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Details: Public Hearing, 4/15/2009, re: AB 75—LFB reports

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**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2009-10**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on ... Children & Families & Workforce  
Development (SC-CFWD)**

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(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
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- Miscellaneous ... **Misc**



## Legislative Fiscal Bureau

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May 18, 2005

Joint Committee on Finance

Paper #855

### *Temporary Assistance for Needy Families (TANF)*

### **Child Care Subsidies (DWD – Economic Support and Child Care)**

#### **CURRENT LAW**

The Wisconsin Shares child care subsidy program is administered by the Department of Workforce Development (DWD) through local Wisconsin Works (W-2) agencies and county human and social services departments. To be eligible for child care subsidies, families must generally have an initial income of no more than 185% of the federal poverty level. Once eligible, families retain eligibility until gross income exceeds 200% of the federal poverty level. There are no resource limits for the program. The individual applying for care must be a custodial parent, guardian, foster parent, legal custodian, or person acting in place of a parent. The subsidy can be provided for children under age 13 and for children under age 19 who are physically or mentally incapable of their own care.

In order to receive a child care subsidy, families must need child care to do any of the following: (a) work in an unsubsidized job; (b) work in a W-2 employment position; (c) participate in the food stamp employment and training (FSET) program; (d) participate in basic education or a course of study to obtain a GED, if the W-2 agency determines that basic education would facilitate the individual's efforts to maintain employment; (e) participate in a course of study at a technical college or participate in educational courses to provide an employment skill, if the W-2 agency determines that such education would facilitate the individual's efforts to maintain employment; (f) meet the Learnfare school attendance requirement for children of W-2 participants; or (g) obtain a high school diploma or participate in a course of study to obtain a GED if the parent is age 19 or younger. An individual may receive a child care subsidy under items (d) and (e) for up to two years.

Families are required to pay a weekly copayment depending on the family's gross income, family size, the number of children receiving child care, and the type of care selected. Copayments are not required for the following types of participants; (a) foster parents and kinship care parents who have court-ordered placement of a child; (b) FSET participants; and (c) teen parents who are Learnfare participants. The minimum copayment for the type of child care and number of children receiving care is required for the following participants: (a) individuals who are under the age of 20 and attending high school or participating in a course of study to obtain a GED; (b) non-court-ordered kinship care parents; and (c) parents who have left a W-2 employment position for an unsubsidized job within the last month. Families with children who receive child care services for 20 hours or less in a week are subject to one-half of the usual copay amount. The current copayment schedule is structured so that the required copayment will not exceed a maximum of 12% of the family's income. DWD has the authority to change copayments administratively to account for the following factors: (a) child care price changes; (b) the amount of available child care funding; (c) inflation; (d) changes in the federal poverty level; and (e) other economic factors that affect the cost of care, such as change in demand.

Each county is required to establish the maximum child care subsidy that will be paid to licensed child care providers, subject to DWD review and approval. The rates are determined by surveying licensed group and licensed family day care centers for the rates they charge to the general community. The reimbursement rate is set so that at least 75% of the number of places for children with licensed providers could be purchased at or below the maximum rate. The maximum reimbursement rate for regular certified providers cannot exceed 75% of the rate for licensed family day care providers, and the maximum rate for provisionally certified providers cannot exceed 50% of the rate for licensed family day care providers.

Base funding for child care subsidies is \$308,040,600. This paper does not discuss a reduction in child care subsidies due to savings from extending caretaker of newborn infant (CNI) grants from 12 weeks to 26 weeks or a reduction due to the implementation of a tiered reimbursement system for child care providers. These provisions are discussed in Papers #854 and #857.

## **GOVERNOR**

Maintain base level funding. The administration anticipates no change in the number of children or average subsidies for which child care providers would be reimbursed.

## **DISCUSSION POINTS**

1. Currently, Wisconsin's child care program is composed of three elements: (a) the direct child care program, which provides child care subsidies through the Wisconsin Shares program, county administration, on-site child care at job centers and counties, and migrant child care services; (b) programs to improve the quality and availability of child care; and (c) the local pass-through program, which provides funds to local entities for child care activities. Under the

bill, the child care program is also composed of three elements: (a) the direct child care program; (b) child care state administration; and (c) quality care for quality kids. While the direct child care program would remain the same, the other two elements have been renamed and include new initiatives, which will be discussed in Paper #856.

2. There are three sources of funds for Wisconsin's child care program: (a) the federal child care and development block grant (CCDBG); (b) the federal temporary assistance for needy families (TANF) block grant; and (c) GPR required to be spent as maintenance-of-effort for the CCDBG. Table 1 below details the proposed amounts and distribution of child care funding for the next biennium under the bill. This paper focuses on the direct child care program.

**TABLE 1**

**Child Care Sources of Funding and Proposed Uses for 2005-07**

<u>Funding Sources</u>	<u>2005-06</u>	<u>2006-07</u>
GPR	\$26,421,200	\$26,421,200
CCDBG	81,832,300	81,832,300
TANF	<u>218,009,200</u>	<u>209,736,300</u>
Total	\$326,262,700	\$317,989,800
<u>Uses</u>	<u>2005-06</u>	<u>2006-07</u>
Direct Child Care	\$307,282,800	\$300,509,900
Child Care State Administration	7,476,400	7,476,400
Quality Care for Quality Kids	<u>11,503,500</u>	<u>10,003,500</u>
Total	\$326,262,700	\$317,989,800

3. The amount of funding for direct child care reflects a reduction in child care subsidies from base funding due to the extension of grants for caretakers of newborn infants from 12 weeks to 26 weeks (-\$757,800 in 2005-06 and -\$1,530,700 in 2006-07) and the implementation of a tiered reimbursement system for child care subsidies (-\$6,000,000 in 2006-07). [As noted above, both of these issues are discussed in Papers #854 and #857.]

4. Child care expenditures have continued to rise over the 2003-05 biennium. Direct child care expenditures totaled \$299.8 million in 2003-04, compared to a budgeted level of \$298.6 million. For 2004-05, program expenditures are expected to total \$311.5 million, compared to the budgeted level of \$308 million.

5. While both the number of children in subsidy-supported care and monthly subsidy amounts per child have increased overall, there has been some decline in the rate of increase, as shown in Table 2 below.

**TABLE 2**

**Wisconsin Shares Participants and Subsidy Levels 1998-99 Through 2004-05 (Projected)**

<u>Fiscal Year</u>	<u>Monthly Children</u>	<u>% Increase</u>	<u>Average Monthly Subsidy Per Child</u>	<u>% Increase</u>
1998-99	26,763		\$396	
1999-00	31,486	17.6%	413	4.3%
2000-01	39,520	25.5	460	11.4
2001-02	44,985	13.8	464	0.9
2002-03	48,584	8.0	463	-0.3
2003-04	51,328	5.6	458	-1.1
2004-05 (projected)	52,325	1.9	468	2.2

6. In preparing the budget bill, DOA estimated the total cost of the direct child care program at \$308,040,600 annually (not including the reductions for the extension of grants for caretakers of newborn infants and for the tiered reimbursement system). The DOA estimate of the cost of child care subsidies under AB 100 retains base funding from 2004-05. The 2004-05 estimate of child care subsidies was based on an average of 51,333 children, average monthly subsidies per child of \$474, and county administration, on-site child care, and migrant child care services costs of \$16.1 million. However, the revised estimate of \$311.5 million for 2004-05 is based on an average of 52,325 children, average monthly subsidies of \$468 per child, and county administration, on-site child care, and migrant child care services costs of \$17.4 million.

