is transferred to an electronic benefit transfer (EBT) account established on behalf of the parent at the beginning of each payment period (generally at the beginning of each month). Parents are free to transfer funds at any time from the EBT account via telephone, website, or an EBT "swipe" card. The charged amounts are immediately and electronically transferred into the child care provider's bank account.

Parents are responsible for managing the subsidy they receive and are free to decide whether to reserve a slot at a child care provider, purchase hourly child care, or save subsidy amounts for future use as needed. Parents may select child care providers that charge more than their subsidy amount, but they are responsible for the difference in cost.

Wisconsin Shares is funded using the federal temporary assistance for needy families (TANF) block grant and the federal child care development fund (CCDF), which consists of funding from the federal child care development block grant (CCDBG) and Title IV-A of the Social Security Act.

Under 2019 Act 9, it was estimated that the state's award of CCDF funds would total $128.2 million in 2019-20 and 2020-21. However, in response to the COVID-19 pandemic, several federal acts provided additional funding to states to support child care costs. The American Rescue Plan Act (ARPA) of 2021 provided supplemental CCDBG funds in an estimated amount of $223.2 million and a permanent increase in funding under Title IV-A of $8.9 million annually. Attachment 1 provides additional information on the expenditure of supplemental federal funds under the federal CARES Act, CAA, and ARPA.

States may use the ARPA funds for any purpose authorized under the CCDBG and to provide child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to Coronavirus by public officials, without regard to the income eligibility requirements.

DISCUSSION POINTS

1. Caseload data indicate that the difference between private market rates and Wisconsin Shares reimbursement rates has contributed to a marked decline in program participation over the past few years.

2. Table 1 provides information on caseloads and subsidy payments from 2011-12 through 2019-20. The table shows decreases in the number of families and children participating in the program during this period, while program expenditures have remained relatively flat through 2017-18 before increasing during the past two years. This trend is widely believed to be due to the lack of affordable child care, even with the subsidies families receive under the Wisconsin Shares program. Rate increases and changes in the reimbursement for certified providers approved as part of 2019 Act 9 (the 2021-13 biennial budget act) may account for the recent increase in families and children using the program. However, it is unclear if caseloads will continue to increase since the COVID-19 public health emergency has greatly impacted child care providers in the state.

TABLE 1

Child Care Subsidies -- Caseload and Expenditures

Fiscal Year	Average Monthly Subsidies	Percent Growth	Average Number of Children	Percent Growth	Average Number of Families	Percent Growth	Subsidy per Family	Percent Growth
2011-12	22,571,848	-2.1	52,812	-2.3	31,501	-0.8	717	-1.3
2012-13	20,025,151	-11.3	49,147	-6.9	29,518	-6.3	678	-5.3
2013-14	19,615,076	-2.0	46,601	-5.2	27,867	-5.6	704	3.8
2014-15	19,781,256	0.8	46,131	-1.0	27,357	-1.8	723	2.7
2015-16	19,993,320	1.1	45,145	-2.1	26,476	-3.2	755	4.4
2016-17	20,824,775	4.2	42,065	-6.8	24,638	-6.9	845	11.9
2017-18	21,342,649	2.5	37,364	-11.2	21,580	-12.4	989	17.0
2018-19	23,033,255	7.9	36,286	-2.9	20,720	-4.0	1,112	12.4
2019-20	26,193,973	13.7	36,582	0.8	20,985	1.3	1,217	9.5

Reimbursement Rate History

3. By law, DCF is required to establish the maximum reimbursement rates for child care so that the reimbursement rate would fully pay the price of at least 75 percent of the slots for children within the licensed capacity of all child care providers (the 75th percentile).

4. However, the rates were frozen at the 2006 level until June 30, 2013, due to limited funding and increased costs for the Wisconsin Shares program. Because market rates continued to rise during this time period, the maximum reimbursement rate fell below the 75th percentile across the state.

5. As part of the approval process for the FFY 2019-21 Child Care and Development Fund (CCDF) plan, the U.S. Department of Health and Human Services (DHHS) placed all states with payment rates below the 25th percentile on a corrective action plan for failure to comply with the equal access provisions of federal law. These provisions require that states establish payment rates for federally funded child care subsidy programs that are sufficient to ensure that families participating in the subsidized programs have access to child care services that are comparable to families that do not participate in the federally funded subsidy program. Wisconsin was among the states that had failed to meet this requirement. Further, DHHS indicated that the 25th percentile is not viewed as a benchmark or long-term solution to gauge equal access, and thus would not be sufficient for compliance in future CCDF plans. In an effort to meet the federal requirement, the Legislature increased funding for Wisconsin Shares subsidy payments by $11,630,800 FED in 2019-20 and $11,920,900 FED in 2020-21, amounts that were estimated to increase the maximum reimbursement rates to the 35th percentile of the 2017 market rate survey. DCF used the funding to increase subsidy payment rates beginning in October, 2019.

6. Attachments 1 and 2 compare the maximum reimbursement rates against the average price of child care slots in each county, based on the DCF's 2020 Market Survey. Based on the survey results, DCF estimates that the overall maximum reimbursement rates for the state are in the 30^{th} percentile of the market price for child care slots. This means that the 2020 maximum reimbursement rates, before adjusting downward for parent copays, were sufficiently large enough to pay for the entire cost of 30% of the child care slots available in the statewide survey. This is an increase from 15% in the 2017 market survey.

7. Stated another way, the 2020 maximum reimbursement rates did not cover the full costs of 70% of the child care slots in the statewide survey. Previous DHHS statements suggest that Wisconsin Shares may not be in compliance with federal regulations if the rates were to decrease relative to market prices over the next two years.

Estimated Cost to Maintain Wisconsin Shares Subsidies

8. Assembly Bill 68/Senate Bill 111 would decrease the TANF allocation for direct child care services by $35,059,200 annually, based on DCF's estimate that the Wisconsin Shares child care subsidy program would underspend the 2020-21 direct child care services TANF allocation set in Act 9 by $34.8 million in 2020-21 (approximately 9.5% of the allocation).

9. 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, removing the need for 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.

10. Based on a review of caseloads through February, 2021, it is reasonable to conclude that the TANF allocation for direct child care services could be reduced by $35,059,200 FED annually to maintain Wisconsin Shares subsidies at the October, 2019, reimbursement rates (Alternative 1). This reduction would make these funds available for other TANF-supported programs.

11. However, it should be noted that beginning March 1, 2021, DCF used its statutory rate-setting authority to institute a temporary increase of 21% in Wisconsin Shares subsidy rates for children up to (but not including) age three, through the end of June, 2021. The rate increase is funded from $10,000,000 FED in underspent funds in the direct child care services allocation for 2020-21. If the Committee chooses to reduce the allocation for direct child care services, DCF would be unable to maintain the cost of the rate increase after June, 2021.

12. March caseloads and expenditures suggest that the change likely increased participation in the program, as well as increases reimbursement rates relative to market price, as required by DHHS guidance.

13. Further, to the extent the increased reimbursement increases the overall amount of payment received by child care providers, the enhanced subsidies could help support child care providers with the effects of the COVID-19 pandemic. Profit margins in the child care sector are generally thin due in part to the costs set by required staffing ratios for each child and fixed costs for buildings and utilities. This is especially true for higher quality child care providers, which have additional expenses to meet requirements for accreditation and assessment under the YoungStar quality rating and improvement program. Providers that remain open during the pandemic incur additional expenses related to sanitation and ensuring the health and safety of staff and children while they also realize reduced revenues due to the decrease in the number of children they served during the pandemic. Maintaining the staff-to-child ratios during the pandemic helps to limit the spread of COVID-19, but also further reduces revenues relative to these increased costs. Facilities that have closed due to the unmanageable financial conditions continue to incur expenses for rent, utilities, and other fixed costs.

14. A recent survey conducted by the National Association for the Education of Young Children in November, 2020, indicated that 60% of responding child care providers nationwide were reducing costs by staff layoffs, furloughs, and pay cuts and that approximately 33% of open providers continued to operate with reduced capacity due to the pandemic. In Wisconsin, 31% of responding child care providers indicated that they were losing money every day, with 35% taking on debt or using personal savings for operating expenses, and 51% unable to say how much longer they would be able to remain open. Increasing subsidies could assist providers meet their operating expenses.

15. For these reasons, the Committee could instead choose to maintain the 21% rate increase

for children younger than three (Alternative 2). It is estimated that $30,000,000 FED annually would be sufficient to sustain the rate increase through the 2021-23 biennium. Because the estimated base costs of the program are estimated to decline by $35,000,000 annually, it is estimated that the Committee could support the rate increase by reducing the allocation for direct child care services by $5,000,000 FED annually, rather than $35,059,200 FED.

16. Alternatively, the Committee could choose a different amount of funding to increase to reimbursement rates (Alternative 3). After accounting for the downward cost to continue the program under current law, it is estimated that rates could be increased to the 50th percentile by decreasing the TANF allocation for direct care subsidies by $8,400,000 FED in 2021-22 and by $1,600,000 FED in 2022-23. Increasing rates to the 60th percentile would require increasing the TANF allocation by an estimated $3,300,000 in 2021-22 and by $10,300,000 in 2022-23. It is estimated that the cost of increasing rates to the 75th percentile would be $30,900,000 FED in 2021-22 and by $38,500,000 in 2022-23.

17. The estimates do not include adjustments for the temporary rate increases implemented in March (which occurred after the market rate survey). DCF would have discretion to incorporate the temporary increases into the rate adjustments.

18. As previously indicated, ARPA provided supplemental CCDBG funding in an estimated amount of $223.2 million for federal fiscal year 2021 (to be obligated through October, 2023) and a permanent increase in Title IV-A funding of $8.9 million annually. Thus, it is likely that the currently available federal funding sources could cover the enhanced costs of a rate increase during the 2021-23 biennium.

19. Finally, the Committee could decide that a change in funding in unnecessary for several reasons, and choose to take no action on this budget item. First, as discussed above, Act 9 provided for a substantial increase in program spending in anticipation that subsidy increases would increase caseloads. However, due to the COVID-19 pandemic, caseloads decreased rather than increased. Caseloads and subsidies could increase significantly during the 2021-23 biennium if the inoculation campaign succeeds in reducing COVID-19 cases in the state, thereby allowing schools and workplaces to fully reopen.

20. Second, the Committee could find that there is insufficient data to determine funding levels needed for a rate increase, since the pandemic significantly altered caseloads and DCF only recently implemented the March 1, 2021, rate increase. The issue of subsidy levels could be reviewed at a later time when DCF has additional caseload and expenditure data after the COVID-19 pandemic caseload decreases.

21. Third, as discussed in Attachment 1, ARPA provides significant one-time federal funds ($580.2 million) for child care programs that were unanticipated at the time the Governor submitted his budget recommendations, a significant portion of which must be obligated before the end of the October, 2022. The issue of Wisconsin Shares subsidies could be reviewed after DCF develops a plan for these funds and requests expenditure authority as part of separate legislation or under the Joint Committee on Finance's 14-day passive review process specified under s. 16.54 of the statutes.

ALTERNATIVES

1. Reduce TANF funding for direct child care services under Wisconsin Shares by $35,059,200 FED annually to reflect reestimates the cost of maintaining maximum reimbursement rates for child care at the October, 2019, rate schedule. Modify the TANF statutory allocation accordingly.

ALT 1	**Change to Base**
FED	- $70,118,400

2. Reduce TANF funding for direct child care services under Wisconsin Shares by $5,000,000 FED annually to reestimate the cost of maintaining maximum reimbursement rates for child care at the October, 2019, rate schedule, as modified by the March 1, 2021, 21% rate increase for children younger than three years of age.

ALT 2	**Change to Base**
FED	- $10,000,000

3. Modify TANF and CCDF funding to direct child care services in one of the following amounts to increase reimbursement rates: (a) -$8,400,000 in 2021-22 and -$1,600,000 in 2022-23 to raise rates to the 50th percentile; (b) $3,300,000 in 2021-22 and $10,300,000 in 2022-23 to raise rates to the 60th percentile; and (c) $30,900,000 in 2021-22 and $38,500,000 in 2022-23 to raise rates to the 75th percentile.

ALT 3	**Change to Base** FED
a.	- $10,000,000
b.	13,600,000
c.	69,400,000

4. Take no action.

Prepared by: John D. Gentry
Attachments

ATTACHMENT 1

Supplemental Federal Funding

In response to the COVID-19 pandemic, DCF received substantial federal revenues under three Acts of Congress.

First, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act increased CCDBG funding for Wisconsin by $51.6 million through September 30, 2021, to prevent prepare for, and respond to the coronavirus (including for reimbursement of such costs and obligations made prior to the enactment of CARES).

After the submitting a plan for passive review on April 28, 2020, the Committee approved DCF's plan for expenditure of the funds, under which DCF implemented three Child Care Counts grant programs: (a) grants to providers serving families of essential workers; (b) hazard pay to child care employees; and (c) grants to reopen child care programs that temporarily closed during the COVID-19 pandemic. A total of 2,712 child care providers received $50.8 million of CARES Act funding. The remaining funds were used for supporting information technology infrastructure and administration to disperse payments. Overall, $36.9 million was provided for essential workers, $9.7 million was provided for incentive pay, and $4.2 million was provided for reopening providers.

In addition to supplemental CCDF, CARES also provided the coronavirus relief fund (CRF) to provide assistance to state and local governments responding to the COVID-19 pandemic. DCF used $79.7 million of CRF monies to provide two rounds of supplementary Child Care Counts programs. The first program, supported with $46.5 million in CRF monies, supported the costs of child care providers maintaining or enhancing compliance status, YoungStar rating, and improving health and safety practices. The second program, supported with $33.2 million of CRF monies, supported the staff recruitment and retention efforts (such as incentive pay or signing bonuses).

