



Legislative Fiscal Bureau

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December 14, 2010

TO: Members
Joint Finance Committee

FROM: Bob Lang, Director

SUBJECT: Children and Families: Section 13.10 Request for Funds to Support Automated Attendance Tracking System -- Agenda Item IV

REQUEST

The Department of Children and Families (DCF) requests the transfer of \$1,000,000 GPR in 2010-11 from the Joint Committee on Finance's general program supplementation appropriation [s. 20.865(4)(a)] to DCF's economic support general program operations appropriation [s. 20.437(2)(a)] for the implementation of the automated attendance tracking system (AATS).

BACKGROUND

In an effort to expand and enhance state oversight of the Wisconsin Shares child care subsidy program, 2009 Wisconsin Act 2 provided \$500,000 FED in 2008-09 to implement a system to automatically monitor child care attendance in licensed child care centers. The purpose of the system is to ensure that child care subsidy payments to child care providers are accurate based on children who are actually in attendance and on the actual hours of attendance. The design of this system had not yet been developed.

In his 2009-11 biennial budget, the Governor provided an additional \$500,000 GPR annually during the 2009-11 biennium to continue implementation of the AATS. However, the Legislature modified this provision to place these funds in the Committee's general program supplementation appropriation and required DCF to request the funds under s. 13.10 of the statutes. As part of the request, DCF must provide a detailed plan of how the AATS would work and how funds, if released, would be spent.

In a letter to the Committee, dated March 23, 2010, DCF provided an update regarding the implementation of the AATS. DCF indicated that in 2009, the Department adapted its information

technology systems to accommodate the new attendance reporting and researched the best AATS to implement. DCF determined that a "biometric" AATS would be superior to a "swipe card" system for several reasons: (a) the biometric system's overhead costs are significantly lower; (b) the potential for fraud under the swipe card system is higher; and (c) implementation of the biometric system would be easier for parents and child care providers.

On June 23, 2010, the Committee, pursuant to Motion #38, transferred \$1,000,000 FED in 2010-11 from DCF's economic support federal block grant aids appropriation to the economic support federal block grant operations appropriation to reflect that the costs for the AATS are for administrative expenses, rather than an aids expense. In addition, the Committee required DCF to submit quarterly reports regarding the AATS that detail: (a) the actual costs of operating the AATS during the previous quarter for DCF and for the child care providers participating in the AATS; (b) the status of the statewide implementation of the AATS; (c) the number of child care providers added to the AATS during the previous quarter; (d) the cumulative number of child care providers included in the AATS; and (e) a summary of successes and challenges experienced in its implementation. The first report is due by December 31, 2010. Beginning in 2011, the reports are to be submitted by the end of the month after the calendar quarter ends, with the first quarterly report due no later than April 30, 2011.

On April 15, 2010, DCF issued a request for proposals (RFPs) for the AATS. A contract for implementation of the AATS was finalized on September 17, 2010, with the vendor Controltec, Inc. DCF now requests the entire \$1,000,000 GPR in the Committee's general program supplementation appropriation to purchase equipment to implement the AATS on a pilot basis, which would be expanded statewide in 2011-12.

DESCRIPTION OF AATS AND CONTRACT PROVISIONS

AATS Description

The AATS will record attendance at the time a child arrives or departs a child care center. For their convenience, child care providers may enroll all participants. However, they will only be required to enroll Wisconsin Shares participants, based on a Wisconsin Shares authorization issued for that child. Information regarding Wisconsin Shares authorizations is sent to the contractor from DCF, and the contractor flags which individuals are participating in Wisconsin Shares. The child, or authorized adult, must also enroll in the AATS by scanning his or her finger three consecutive times to ensure that the best image will be recorded. The scanner records the fingerprint image, analyzes the minutia points of the print, maps out the minutia points, discards the fingerprint image, creates a binary code from the mapped minutia points, and stores the code in vendor's data warehouse. The code is then linked to the appropriate individual within the AATS.

Touch-screen devices with an attached biometric reader will be installed at participating child care centers. Once enrolled, the child, or an authorized adult, places his or her finger on the scanner upon arrival and departure. When the child or authorized adult scans his or her finger, the time is automatically recorded and stored. Child care providers must submit the attendance information to DCF in order to receive payment under the Wisconsin Shares child care subsidy

program. Before this information is sent to DCF, providers must review the attendance data for corresponding arrival and departure times. Providers will have access to a web-interface with the contractor to verify attendance. If there is an arrival with no departure time, or a departure with no arrival time, the provider must use an override to finalize any missing arrival or departure times before submitting the attendance for payment.