7. The revised estimate for 2004-05 reflects year-to-date growth in subsidy payments and the number of children served, with adjustments to account for seasonal patterns in program expenditures. Through April, subsidy payments were 8.7% higher than the same period last year, and the average number of children served each month was 2.3% higher. However, this April was a month in which five weekly subsidy payments were made, while only four payments were made in April, 2004. Therefore, the April year-to-date growth rate likely overstates the amount of growth that can be expected over the entire twelve months of the 2004-05 fiscal year. To account for this spike in payments, the year-to-date growth rate of 4.4% that was evident from January through March, 2005, was used to calculate the revised estimate for 2004-05.

8. DWD believes that no additional spending beyond the \$308 million budgeted in Act 33 will be needed for child care subsidies in 2004-05. DWD also indicates that there could be underspending this year. However, in order for spending to stay within the budgeted amount of \$308 million, total subsidies for May and June of this year would have to average \$21 million per month. Subsidies have not been this low since March, 2004, and the level of payments typically is higher in the last quarter of the fiscal year than in any other quarter. The revised estimate assumes that the monthly subsidies for the last two months of the fiscal year will average \$22.7 million per month, which is the year-to-date average for months in which four weekly payments are made.

9. In addition, DWD assumes that child care subsidies will not increase in 2005-06 and

2006-07. DWD indicates the growth rate has been slowing and future costs would be reduced by an improved economy or different rate reimbursement methodologies, which could reduce the amount of subsidies paid to child care providers to reduce the overall costs of child care subsidies. DWD continues to assert that the baseline estimates under AB 100 (\$308 million in 2005-06 and \$308 million in 2006-07) are accurate.

10. While the increase in participation has been slowing down, it may be optimistic to assume no further growth in the direct child care program. A 1% increase in participation in 2005-06 and a 0.5% increase in 2006-07 may be more realistic.

11. If costs of the direct child care program were reestimated for 2005-06 using a 1% increase in 2005-06 and a 0.5% increase in 2006-07 in the average number of children served per month, a 1% increase annually in the average subsidy over the biennium, and county administration, on-site child care, and migrant child care services costs of \$17.4 million (estimated expenditures in 2004-05), projected subsidy costs would total \$317.4 million in 2005-06 and \$321.9 million in 2006-07. Compared to the funding provided under the bill, this would represent an increase in costs of \$9.3 million in 2005-06 and \$13.8 million in 2006-07. Therefore, under the bill, funding for child care could be adjusted so that funds were increased by \$9.3 million in 2005-06 and \$13.8 million in 2006-07.

12. These estimates are used in Paper #850 projecting revenues and expenditures under the TANF program for the 2005-07 biennium. It should be noted that the child care funding numbers in that paper are offset by a higher reestimated subsidy savings, compared to the bill, relating to the provision to extend CNI grants from 12 weeks to 26 weeks.

13. As noted in Paper #850, under the bill, there is a projected TANF deficit of \$25.7 million at the end of 2006-07. Since projected direct child care program expenditures would make up about 50% of total projected TANF expenditures over the biennium, the Committee could consider several alternatives to reduce costs of the program. Generated savings could be used to replace other revenue sources, offset the structural deficit, or restore funding to other programs.

14. This paper discusses several options to reduce the projected costs of the direct child care program, including: (a) increasing copayments; (b) modifying reimbursement rates; (c) modifying income eligibility limits; (d) implementing waiting lists; or (e) some combination of (a) through (d). Alternatives to modify copayments and eligibility limits and to implement a waiting list assume an October 1, 2005, effective date in order to allow time to implement the modification. In addition, the Committee could reduce funding for county administration, contracted child care, or migrant child care.

15. It should be noted that the information on programs in other states, provided below, is based on data compiled by the National Women's Law Center in the spring of 2004. It is the most recent comprehensive information available. However, in response to growing child care costs, some states may have reduced eligibility limits and increased copayments from the levels indicated below.

16. Paper #861 provides some additional options to reduce other TANF-funded programs to generate savings to address the anticipated TANF structural deficit, to reduce other sources of funding for TANF-related programs, or to restore funding for other programs.

**a. Increase Copayments**

17. Federal child care development block grant regulations require that copayments be affordable and help to ensure equal access to child care for low-income families. The rules indicate that copays that consume no more than 10% of a family's income will help ensure access.

18. Wisconsin's copayment schedule is currently structured so that copayments do not exceed 12% of a family's gross income.

19. Based on information compiled by the National Women's Law Center for all states and the District of Columbia, as of spring of 2004, Wisconsin had the 20<sup>th</sup> highest copayment for families with incomes at 100% of the federal poverty level, with 29 states and the District of Columbia having lower copayments (one state had the same copayment). For families with incomes at 150% of the federal poverty level, excluding one state in which copayments are set within ranges, Wisconsin's copayment ranked 20<sup>th</sup>, with 23 states and the District of Columbia having lower copayments. In six states (Idaho, Indiana, Iowa, Missouri, Montana, and Nebraska), a family with income at 150% of the federal poverty level was not eligible for a child care subsidy.

20. Table 3 below provides a comparison of copayment levels among the Midwestern states for families at 100% of the federal poverty level and at 150% of the federal poverty level. The information is based on a family of three with one child in care. As shown in the table, Wisconsin's copayments, as a percent of income, ranked third highest among Midwestern states at 100% of the federal poverty level, and second highest at 150% of the federal poverty level, for those states where families were still eligible.

**TABLE 3**

**Monthly Copayment Comparison for Midwestern States  
Out-of-Pocket Child Care Costs as a Percent of Income**

<u>State</u>	<u>Families with Income at 100% of Federal Poverty Level</u>	<u>Families with Income at 150 of Federal Poverty Level</u>
Illinois	5%	7%
Indiana	6	Ineligible
Iowa	2	Ineligible
Michigan	2	7
Minnesota	4	5
Ohio	10	10
Wisconsin	5	9

21. The Committee could consider increasing copayments under the child care subsidy program as a way to reduce costs of the program. An increase in the copayments of 15% per year over the current law copayment would generate estimated savings of \$3.7 million in 2005-06 and \$5.1 million in 2006-07, for total savings of \$8.8 million over the biennium. The maximum copayment would increase from 12% to 13.7% of a family's gross income.

22. Prior to March, 2000, the maximum copayment was structured so that it did not exceed 16% of a family's income. Therefore, increasing copayments by 15% would still result in lower copayments, as a percentage of gross income, than those that were in effect prior to March, 2000.

23. Alternatively, a copayment increase of 10% per year would generate estimated savings of \$2.4 million in 2005-06 and \$3.4 million in 2006-07, for a total savings of \$5.8 million over the biennium. Under this alternative, the maximum copay would increase from 12% to 13.2% of a family's gross income. However, increasing copayments further could be viewed as inhibiting access to child care for low-income families.

**b. *Modify Reimbursement Rates***

24. Another option to reduce child care subsidy costs would be to modify reimbursement rates for providers. The federal child care development block grant regulations require that families that receive child care subsidies have equal access to the same range of child care services that non-subsidized children receive. The regulations suggest that an effective way to ensure access is for states to cap reimbursement rates at the 75<sup>th</sup> percentile of the local market rate, by type of care and age of child. This means that at the maximum rate paid by a state, 75% of the child care slots for a particular type of care and area could be purchased.