Second, the Consolidated Appropriations Act of 2021 (CAA) later provided additional supplemental CCDBG funding in FFY 2020-21 to prevent, prepare for, and respond to the COVID-19 pandemic. It is estimated that Wisconsin's allotment of supplemental CCDBG funding under the CAA will be $148.8 million. The Committee approved DCF's passive review request under s. 16.54 of the Wisconsin Statutes on April 1, 2021, to expend $133.8 million of the funding as follows: (a) $106.0 million to continue the Child Care Counts program; (b) $10.0 million for grants to child care providers to support the purchase of computers, tablets, hotspots, and internet service; $10.0 million for grants to child care providers to support staff recruitment and retention efforts; (d) $5.5 million to create and expand shared services networks to reduce administrative costs of providers by pooling management of operations; and (e) $2.3 million to implement information technology system changes and hire limited-term employees needed to execute these programs.

Third, the American Rescue Plan Act (ARPA) provided more supplemental CCDBG funds and additional funding for CCDBG stabilization grants to child care providers. It is estimated that Wisconsin's share of this funding will total $580.2 million, including $223.2 million for emergency

CCDBG funds and $357.0 million for stabilization grants. These emergency CCDBG funds must be obligated in federal fiscal year 2020-21 or the subsequent two federal fiscal years. DCF must notify the U.S. Department of Health and Human Services if it is unable to obligate at least 50% of stabilization grants on or before December 11, 2021. For both emergency CCDBG funding and stabilization grants, ARPA requires that the funding be used to supplement revenue budgeted for these programs. Thus, the funding cannot be used to supplant state funding for current programs (such as the TANF allocation for Wisconsin Shares).

States may use the ARPA emergency funds for any purpose authorized under the CCDBG and to provide child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to Coronavirus by public officials, without regard to the income eligibility requirements under the CCDBG.

For ARPA stabilization grants, eligible providers include center-based child care provider, a group home child care provider, a family child care provider, or other provider of child care services for compensation that are licensed, regulated, or registered that satisfy all applicable health and safety regulations under state law. Eligible providers need not have previously received funding under the CCDBG to qualify for the grants. Eligible providers must either be closed due to public health, financial hardship, or other reasons due to the COVID-19 public health emergency, or open and available to provide child care services.

Providers may use ARPA stabilization grants for: (a) personnel costs, including payroll and salaries or similar compensation for an employee (including any sole proprietor or independent contractor), employee benefits, premium pay, or costs for employee recruitment and retention; (b) rent or payment on any mortgage obligation, utilities, facility maintenance or improvements, or insurance; (c) personal protective equipment, cleaning and sanitization supplies and services, or training and professional development related to health and safety practices; (d) purchases of or updates to equipment and supplies to respond to the COVID–19 public health emergency; (e) goods and services necessary to maintain or resume child care services; and (f) mental health supports for children and employees. Providers may use grant funds to reimburse costs obligated or expended before March 11, 2021.

Stabilization grants must be based on the provider's stated current operating expenses, including costs associated with providing or preparing to provide child care services during the COVID–19 public health emergency. To the extent practicable, grants must cover sufficient operating expenses to ensure continuous operations. DCF must provide and accept grant applications on its website. Providers must certify that they will: (a) implement policies in line with guidance from state and local governments and the Centers for Disease Control and Prevention; (b) pay each employee full compensation, including benefits, and will not reduce that compensation or furlough employees; and (c) provide relief from copayments and tuition payments for the families enrolled in the provider’s program, to the extent possible, and prioritize relief for families struggling to make either type of payment.

Finally, ARPA also permanently increases the total funding available to states under Title IV-A of the Social Security Act so that beginning in FFY 2020-21, $3,550.0 million will be provided annually, of which $3,375.0 million annually will be available for grants to states. In addition, ARPA temporarily waives the state's matching requirement for such funds through federal fiscal year 2021-22. DHHS will allocate this funding to states based on each state's share of children under the age of 13. Matching funds must be spent within the year they are received or obligated in the year received and spent within the next fiscal year. It is estimated that ARPA will provide an additional $8.9 million in Title IV-A matching child care funds to Wisconsin.

ATTACHMENT 2

2020 Market Survey of Licensed Group Child Care Providers

	Less than 2 Years Old		2 and 3 Years Old		4 and 5 Years Old		6 Years and Older	
Counties	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot
Adams	$199.85	$200.00	$175.00	$175.00	$150.15	$150.00	$150.15	$150.00
Ashland	183.75	170.25	170.10	170.25	156.10	156.25	150.50	150.50
Barron	183.75	165.17	135.10	150.73	124.95	141.69	115.50	131.55
Bayfield	183.75	N.A.	159.95	N.A.	150.15	N.A.	150.15	N.A.
Brown	229.95	253.72	197.05	217.40	175.00	195.14	173.95	192.80
Buffalo	183.75	N.A.	150.15	N.A.	140.00	N.A.	129.85	N.A.
Burnett	183.75	N.A.	140.00	N.A.	140.00	N.A.	140.00	N.A.
Calumet	205.10	215.89	187.95	195.52	170.10	179.33	159.95	178.86
Chippewa	221.90	226.50	199.85	215.79	175.00	205.51	175.00	182.55
Clark	183.75	171.16	144.90	161.92	129.85	149.86	122.85	134.86
Columbia	186.90	217.13	172.55	198.85	150.15	177.68	140.00	159.79
Crawford	256.20	N.A.	237.30	N.A.	205.80	N.A.	154.00	N.A.
Dane	296.10	345.00	255.15	293.48	234.85	254.73	205.10	231.73
Dodge	197.05	222.70	182.00	194.05	152.95	169.54	150.50	162.89
Door	214.90	222.82	186.90	214.59	171.15	200.21	150.15	196.99
Douglas	183.75	185.20	173.60	176.58	150.15	161.39	138.60	150.24
Dunn	220.15	231.90	210.00	219.61	175.00	194.50	158.90	173.38
Eau Claire	210.70	232.96	194.95	214.20	179.90	197.07	164.85	174.74
Florence	183.75	N.A.	168.70	N.A.	142.10	N.A.	132.30	N.A.
Fond du Lac	208.95	219.57	187.95	199.39	164.85	179.02	150.15	163.02
Forest	183.75	N.A.	149.45	N.A.	142.10	N.A.	135.10	N.A.
Grant	183.75	159.45	166.60	159.50	158.55	159.50	158.55	150.64
Green	199.85	205.00	170.10	195.00	159.95	185.95	158.55	162.84
Green Lake	206.15	209.81	189.00	192.81	178.85	182.81	162.05	165.08
Iowa	183.75	181.88	159.95	172.35	159.95	172.35	150.15	169.71
Iron	183.75	N.A.	137.90	N.A.	130.20	N.A.	130.20	N.A.
Jackson	183.75	182.63	155.05	154.14	140.00	146.62	140.00	146.62
Jefferson	200.90	202.00	175.00	181.03	150.15	159.54	150.15	145.26
Juneau	183.75	203.80	177.80	203.80	169.05	186.00	169.05	186.00
Kenosha	245.00	250.21	220.50	221.40	185.15	201.97	179.90	188.33
Kewaunee	207.90	204.59	179.90	188.31	155.05	168.57	149.10	163.59
La Crosse	205.10	215.67	171.85	197.49	162.05	184.55	159.95	172.28
Lafayette	183.75	N.A.	166.60	N.A.	158.55	N.A.	158.55	N.A.
Langlade	183.75	192.08	164.85	163.87	147.00	152.17	136.50	150.34
Lincoln	183.75	N.A.	140.00	180.23	129.85	160.19	126.35	160.19
Manitowoc	187.25	197.32	182.00	181.58	171.50	169.43	166.60	176.03
Marathon	225.05	244.56	185.85	210.24	175.00	193.54	159.95	171.77
Marinette	183.75	162.72	144.90	154.56	144.90	137.80	144.90	129.23
Marquette	183.75	N.A.	159.95	N.A.	152.25	N.A.	152.25	N.A.
Menominee	183.75	149.00	137.90	124.00	126.35	124.00	121.10	104.00

ATTACHMENT 2 (continued)

2020 Market Survey of Licensed Group Child Care Providers

	Less than 2 Years Old		2 and 3 Years Old		4 and 5 Years Old		6 Years and Older	
Counties	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot
Milwaukee	$276.15	$301.11	$249.90	$267.66	$213.85	$239.77	$187.95	$211.52
Monroe	183.75	210.00	146.65	190.00	128.80	190.00	128.80	190.00
Oconto	183.75	167.89	137.90	151.60	126.35	147.25	124.95	143.48
Oneida	185.15	192.50	152.25	186.79	140.00	157.50	140.00	148.33
Outagamie	229.95	242.72	214.90	224.32	194.95	205.63	179.90	197.39
Ozaukee	249.90	287.48	234.85	269.07	225.05	246.77	175.00	197.67
Pepin	183.75	N.A.	159.95	N.A.	159.95	N.A.	159.95	N.A.
Pierce	199.85	217.66	179.90	206.05	170.10	186.91	136.50	167.67
Polk	183.75	175.00	159.95	170.65	155.05	166.30	124.95	165.62
Portage	208.60	220.12	199.85	207.01	182.00	193.40	170.10	183.12
Price	183.75	150.00	137.90	150.00	135.10	150.00	115.50	130.00
Racine	237.30	260.99	206.50	221.85	178.85	195.43	171.50	166.88
Richland	183.75	N.A.	166.60	N.A.	158.55	N.A.	158.55	N.A.
Rock	212.80	229.78	190.75	201.74	179.90	183.23	161.70	176.38
Rusk	183.75	N.A.	150.15	N.A.	150.15	N.A.	126.35	N.A.
St Croix	199.85	234.01	186.90	204.37	175.00	193.91	148.40	156.50
Sauk	194.60	207.09	161.00	190.39	150.50	174.85	136.50	158.86
Sawyer	183.75	165.00	144.90	145.00	144.90	145.00	144.90	145.00
Shawano	183.75	172.79	150.15	159.94	144.90	153.92	144.90	153.92
Sheboygan	225.05	242.99	190.05	211.05	171.85	186.99	171.85	179.74
Taylor	190.05	195.00	190.05	195.00	159.95	173.57	140.00	150.00
Trempealeau	183.75	182.36	134.05	174.75	126.35	162.51	124.95	160.21
Vernon	183.75	231.01	159.95	212.30	155.05	188.65	150.15	188.21
Vilas	198.45	213.24	150.15	171.01	144.90	161.70	144.90	161.70
Walworth	205.10	241.79	189.00	200.57	171.85	174.11	147.00	148.97
Washburn	183.75	177.71	137.90	158.15	135.10	144.60	135.10	137.50
Washington	221.90	241.23	187.95	219.29	168.00	194.56	155.05	169.65
Waukesha	275.10	304.76	249.90	266.99	217.00	233.57	203.70	215.09
Waupaca	183.75	176.49	163.80	156.79	144.90	147.13	138.60	144.09
Waushara	183.75	181.00	176.05	176.00	171.15	171.00	124.95	0.00
Winnebago	249.55	259.33	210.00	233.37	194.95	209.90	178.15	192.72
Wood	194.95	201.14	185.15	186.62	164.85	178.03	154.35	173.25

"N.A." denotes that no providers were surveyed in the indicated range.

Results from tribes are too few too analyze as a separate market region, and so are included in neighboring counties.

ATTACHMENT 3

2020 Market Survey of Licensed Family Child Care Providers

	Less than 2 Years Old		2 and 3 Years Old		4 and 5 Years Old		6 Years and Older	
Counties	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot
Adams	$183.75	$156.25	$131.25	$146.67	$124.95	$146.67	$115.15	$157.50
Ashland	183.75	143.57	124.95	140.00	124.95	137.14	124.95	137.14
Barron	183.75	126.25	124.95	132.50	115.50	132.50	115.50	126.67
Bayfield	183.75	N.A	124.95	N.A	124.95	N.A.	124.95	N.A.
Brown	183.75	168.83	150.15	158.43	150.15	154.43	129.85	148.40
Buffalo	183.75	152.50	124.95	135.00	124.95	127.50	115.50	128.33
Burnett	183.75	140.00	140.00	140.00	129.85	130.00	129.85	130.00
Calumet	183.75	176.88	158.90	163.12	151.20	160.62	136.50	147.86
Chippewa	183.75	154.50	137.90	141.11	129.85	138.89	129.85	136.67
Clark	183.75	135.00	121.45	131.82	115.50	128.64	115.50	125.00
Columbia	183.75	153.21	140.00	151.43	140.00	151.43	140.00	153.33
Crawford	183.75	166.67	150.15	140.00	150.15	140.00	150.15	140.00
Dane	226.45	255.32	212.80	242.08	199.85	231.48	194.95	217.47
Dodge	183.75	160.00	137.90	160.00	128.45	153.75	128.45	138.33
Door	183.75	N.A.	137.90	N.A.	129.15	N.A.	129.15	N.A.
Douglas	183.75	178.71	149.45	167.10	142.10	167.10	136.50	173.04
Dunn	183.75	152.50	137.90	143.75	129.85	138.75	129.85	139.38
Eau Claire	183.75	163.17	164.85	155.61	156.80	152.20	156.80	150.91
Florence	183.75	N.A.	168.70	N.A.	122.85	N.A.	122.85	N.A.
Fond du Lac	183.75	160.43	140.70	153.48	133.70	156.52	133.70	156.52
Forest	183.75	N.A.	149.45	N.A.	142.10	N.A.	135.10	N.A.
Grant	183.75	148.77	121.45	139.74	115.50	139.74	115.50	152.00
Green	183.75	154.63	140.00	146.48	140.00	145.00	140.00	148.48
Green Lake	183.75	177.40	137.90	149.00	129.85	143.00	129.85	118.33
Iowa	183.75	158.75	129.85	147.50	129.85	145.00	129.85	143.33
Iron	183.75	N.A.	137.90	N.A.	126.35	N.A.	126.35	N.A.
Jackson	183.75	173.33	135.10	166.67	135.10	158.33	129.85	142.50
Jefferson	190.05	194.00	159.95	161.00	150.15	157.00	150.15	150.00
Juneau	183.75	150.00	121.45	135.00	115.50	125.00	115.50	125.00
Kenosha	210.00	198.27	193.20	184.13	173.25	168.27	163.10	161.93
Kewaunee	183.75	150.00	124.95	144.00	119.00	144.00	119.00	130.00
La Crosse	183.75	163.33	145.60	150.33	135.10	149.67	129.85	141.25
Lafayette	183.75	110.00	121.45	110.00	115.50	110.00	115.50	110.00
Langlade	183.75	137.50	137.90	137.50	126.35	137.50	126.35	137.50
Lincoln	183.75	162.50	137.90	145.00	126.35	142.00	126.35	142.00