In addition, providers may provide a back-up scan for a child if the child is unable (such as an infant) and the authorized adult is unavailable to scan his or her finger. Overrides and provider scans would receive additional scrutiny from DCF.

Contract

Under the contract, the AATS will be implemented in three phases: (a) a pilot program to test the system; (b) expansion of the system state-wide; and (c) ongoing administration. The contract period includes the pilot project and a 36-month period after the pilot project is completed for the roll-out and ongoing administration.

The following table shows the costs of implementing the AATS over the contract period.

TABLE 1

**Contracted Costs for the Automated Attendance Tracking System
2010-11 through 2013-14**

<u>Expenditure</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Total</u>
Pilot	\$943,600	\$0	\$0	\$0	\$943,600
Expand State-Wide	110,100	1,256,200	0	0	1,366,300
Ongoing Costs	0	828,800	828,800	828,800	2,486,400
Equipment Costs	<u>1,020,500</u>	<u>698,700</u>	<u>0</u>	<u>0</u>	<u>1,719,200</u>
					0
Total	\$2,074,200	\$2,783,700	\$828,800	\$828,800	\$6,515,500

Pilot Project. The pilot project will include 10 child care centers beginning in February, 2011. An additional five providers will test a system interface between other approved attendance systems to DCF's billing system. The pilot, including testing, feedback, and corrections, will be completed in 2010-11. Child care providers from Dane, Dodge, Kenosha, Milwaukee, Waukesha, and Washington Counties will participate in the pilot.

Expand AATS State-Wide. Expansion of the AATS state-wide is anticipated to begin in July, 2011. DCF indicates that the number of child care providers who will participate in the AATS would total 620. Those providers receiving Wisconsin Shares payments over an annual threshold amount or have indicators of activity that suggest more detailed attendance tracking is needed would be participating in the AATS. DCF has not yet determined what the threshold amount will be.

Ongoing Costs. Ongoing costs include: (a) training; (b) production of training materials; (c) installation of equipment; (d) maintenance of equipment; (e) maintenance of software; (f) provider support; and (g) other related costs.

Table 2 shows the estimates for ongoing costs based on the size of the child care provider for devices located at child care centers and the estimates for mobile devices.

TABLE 2
**Annual Ongoing Costs of Automated Attendance Tracking system
Devices at Centers**

<u>Number of Children at Child Care Center</u>	<u>Number of Centers</u>	<u>Cost Per Month</u>	<u>Total</u>
Under 25	50	\$34.00	\$20,400
25 - 50	270	77.00	249,500
51 - 100	230	128.00	353,300
Over 100	<u>70</u>	165.00	<u>138,600</u>
Total	620		\$761,800
Mobile Devices	620	9.00	<u>67,000</u>
Total Ongoing Costs			\$828,800

Equipment Costs. There are two types of biometric readers that would be purchased for the 620 child care providers participating in the AATS: (a) devices installed at the child care centers; and (b) mobile devices. Depending on the size of the child care center, more than one device may be installed. DCF estimates that 690 devices will be installed at 620 centers, for a total cost of \$1,020,500 (\$1,479 per device). Mobile devices would be used in vehicles for child care centers that provide transportation to and from school or the child's home. The mobile devices would record the finger scan and the time, but then would have to load that information onto the device located at the center. The number of mobile devices needed is unknown at this time. The contract assumes that all 620 child care providers will need a mobile device at a cost of \$698,700 (\$1,127 per mobile device).

ANALYSIS

The following table shows the approximate percentage of group child care centers that serve children who participate in Wisconsin shares and would also participate in the AATS.