25. In Wisconsin, each county establishes the maximum child care subsidy so that at least 75% of the licensed child care capacity in the county could be purchased at or below the maximum rate. Rates for providers that are certified by the counties are then set at a certain amount below the rates for licensed day care. Rates for Level 1 providers, which are required to complete a 15-hour training requirement, may not exceed 75% of the rate for licensed family day care. Rates for Level 2 providers, which are not subject to the training requirement, may not exceed 50% of the rate for licensed family day care providers. The reimbursement rates are reviewed and approved annually by DWD.

26. The Committee could consider freezing reimbursement rates for the entire biennium. Under this alternative, DWD would not be allowed to adjust reimbursement rates for the biennium. This would save an estimated \$1.1 million in 2005-06 and \$4.4 million in 2006-07, for total savings of \$5.5 million over the biennium.

27. However, as the costs of child care increase, fewer providers may be willing to participate in the program, and, as a result, families would have fewer options for child care providers. As noted above, the federal regulations require states to certify that the payment rates for

child care providers ensure comparable access to child care for families who are eligible for assistance as for those that are not eligible for assistance. If the Committee were to freeze reimbursement rates, the state would have to be able to justify that eligible families still have equal access to child care providers.

*c. Income Eligibility Limits*

28. Another option to reduce child care subsidy costs would be to impose more strict income eligibility limits. In Wisconsin, the initial income eligibility limit is set at 185% of the federal poverty level. Once eligible, a family can retain eligibility until its income exceeds 200% of the federal poverty level. Prior to March, 2000, the initial eligibility limit for child care subsidies was 165% of the federal poverty level.

29. Federal law requires that families who receive child care subsidies earn less than 85% of the state median income level. In Wisconsin, 85% of the state's median income level is \$56,940 for a family of four for federal fiscal year 2005, which is approximately 294% of the federal poverty level.

30. Based on information compiled by the National Women's Law Center, as of spring of 2004, excluding three states in which income eligibility is set within ranges, 20 states and the District of Columbia had initial eligibility levels higher than 185% of the federal poverty level, four states, including Wisconsin, had income limits at 185% of the federal poverty level, and 23 states had income eligibility limits lower than 185% of the federal poverty level.

31. Table 4 below provides a comparison of the income eligibility levels for state child care subsidy programs for the Midwestern states based on information compiled by the National Women's Law Center.

**TABLE 4**

**Comparison of Initial Child Care Subsidy Program Eligibility Levels  
For Midwestern States (Spring 2004)**

<u>State</u>	<u>Income Eligibility as a Percentage of the Federal Poverty Level</u>
Illinois	178%
Indiana	122
Iowa	140
Michigan	152
Minnesota	170
Ohio	150
Wisconsin	185

32. If the initial income eligibility level were lowered back to 165% of the federal poverty level, it would generate estimated savings of \$15 million in 2005-06 and \$20.2 million in

2006-07, for total savings of \$35.2 million over the biennium. However, an estimated 1,900 families in 2005-06 and 2,600 families in 2006-07 that would be anticipated to seek child care subsidies would not have access to the program. If the initial eligibility limit for child care subsidies were reduced to 180% of the federal poverty level, it would generate estimated savings of \$6.2 million in 2005-06 and \$8.4 million in 2006-07, for a savings of \$14.6 million over the biennium. An estimated 800 families in 2005-06 and 1,100 families in 2006-07 that would be anticipated to seek subsidies would not have access to the program. Under both of these alternatives, once eligible, families would remain eligible for the program until their incomes reach 200% of the federal poverty level.

33. It could be argued that income eligibility levels should not be decreased because doing so would heighten the affordability problems for families in the excluded income range.

*d. Waiting Lists*

34. Another option would be to reduce the amount of funding provided under the bill for the child care subsidy program by some amount, and require DWD to implement a waiting list for families with incomes above a certain threshold. Based on a survey of states at the end of 2002, 23 states and the District of Columbia had statewide waiting lists for child care assistance or may have had waiting lists at the local level.

35. The Committee could reduce funding for child care subsidies by \$0.6 million in 2005-06 and \$1.1 million in 2006-07, or \$1.7 million over the biennium. Under this alternative, a waiting list would need to be implemented by October 1, 2005, for persons with incomes above 140% of the federal poverty level. An estimated 80 families in 2005-06 and 150 families in 2006-07 would be without access to the program if a waiting list were implemented for families with incomes above 140% of the federal poverty level.

36. If waiting lists were implemented, DWD could be given authority to allow access for those above the waiting list income threshold if increased funding became available, either due to reduced cost projections over the biennium, or increased federal funds.

*e. Combinations of Alternatives a through d*

37. The options described above could be combined in numerous ways to reduce projected direct child care program costs over the biennium. However, the projected savings associated with the alternatives cannot be added together to produce combinations of alternatives because the variables interact. Some options are discussed below and other options could be estimated for the Committee. As noted above, most options assume an October 1, 2005, effective date to allow DWD to make the necessary programmatic and computer system changes.

38. One option would be to increase copays by 2% per year over the current law amount, and allow no growth in reimbursement rates. Under this alternative, participating families would be required to contribute up to 12.2% of their gross incomes, compared to up to 12% under current law. All families that are anticipated to seek child care subsidies would have access to the

program. Estimated savings generated under this option would be \$1.6 million in 2005-06 and \$5.1 million in 2006-07, for total projected savings over the biennium of \$6.7 million.

39. Another option would be reduce funding for child care subsidies by \$2.6 million in 2005-06 and \$3.7 million in 2006-07, increase copayments by 10% per year, and require DWD to implement a waiting list for families with incomes that exceed 175% of the federal poverty level. Under this option, less than 50 families annually would not have access to the program. In addition, participants would be required to contribute up to 13.2% of their gross family income, compared to 12% under current law.

*f. County Administration, On-site Child Care, and Migrant Care*

40. As noted above, the direct child care program includes funding for county administration, on-site child care at job centers and counties, and migrant child care. According to DWD, the budget for these activities totals \$17,379,100 in 2004-05: (a) \$13,509,800 for county administration; (b) \$2,973,700 for onsite child care; and (c) \$895,600 for migrant child care. AB 100 does not increase funding for these activities.

41. County agencies and W-2 agencies share in the administration of the child care subsidy program at the local level. The W-2 agency expenditures are built into the W-2 contracts. W-2 agencies are primarily responsible for determining eligibility for child care subsidies. They also may assist in locating child care. Once eligibility is determined, the county agency is responsible for determining the number of child care hours authorized, copayment amounts, and arranging for payments to the child care providers. In addition, counties certify Level 1 and Level 2 day care providers that are not licensed by the state, and, as noted above, set the maximum reimbursement rates paid to child care providers. Counties may also assist individuals in locating appropriate care. In many cases, the W-2 agency is the county agency. However, DWD contracts with counties separately under the direct child care program to perform these duties.

42. The Committee could reduce the amounts available for county administration by 5% annually, for savings of \$675,500 per year, or \$1,351,000 over the biennium. However, counties could increase tax levies to offset the decrease in state funding for administrative costs related to Wisconsin Shares. Therefore, the Committee may not wish to further burden counties with reduced funding for administration of the child care program.

43. DWD currently contracts with 17 W-2 agencies and counties for on-site child care at the agencies and job centers. As noted above, for 2004-05, funding of \$2,973,700 is budgeted for these contracts.