ATTACHMENT 3 (continued)

2020 Market Survey of Licensed Family Child Care Providers

	Less than 2 Years Old		2 and 3 Years Old		4 and 5 Years Old		6 Years and Older	
Counties	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot	Weekly Max Rate	Average Price per Slot
Manitowoc	$183.75	$140.00	$149.45	$132.50	$142.10	$132.50	$136.50	$132.50
Marathon	183.75	170.40	149.45	157.94	142.10	155.08	136.50	150.56
Marinette	183.75	151.67	144.90	135.83	144.90	132.00	144.90	136.25
Marquette	183.75	N.A.	135.10	N.A.	128.45	N.A.	128.45	N.A.
Menominee	183.75	N.A.	124.95	N.A.	115.50	N.A.	115.50	N.A.
Milwaukee	220.15	244.11	199.85	226.79	183.05	206.84	170.10	189.65
Monroe	183.75	142.07	128.10	134.00	121.80	132.00	120.05	131.79
Oconto	183.75	162.00	129.85	149.50	124.95	146.00	124.95	144.50
Oneida	183.75	172.50	140.00	162.50	140.00	155.00	140.00	155.00
Outagamie	183.75	188.20	159.95	170.72	159.95	169.68	155.05	165.29
Ozaukee	183.75	N.A.	170.10	N.A.	170.10	N.A.	170.10	N.A.
Pepin	183.75	120.00	159.95	107.50	159.95	107.50	159.95	107.50
Pierce	183.75	160.00	140.00	153.24	135.10	147.65	135.10	137.33
Polk	183.75	140.00	124.95	131.22	124.95	131.22	124.95	124.00
Portage	183.75	168.46	150.50	163.85	150.15	163.08	150.15	165.45
Price	183.75	125.00	121.45	100.00	115.50	100.00	115.50	100.00
Racine	200.90	177.14	193.20	169.29	173.25	164.17	163.10	156.25
Richland	183.75	138.75	150.15	132.50	150.15	132.50	150.15	150.00
Rock	183.75	172.63	164.85	165.80	156.80	161.80	156.80	160.00
Rusk	183.75	N.A.	126.35	N.A.	126.35	N.A.	126.35	N.A.
St Croix	183.75	165.75	140.00	159.08	140.00	157.47	140.00	150.14
Sauk	183.75	162.14	150.50	152.86	142.10	151.43	136.50	161.43
Sawyer	183.75	161.67	124.95	141.67	124.95	141.67	115.50	141.67
Shawano	183.75	155.00	135.10	150.00	135.10	137.50	135.10	150.00
Sheboygan	183.75	246.25	155.05	195.00	144.90	188.75	144.90	191.00
Taylor	183.75	145.71	140.00	142.50	140.00	142.50	140.00	142.50
Trempealeau	183.75	136.25	129.85	133.75	124.95	133.75	124.95	133.75
Vernon	183.75	N.A.	129.85	N.A.	129.85	N.A.	129.85	N.A.
Vilas	183.75	N.A.	129.85	N.A.	116.55	N.A.	116.55	N.A.
Walworth	183.75	189.78	154.35	165.43	142.10	156.09	136.50	148.67
Washburn	183.75	150.00	129.85	140.00	120.05	135.00	120.05	135.00
Washington	183.75	195.00	155.05	190.00	144.90	180.83	144.90	180.00
Waukesha	222.95	238.58	193.20	214.49	175.00	199.67	171.85	195.58
Waupaca	183.75	150.00	144.90	135.00	144.90	135.00	115.50	120.00
Waushara	183.75	166.40	129.85	148.40	129.85	143.40	115.50	131.90
Winnebago	183.75	192.18	164.85	177.71	155.05	173.48	150.50	168.00
Wood	183.75	151.67	143.50	155.91	133.70	154.09	133.70	152.22

"N.A." denotes that no providers were surveyed in the indicated range.

Results from tribes are too few too analyze as a separate market region, and so are included in neighboring counties.

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June, 2021 | Joint Committee on Finance | Paper #203

Wisconsin Shares Eligibility
(Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 88, #7 and #8]

CURRENT LAW

Wisconsin Shares provides child care assistance for low-income families to enable them to work or prepare for employment through Wisconsin Works, or through a combination of work and education or training programs. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent. The Department of Children and Families (DCF) uses market surveys to establish the maximum reimbursement amount Wisconsin Shares will pay for child care. Families must pay a portion of this amount (the copay), which depends on income, family size, and the number of children in care.

Initial eligibility for Wisconsin Shares is limited to families with gross income of no more than 185% of the federal poverty level (FPL), which is $40,626 for a family of three in 2021. The copayments of participating families whose incomes increase above the 200% FPL threshold increase by $1.00 for every $3.00 by which the family's gross income exceeds 200% of the FPL. These families retain eligibility until either the copayment reduces the subsidy to $0 or their income increases to the exit threshold of 85% of state median income. Once a case has been closed for more than a calendar month, the family must reapply using the 185% FPL standard.

In general, the definition used to determine income includes all earned and unearned income of the individual, except: (a) assistance received for participation in Wisconsin Works; (b) federal and state earned income tax credits and any federal income tax refund; (c) certain types of loans, in-kind income, and vendor payments; (e) income earned by a dependent child; (f) child support payments, if less than $1,250 per month; and (g) federal or state student financial aid or any scholarship used for tuition and books. However, under administrative rules, any income from sources that must be disregarded by federal or state law for purposes of determining eligibility for means-tested programs are not be counted as income.

DISCUSSION POINTS

1. As discussed in a separate paper, the American Rescue Plan Act (ARPA) of 2021 provided substantial one-time funds for child care programs in Wisconsin, including $223.3 million in funding under the Child Care and Development Block Grant Act. This federal funding is available to support eligible services through September 30, 2024. This paper provides options to use some of these additional federal funds, and ongoing TANF funds, to expand eligibility for Wisconsin Shares.

Deduction of Child Support Payments

2. Some children whose parents live in separate households receive child care services supported by Wisconsin Shares. In these cases, each parent has the option to apply for Wisconsin Shares for the time the child is residing in their household.

3. Under DCF's current procedures, child support payments that exceed $1,250 per month are considered unearned income for the child, but earned income for the parent who pays the child support (payor). Consequently, in the case of a payor with shared placement that applies for Wisconsin Shares, the child support payment is double-counted for purposes of income eligibility and for determining copays.

4. For example, assume Larry has monthly earned income of $2,500 and pays $1,255 in child support each month to Wendy on behalf of his four-year-old child. Current law permits both Wendy and Larry to apply for Wisconsin Shares for the portion of time related to their respective shared placement. When Wendy applies, her family's income includes the $1,255 in unearned income attributable to the child support payments for the child. The same is also true for Larry. That is, when Larry applies for Wisconsin Shares, his income is determined as the sum of his earned income ($2,500) and the unearned income for the assistance group (the $1,255 of child support paid on behalf of the child). Thus, although Larry's income is at 172% of the FPL, his income would be considered to be at 259% FPL for purposes of Wisconsin Shares financial eligibility and for determining copays. Larry's child would therefore be ineligible to participate in Wisconsin Shares for Larry's portion of the shared placement because he pays child support that is included in the income for Wendy's portion of the shared placement.

5. The Committee could address the issue of double counting child support payments in situations where there are shared placements so that, in these cases only, neither the portion of the payor's earned income the payor uses to pay child support, nor the child's unearned income deriving from the child support payment, would be counted for purposes of income eligibility and copay determinations. DCF estimates that this change would increase Wisconsin Shares benefits payments by $303,500 annually. In addition, DCF estimates that it would incur one-time costs totaling $380,600 FED in 2021-22 to make this change to its information technology systems that are used for eligibility and benefits determinations. DCF would make the necessary program updates as a matter of policy, without statutory changes. This proposal is offered as Alternative A1.

6. Provisions in AB 68/SB 111 would also provide funding for DCF to address this issue, but the treatment of child support payments as income would apply for all cases where the payor provides child support for a child outside the home, not solely in cases involving shared placements. For example, a payor applying for Wisconsin Shares for a child living at home would deduct child support payments made on behalf of a second child that does not reside in the home.

7. AB 68/SB 111 would increase funding for Wisconsin Shares benefits by $1,332,400 FED annually, beginning in 2021-22, to implement this change. This funding would support the estimated costs of: (a) reduced revenue from copayments, which would increase Wisconsin Shares issuance ($180,000 annually); (b) deducting child support payments from earned income of the payors ($848,900 annually); and (c) deducting child support payments from the unearned income of the child's financial assistance group ($303,500 annually). The bill would increase funding for the state's administration of Wisconsin Shares by $380,600 FED in 2021-22 to support one-time information technology systems changes ($380,600 in 2021-22). The total estimated cost of this change is $3,045,000 FED in the biennium. The bill contains no statutory changes relating to this change in the treatment of gross income, as DCF has implemented the current practice as a matter of policy. This option is presented as Alternative A2.

In summary, current practice double counts the child support payment when both the payor and payee apply for Wisconsin Shares on behalf of different children. Once, as the earned income of the payor when applying on behalf of a child in the home, and again as the unearned income of the payee family when they apply for Wisconsin Shares benefits.

8. Under either approaches offered in Alternatives A1 or A2, the deduction would accurately reflect that the child support payment is not supporting the child living at home, and would therefore more fairly reflect the income of the family applying for child care subsidies.

9. However, applying the deduction to all cases of child support paid on behalf of children residing outside the home could result in more favorable treatment of such families compared to families that take care of all their children in the home. For example, a three-person family with two children living at home would not receive a deduction, whereas a two-person family would receive a deduction for paying child support on behalf of a second child living outside the home. Even though these two families may have the same income and expenses, the same expenses earn a deduction for Wisconsin Shares eligibility and copay determination simply because they are paid via child support.

10. Further, the proposed treatment of child support payments under Alternative A2 is inconsistent with the treatment of child support payments provided under the state and federal individual income tax. For purposes of tax law, child support payments are not deductible by the payor, nor taxable to the payee (the custodial parent). This is because the personal expenses of supporting a child are generally not tax deductible, and so the earned income remains taxable just like income spent for other nondeductible reasons. Consequently, the Committee may decide that the fact that a family pays child support on behalf of a child outside the home is not a sufficient reason to provide a deduction for purposes of Wisconsin Shares income eligibility.

11. If the Committee wishes to make a change to the in the treatment of child support payments for the purpose of determining eligibility and benefits under Wisconsin Shares, as provided

under Alternative A2, it could also create a statutory provision that specifies that any child support payments a custodial parent receives will be deducted from the custodial parent's countable income, but not the payor's countable income (Alternative A3).

Income Disregard for Direct Care Workers

12. In the Budget in Brief, the administration indicated that Wisconsin faces a critical shortage of direct care workers to serve people with chronic conditions and disabilities, as well as the state's growing population of older residents. The Governor's Taskforce on Caregiving recommended that the Wisconsin Shares program be modified to permit direct support professionals to disregard a portion of their income related to caregiving without losing eligibility to child care subsidies under Wisconsin Shares.

13. DCF estimated that allowing direct care workers to disregard $10,000 of income when applying for and calculating Wisconsin Shares subsidies would cost $600,000 annually due to reduced copayments by participating families. AB 68/SB 111 would increase funding for Wisconsin Share benefits to fund this cost estimate.

14. However, because the policy would also apply to financial eligibility determinations, there would be an additional cost for subsidies paid on behalf of families that otherwise would not be eligible. Based on participation data in Wisconsin Shares and employment and wage data from the Quarterly Census of Employment and Wages, in Wisconsin in 2019 it is estimated that an additional 500 families could become eligible and apply for subsidies under the policy. Assuming an average cost of $600 per case per month, it is estimated that costs could increase by $3.6 million FED annually above the amount in the bill ($0.6 million FED) so that the total cost of this disregard would be $4.2 million annually.

15. On the other hand, the Committee could determine that the same income eligibility standards should apply for all applicants, regardless of their occupation. For that reason, the Committee may decide to take no action on this item, and instead consider eligibility changes which would apply for all applicants.

Expanded Eligibility Threshold

16. Under current law, applicants are financially eligible for Wisconsin Shares if their annual income is at or below 185% of the FPL. They remain financially eligible so long as their income remains at or below the exit threshold of 85% of the state median income ($68,382 for a family of three based on the standard used for the federal low income home energy assistance program). However, the required copays increase by $1 for every $3 a participating family's income increases above the 200% FPL phase-out threshold.

17. Due to the difference between the initial eligibility threshold and the phase-out threshold, applicants with incomes of more than 185% of the FPL and less than 200% of the FPL are not eligible to participate in Wisconsin Shares, even though other families having that same income may remain in the program because they qualified under the initial 185% FPL threshold.

18. In order to provide for more equitable treatment of applicants with incomes between 185% and 200% of the FPL, the Committee could change current law to set a single initial eligibility and phase-out threshold at 200% of the FPL, after which copays would increase up to the exit threshold at 85% of the state median income, as under current law (Alternative C1).

19. It is estimated that increasing the initial income eligibility threshold from 185% of the FPL to 200% of the FPL would increase expenditures for child care subsidies in Wisconsin Shares by approximately $5,000,000 FED annually. The estimate is derived from the average cost of care using Wisconsin Shares data in 2019 from DCF for a projected income distribution of participating families. The distribution of participating families was estimated by comparing tax sample information provided by the Department of Revenue on the income distribution of federal income tax filers in Wisconsin for tax year 2018 (the most recent year available).