TABLE 3

Percent of Child Care Centers Participating in both Wisconsin Shares and AATS

<u>Number of Children at Child Care Center</u>	<u>Number of Group Child Care Centers</u>	<u>Number of Child Care Centers in AATS</u>	<u>Percent of Child Care Centers in AATS</u>
9 to 20	248	50	20.2%
21 to 50	707	270	38.2
51 to 100	433	230	53.1
Over 100	<u>187</u>	<u>70</u>	37.4
Total	1,575	620	39.4%

The numbers of licensed group child care centers are from calendar year 2009, and, based on information provided by DCF, it is assumed that approximately 63% of the centers serve children who participate in Wisconsin Shares. The first two categories of the size of the licensed group child care centers do not exactly match the categories in the contract. Therefore, the percentage for child care centers for under 25 children may be a bit higher, and the percentage for child care centers for between 25 and 50 children may be a bit lower. Overall, the AATS would include approximately 40% of licensed group child care centers that receive Wisconsin Shares child care subsidy payments.

The focus would be on the child care centers that receive the most in Wisconsin Shares child care subsidy payments or that have indicators of suspicious activities that may warrant more detailed attendance tracking. DCF would establish an annual threshold amount that a child care provider receives in Wisconsin Shares child care subsidy payments in order to participate in the AATS.

The Committee could approve the request. As mentioned above, this funding was placed in the Committee's general program supplementation appropriation under 2009 Act 28 for the AATS. If the Committee approves of DCF's plan as detailed in the contract, release of these funds is consistent with the intent of Act 28.

However, as noted in the memorandum to Committee Members related to YoungStar, there could be significant underspending in the Wisconsin Shares child care subsidy program in 2010-11. Underspending is most likely due to a combination of the state of the economy (with fewer people working, less child care is needed to work) and DCF's efforts to reduce fraud in the program. The Committee could deny the request and transfer \$1 million FED from DCF's economic support federal block grant aids appropriation [s. 20.437(2)(md)] to the economic support federal block grant operations appropriation [s. 20.437(2)(mc)] in 2010-11 to reallocate underspending from Wisconsin Shares to the AATS.

In a s. 13.10 request from the State Public Defender (SPD), the SPD is seeking Committee approval of \$9.5 million in 2010-11 to address a shortfall in the private bar appropriation. If the Committee denies the DCF request for \$1,000,000 GPR, this funding could be used to offset a

portion of the SPD request, or remain in the committee's appropriation for potential lapse to the general fund at the close of the biennium.

The Committee could transfer \$500,000 GPR in 2010-11 and direct DCF to reduce the number of providers participating in the AATS. This amount of funding would support approximately 300 licensed group child care centers. Assuming costs for the pilot and the roll-out remain unchanged, costs for the AATS would total \$4.3 million over the contract period, rather than \$6.5 million. Approximately 20% of the licensed group child care centers that receive Wisconsin Shares child care subsidy payments would participate in the AATS under this alternative.

On the other hand, the Committee could transfer \$500,000 FED in 2010-11 in underspending in Wisconsin Shares from the economic support federal block grant aids appropriation to the AATS in the economic support federal block grant operations appropriation for 300 licensed group child care centers.

Finally, the Committee could deny the request. If the Department chose to fund the purchase of AATS equipment as detailed in the contract, a denial would require DCF to absorb the costs within its current funding limits or return to the Committee under s. 13.10 of the statutes to request a reallocation of funds between appropriations.

ALTERNATIVES

1. Approve DCF's request to transfer \$1,000,000 GPR in 2010-11 from the Committee's general program supplementation appropriation [s. 20.865(4)(a)] to DCF's economic support general program operations appropriation [s. 20.437(2)(a)] to purchase equipment for the AATS.

2. Modify the request to transfer \$1,000,000 FED from DCF's economic support federal block grant aids appropriation [s. 20.437(2)(md)] to the economic support federal block grant operations appropriation [s. 20.437(2)(mc)] in 2010-11 to reallocate underspending from Wisconsin Shares to purchase equipment for the AATS.

3. Modify the request to transfer \$500,000 GPR in 2010-11 from the Committee's general program supplementation appropriation [s. 20.865(4)(a)] to DCF's economic support general program operations appropriation [s. 20.437(2)(a)] in 2010-11 to purchase equipment for the AATS and direct DCF to reduce the number of providers participating in the AATS to 300.

4. Modify the request to transfer \$500,000 FED in 2010-11 from DCF's economic support federal block grant aids appropriation [s. 20.437(2)(md)] to the economic support federal block grant operations appropriation [s. 20.437(2)(mc)] to reallocate underspending from Wisconsin Shares to purchase equipment for the AATS and direct DCF to reduce the number of providers participating in the AATS to 300.

5. Deny the request.

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