44. On-site child care is typically provided on an hourly basis while parents are attending meetings with caseworkers, participating in training and education, or using other agency resources. According to DWD, the contract amounts are generally based on projected child care usage and the county reimbursement rates. Providers are reimbursed at levels consistent with requiring a copayment. However, parents are not required to pay a copayment.

45. According to DWD, for calendar year 2004, the agency contracted for 334 on-site child care slots. DWD officials indicate that in January, 2005, these contracts served 1,620 families and 2,170 children.

46. The Committee could reduce on-site contracts as a way to fund other child care programs. On-site child care was created at a time when the waiting period for approval for the child care subsidy program was more lengthy. Now that the process is quicker, there may be less need for the services. In addition, since the contracts only fund care at 17 sites, the on-site services have limited impact compared to the subsidy program itself and other indirect child care programs, which provide statewide benefits. The Committee could reduce funding for on-site contracts by half or by \$1,486,900 per year.

47. The Committee could also eliminate on-site child care at job centers and W-2 agencies entirely, for savings of \$2,973,700 annually. However, W-2 participants who are not able to access child care may be exempted from required W-2 activities. According to W-2 managers, on-site child care virtually eliminates "good cause" exemptions for individuals who would otherwise have difficulty finding child care for the time spent in W-2 training and education activities or caseworker meetings. In addition, as noted above, because only 17 agencies participate, the services have limited statewide impact. However, three of the 17 agencies are Milwaukee County W-2 agencies, which serve an estimated 80% of the W-2 caseload.

48. Migrant child care services are provided under contract with the United Migrant Opportunity Services (UMOS) agency. The UMOS migrant child care services program is administered in Oshkosh. However, the UMOS office in Milwaukee provides fiscal management for the program. Under the program, child care services are provided in 22 counties. Parents are required to make copayments. Child care is provided only to parents who meet the definition of migrant, transitional, and seasonal workers. In the event that families become permanent residents, they are expected to apply for the Wisconsin Shares program. According to DWD, for calendar year 2004, a total of 642 slots were contracted for migrant care. From July, 2004, through September, 2004, the maximum number of children served at any one time was 298.

49. The Committee could reduce or eliminate funding for migrant child care services. For example, DWD could contract for half of the slots (321) because the maximum number of children served at any one time was 298. The Committee could reduce funding for migrant child care services by \$447,800 annually.

50. However, the reduction of funding could eliminate slots entirely for some of the 22 counties that currently have them, leaving some of these counties without migrant child care. In addition, these families could seek services through the state Wisconsin Shares program, which would offset savings from eliminating or reducing the contracts. In addition, according to DWD, the county offices do not necessarily have bilingual staff and are not equipped to deal with issues concerning migrant child care. Further, if the services were eliminated, DWD staff indicate that many of the migrant workers would end up leaving their children behind in migrant camps, or taking them to the worksites, neither of which would be beneficial to the children. Therefore, the

Committee may not want to reduce or eliminate the migrant child care funding.

51. As noted above, to fund child care subsidies at a level consistent with the revised estimates would require an increase in funding of \$9.3 million in 2005-06 and \$13.8 million in 2006-07 over AB 100. These estimates are not certain and it is possible that the funding level under AB 100 would be sufficient for child care subsidies in the 2005-07 biennium. If the Committee funds child care subsidies at the same level as AB 100, and additional funding is needed during the 2005-07 biennium, several options could be available to support child care subsidies: (a) underspending in other programs could be reallocated to child care subsidies with approval from the Department of Administration; (b) if the state receives TANF high performance bonus funds, these funds could be allocated for child care subsidies through the process under s. 16.515 and s. 16.54 of the statutes; or (c) DWD could receive higher than anticipated revenues through AFDC or TANF overpayment recoveries, or through child support assigned to the state by TANF recipients. However, it is possible that there could be overspending in TANF-related programs, that the state does not receive a TANF high performance bonus, or that DWD could receive lower than anticipated revenues. It should also be noted that the child care subsidy program is not an entitlement. Therefore, DWD could implement measures such as waiting lists, changing categories for rate reimbursements, increasing copayments, or reducing services for current recipients in order to reduce costs for child care subsidies.

## ALTERNATIVES

### A. Fund Projected Child Care Subsidy Costs

1. Approve the Governor's recommendation to maintain base funding of \$308,040,600 FED annually during the 2005-07 biennium for direct child care services.

2. Modify the Governor's recommendation to increase TANF funding for child care subsidies by \$9,338,500 FED in 2005-06 and \$13,838,500 FED in 2006-07 to fully fund the reestimated costs of child care subsidies for 2005-07, for increased costs to the bill of \$23,177,000.

<b>Alternative A2</b>	<b>FED</b>
<b>2005-07 FUNDING</b> (Change to Bill)	<b>\$23,177,000</b>

### B. Reduce Child Care Subsidy Costs

1. Make one or more of the following modifications to the direct child care program to reduce projected costs. Costs for each option are not included because they will vary depending on the specific combination chosen.

- a. Increase copayments.
- b. Freeze reimbursement rates.

- c. Limit initial income eligibility to a level below 185% of the federal poverty level.
- d. Require DWD to implement a waiting list for participants with incomes above a certain federal poverty level.
- e. Reduce funding for county administration, on-site child care, or migrant care.

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## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #857

### *Temporary Assistance for Needy Families (TANF)*

## **Quality Rating and Tiered Reimbursement Systems for Child Care Providers Under W-2 (DWD -- Economic Support and Child Care)**

[LFB 2005-07 Budget Summary: Page 557, #15]

### **CURRENT LAW**

The Department of Health and Family Services (DHFS) may license a person to operate a day care center, and no person may provide care and supervision for four or more children under the age of seven for less than 24 hours a day unless the person obtains a license to operate a day care center. In addition, a county department of human services or social services may certify a day care provider for reimbursement under the Wisconsin Works (W-2) Wisconsin Shares program (the child care subsidy program), and a school board may establish or contract for the provision of day care programs for children. Child care providers must meet minimum standards and requirements to be licensed or certified, but the providers are not rated as to the quality of the services they provide in relation to each other.

Under Wisconsin Shares, the state subsidizes the cost of child care for qualified families by making payments directly to the child care provider chosen by the parent. The amount of the reimbursement payment varies. Each county establishes the maximum child care subsidy that will be paid to a licensed child care provider on an annual basis, subject to review and approval by the Department of Workforce Development (DWD). The rates are determined by surveying licensed group and licensed family day care centers for the rates they charge to the general community. The reimbursement rate is set so that at least 75% of the number of places for children with licensed providers could be purchased at or below the maximum rate. The maximum reimbursement rate for certified regular providers may not exceed 75% of the rate for licensed family day care providers, and the maximum reimbursement rate for certified provisional providers may not exceed 50% of the rate for licensed family day care providers.

Separate reimbursement rates are provided for the different types of child care (licensed family, licensed group, regular certified, provisionally certified, and certified in-home). Separate rates are also established for infants and toddlers under two years of age and for older children. Higher rates than the established maximum are allowed on a case-by-case basis for children with special needs. Providers that are accredited by certain national or state organizations are eligible for higher reimbursement rates.

Base funding for child care subsidies is \$308,040,600.

## GOVERNOR

*Quality Rating System.* Provide \$2,900,000 FED in 2005-06 and \$1,400,000 FED in 2006-07 to implement a quality rating system for child care providers. The quality rating system would rate the quality of the child care provided by a state licensed or certified child care provider or provided by a day care program established or contracted for by a school board. The bill would require DWD to make the rating information available, including on DWD's Internet site, to the parents, guardians, and legal custodians of a child who receives or may receive care and supervision from these child care providers.