20. Another option would be to increase the phase-out threshold of 200% of the FPL to 220% of the FPL, in addition to increasing the initial eligibility threshold to 200% of the FPL (Alternative C2). It is estimated that increasing both the initial eligibility threshold and the phase-out threshold in this manner would increase expenditures by $22,000,000 FED annually.

ALTERNATIVES

A. Deduct Child Support Payments from Income

1. Increase Wisconsin Shares benefit funding by $303,500 FED annually to support the costs of deducting child support payments in cases of shared placements for the purpose of determining Wisconsin Shares income eligibility and benefits. In addition, provide $380,600 FED in 2021-22 to support the one-time costs of modifying information technology systems to automatically deduct child support payments.

ALT A1	Change to Base
FED	$987,600

2. Increase Wisconsin Shares benefits funding by $1,332,400 FED annually to support the costs of implementing a program to deduct child support payments for the purpose of determining Wisconsin Shares income eligibility and benefits in all cases where the payor pays child support on behalf of a child residing outside the home. Also, provide $380,600 in 2021-22 to support the one-time costs of modifying information technology systems to automatically deduct child support payments.

ALT A2	Change to Base
FED	$3,045,400

3. Adopt the funding change in Alternative A2. In addition, add a statutory provision that

would require, for the purposes of determining eligibility and copayments for Wisconsin Shares, that child support payments be deducted from the countable income of the custodial parent who receives the child support payments, but not from the individual who pays the child support.

ALT A3	**Change to Base**
FED	$3,045,400

4. Take no action.

B. Income Disregard for Direct Care Workers

1. Provide $4,200,000 FED annually to support the cost of disregarding up to $10,000 of income of direct care workers when applying for and calculating Wisconsin Shares.

ALT B1	**Change to Base**
FED	$8,400,000

2. Take no action.

C. Expand Financial Eligibility Threshold

1. Provide $5,000,000 FED annually to increase the initial eligibility threshold for Wisconsin Shares from 185% of the FPL to 200% of the FPL.

ALT C1	**Change to Base**
FED	$10,000,000

2. Provide $22,000,000 FED annually to: (a) increase the initial eligibility threshold for Wisconsin Shares from 185% of the FPL to 200% of the FPL; and (b) increase the exit threshold from 200% of the FPL to 220% of the FPL.

ALT C2	**Change to Base**
FED	$44,000,000

3. Take no action.

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June, 2021 | Joint Committee on Finance | Paper #204

Quality Rating and Improvement System
(Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 89, #9, #10, and #11; Page 90, #12]

CURRENT LAW

The Child Care Quality Rating and Improvement System, referred to as YoungStar, evaluates child care providers on a publically searchable five-star scale. YoungStar communicates its ratings to the public and provides training, technical assistance, and certain financial assistance to improve child care quality in Wisconsin. Funding for YoungStar and Wisconsin Shares is provided from the temporary assistance for needy families (TANF) block grant and the Child Care and Development Fund (CCDF), which includes the Child Care and Development Block Grant (CCDBG).

The Supporting Families Together Association (STFA) administers the YoungStar program locally in 10 offices in six regions. YoungStar expenditures totaled $9.8 million in 2019-20. In 2020-21, $9.8 million is budgeted for the program, to support: (a) quality assurance monitoring ($0.5 million); (b) training and technical assistance ($5.1 million); (c) quality improvement grants, referred to as "micro-grants" ($2.1 million); (d) local administration and startup grants ($0.3 million); (e) rating services ($1.2 million); and (f) other costs, such as information technology and state staff ($0.6 million).

In general, child care providers must participate in YoungStar in order to participate in Wisconsin Shares. However, license-exempt programs, such as those operated by school districts, need not participate in YoungStar to receive payments under the Wisconsin Shares program.

YoungStar assesses child care providers when they apply to be in YoungStar, and every other year thereafter when they renew their YoungStar contract. There is an appeals process for child care providers who disagree with their rating. Ratings are posted on the Department of

Children and Families' (DCF) website.

Child care providers are automatically assigned one star if their licenses or certifications have been revoked, suspended, or denied, or if their payments under Wisconsin Shares have ended due to fraud or suspected fraud. One-star providers cannot receive reimbursement under Wisconsin Shares.

Table 1 provides information on the YoungStar ratings of child care providers, by type of provider, as of September 30, 2020.

TABLE 1

YoungStar Participation, September 30, 2020

Wisconsin Shares Children Authorized by YoungStar Rating

One Star*	Two Star	Three Star	Four Star	Five Star	Total
0	9,536	12,679	2,290	6,041	30,546
(0%)	(31.2%)	(41.5%)	(7.5%)	(19.8%)	(100%)

YoungStar Ratings of Child Care Provider by Regulated Type

	One Star	Two Star	Three Star	Four Star	Five Star	Total
Licensed Group	5	609	666	120	436	1,836
Licensed Camp	0	44	7	6	4	61
Licensed Family	10	553	341	76	60	1,040
Certified Family	0	260	37	9	2	308
Public School	0	114	40	3	2	159
Total	15	1,580	1,091	214	504	3,404
	(0.4%)	(46.4%)	(32.1%)	(6.3%)	(14.8%)	(100.0%)

Child care providers that comply with licensing regulations, or are managed by a school board, may opt out of the technical observation process and automatically receive a two-star rating. Providers often choose to forgo the technical ratings process because they would not meet the educational and training requirements needed to receive a higher rating. Child care providers may automatically receive a four- or five- star rating through accreditation with certain organizations that DCF has recognized as having equivalent standards as YoungStar.

Child care providers receive an adjustment to their reimbursement under Wisconsin Shares based on the number of stars they earn. The rate adjustment applies after the parent copayment. State law sets the tiered reimbursement amounts as follows: (a) one-star providers are prohibited from receiving reimbursement under Wisconsin Shares; (b) two-star providers receive a reduction of up to 5% from the base reimbursement rate; (c) three-star providers receive up to the base reimbursement rate; (d) four-star providers receive an increase of up to 15% from the base reimbursement rate; and (e) five-star providers receive an increase of up to 30% from the base reimbursement rate. Using its statutory authority, DCF sets the YoungStar adjustment for two-star programs at -1%.

For example, assume a family of two consisting of a single mother and a three-year-old participates in Wisconsin Shares in Milwaukee County and receives a weekly subsidy equal to $194.60 (the maximum rate of $199.85 less a copay of $5.25). If the family uses a four-star provider costing $226.79 per week, the YoungStar bonus would $29.19 (15% of the subsidy). DCF pays the YoungStar bonus directly to the provider and does not require the provider to apply it to unpaid amounts owed by the family (such as the difference between the subsidy and the provider's price).

Table 2 shows the tiered reimbursements under YoungStar in 2019. As shown in the Table, YoungStar adjustment resulted in a net increase in child care subsidy payments of approximately $19.4 million, which is 7.5% of issuance. Together with Wisconsin Shares issuance, payments for direct subsidies in 2019 to providers were $277.4 million. (This figure does not including contracts with counties for child care.)

TABLE 2

YoungStar Tiered Reimbursement for 2019

	Authorized Hours	Wisconsin Shares Issuance	YoungStar Adjustment
Not Rated	2,514,344	$9,155,674	$0
1 Star	1,150	254,699	0
2 Stars	20,585,684	73,326,776	-728,350
3 Stars	30,625,030	118,356,987	0
4 Stars	5,667,927	19,188,851	3,219,347
5 Stars	13,368,513	54,631,326	16,868,235
Total	72,762,648	$274,914,313	$19,359,232

DCF also distributes micro grants to programs participating in YoungStar that are receiving technical assistance for quality improvement activities. Grants are available in the following amounts: (a) $1,000 for licensed group child care programs; (b) $500 for licensed family child care programs; (c) $250 for certified family child care programs; and (d) $200 for short-term operational programs operating for 14 consecutive weeks or less (such as summer camps). Grantees may use these funds to support costs of improving the quality of their programs, including continuing education for staff, equipment and materials for children, accreditation materials or fees, and facility improvements. Through September, 2020, over the life of the program, a total of $15.9 million in micro grants had been issued to child care providers. SFTA administers the micro-grant program by reviewing applications and approving grants to qualifying provider

DISCUSSION POINTS

1. DCF indicates that the current implementation of YoungStar may violate federal regulations relating to minimum spending requirements for the CCDF.

2. Federal law requires that, after setting aside funding to meet minimum child care quality spending requirements (9%) and allowable administrative costs (up to 5%), states must use at least 70% of the remaining discretionary CCDBG funds for direct child care services. Further, federal law requires states to use at least 70% of their mandatory and matching funding received under the Social Security Act for child care services for families who are receiving public assistance under TANF, families who are trying to become independent of TANF through work activities, and families who are at risk of becoming dependent on public assistance. Table 3 shows the federal minimum requirements for the allocation of CCDF funds, and the percentage of CCDF funds Wisconsin has expended in each of the reporting categories in federal fiscal years (FFYS) 2016-17 through 2018-19.

TABLE 3

Child Care Development Fund Reporting Categories and Minimum Requirements

		Wisconsin's Percentages		
		Federal Fiscal Years		
Category	Requirement	2016-17	2017-18	2018-19
Direct Services	At least 70% of the mandatory and matching awards and 70% of the discretionary award after the quality, administration, and infant-toddler set-asides.	71%	76%	76%
Quality	At least 7% of the total award in FFY 2016-17 and at least 8% in FFY 2017-18 and 2018-19.	12	13	11
Infants and Toddlers	At least 3% of total award.	3	4	4
Administration	No more than 5% of total award.	5	4	4
Non-Direct Services	No requirement.	17	15	11

3. For federal CCDF reporting purposes, the U.S. Department of Health and Human Services, Administration for Children and Families financial report Form ACF-696 clarifies that direct services consist solely of expenditures for child care subsidies to eligible children. Non-direct services are the costs of providing child care subsidies (operating a voucher program and eligibility determination) or other program activities that are not considered administrative costs.

4. YoungStar bonuses are not loaded into a participating families' electronic benefits account, but rather directly paid to a child care provider. As a result, DCF indicates that these payments may not properly qualify as direct services. For that reason, DCF currently reports these costs as non-direct services.

5. Because YoungStar bonuses are fixed percentage of Wisconsin Shares subsidies

(totaling 7.5% of total issuance in 2019), they will increase proportionately as subsidy payments increase. Further, any increase in quality initiatives further increases costs relative to direct services. For this reason, DCF projects that the state child care programs will not meet CCDF minimum spending requirement on direct services, beginning with the FFY 2023 grant.

6. To address this matter, Assembly Bill 68/Senate Bill 111 would delink YoungStar bonuses from Wisconsin Shares subsidies. As part of the change, the TANF allocation for direct child care services (which is used for YoungStar bonuses) would be reduced by $23,637,000 FED, of which a portion of that funding would be redirected for the Child Care Strong program, as described below.

7. Further, YoungStar micro grants would be converted to annual bonus payments to child care providers rated 3-, 4-, or 5-stars to hold them harmless from decreases in YoungStar bonuses resulting from delinking the program from Wisconsin Shares subsidies. As part of the change, the TANF allocation for Quality Care for Quality Kids would be reduced by $2,300,000 FED and the TANF allocation for direct child care subsidies would increase by a corresponding amount.

8. As introduced, AB 68/SB 111 would replace YoungStar bonuses by implementing the Child Care Strong program. The relevant statutory provisions for YoungStar bonuses would be repealed and DCF would be granted authority to promulgate emergency rules without the finding of an emergency to administrate the child care quality improvement program, including eligibility requirements, payment amounts, and restrictions on how recipients may spend grant awards.

9. Although not specified in AB 68/SB 111, DCF states that Child Care Strong would include: (a) base grants of up to $150 per month for all regulated providers to assist them to meet regulatory and quality requirements, at an estimated annual cost of $12,902,000 annually; (b) bonus grants of up to $150 per month to providers whose slots for child care are at least 25% infants and toddlers, at an estimated annual cost of $4,170,600; (c) monthly grants to providers rated 3 stars and above for each child cared for that participates in Wisconsin Shares, at an annual cost of $32,887,100; and (d) grants to providers rated 3 stars and above for each child cared for that does not participate in Wisconsin Shares, at an annual cost of $19,693,700.

10. DCF indicates that the funds would be administered using the preexisting Child Care Counts program, which DCF used to distribute grants to providers using federal funds received under the Coronavirus Aid, Relief, and Economic Security Act and the Consolidated Appropriations Act of 2021. According to DCF, this system has proven to be efficient and transparent. It also allows for data collection and analysis.

11. DCF states that monthly base payments would be more financially viable for new providers to enter the field compared to YoungStar bonuses (which are generally provided to more established providers who have become rated and/or accredited). In addition, grants would incent unregulated providers to become regulated whereas YoungStar does not offer a comparable incentive.

12. Grants for infant and toddler slots would be provided to reduce the high cost of infant and toddler care. Higher costs are due to the fact that younger children require more supervision and infrastructure, which is reflected in required teacher to child ratios and building requirements. By comparison, YoungStar does not specifically reward child care providers for undertaking more costly

expenses to care for young infants and toddlers.

13. DCF states that it would require child care providers to allocate more than half of the monthly payments towards staff salaries and benefits in order to support wage increases for the early care and education workforce.

14. None of the Child Care Strong grants would be linked to Wisconsin Shares subsidy amounts, and therefore could be raised or lowered as needed to meet federal CCDF expenditure requirements.

15. Funding for Child Care Strong would consist of: (a) $53,016,400 GPR under a new annual appropriation; and (b) an increase in the TANF allocation for Quality Care for Quality Kids initiatives by $17,637,000 FED annually (a net decrease of $6,000,000 FED when accounting for the decrease in YoungStar bonuses in the allocation for direct services and converting micro grants to annual bonuses). DCF indicates that GPR is needed to ensure that the federal 70% direct service expenditure requirement is met.

16. The Committee could find that it is necessary to delink YoungStar bonuses from child care subsidies in order to meet federal regulations. Further, because the Child Care Counts program provided federal grant funding to child care providers relatively quickly across the state, the Committee could find that a similar state-funded program could successfully distribute funding for quality initiatives that benefit providers in ways that YoungStar is not designed to accomplish. As a result, the Committee could decide to replace YoungStar bonus payments with grants under the Child Care Strong program (Alternative 1). This alternative would incorporate all of the provisions included in AB 68/SB 111, as summarized in the LFB summary (Page 89, #9, 10, and 11, and Page 90, #12).

17. Alternatively, the Committee could decide to modify the proposal in several ways. First, the Committee could delay the effective date of delinking YoungStar bonuses from Wisconsin Shares in order to give DCF time to implement Child Care Strong (Alternative 2). AB 68/SB 111 would repeal the relevant statutory language effective on the date of the bill. However, DCF indicates that it would need additional time to implement the Child Care Strong program to replace it. As a result, if Alternative 1 were adopted, there could be a lengthy period of time where no child care quality bonuses are provided to child care providers. In order to avoid that outcome, the Committee could adopt Alternative 1 with the modification that the effective date of the repeal would be the earlier of the date DCF issues emergency rules for the Child Care Strong program or the start of the federal fiscal year (October 1, 2021).

18. In providing for additional YoungStar bonus payments while Child Care Strong is implemented, the Committee may choose to provide additional funding to the TANF allocation for direct care services for the increased cost of continuing YoungStar for a few months. At an estimated cost of $1,600,000 per month, the Committee could choose to provide funding in one of the following amounts: (a) $4,800,000 FED for the estimated cost of three months of YoungStar bonuses; (b) $3,200,000 FED for two months; (c) $1,600,000 for one month; or (d) no additional funding. In the event additional funded is need, DCF may request a reallocation of TANF funding from the Committee at a later date to move funding for child care quality initiatives (Child Care Strong) to the allocation for direct care subsidies (YoungStar bonuses).

19. Second, the Committee could decide to retain current law provisions which prohibit payment of Wisconsin Shares subsidies to one-star providers (Alternative 3). Child care providers are automatically assigned one star if their licenses or certifications have been revoked, suspended, or denied, or if their payments under Wisconsin Shares have ended due to fraud or suspected fraud. One-star providers cannot receive reimbursement under Wisconsin Shares. However, AB 68/SB 111 would repeal the statutory provision that requires DCF to deny payment to one-star providers. As a result, DCF would be allowed to create administrative rules which allow payments to child care providers that do not meet health and safety standards. The Committee could modify the proposal to retain the prohibition to ensure that fraudulent and unsafe providers are not receiving subsidies and quality bonus payments.

20. Third, the Committee could utilize federal funding for Child Care Strong (Alternatives 4 and 5). As discussed in Paper #202, the American Rescue Plan Act (ARPA) of 2021 provided substantial child care funding, including an estimated $223.2 million for supplemental CCDBG funding and $357 million for child care stabilization grants. Pursuant to ARPA, these funds are not subject to the 70% direct services expenditures requirement, and thus it would not violate the CCDF minimum requirements on direct services expenditures to use them to support Child Care Strong.

21. In particular, the Child Care Stabilization grant funds were intended to support the child care industry through the economic disruption caused by the COVID-19 pandemic by providing grant funding for program operating expenses. Such funding may be used for personnel costs, rent, equipment and supplies needed during the pandemic, activities needed to maintain or resume care, and for reimbursing costs incurred during the pandemic. Providers need not accept Wisconsin Share participants in order to qualify for funding and may be group-based or home-based, licensed or certified. Conceptually, the Child Care Strong proposal, which would use the same administrative process used for child care counts grants, would seem to be the kind of program for which the federal funding was intended to be used.

22. DCF has until September, 2022, to obligate Child Care Stabilization grant funding and until September, 2023, to liquidate all funding. As a result, this funding source could be used to pay for some, if not all, of the Child Care Strong program. Therefore, the Committee could choose to maintain current law for the YoungStar program as well as create the Child Care Strong program using federal funding of $70,653,400 annually during the 2021-23 biennium (Alternative 6).

23. However, since ARPA is a one-time funding source, if the Child Care Strong program were to continue after the 2021-23 biennium, then it is likely that GPR funding would be needed in the 2023-25 biennium to fund program costs and to meet the 70% direct services expenditure requirement under federal CCDF regulations.

24. For this reason, the Committee could instead decide to maintain the current YoungStar tiered reimbursement program by paying bonuses via participating families' EBT accounts. As discussed in a memorandum from this office to the Committee dated March 25, 2015, regarding DCF's expenditure plan for implementing the EBT card system, DCF originally intended to load YoungStar bonuses in participating families' accounts for payment to providers along with subsidies. The Committee considered, and ultimately rejected, a motion requiring DCF to pay YoungStar bonuses directly to child care providers.

25. Current law sets YoungStar bonuses as an adjustment to the maximum payment rate in Wisconsin Shares, rather than a separate bonus payment to child care providers. These expenditures are paid via the TANF allocation for direct services, which includes child care subsidies and not quality initiatives. Thus, current law arguably intends for YoungStar bonus payments to reimburse expenses incurred by participating families.

26. As explained in a frequently asked questions document circulated by DCF in February, 2016, the original intent of loading YoungStar bonus payments into EBT accounts was to cap reimbursement at the provider's market rate:

> DCF is capping the rate paid to parents at the provider's private pay rate because the YoungStar Tiered Reimbursement was never intended to allow providers to charge low-income working parents more for care than they charge private pay parents.
>
> This will make the MyWIChildCare EBT model more closely mirror private pay practices. The MyWIChildCare EBT system emphasizes to parents the costs and benefits of selecting high-quality care. The YoungStar Tiered Reimbursement model encourages parents to choose higher quality care by providing a financial incentive. Parents will have more money loaded on their EBT card if they choose a higher-rated provider.

27. Many child care providers opposed the proposed change, viewing YoungStar bonuses as a quality initiative rather than an additional funding source to backfill potential underfunding in Wisconsin Shares reimbursement rates. Ultimately, DCF decided not to cap reimbursements at the provider pay rate and instead continued to directly pay YoungStar bonuses to providers. The enhanced payments are meant to incent providers to improve child care quality as well as support the enhanced costs four- and five-star providers face.

28. The Committee could decide to return to the original implementation plan for the EBT system, by requiring DCF to load YoungStar bonuses into parent's EBT accounts such that the combined Wisconsin Shares Subsidy and YoungStar bonus could not exceed the price charged by child care providers (Alternative 7). If a child care provider's rates are higher than the combined subsidy and YoungStar bonus amount, the parent would be responsible for the difference. Because the expenditures would be for child care subsidies, federal regulations would likely count the bonus as a direct service for reporting purposes, as is the case with quality ratings and improvement programs in other states.

29. Similarly, the Committee could decide to pay YoungStar bonuses via the EBT system, but without imposing a cap (Alternative 8). Under this alternative, parents would pay the YoungStar bonus, but the bonus would not count towards the cost of care provided. Thus, parents would be responsible for the copay as well as any difference between the subsidy amount and the market price charged by the provider.

30. However, because such payments would not count towards the provider's fee, it is unclear whether the payments would properly count as direct services for federal reporting purposes.

31. Finally, the Committee could choose to maintain the YoungStar program as it is under current law (Alternative 9). As discussed, DCF has not yet breached the 70% minimum expenditure

required for direct services and the Administration for Children and Families has not notified DCF that current practices do not meet federal guidelines.

32. As previously indicated, current law only requires DCF to pay up to a certain percentage of Wisconsin Shares subsidies, and does not actually require DCF to pay any particular amount. For example, using its statutory authority, DCF sets the YoungStar adjustment for two-star programs at -1% instead of -5%.

33. Therefore, if the state's child care programs eventually are found to be noncompliant with CCDF reporting regulations, DCF already has statutory authority to decrease YoungStar bonus amounts as needed in order to come back into compliance. As a result, the Committee could determine that changes to the program are unnecessary at this time.

34. However, note that if DCF were required to use its authority to decrease YoungStar adjustments, then child care providers would receive less funding under the program. This may financially harm providers that depend on this money, or otherwise require providers to reject Wisconsin Shares participants in favor of private pay children that pay a higher market rate.

ALTERNATIVES

1. Adopt all of the provisions in AB 68/SB 111 that would delink the YoungStar quality rating and improvement program from the Wisconsin Shares child care subsidy program and create the Child Care Strong program to provide grants to child care providers (LFB Summary, Page 89, #9, #10, and #11, and Page 90, #12).

This alternative would: (a) reduce the TANF allocation for direct child care services by $23,637,000 FED annually to eliminate YoungStar bonuses; (b) provide $53,016,400 GPR annually under a new annual appropriation and $17,637,000 FED annually under the TANF allocation for Quality Care for Quality Kids initiatives to create the Child Care Strong program (including the elimination of base funding for micro grants); and (c) increase the TANF allocation for direct child care services by $2,300,000 FED annually to convert YoungStar micro grants to annual bonus payments to hold providers harmless from decreases in YoungStar bonuses resulting from delinking YoungStar from Wisconsin Shares subsidies. DCF would be authorized to promulgate emergency rules without the finding of an emergency, to administrate the child care quality improvement program, including eligibility requirements, payment amounts, and restrictions on how recipients may spend grant awards.

ALT 1	**Change to Base**
GPR	$106,032,800
FED	- 12,000,000
Total	$94,032,800

2. Adopt Alternative 1, but delay the effective date of the repeal of YoungStar provisions until the earlier of October 1, 2021, or the date on which DCF issues emergency rules to administer

the Child Care Strong program.

In addition, provide additional funding to the TANF allocation for direct care services to account for the increased cost of continuing YoungStar for several months at an estimated cost of $1,600,000 per month in one of the following amounts: (a) $4,800,000 FED for three months of YoungStar bonuses; (b) $3,200,000 FED for two months; (c) $1,600,000 FED for one month; or (d) no additional funding.

ALT 2	**Change to Base**
(a)	
GPR	$106,032,800
FED	- 7,200,000
Total	$98,832,800
(b)	
GPR	$106,032,800
FED	- 8,800,000
Total	$97,232,800
(c)	
GPR	$106,032,800
FED	- 10,400,000
Total	$95,632,800
(d)	
GPR	$106,032,800
FED	- 12,000,000
Total	$94,032,800

3. Adopt Alternative 1, but retain current law provisions that prohibit payment to one-star providers.

ALT 3	**Change to Base**
GPR	$106,032,800
FED	- 12,000,000
Total	$94,032,800

4. Adopt Alternative 1, but provide $53,016,400 FED annually from Child Care Stabilization Grant funding received under ARPA, rather than GPR, to fund the Child Care Strong program during the 2021-23 biennium.

ALT 4	**Change to Base**
FED	$94,032,800

5. Adopt Alternative 4, but retain current law provisions which prohibit payment to one-star providers. Further, delay the effective date of the repeal of YoungStar provisions until the earlier of October 1, 2021, or the date on which DCF issues emergency rules to administrate the Child Care

Strong program.

In addition, provide additional funding to the TANF allocation for direct care services to account for the increased cost of continuing YoungStar for several months at an estimated cost of $1,600,000 per month in one of the following amounts: (a) $4,800,000 FED for three months of YoungStar bonuses; (b) $3,200,000 FED for two months; (c) $1,600,000 FED for one month; or (d) no additional funding.

ALT 5	**Change to Base**
(a)	
FED	$98,032,800
(b)	
FED	$97,232,800
(c)	
FED	$95,632,800
(d)	
FED	$94,032,800

6. Maintain current law for the YoungStar program and adopt only the statutory changes under Alternative 1 to create the Child Care Strong program, but with the modification that Child Care Stabilization Grant funding of $70,653,400 FED annually would support the program in the 2021-23 biennium.

ALT 6	**Change to Base**
FED	$141,306,800

7. In addition to any of the funding alternatives (1 through 5), modify current law to direct DCF to pay YoungStar bonuses through the electronic benefit transfer system by way of parent payments to their chosen child care provider. Further, cap payments at the provider's market rate such that the sum of the YoungStar bonus, Wisconsin Share subsidy, and other payments by the parent cannot exceed the market rate charged by the provider. Require DCF to use existing funding for administration to implement the changes.

8. In addition to any of the funding alternatives (1 through 5), adopt the statutory changes in Alternative 7, but without setting a cap on payment at the provider's market rate. Instead, providers would receive the Wisconsin Shares subsidy and YoungStar bonus through the parent's electronic benefit transfer account. The YoungStar bonus would not be counted towards the provider's monthly fee. Require DCF to use existing funding for administration to implement the changes.

9. Take no action.

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June, 2021 Joint Committee on Finance Paper #205

Quality Care for Quality Kids
(Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 90, #13; and Page 91, #14]

CURRENT LAW

Federal law requires states to use a portion of federal and state funding sources for child care quality improvements. In addition, funding the state receives under the federal child care and development fund (CCDF) is earmarked for certain kinds of activities, including expansion of child care, child care quality improvements, and resource and referral services.

Approximately $16.1 million was expended from the TANF budget in 2019-20 and $16.7 million is budgeted in 2020-21 for programs to improve child care quality and availability.

As discussed in a separate paper, the Department of Children and Families (DCF) received a substantial award of funding under the American Rescue Plan Act (ARPA) of 2021, including one-time supplemental funding under the Child Care and Development Block Grant (CCDBG) in an estimated amount of $223.2 million.

This paper presents alternatives to improve early care and education through preexisting child care quality initiatives funded via the TANF allocation for Quality Care for Quality Kids programs.

DISCUSSION POINTS

1. In its 2020 report, the Governor's Early Childhood Advisory Council (ECAC) recommended three initiatives to strengthen Wisconsin's early care and education system: (a) supporting the compensation, recruitment, and retention of early care educators; (b) strengthening family resource centers; and (c) reducing early childhood suspension and expulsion by providing

additional training and supports for caregivers.