*Tiered Reimbursement System.* Reduce child care subsidies by \$6,000,000 FED in 2006-07 to reflect the implementation of a tiered reimbursement system for child care subsidies under W-2. The tiered reimbursement system would reimburse child care providers at a rate that is based on the provider's quality rating under the quality rating system. The bill would authorize DWD to exceed the maximum reimbursement rate established under current law, which would allow DWD to pay higher reimbursement to the child care providers that have a higher quality rating. Under current law, DWD may reimburse at a rate less than the maximum rate. Therefore, under the tiered reimbursement system, DWD would pay lower subsidies to the child care providers that have a lower quality rating.

The net fiscal impact of these provisions would be an increased cost of \$2,900,000 FED in 2005-06 and savings of \$4,600,000 FED in 2006-07.

## DISCUSSION POINTS

1. According to the National Child Care Information Center (NCCIC), as of June, 2004, 36 states had implemented a tiered quality strategy. A tiered quality strategy can include: (a) tiered reimbursement (a funding strategy); (b) rated license (a licensing strategy); (c) quality rating systems (a consumer strategy); and (d) a combination of (a) through (c).
2. In tiered reimbursement systems, states provide higher rates of pay for child care providers that participate in subsidy programs and achieve one or more levels of quality beyond basic licensing requirements. In a rated license system, the quality criteria for each particular level are embedded in the state's requirements for obtaining one of multiple child care licenses. In a

quality rating system, the state develops and markets a quality rating indicator for use as a child care consumer guide, sometimes referred to as a "report card."

3. In June, 2004, the Governor established a task force, the Quality Counts for Kids Task Force, to develop a program that would rate the quality of child care providers, guide parents in choosing a child care provider for their children, and reimburse child care providers through the Wisconsin Shares program based on their quality rating. The task force examined national research and experiences in other states to develop a potential quality rating system. The Quality Counts for Kids Task Force recommended a tiered reimbursement system and a quality rating system.

### **Quality Rating System**

4. The NCCIC has provided a sample of common categories of criteria used by states that have implemented a tiered strategy system. These categories, based on research of what contributes to the provision of quality child care, may include: (a) certain administrative policies and procedures (such as annual performance evaluations, monthly staff meetings, and written job descriptions); (b) learning environment (such as children read to 15 minutes per day, developmentally appropriate weekly lesson plans, and space arranged in interest areas); (c) parent/family involvement (such as a parent advisory board, conferences and meetings, and parent resource center); (d) professional development or staff and/or director qualifications and training (such as increased training hours, membership in a professional organization, and professional development plans); (e) program evaluation (such as environmental rating scales, parent and staff surveys, and self-assessment); and (f) staff compensation (such as a child care benefit/discount, health insurance, and salary scale based on level of education and experience).

5. The Quality Counts for Kids Task Force recommended the implementation of a quality rating system that would include all regulated (both licensed and certified) center-based and family child care programs, provide a five-star scale using child care quality indicators to determine the number of stars, build on the foundation of current child care regulation, and award star levels based on the total number of points earned from a 30-point quality indicator system. However, DWD indicates that the quality rating system would be mandatory only for child care providers that participate in Wisconsin Shares. Approximately 9,000 child care providers currently participate in Wisconsin Shares.

6. The Quality Counts for Kids Task Force established four categories of quality indicators for child care centers and three categories for family child care programs. The quality indicators for child care centers include: (a) teacher qualifications (maximum of seven points); (b) director qualifications (maximum of seven points); (c) learning environment and curriculum (maximum of 10 points); and (d) professional practices (maximum of six points). The quality indicators for family child care programs include: (a) provider/director qualifications (maximum of 14 points); (b) learning environment and curriculum (maximum of 10 points); and (c) professional practices (maximum of six points).

7. Both child care centers and family child care programs would be rated on a five-star

scale as follows: (a) one star for being licensed or certified and out of compliance with regulatory standards; (b) two stars if the center or program is licensed or certified, meets the standards for regulatory compliance, and scores between zero and four points; (c) three stars if the center or program is licensed or certified, meets the standards for regulatory compliance, and scores between five and 12 points; (d) four stars if the center or program is licensed or certified, meets the standards for regulatory compliance, and scores between 13 and 22 points; and (e) five stars if the center or program is licensed or certified, meets the standards for regulatory compliance, and scores between 23 and 30 points. Attachments 1 and 2 show how the points would be allocated for each category of quality indicators for both child care centers and for family child care programs.

8. Attachments 3 and 4 provide examples of child care providers and their ratings. Attachment 3 describes a group center and how the center would rate under the quality criteria. Attachment 4 describes a family child care provider and how the provider would rate under the quality criteria. Both case studies, as well as Attachments 1 and 2, have been prepared by the Wisconsin Child Care Research Partnership at the University of Wisconsin-Extension in conjunction with DWD as part of training and curriculum resources for the quality rating system.

9. The Quality Counts for Kids Task Force also indicated that a fully-automated data system would be essential for the operation of the quality rating system. The task force suggested building on existing information technology systems, although funding would be required to expand these systems to accommodate the quality rating information. In addition, the task force recommended a public information campaign to inform the public, parents, and child care providers of the quality rating system, as well as to disseminate the ratings. The task force anticipated that the system would be implemented in July, 2006.

10. Under the bill, funding of \$2,900,000 in 2005-06 and \$1,400,000 in 2006-07 would be used for: (a) the assessment of child care providers to assign a star rating (\$1,400,000 in 2005-06 and \$700,000 in 2006-07); (b) the creation, implementation, and maintenance of a computer system to manage and display the quality rating information (\$1,500,000 in 2005-06 and \$500,000 in 2006-07); and (c) a public information campaign to explain the quality rating system and how to use it (\$200,000 in 2006-07).

#### *Assessments*

11. Funding of \$1,400,000 in 2005-06 and \$700,000 in 2006-07 would be for assessments. The administration indicates that half of the funding is provided in the second year of the biennium to reflect the possibility that assessments could occur biennially, so that only new providers would be assessed, or that costs for reevaluation would be less than the initial assessments. In 2005-06, \$1,400,000 would fund the assessment of 11,000 child care providers, which would include child care providers that do not participate in Wisconsin Shares.

12. DWD indicates that the National Child Care Information Center found that it takes an average of four hours to do a quality rating system assessment. However, according to DWD, not all 11,000 providers would need four hours. DWD estimates the number of child providers to

be the following on July 1, 2005: (a) 2,500 group centers; (b) 3,400 family licensed centers; (c) 3,700 family regularly certified providers; and (d) 1,400 family provisionally certified providers.

13. DWD states that some of the smaller centers and family homes would not need the full four hours for assessments, but that some of the larger centers would take more than four hours. DWD estimates that 1,500 providers would be small group licensed centers, 800 providers would be medium group licensed centers, and 200 would be large group centers. It is unknown whether the time to assess all of these centers would be greater than or less than the average of four hours per center.

14. In addition, according to DWD, on-site assessments would not be needed for provisionally-certified providers who have not received at least 15 hours of training because they would not be eligible to receive three to five stars. As indicated, there are 1,400 of these providers. Also, family providers would not be assessed if they did not have general equivalency diplomas because they would not be able to receive more than two stars. These family providers are estimated at 355. Further, some providers would not meet regulatory compliance, so they would receive only one star and not need further assessment. Out-of-compliance providers are estimated at 1,400. Therefore, only 7,845 providers would need to be fully assessed.