Staff Recruitment and Retention -- Child Care Scholarships and Stipends

2. According to a report published in 2016 by the Wisconsin Early Childhood Association WECA) on Wisconsin's childcare workforce, based on survey data submitted by child care providers collected by the Survey Center at UW-Madison and the Center on Wisconsin Strategy research center, early care staff in Wisconsin has a 30% annual turnover rate for lead teachers and a 45% turnover rate for assistants.

3. The industry's high turnover rate is largely attributable to low pay and benefits child care providers offer. According to the WECA report, in 2016 a teacher with an associate's degree in early childhood education could expect to start at a median wage $10.00 per hour with few additional benefits, and rarely make more than $13.00 per hour. This pay is far lower than the average pay that could be received by holders of associate's degrees in other fields ($18.57 per hour in 2016). Fewer than one in five teachers received health care benefits through their employer. Pay for assistants was measured even lower at a median wage of $8.50 per hour, which was lower than the food sector ($9.06).

4. According to the Department of Workforce Development's report of data from the Occupational Employment Statistics and Wages statistics program, in 2019 child care workers in Wisconsin had an average annual salary of $23,650 ($11.37 per hour). For entry level positions (bottom third of wage earners), the average was $17,790 ($8.55 per hour), whereas the average wage for experienced workers (the top two-thirds of wage earners) was $26,580 ($12.78 per hour).

5. Because of low pay, child care workers are often better off taking jobs in other industries, or once trained in early care and education, moving on to public or private schools as a pre-school or kindergarten teacher.

6. The teacher education and compensation helps (TEACH) program and the rewarding education with wages and respect for dedication (REWARD) program are designed to address child care staffing shortages and low retention rates.

7. The TEACH program provides scholarships to teachers and child care providers for educational costs directly related to the child care field. The scholarships, which covers 75% of the cost of attending credit-based education, including a portion of books, travel, and the costs of tuition. After completing the necessary coursework, child care employees may also obtain a monetary raise or bonus from the scholarship program and/or their employer. Scholarships are intended to support access to credits, credentials, and degree pathways that prepare teachers and care providers to deliver high quality practices for infant toddler classrooms.

8. In 2020, there were 1,029 active scholarships for 904 recipients from 404 child care providers. The average beginning wage for these teachers was $12.42 per hour, and the average wage increase for completed TEACH contracts was 4.7% (or $0.57 per hour). The turnover rate of TEACH participants during the commitment year was 7%. Approximately 70% of participants are teachers or assistance teachers, 16% are family providers, and 14% are administrators or directors.

9. The REWARD program provides stipends to child care providers and teachers, provided that they meet certain requirements for education, employment, and longevity. Stipend amounts are based on the individual's career level in the Registry, a credential system for the child care and education profession. The Registry awards certificates for specialized teaching fields and determines an individual's placement into the career levels system based on the individual's education and training.

10. In 2019-20, the REWARD program had 1,782 active participants in 977 child care programs across the state. Approximately 40.6% of participants increased their Registry level during the REWARD agreement period. The average stipend for a six-month agreement was $276. Approximately 28.2% of stipend recipients have been TEACH recipients.

11. TEACH and REWARD program expenditures totaled $4.0 million in 2019-20. In 2020-21, $4.0 million is budgeted for these programs. Of this funding, $1.6 million is budgeted for TEACH scholarships, $0.7 million is provided for REWARD stipends, $1.0 million is provided for scholarship college counselors, $0.2 million is provided for direct expenses for scholarships and stipend staff (such as space, printing, and consulting), and the remaining $0.5 million is provided for various administrative costs. DCF indicates that counselors assist early childhood education staff navigate the education field to help them successfully achieve their credentials and remain in the child care field.

12. According to DCF, there was a wait list for TEACH scholarships in 2020. However, DCF used $500,000 received under the federal preschool development grant (PDG) program to temporarily mitigate the waitlist by covering scholarship expenses. Over the next few years, DCF has budgeted $500,000 in 2021, $400,000 in 2022, and $300,000 in 2023 from PDG funding for such purposes. DCF expects the wait list to increase once PDG funding is no longer available.

13. According to DCF, REWARD stipend amounts are adjusted based on demand and participation in TEACH scholarships. There is no wait list for the program. Instead, if demand increases, reward stipend amounts are adjusted downward based on funding availability.

14. The Committee could increase funding by $500,000 FED annually for child care stipends under the REWARD, as recommended by the Governor (Alternative A1). This funding would be used by DCF to increase stipend amounts. As previously indicated, the average stipend was less than $50 a month in 2020.

15. Alternatively, the Committee could also provide $500,000 annually to increase funding for TEACH scholarships to expand the number of scholarships available and reduce the need to waitlist participants (Alternative A2).

Social Emotional Learning Initiative

16. Research indicates that preschool children are three times more likely to be removed from programs than children in kindergarten through grade 12 combined. See e.g., Gilliam, W. S., "Prekindergarteners left behind: Expulsion rates in state prekindergarten systems." New York, NY: Foundation for Child Development (2005). DCF indicates that programs with consultation and

support in addressing the behavioral needs of children can help decrease behavioral issues and the levels of expulsion of children in early childhood programs.

17. Social emotional learning (SEL) assists children and youth to manage their emotions, develop self-control, sustain supportive relationships, and reduce problem behaviors. Base funding for SEL activities in Wisconsin is $535,000 FED.

18. DCF supports SEL through the pyramid model, which is a framework of evidence-based interventions for child care providers, parents and professionals to support optimal early childhood development and to prevent challenging behaviors by infants, toddlers, and preschoolers. Key components of the pyramid model include positive teacher-student relationships, partnerships between teachers and families, structured classroom environments, explicit instruction in social and emotional skills, and individualized supports for children demonstrating more challenging behaviors.

19. Based on ECAC's recommendation to support greater access to SEL and to provide SEL training and coaching to early learning programs, the Governor proposed the following. First, $864,000 FED in 2021-22 and $1,152,000 FED in 2022-23 would support training and technical assistance to early childhood education programs provided by staff in five preschool development regions across the state. Each region would have two coaches, as well as two additional coaches to serve Milwaukee County.

20. Second, funding of $476,700 FED in 2021-22 and $635,600 FED in 2022-23 would add three regional lead staff to the three currently available to provide oversight of program coaches and trainers, support community integration teams, and support data collection and analysis. This change would eliminate the need to conduct staff work by three regional leads through the pyramid model contract, which totals $360,000 annually.

21. Third, $219,800 FED in 2021-22 and $302,600 FED in 2022-23 would support statewide management staff that would provide coordination and support for SEL and quality improvement, and represent SEL efforts on groups involved in child development issues.

22. Finally, funding of $301,700 FED in 2021-22 and $408,800 FED in 2022-23 would support statewide training, materials, an evaluation, technical support, and various indirect costs.

23. Total costs would be supported with base funding for SEL activities ($535,000 FED) and require new funding of $1,327,200 FED in 2021-22 and $1,964,000 FED in 2022.

ALTERNATIVES

A. Staff Recruitment and Retention

1. Provide $500,000 FED annually to provide additional REWARD stipends to child care providers and teachers.

ALT A1	Change to Base
FED	$1,000,000

2. Provide $500,000 annually to provide additional REWARD stipends and $500,000 FED annually to provide for additional TEACH scholarships to child care providers and teachers.

ALT A2	Change to Base
FED	$2,000,000

3. Take no action.

B. Social Emotional Learning Initiative

1. Provide $1,327,200 FED in 2021-22 and $1,964,000 in 2022-23 to fund social emotional learning for young children, including program coaches and trainers, regional leads, statewide management, and training. Base funding of $535,000 would also support these activities.

ALT B1	Change to Base
FED	$3,291,200

2. Take no action.

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June, 2021 | Joint Committee on Finance | Paper #206

Emergency Assistance
(Children and Families -- TANF and Economic Support)

[LFB 2021-23 Budget Summary: Page 92, #18]

CURRENT LAW

The emergency assistance program provides assistance to needy families with children in cases of fire, flood, natural disaster, energy crisis, homelessness, or impending homelessness. Benefits are in the form of cash, voucher, or vendor payment. Wisconsin Works (W-2) agencies administer the emergency assistance program by reviewing applications, determining the emergency assistance group's social service needs, and making appropriate referrals for services such as counseling, family shelter, and child care funding.

The program is funded by the temporary assistance for needy families (TANF) block grant. The TANF allocation for emergency assistance is $6,000,000 in 2020-21.

The Department of Children and Families (DCF) has substantial authority to set payment amounts and determine financial eligibility for the emergency assistance program. DCF may set the maximum amounts of aid either by publishing them in the Administrative Register or by promulgating them by rule. DCF defines the "needy persons" eligible for emergency assistance by rule.

Current law sets several nonfinancial eligibility requirements, including that: (a) emergency assistance may not be provided to a needy person more than once in a 12-month period; and (b) qualifying emergencies are fire, flood, natural disaster, energy crisis, homelessness, or impending homelessness. A family is considered homeless or facing impending homelessness if: (a) the family has left or must leave its current housing because it is uninhabitable; (b) the family is experiencing a financial crisis that makes it difficult to make a rent, mortgage, or property tax payment and the family has been notified that it will be required to leave if the payment is not made immediately; (c) the family has a current shelter that is designed for temporary accommodations such as a motel, hotel, or other shelter facility; (d) a member of the family was a victim of domestic abuse; (e) the family is without a fixed, regular, and adequate night-time residence; or (f) the family is living in a place that is not designed for, or ordinarily used as, a regular sleeping accommodation.

By law, recipients who are homeless or facing impending homelessness may only use assistance to obtain or retain permanent living accommodations. By rule, emergency assistance payments can only be used for temporary or transitional shelter in cases where the need arises out of a fire, flood, or natural disaster.

DISCUSSION POINTS

Cost to Continue

1. Table 1 shows the recipients and amounts by type of emergency assistance for calendar year 2019, the most recent year for which information is available.

TABLE 1

Statewide Emergency Assistance by Type (2019)

Type of Assistance	Recipients	Amount
Energy Crisis	846	$401,665
Fire	29	16,147
Flood	1	645
Natural Disaster	0	0
Homelessness (Domestic Abuse)	213	115,511
Homelessness (No housing)	688	373,362
Homelessness (Temporary housing)	1,610	879,031
Homelessness (Uninhabitable)	14	8,041
Impending Homelessness (Domestic Abuse)	161	86,261
Impending Homelessness (Financial Crisis and Notice to Terminate Tenancy)	4,910	2,633,331
Impending Homelessness (Renters-Foreclosure)	21	11,182
Impending Homelessness (Uninhabitable Housing)	17	8,827
Total	8,510	$4,534,003

2. Due to the economic disruptions caused by the COVID-19 pandemic, millions of Americans continue to have difficulty paying for housing and household expenses. The Census Bureau's household pulse survey for March 17 through March 29, 2021, indicates that 8.6% of responding home owners in Wisconsin were behind on their mortgage payments and that 18.2% of responding renters in Wisconsin were behind on rent payments.

3. Federal and state programs provided substantial housing assistance to families during the COVID-19 pandemic. In particular, federal law imposed a moratorium on evictions and

foreclosures. This included certain protections for tenants under the Coronavirus Aid, Relief, and Economic Security Act, an order by the Centers for Disease Control creating a nationwide moratorium on eviction of renters though June 30, 2021, and a moratorium on foreclosures of federally guaranteed mortgages extended by Presidential executive orders through June 30, 2021.

Although these programs have reduced evictions and foreclosures so far, the measures eventually will expire. Afterwards, it is unclear how many households will be in danger of homelessness due to the large amounts of rent and mortgage payments due and owing from the previous year

4. AB 68/SB 111 would increase TANF funding for emergency assistance by $929,500 in 2021-22 and $36,400 in 2020-21 to reflect the administration's estimates of the amount of funding that will be needed to fund the emergency assistance program, based on current eligibility standards and benefits. These estimates, prepared by the DCF Division of Family and Economic Services (DFES), are based on the expectation that program costs will increase in the short term as the economy recovers from the COVID-19 pandemic and housing assistance programs and eviction moratoriums expire.

Generally, emergency assistance applications and program costs follow W-2 benefit trends, which, in turn, follow unemployment trends. DFES reviewed several unemployment forecasts, and based its emergency assistance cost projections on unemployment forecasts developed by the National Association for Business Economics. However, these estimates have not been updated since the Department developed them in the summer of 2020. Moreover, there is considerable uncertainty regarding the amount of funding that will be needed to support emergency assistance requests in the 2021-23 biennium, based on current eligibility standards and benefits.

5. The Committee could adopt the administration's recommendation to provide $929,500 in 2021-22 and $36,400 in 2022-23 to reflect its projections of program costs in the 2021-23 biennium, based on current law (Alternative A1). Alternatively, in light of the uncertainty regarding program utilization in the 2021-23 biennium, the Committee could increase base funding for the program by $1.0 million in 2021-22 to support potential non-recurring so that $7.0 million would be budgeted in 2021-22 and there would be no increase in base funding for the program in 2022-23. Finally, based on actual 2019 benefits costs ($4.5 million), the Committee could maintain base funding for the program ($6.0 million), to fund the program, based on current eligibility and payment levels (Alternative A3).

Program Eligibility Expansion Proposals

6. In his 2021-23 budget bill, the Governor recommended expanding eligibility for the emergency assistance program, by: (a) increasing the financial eligibility threshold from 115% of the federal poverty level ($25,254 for a family of three in 2021) to 200% ($43,920 for a family of three in 2021); (b) providing emergency assistance to childless adults, ages 18 through 23 years of age; (c) enabling applicants to qualify for emergency assistance if they had not received emergency assistance within the previous six months, rather than 12 months, as under current policy; and (d) specifying that a family that is delinquent on a rent payment, a mortgage payment, or a property tax payment is considered homeless, for program eligibility purposes, during a

national emergency declared by the U.S. President or a state of emergency declared by the Governor.

7. The administration estimates that these proposed changes would increase benefits provided under the program by $3.9 million annually, the funding increase in the Governor's bill. However, as with the cost-to-continue estimate, there is considerable uncertainty regarding the costs of these program expansions. Further, DCF is currently unable to provide cost estimates for each of these expansion proposals individually. The Governor's bill would provide an additional $58,800 FED annually to support ongoing administrative costs of implementing these eligibility changes.

8. The current 115% FPL income limit for emergency assistance was established in 2009 in part to simplify administration of the program for W-2 agencies, since this income standard is the same as the standard used for W-2 eligibility.

9. DCF indicates that the current income limit excludes too many low-income families that have difficulty paying housing costs. For example, for a family of two, $10 per hour ($20,800 per year) exceeds the 115% FPL income limit ($20,033). Based on data from the FoodShare program, DCF estimates that roughly 113,000 families were eligible for emergency assistance as of October, 2020, based on the current income standard, but approximately 130,000 families would have qualified if the income eligibility standard had been 200% of the FPL.

10. Second, under the administration's proposal, DCF would expand eligible families to include families with childless adults, ages 18 through 24 years of age. Currently, eligible assistance groups must have children under the age of 18. Specifically, the nonfinancial eligibility rules require that: (a) a child was living with a qualified caretaker within six months prior to the application; and (b) assistance is needed to avoid destitution of the child, or to provide living arrangements and the need is not due to the caretaker refusing to accept employment or training without good cause.

11. DCF states that the change is needed because childless adults as a group typically do not have as many resources available to them, particularly for youth who have aged out of the foster care system. DCF indicates that young adult's ages 18 through 24 years of age are at increased risk of homelessness, especially for youth previously in the out-of-home care system. The Transform Milwaukee and Transitional Jobs programs are some of the only DCF programs with eligibility for childless adults, but these programs depend on being able to find a work placement with a participating employer. However, homelessness creates a challenge to finding and retaining employment, even a subsidized job. When childless adults cannot find work placement through the Transform Milwaukee and Transitional Jobs programs, there are few other programs that provide emergency assistance.

12. Third, current law would be changed to reduce the requirement that applicants must not have received emergency assistance within the previous 12 months down to six months. DCF indicates that doing so would allow 2,033 families to immediately become eligible. This timeframe would coincide with the impending lapse of the moratorium on evictions and foreclosure, and therefore provide assistance for families who would otherwise be barred from seeking assistance

when they are most likely to need it.

13. Fourth, DCF would specify that a family delinquent on a rent payment, a mortgage payment, or a property tax payment is considered homeless for purposes of the emergency assistance program, and therefore eligible for aid, during a national emergency declared by the U.S. President or a state of emergency declared by the Governor.

14. Currently, by rule, a family may be considered to be homeless or facing impending homelessness if the family has received written or oral notice that they will be removed from their rental housing because of a foreclosure action against the owner. However, approximately 600 applications denials per year occurred from 2017 through 2020 for lack of legal notice of non-payment. DCF indicates the rule change is necessary because families face impending homelessness even before they have been served with notice of eviction or foreclosure during periods of national emergency. For instance, during the pandemic, the eviction moratorium prevent families from removal. However, due to past due rent owed, a family can still face the impending prospect of being served notice once the moratorium expires or through the informal pressure exerted by landlords.

15. Finally, DCF would increase the maximum payment amount to $1,200. Currently, by rule, the actual payment amount a family receives for emergencies other than an energy crisis is calculated as the lower of the following two amounts: (a) the maximum payment amount per group member multiplied by the number of members in the group; or (b) the total financial need. For these cases, the maximum payment amount per group member published in the Administrative Register are as follows: (1) $258 per group member when the group is two members (a maximum of $516); (2) $172 per group member when the group is three members (a maximum of $516); (3) $129 per group member when the group is four or five members (a maximum of $516 and $645, respectively); and (4) $110 per group member when the group is six or more members. The payment for energy crisis is the maximum payment amount for the group ($500) or the amount needed to obtain or maintain essential utility service, whichever is lower.

16. These maximum amounts have not changed since 2009. Prior to that, the maximum amount had been $150 per group member for many years, but were increased because they were insufficient for smaller households to obtain or retain permanent housing accommodations.

17. By contrast, housing costs have risen significantly since 2009. For example, according to the Census Bureau's five-year American Community Survey, the median monthly rent agreed upon, including utilities, (contract rent) in the state was $596. In 2019, the statewide median contract rent increased to $746. Further, rents vary widely across the state, and thus the current income limit and maximum payment limit disparately impacts communities with higher rental costs.

18. For these reasons, the Committee could adopt the Governor's recommendations to expand the program by increasing funding for program benefits by $3,900,000 FED annually and providing $58,800 FED annually to fund administrative costs associated with implementing these eligibility changes (Alternative B1).

19. Alternatively the Committee could choose to provide a portion of the requested funding to support some, but not all of the Governor's recommended proposals (Alternative B2). For example, the Committee could choose to increase the maximum payment amount to $1,200 and expand the financial eligibility threshold from 115% FPL to 200% FPL. However, DCF has not estimated the costs of each of these changes, individually. DCF would need to conduct additional work to determine the cost estimates for each of these program changes. In light of this uncertainty, the Committee could provide $3.0 million FED annually in the Committee's program supplements appropriation, which would enable DCF to seek the release of these funds after it estimates the costs of the program expansion proposals the Committee chooses. Such a contingency could also be used to provide supplemental funding for the program should utilization increase beyond the amounts that would be provided as cost-to-continue funding.

20. Finally, the Committee could decide that it is unnecessary to provide additional funding at this time (Alternative 3). As shown in Table 2, the number of approved applications substantially decreased between calendar year 2017 and 2019, the year before the economic disruption caused by the COVID-19 pandemic.

TABLE 2

Number of Approved Emergency Assistance Applications, by Type

Emergency Type	2017	2018	2019	2020
Energy Crisis	659	637	846	82
Fire	34	31	29	31
Flood	0	7	1	0
Natural Disaster	12	2	0	0
Homelessness				
Domestic Abuse	242	212	213	120
No housing	994	863	688	342
Temporary housing	2,107	1,663	1,608	931
Uninhabitable	17	11	14	4
Impending Homelessness				
Domestic Abuse	136	123	161	87
Financial Crisis and Notice to Terminate Tenancy	5,488	4,803	4,907	3,123
Renters-Foreclosure	30	20	21	8
Uninhabitable Housing	16	12	17	10
Wisconsin State Total	9,735	8,384	8,505	4,738

Definition of Domestic Violence

21. Under current law, a person may qualify for economic assistance if they are facing homelessness due to domestic violence, which is statutorily defined as any of the following engaged in by an adult against his or her former spouse, an adult with whom the person currently or formerly resides, or an adult with whom the person has a child in common: (a) intentional

infliction of physical pain , physical injury or illness; (b) intentional impairment of physical condition; (c) violation of criminal code provisions relating to first, second, or third-degree sexual assault; or (d) a physical act that may cause the other person reasonably to fear imminent engagement in the conduct described under (a) through (c).

22. The Governor's bill would repeal the current statutory definition of domestic violence. Instead, the emergency assistance program would use the rules defining "domestic violence" by DCF for purposes of domestic abuse screening in the W-2 program. This would broaden the definition to be any of the following acts affecting an individual by a spouse or former spouse, and adult with whom the individual has, or had a dating relationship, an adult with whom the individual has a child in common, an adult or minor family member, or an adult or minor with whom the person resides or formerly resided: (a) physical acts resulting in pain, illness or injury; (b) sexual abuse or assault; (c) threatened or attempted physical or sexual abuse; (d) emotional or mental abuse; (e) verbal abuse; (f) deprivation or destruction of physical or economic resources; (g) neglect or deprivation of medical care; (h) forced isolation; or (i) stalking or harassment.

23. According to DCF, the codified definition of domestic violence for the EA program is out of date because it has not been updated for almost two decades. As a result, current law does not recognize the behaviors described in Discussion Point 23 as abuse and thus excludes survivors of domestic abuse from the emergency assistance program.

24. Further, using the same definition of domestic violence for both the W-2 and emergency assistance program would likely make these programs easier to administer for local W-2 agencies, as they administrate both programs to serve a similar population using the same federal funding source.

ALTERNATIVES

A. Cost to Continue

1. Increase funding for emergency assistance program by $929,500 FED in 2021-22 and $36,400 FED in 2022-23 so that $6,929,500 FED in 2021-22 and $6,036,400 would be budgeted to reflect the administration's estimate of funding that will be needed to fund program benefits, based on current law.

ALT A1	Change to Base
FED	$965,900

2. Increase funding for the emergency assistance program by $1.0 million FED in 2021-22 so that $7.0 million FED in 2021-22 and $6.0 million FED would be budgeted for the program to support program benefits, based on current law.

ALT A2	Change to Base
FED	$1,000,000

3. Take no action, thereby retaining base funding ($6.0 million annually) for the program to support program benefits, based on current law.

B. Program Expansion

1. Adopt all of the program expansion provisions recommended by the administration, as described in Discussion Point 6. Increase emergency assistance program benefits funding by $3.9 million FED annually, and provide $58,000 FED annually to support ongoing administrative costs of implementing these changes.

ALT 2	Change to Base
FED	$7,916,000

2. Adopt one or more of the following options that would expand eligibility and benefits under the emergency assistance program, effective January, 2022.

a. Increase the financial eligibility threshold from 115% to 200% of the federal poverty level.

b. Provide eligibility for adults, ages 18 through 24, without dependent children,

c. Provide eligibility for applicants that have not received emergency assistance payments within the previous six months, rather than 12 months, as provided under current law.

d. Specify that a family that is delinquent on a rent payment, a mortgage payment, or a property tax payment is considered homeless, and therefore eligible for aid, during a national emergency declared by the U.S. President or a state of emergency declared by the Governor

e. Increase the maximum payment limit to $1,200.

Provide $3.0 million FED in 2022-23 in the Committee's program supplements appropriation, which could be released upon request by DCF after it estimates the costs of any of the program expansion proposals the Committee adopts.

ALT 2	Change to Base
FED	$3,000,000

3. Take no action.

C. Definition of Domestic Violence

1. Repeal the current definition of "domestic violence" used for emergency assistance program purposes, and instead specify that the evidence stated under the rules defining "domestic violence" by DCF for purposes of domestic abuse screening in the W-2 program would be sufficient for purposes of the EA program, as described in Discussion Point 23.

2. Take no action.

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May, 2021 | Joint Committee on Finance | Paper #110

Civil Legal Assistance (Administration -- General Agency Provisions)

[LFB 2021-23 Budget Summary: Page 25, #6, and Page 94, #21]

CURRENT LAW

The Wisconsin Trust Account Foundation, Inc. (WisTAF) is a nonprofit created in 1986 by the Wisconsin Supreme Court to increase assess to legal services. To date, WisTAF has distributed $62 million to civil legal aid organizations that provide low-income residents with information, advice, and representation on non-criminal matters. The Foundation is governed by a 15-member board, comprised of attorneys, judges, and non-attorneys with relevant experience, and has 3.6 full-time employees.

The Department of Children and Families (DCF) is budgeted temporary assistance for needy families (TANF) funding of $500,000 FED annually to support WisTAF. These funds may not be used for litigation against the state and may only be used to support specific civil legal services (related to domestic abuse, sexual abuse, or restraining orders for certain at-risk elderly and disabled individuals) for TANF-eligible individuals with incomes of less than 200% of the federal poverty level. Information from WisTAF's 2020 report on its 2019-20 activities under its domestic violence and sexual abuse civil legal services program is provided in Attachment 2. Current law also allows DCF to identify underspending in the federal block grant aids appropriation for TANF and provide such funds to WisTAF under certain conditions.

DISCUSSION POINTS

1. A national study in 2017 found that 71% of low-income households had experienced a civil legal problem in the past year; however, the majority were unable to access legal assistance to address the issue. The need for aid was higher for survivors of domestic violence or sexual assault, parents and guardians, and people with disabilities. Each year in Wisconsin, the Foundation estimates that 565,000 residents need civil legal assistance but are unable to access such services.

2. The COVID-19 pandemic has led to an increase in demand for legal services related to domestic violence, employment, eviction, and healthcare. In 2020, legal aid providers nationwide reported an 18% increase in the number of eligible clients. Legal aid providers in Wisconsin also reported increases in the number of clients who were denied assistance due to capacity limitations.

3. Each year, WisTAF provides grants to civil legal aid providers to support program operations and increase low-income residents' access to non-criminal legal representation. All grants require approval by the Foundation's board of directors. The board reviews grant applications based on their relevance to program goals, proposed target client populations, geographic areas served, anticipated outcomes, and demonstration of program quality or successful usage of past funds. The Foundation also evaluates current grantees to monitor how funds are spent and to ensure recipients abide by grant conditions specific to the type of funding received. In 2019, WisTAF disbursed $2.7 million in grants to 24 organizations that served 10,800 clients, as shown in Attachment 1.

4. The Foundation is supported through a combination of public and private funds. In 2019, the organization received public support of $561,100 from the federal TANF allocation ($500,000) and fees paid by nonresident lawyers participating in a particular action in Wisconsin ($61,100). As shown in the table below, Wisconsin spends less on civil legal aid compared to neighboring states. The regional per-capita average in 2019 was $0.78 per resident, compared to $0.10 per resident in Wisconsin.

Public Spending on Civil Legal Aid, 2019

	Total	Per Capita
Minnesota	$14,720,000	$2.61
Michigan	6,477,000	0.65
Illinois	2,800,000	0.22
Iowa	2,634,601	0.84
Indiana	1,900,000	0.28
Wisconsin	561,100	0.10
Midwest Average	4,848,784	0.78

Information provided by the Wisconsin Trust Account Foundation, Inc. Public spending includes state funds, federal funds, court fees, and filing charges.

5. In 2019, the Foundation received private support totaling $2.9 million from interest on lawyers' trust accounts, public interest legal service funds, and allocations from certain settlements. It should be noted that revenues from private sources have declined, in part because of low interest rates. For example, interest earnings on the lawyers' trust accounts are projected to decline by 40% between 2020 and 2021, a difference of $500,000. The Foundation anticipates that private funding will remain limited through 2023 due to a sustained decline in federal interest rates.