15. No additional staff was authorized for DWD to assess child care providers within the five-star rating system. Therefore, DWD would contract for these services. The funding assumes that 17 contracted employees would do 470 assessments each annually (for a total of 7,990). Assuming four hours for each assessment, 1,880 hours per employee would be dedicated to these assessments. The remaining time would be for the paper assessments of the providers that did not need on-site visits.

16. Funding of \$1,400,000 would average \$82,353 per contracted employee, or a cost of \$39.59 per hour. The funding would include salaries and fringe benefits for the contracted employees, as well as travel to the sites, training, and administrative costs. According to the administration, the current average cost of staff that perform activities related to licensing and regulating child care providers is approximately \$70,200 per year, which includes salary, fringe benefits, and other costs. These employees also make on-site visits.

17. The Committee could reduce funding by \$206,600 in 2005-06 and \$103,300 in 2006-07 to reflect assessment costs comparable to state staff for licensing activities. This would be a total savings of \$309,900 over the biennium.

18. Alternatively, child care providers could provide information related to the quality indicators during the licensing and certification processes. Several states with quality rating systems do not perform on-site assessments. Instead, a paper assessment of self-reported information is performed. The contracted employees could rate child care providers based on paper assessments rather than on-site visits. Assuming that one hour would be sufficient time to provide ratings based on paper assessments, only six contracted employees would be needed, for a total of \$494,100 in 2005-06 and \$247,100 in 2006-07. Therefore, the Committee could reduce funding by \$905,900 in

2005-06 and \$452,900 in 2006-07, for a total savings over the biennium of \$1,358,800.

19. However, self-reported information may not be accurate or objective. To accurately reflect the quality of a child care provider, it may be better to have an on-site visit by an objective observer.

#### *Information Technology*

20. The bill provides \$1,500,000 in 2005-06 and \$500,000 in 2006-07 to create, implement, and maintain a computer system to manage and display the quality rating information. The administration indicates that the higher cost of \$1.5 million in the first year is to create and implement the system, while ongoing costs for maintenance in subsequent years would total one-half of the start-up costs.

21. Information technology costs would include: (a) incorporating the rating system in existing DWD computer systems; (b) building interfaces with other child care organizations and agencies; (c) creating a public website to assist parents; (d) developing software to perform the assessments; and (e) building a common system for both licensed and certified child care providers.

22. The Committee could eliminate funding for a computer system to manage and display the quality rating information for child care providers. However, without funding, it could make assessments more difficult. The assessments would have to be done on paper, rather than with a computer program to centrally locate the results. The assessors would be required to access existing data, such as staff credentials and participation in food programs, through many sources, rather than through one central source. In addition, it could be difficult to publish the ratings in a format that would be easy for consumers to understand and use once the providers are assessed without funding to create a separate website for this purpose.

#### *Public Information*

23. The bill provides \$200,000 in 2006-07 to fund a public information campaign for both child care providers and consumers of child care. Brochures or fact sheets would be developed that would describe the quality rating model, offer tools to calculate where each program fell in the tiered reimbursement system, and identify resources that would help with program improvement.

24. DWD indicates that a media campaign would inform parents and the provider community of the upcoming changes. In addition, local organizations could disseminate information on the quality rating and tiered reimbursement systems through their websites, newsletters, and email mailing lists. Also, W-2 and job service agencies would have the child care information available for jobs seekers.

25. The Committee could eliminate funding for the public information campaign. Organizations currently involved in child care could disseminate the necessary information to providers and parents. These organizations include: (a) child care resource and referral agencies; (b) Wisconsin Early Childhood Association; (c) Wisconsin Family Child Care Association; (d)

Wisconsin Child Care Administrators Associations; (e) Wisconsin Child Care Improvement Project; (f) Wisconsin Early Childhood Collaborating Partners; (g) the child care information center; and (h) DWD, which has a website dedicated to Wisconsin Shares and child care. However, without funding to publicize the quality rating system, fewer providers may know about the quality indicators and how to improve. In addition, fewer parents may know about the quality rating system and how to use it.

26. Finally, the Committee could eliminate the provision related to the quality rating system. Under current law, child care providers are regulated through licensing or certification. In addition, providers that are accredited may receive additional funds under the early childhood excellence program. Although child care providers are not currently comparatively rated, parents can obtain information regarding child care providers through the child care information center and child care resource and referral services.

### **Tiered Reimbursement System**

27. The Quality Counts for Kids Task Force also recommended a tiered reimbursement system, where child care providers with a higher rating under the quality rating system would be reimbursed at a higher rate than child care providers with a lower rating.

28. Under the tiered reimbursement system, market rate surveys would continue to set the base level of reimbursements. If a child care provider is assessed a three-star rating, the provider would continue to receive the same level of reimbursement as determined by the market rate surveys. However, the reimbursement level would be modified under the quality rating system as follows: (a) a reduction of 30% for a one-star rating; (b) a reduction of 5% for a two-star rating; (c) an increase of 10% for a four-star rating; and (d) an increase of 25% for a five-star rating.

29. The bill would reduce funding for child care subsidies by \$6,000,000 in 2006-07 to reflect anticipated savings under the tiered reimbursement system. There are no savings in 2005-06 because the system is not expected to be implemented until July, 2006. Therefore, under the bill, it is assumed that, overall, more child care providers would be rated at one or two stars, rather than three, four, or five stars, such that \$6,000,000 less in subsidies would be paid to child care providers.

30. The administration's goal is to generate savings to equal the increased funding for child care quality initiatives. Under the bill, there would be increases of \$6,000,000, including all of the Governor's initiatives, in child care state administration and quality care for quality kids. Therefore, a reduction of \$6,000,000 would be needed in child care subsidies. As a result, child care providers would be rated to produce savings of \$6,000,000.

31. At this time, there is insufficient information to determine the amount of savings that could be generated from the implementation of a tiered reimbursement system. Factors to determine savings include the amount each child care provider currently receives in Wisconsin Shares subsidies and how each of these providers would be rated under the quality rating system.

32. DWD estimates that 25% to 50% of the 9,000 child care providers that receive

Wisconsin Shares subsidies would receive a one-star or a two-star rating. DWD indicates that this estimate is based on simulation models presented to the Quality Care for Kids Task Force. The estimate relates to only *licensed* child care providers, using available data, of how the child care centers would rate under the five-star system. The data was provided from merging group centers that are in the Registry (an early childhood care credential system and clearinghouse for training information that provides assessments of staff training and experience, issues credentials and career placement ladders for child care staff, and identifies training resources), the child and adult care food program (promotes healthy and nutritious meals for children and adults from low-income families in day care by reimbursing participating day care operators for their meal costs), and national and local accreditation lists. More than half of the group centers were used for the analysis. Based on this estimate, the Governor's proposal to reduce subsidies by \$6,000,000 in 2006-07 may be reasonable.

33. Alternatively, the Committee could reduce funding for child care subsidies further to reflect additional savings from the implementation of a tiered reimbursement system. DWD has indicated that \$6,000,000 may be conservative and that a tiered reimbursement system could save much more in child care subsidies. The Committee could reduce child care subsidies by an amount greater than \$6,000,000 in 2006-07, which would cause the child care providers to be assessed in a manner to produce the desired reduction amount. The additional savings could be used to replace other funding sources or to restore or increase funding for other TANF-related programs.