6. Under 2007 Act 20, the Department of Administration (DOA) was authorized to provide

$1.0 million GPR annually during the 2007-09 biennium to WisTAF for civil legal assistance grants. The Foundation indicates that this state support helped offset a decrease in private funds during the recession. For example, interest earnings from lawyers' trust accounts declined from $2.0 million in 2007 to $345,000 in 2009.

7. Under 2009 Act 28, the DOA funding source was changed from the general fund to the justice information system surcharge. The program was appropriated $1,958,600 PR in 2009-10 and $2,546,100 PR in 2010-11. Under 2011 Act 32, the DOA program and associated statutory language were deleted. Subsequently, WisTAF reported that service providers had to reduce staffing and eligible clients were turned away without assistance.

8. As introduced, 2021 Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would increase public funding for WisTAF and modify how grant funds can be used. The bill would create an annual civil legal assistance appropriation under DOA and provide $2.0 million GPR annually for grants to programs that provide civil legal services to indigent persons. Funds could be used as a match for other federal and private grants, but could only be used for the purposes for which the funding was provided.

9. Further, AB 68/SB 111 would increase the TANF allocation for WisTAF from $500,000 to $1,000,000 FED annually and expand the legal services for which federal funds may be used to include cases involving evictions. Further, AB 68/SB 111 would repeal the current $75,000 annual maximum award per recipient, and repeal provisions that permit the state to distribute unspent TANF funds to WisTAF.

10. According to WisTAF, the current $75,000 award limit disadvantages rural areas, where a large geographic area is covered by a small number of civil legal aid organizations. Current restrictions also reduce the availability of services for individuals who do not qualify for TANF, such as childless disabled persons and veterans. Organizations have a limited ability to help clients with cases relating to eviction, unemployment compensation, consumer law, and health insurance, as TANF funds cannot be used for these cases.

11. Given increased demand for civil legal services, a decrease in available private funds, and the comparative amounts spent by neighboring states, the Committee could provide $2.0 million GPR and $500,000 FED annually and modify limitations on civil legal assistance grants. Wisconsin would spend approximately $0.52 per capita on civil legal assistance. At this level, Wisconsin would spend more per capita on civil legal aid than amounts reported by Illinois and Indiana. [Alternative 1]

12. Alternatively, the Committee could decide to only provide $500,000 FED annually and modify the use of TANF funds. Grant recipients would have an increased capacity to meet the needs of TANF-eligible residents, and would be authorized to assist with eviction cases. Under this alternative, funding for WisTAF would increase to $1.0 million FED per year and Wisconsin would spend approximately $0.17 per capita on civil legal assistance. [Alternative 2]

13. Another option would be to fund, rather than repeal, provisions of current law that allow for distributions of unused TANF funds to WisTAF [Alternative 3]. Since 2003-04, s. 49.1635 of the Wisconsin Statutes has permitted DCF to identify underspending in the federal block grant aids

appropriation for TANF and provide up to $100,000 to WisTAF under certain conditions. Grants by WisTAF under this provision may be used for a broader array of services compared to the proposed TANF funding identified above. However, DCF indicates that these provisions have not been used for more than 15 years. The Administration indicates that it is cumbersome to plan on spending funding that has been allocated by law for other purposes.

14. Modifying current law and providing TANF funding in an amount chosen by the Committee would allow WisTAF to provide grants for staff attorneys, paralegals, volunteers, law school programs, self-help and other assistance programs to assist needy families with basic legal needs both in and outside of the court system, such as family law (such as protecting abuse victims, custody and visitation issues, and paternity and child support), housing law (such as preventing homelessness, foreclosures, and housing discrimination), health law (such as providing advice and advocating for disabled, veterans, children, and seniors in Medicaid, Medicare, and other health programs), and assisting consumers and debtors. Legal assistance would only be provided for needy families that qualify for temporary assistance for needy families under federal TANF regulations and who would have incomes up to 200% of the federal poverty level ($43,920 for a family of three in 2021).

15. As required under current law, each organization to which WisTAF distributes funding would be required match 100% of the grant amount with private donations. No more than 10% of the funding could be used by WisTAF for administration.

16. Finally, the Committee could decide that the current level of public funding is sufficient and take no action. The Foundation would still be provided base funding of $500,000 FED annually, and would be able to spend private funds to assist clients who do not qualify for TANF. This alternative would maintain the state's current funding commitment (spend at approximately $0.10 per capita on civil legal aid). [Alternative 4]

ALTERNATIVES

1. Create an annual civil legal assistance appropriation under DOA and provide $2,000,000 GPR annually. Require DOA to pay the amounts appropriated to WisTAF for grants to programs that provide civil legal services. Specify that grant funds may be used as a match for other federal and private grants, but may only be used for the purposes for which the funding was provided.

Provide an additional $500,000 FED annually from TANF and expand the legal services for which grants may be used to include cases involving evictions. Repeal the $75,000 annual maximum award amount any program can receive. Repeal provisions that permit DCF to distribute unspent TANF funds that had previously been allocated for other purposes to WisTAF.

ALT 1	Change to Base
GPR	$4,000,000
FED	1,000,000
Total	$5,000,000

2. Provide an additional $500,000 FED annually from TANF and expand the legal services for which grants may be used to include cases involving evictions. Repeal the $75,000 annual maximum award amount any program can receive. Repeal provisions that permit DCF to distribute unspent TANF funds that had previously been allocated for other purposes to WisTAF.

ALT 2	**Change to Base**
FED	$1,000,000

3. Modify s. 49.1635 of the Wisconsin Statutes to repeal provisions allowing DCF to distribute up to $100,000 of unused TANF funds and instead provide TANF from s. 49.175(1)(j) in an amount of selected by the Committee for a broader range of civil legal services for needy families, such as one of the following: (a) $500,000 FED annually; (b) $1,000,000 FED annually; (c) $1,500,000 FED annually; (d) $2,000,000 FED annually; or (e) $2,500,000 FED annually.

ALT 3	**Change to Base**
a. FED	$1,000,000
b. FED	2,000,000
c. FED	3,000,000
d. FED	4,000,000
e. FED	5,000,000

4. Take no action.

Prepared by: Angela Miller and John Gentry

ATTACHMENT 1

Wisconsin Trust Account Foundation, Inc. Grant Recipients, 2019

Grantee	Area Served	Grant Award
Legal Action of Wisconsin, Inc.	39 counties in Southern Wisconsin	$1,169,100
Wisconsin Judicare, Inc.	33 counties in Northern Wisconsin and 11 federally-recognized Native American tribes	499,000
Legal Aid Society of Milwaukee, Inc.	Milwaukee County	269,500
Disability Rights Wisconsin	Statewide	110,000
Centro Legal por Derechos Humanos, Inc.	Milwaukee and Waukesha counties	104,700
Indianhead Community Action Agency	9 counties in Northern, Northwestern, and Northcentral Wisconsin	76,600
Community Justice, Inc.	14 counties in Southern and Southwestern Wisconsin	75,600
Kids Matter Inc.	Milwaukee and Waukesha counties, limited services statewide	53,000
ABC for Health	Statewide	43,500
Metro Milwaukee Mediation Services, Inc.	Statewide	40,000
Center Against Sexual & Domestic Abuse	Ashland, Bayfield, and Douglas counties	38,700
Golden House, Inc.	Brown and Kewaunee counties	33,600
Vivent Health	Statewide	25,000
Rainbow House Domestic Abuse Services, Inc.	Marinette and Oconto counties	21,400
LOTUS Legal Clinic, Inc.	Statewide	20,800
Catholic Charities of the Archdiocese of Milwaukee	10 counties in Southeastern Wisconsin	20,000
Winnebago Conflict Resolution Center, Inc.	Winnebago County	20,000
Portage County Legal Aid Society	Portage County	17,000
Catholic Charities of the Diocese of La Crosse	19 counties in Western, Southwestern, and Central Wisconsin	15,000
Household Abuse Victims Emergency Network	Lincoln County	15,000
Women and Children's Horizons	Kenosha County	13,600
The Women's Center	Southeastern Wisconsin	13,400
Legal Aid Society of Door County	Door County	10,000
End Domestic Abuse Wisconsin	Statewide	9,300
Total		$2,713,800

ATTACHMENT 2

PROTECTING CHILDREN & FAMILIES AGAINST VICTIMIZATION

Submitted to DCF
September 30, 2020

2019-2020 Domestic Violence and Sexual Abuse Civil Legal Services Program

WISTAF
Funding Civil Justice

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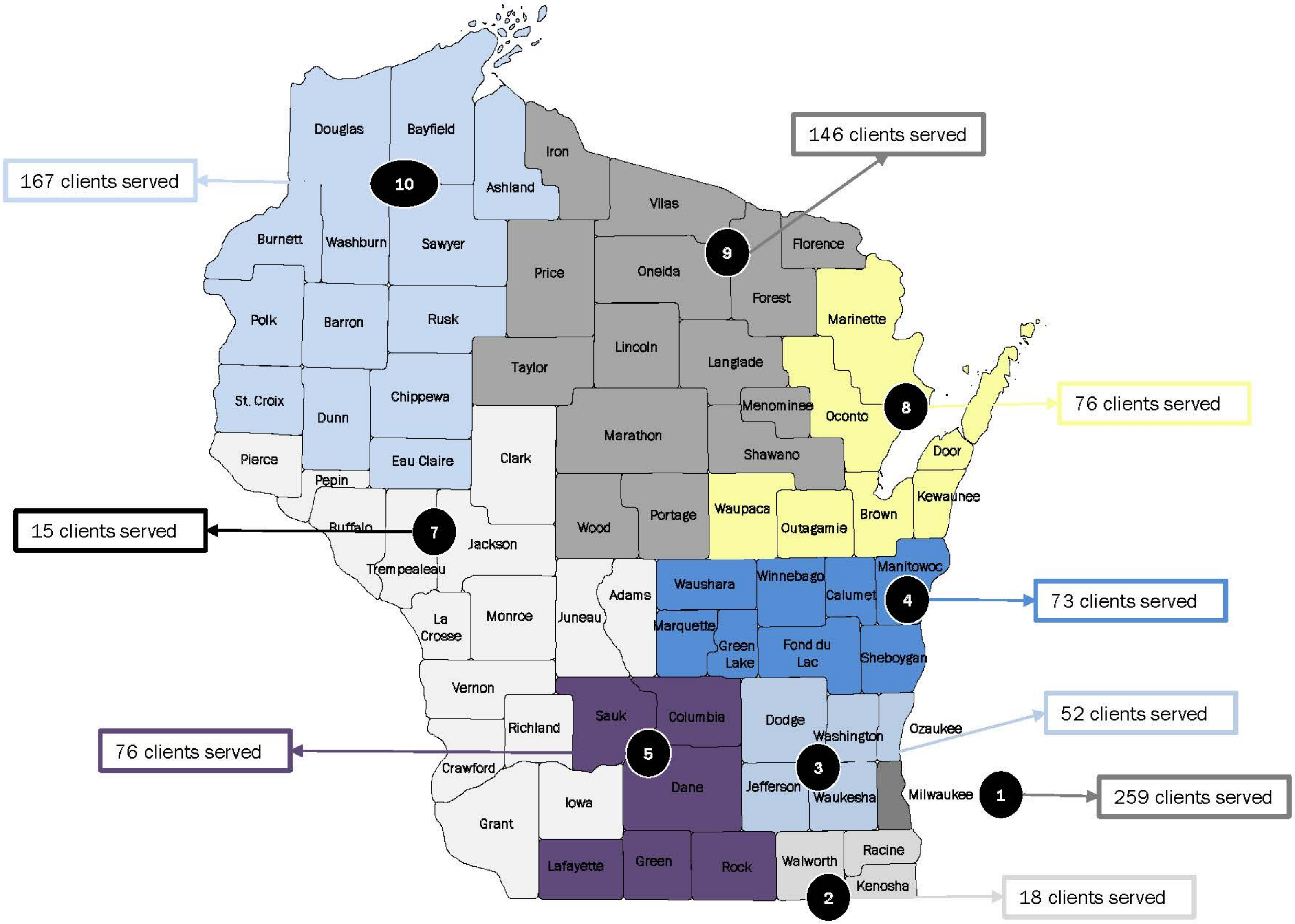
Appendix Table 2: 2019-2020 DVSA/TANF Civil Legal Services Grant Awards

GRANTEE AGENCY	2019-2020 DVSA GRANT AWARD AMOUNT
Center Against Sexual & Domestic Abuse (CASDA)	$32,500
Centro Legal por Derechos Humanos, Inc.	$50,000
Community Justice, Inc.	$50,000
End Domestic Abuse Wisconsin (RISE)	$20,000
Family Advocates, Inc.	0
Golden House (partnering with Legal Action of Wisconsin)	$37,500
HAVEN, Inc.	$20,000
Indianhead Community Action Agency	$50,000
Kids Matter Inc.	$30,000
Legal Action of Wisconsin (partnering with Christine Ann Center)	$37,500
LOTUS Legal Clinic, Inc.	$15,000
Rainbow House Domestic Abuse Services (partnering with Law Office of Aaron M. Krzewinski)	$22,500
The Women's Center (partnering with Legal Action of Wisconsin)	$15,000
Wisconsin Judicare, Inc.	$50,000
Women's and Children's Horizons (partnering with Legal Action of Wisconsin)	$20,000
TOTAL:	**$ 450,000**

Appendix 4: Clients Served with 2019-2020 DVSA/TANF Funding by Judicial District



Children and Families -- TANF and Economic Support

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
15	Child Care -- State Administration
19	State Administration of Wisconsin Works and Other Related TANF Programs
20	Grants to Boys and Girls Clubs of America
22	Grant for Case Management Services for Homeless Families
25	Jobs for America's Graduates
28	TANF Program Funding Reallocation
30	Transfer Head Start State Supplement
31	Skills Enhancement Grants