34. However, reducing child care subsidies could affect both availability and quality of child care. Some argue that for some child care providers, receiving less in subsidies could result in no longer providing child care. This could be a problem where availability of child care is scarce, such as in some rural areas. With fewer providers available, some W-2 participants would not be able to engage in work or training activities because there would be no available provision of child care. However, DWD indicates that they contract with W-2 agencies for onsite care to provide child care for participants attending W-2 related activities. In addition, W-2 participants that are not able to find child care would have a good cause exemption from work and training activities and not be subject to sanctions.

35. Also, some argue that reimbursing providers less would actually lower quality further. Quality improvements would need to be funded, such as higher wages to retain quality staff. With less money, the child care providers would be less able to focus on improving the quality of care. Therefore, the Committee could provide \$6,000,000 in child care subsidies to ensure that availability and the ability to improve quality would not be compromised. However, DWD indicates that training and technical assistance funds of \$400,000 annually would be available to assist child care providers in improving the quality of their child care.

36. In addition to the reduction of \$6,000,000 in child care subsidies, the early childhood excellence program would be eliminated in 2006-07 to coincide with the implementation of the tiered reimbursement system. This program provides grants to early childhood centers for children under age five who come from families with incomes at or below 200% of the federal poverty level. The centers provide child care, education services, outreach, and training. A local matching

contribution of 25% is required. Base funding for the early childhood excellence program is \$2,500,000. Under AB 100, funding would be reduced by \$250,000 in 2005-06 and \$2,500,000 in 2006-07 and the program would be eliminated July 1, 2006.

37. Therefore, the total loss for child care providers by eliminating the early childhood excellence program and reducing subsidies to reflect savings from the tiered reimbursement system would be \$250,000 in 2005-06 and \$8,500,000 in 2006-07. The Committee may wish to restore funding for the early childhood excellence program of \$250,000 in 2005-06 and \$2,500,000 in 2006-07 to compensate for the loss of funding of \$6,000,000 in child care subsidies.

38. In addition, the rating assigned to a provider would be in place for at least a one-year period, regardless of how much and when a child care provider improves unless a program went out of regulatory compliance (the provider would immediately be reduced to a one-star rating) or if a child care program became accredited (the provider's rating would be recalculated to reflect a higher rating). For example, a child care provider could initially be assigned a two-star rating and then add staff that would improve the quality of the provider, such that the provider would qualify for a three-star rating. However, the provider would receive reimbursement at the two-star level for at least one full year until the assessment was reviewed.

39. The Committee could provide a mechanism for a review process prior to the one-year review period. The Committee could require DWD to promulgate rules that would establish procedures to reassess providers after the provider has cured defects that resulted in a lower rating. The ability to cure defects provides an incentive for child care providers to quickly improve the quality of their child care.

40. However, the creation of such a review process could result in a reduction in the overall savings of the tiered reimbursement system. If a child care provider could increase reimbursements during its one-year period, then less money would be saved through the system.

41. In addition, under AB 100, the tiered reimbursement system does not provide a process for a child care provider to appeal its quality rating. DWD has indicated an intent to implement an appeals process. However, in order to show legislative intent, the Committee could specify in statute that DWD must promulgate rules to establish an appeals process.

42. Finally, the Committee could eliminate the tiered reimbursement system. The assessments would not be completed until July, 2006. Separate legislation could be introduced after the impact of the quality ratings is known.

## ALTERNATIVES

### A. Quality Rating System

#### *Assessments*

1. Adopt the Governor's proposal to establish a quality rating system and provide funding of \$1,400,000 FED in 2005-06 and \$700,000 FED in 2006-07 for the assessment of child care providers to assign a star rating.

2. Modify the Governor's proposal to reduce funding for assessments by \$206,600 FED in 2005-06 and \$103,300 FED in 2006-07 to reflect assessment costs comparable to state staff for licensing activities.

<b>Alternative A2</b>	<b>FED</b>
2005-07 FUNDING (Change to Bill)	- \$309,300

3. Modify the Governor's proposal to reduce funding for assessments by \$905,900 FED in 2005-06 and \$452,900 FED in 2006-07 to reflect paper assessments of self-reported information from child care providers, rather than on-site visits.

<b>Alternative A3</b>	<b>FED</b>
2005-07 FUNDING (Change to Bill)	- \$1,358,800

4. Delete funding for assessments of child care providers.

<b>Alternative A4</b>	<b>FED</b>
2005-07 FUNDING (Change to Bill)	- \$2,100,000

#### *Information Technology*

5. Adopt the Governor's proposal to establish a quality rating system and provide funding of \$1,500,000 FED in 2005-06 and \$500,000 FED in 2006-07 to create, implement, and maintain a computer system to manage and display the quality rating information.

6. Delete funding for the creation, implementation, and maintenance of a computer system to manage and display the quality rating information

<b>Alternative A6</b>	<b>FED</b>
2005-07 FUNDING (Change to Bill)	- \$2,000,000

*Public Information Campaign*

7. Adopt the Governor's proposal to establish a quality rating system and provide funding of \$200,000 FED in 2006-07 to fund a public information campaign for both child care providers and consumers of child care.

8. Delete funding for the public information campaign for the quality rating system.

<u>Alternative A8</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	- \$200,000

*Delete Entire Quality Rating System Proposal*

9. Delete the entire proposal related to the quality rating system.

<u>Alternative A9</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	- \$4,300,000

**B. Tiered Reimbursement System**

1. Adopt the Governor's proposal to implement a tiered reimbursement system, beginning July, 2006, and reduce funding for child care subsidies by \$6,000,000 FED in 2006-07 to reflect anticipated savings under the tiered reimbursement system.

2. Modify the Governor's proposal to restore funding of \$6,000,000 FED in 2006-07 for child care subsidies.

<u>Alternative B2</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$6,000,000

3. Modify the Governor's proposal to restore funding for the early childhood excellence program of \$250,000 FED in 2005-06 and \$2,500,000 FED in 2006-07 to lessen the impact of a \$6,000,000 reduction to child care subsidies in 2006-07.

<u>Alternative B3</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$2,750,000

4. Reduce child care subsidies by some other amount to reflect additional savings from the tiered reimbursement system.

5. Delete the provision related to the tiered reimbursement system.

<u>Alternative B5</u>	<u>FED</u>
2005-07 FUNDING (Change to Bill)	\$6,000,000

6. In addition to Alternatives B1, B2, B3, or B4, require DWD to promulgate rules that would establish procedures to reassess providers after the provider has cured defects that resulted in a lower rating.

7. In addition to Alternatives B1, B2, B3, or B4, require DWD to promulgate rules to establish an appeals process for child care providers that want to challenge their assessed quality rating.

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Attachments

## ATTACHMENT 1

### How to Earn Points in Group Child Care Centers

A licensed center receives only one star if it is not in regulatory compliance; otherwise, its total number of points determines its number of stars. To calculate the total points, add the points from each category of four categories. For non-cumulative categories, use the points only from the highest qualification the program attains. For cumulative categories, add all the points for which the program qualifies (note: no more than the maximum points can be earned in any category).

Teacher Qualifications (Maximum of 7 points, non-cumulative)	Points
25% of the classrooms in the center have a teacher with 6 or more early childhood education credits or a Child Development Associate (CDA)	1
50% of the classrooms in the center have a teacher with 6 or more early childhood education credits or a CDA	2
25% of the classrooms in the center have a teacher with an Associate degree related to early childhood education or a Bachelor's degree	3
100% of the classrooms in the center have a teacher with 6 or more early childhood education credits or a CDA	4
50% of the classrooms in the center have a teacher with an Associate degree related to early childhood education or a Bachelor's degree	5
100% of the classrooms in the center have a teacher with an Associate degree related to early childhood education or a Bachelor's degree	6
100% of the classrooms in the center have a teacher with a Bachelor's degree related to early childhood education (or higher)	7

  

Director Qualifications (Maximum of 7 points, non-cumulative)	Points
Administrator Credential	1
Associate Degree (related) OR Bachelor's Degree (unrelated)	3
Administrator Credential AND EITHER Associate Degree (related) OR Bachelor's Degree (unrelated)	4
Bachelor's Degree (related)	5
Bachelor's Degree (related) AND Administrator Credential	6
Graduate Degree (related)	7

  

Learning Environment and Curriculum (Maximum of 10 points, cumulative)	Points
Each classroom has at least 5 well equipped, clearly defined learning centers	2
Each classroom has written weekly lesson plans with 15 minutes of reading/early literacy daily	2
The center uses a curriculum aligned with Wisconsin Model Early Learning Standards	2
Documented annual use of quality improvement assessment process, using environment rating scales, accreditation self-study, or other approved methods, with a written improvement plan	2
The preceding quality improvement assessment process administered by an outside, trained and reliable entity	1
Accreditation (NAEYC, NSACA, City of Madison, Head Start Performance Standards)	10

  

Professional Practices (Maximum of 6 points, cumulative)	Points
Business Practices – includes professional development opportunities, and a professional development plan, Child Care Food Program participation	2
Provider/Staff Benefits – includes use of Model Work Standards, salary scale, provider and staff benefits, health care, paid vacation	2
Parental Involvement – includes parent newsletters, parent/provider conferences	2

## ATTACHMENT 2

### How to Earn Points in Family Child Care Programs

For providers that are in regulatory compliance and have a high school diploma or its equivalent, the total points determine the number of stars. To calculate the total points, add the points from each category. For the provider qualifications, use the points only from the highest qualification to which the provider attains. For all other cumulative categories, add all the points for which the program qualifies (note: no more than the maximum points can be earned in any category).

Family Child Care Provider Qualifications (Maximum of 14 points, non-cumulative)	Points
Child Development Associate(CDA) OR 6 credits related to early childhood education (ECE)	1
Infant-Toddler Credential	3
Administrator Credential	4
Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	7
CDA AND EITHER Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	8
Credential (Infant Toddler or Administrator) AND EITHER Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	10
Related Bachelor's Degree or higher (ECE)	13
Related Bachelor's Degree or higher (ECE) AND Credential (Infant Toddler or Administrator)	14

Learning Environment and Curriculum (Maximum of 10 points, cumulative)	Points
Well equipped learning environment	2
The program has written weekly lesson plans that include 15 minutes of reading/early literacy daily	2
The program uses a curriculum aligned with the Wisconsin Model Early Learning Standards	2
Documented annual use of quality improvement assessment process, using environment rating scales, accreditation self-study, or other approved methods, with a written improvement plan	2
The preceding quality improvement assessment process administered by an outside, trained and reliable entity	1
Accreditation (National Association for Family Child Care (NAFCC, City of Madison, Head Start Performance Standards)	10

Professional Practices (Maximum of 6 points, cumulative)	Points
Business Practices-Includes professional development opportunities, and a professional development plan, Child Care Food Program participation	2
Provider/Staff Benefits-Includes use of Model Work Standards, salary scale, provider and staff benefits, health care, paid vacation	2
Parental Involvement -Includes parent newsletters, parent/provider conferences	2

## ATTACHMENT 3

### Group Center Case Study

Mary's Child Care Center is staffed with 10 full time and part time teachers. There are 4 rooms in the center: babies, toddlers, 2's and a preschool room. Mary started the center twenty-five years ago and can't believe how child care has changed.

As the director, Mary has completed the Administrator Credential. She is proud of her experienced staff. Mary has two teachers in the preschool classroom. One obtained six credits through the technical college before being hired. The other has most the credits toward her Associate degree in Early Care and Education. Mary made it a requirement for hiring that the teachers for the older children have some college credit since she felt that the older teachers needed to get the children ready for kindergarten. One teacher in the 2's room has 6 credits in Early Care and Education. Mary hired the two teachers for the baby room twenty years ago and they completed the infant class. Since she wanted teachers to provide "grandmotherly" care for the babies, she does not require additional college credit classes. All of the teachers take the required twenty-five hours of continuing education each year. Through these classes the teachers have realized the importance of learning centers in each classroom and the teachers have changed their rooms to include numerous areas.

The teachers post their weekly lesson plans outside of their doors. Depending upon the day, it is sometimes difficult to follow the plans, but Mary can see that the teachers are choosing age appropriate activities and progressively challenging the children.

Mary has been able to offer paid vacations, but cannot afford to offer health insurance to the staff. Teachers are paid when they attend continuing education classes. The staff is working to involve parents in the center. Mary and the teachers write a weekly newsletter and the majority of parents attend an annual parent/teacher conference. Twice a year there is a parent meeting that is attended by almost one fourth of the families. Mary is a member of the director's caucus in her county and through that involvement she has developed a handbook for staff, a handbook for families, a staff development plan and a written evaluation of each staff member. The director's caucus also introduced her to the Child Care Food Program and she is pleased that she became involved.

## Answer Key: Star Worksheet for Group Child Care

Teacher Qualifications: Circle the highest applicable	Points
Teachers with 6 related credits for 25% of classrooms	1
Teachers with 6 related credits for 50% of classrooms	2
Teachers with degrees (AA related or BA/BS) for 25% of classrooms	3
Teachers with 6 related credits for 100% of classrooms	4
Teachers with degrees (AA related or BA/BS) for 50% of classrooms	5
Teachers with degrees (AA related or BA/BS) for 100% of classrooms	6
Teachers with related Bachelor's Degrees for 100% of classrooms	7
<b>Total points for staff qualifications:</b>	<b>2</b>

50% (2 out of 4) of the classrooms have teachers with 6 credits related to ECE.

Director Qualifications: Circle the highest applicable	Points
Administrator Credential	1
Associate Degree (related) OR Bachelor's Degree (unrelated)	3
Administrator Credential AND EITHER Associate Degree (related) OR Bachelor's Degree (unrelated)	4
Bachelor's Degree (related)	5
Bachelor's Degree (related) AND Administrator Credential	6
Graduate Degree (related)	7
<b>Total points for director qualifications:</b>	<b>1</b>

Mary has her Administrator Credential.

Quality Indicator: Learning Environment and Curriculum	Points Possible	Points Earned
Each classroom has at least 5 well equipped, clearly defined learning centers	2	2
Each classroom has written weekly lesson plans with at least 15 minutes of reading/early literacy daily	2	
The center uses a curriculum aligned with the Wisconsin Model Early Learning Standards	2	
Documented annual use of quality improvement assessment process, using environment rating scales, accreditation self-study, or other approved methods, with a written improvement plan	2	
The preceding quality improvement assessment process administered by an outside, trained and reliable entity	1	
Accreditation (National Association for the Education of Young Children (NAEYC), National After School Association (NAA), City of Madison, Head Start Performance Standards)	10	
<b>Total points for learning environment and curriculum:</b>		<b>2</b>

Well equipped learning centers. Reading plans are part of the lesson plans.

Quality Indicator: Professional Practices	Points Possible	Points Earned
Business Practices – may include professional development opportunities, staff development plan, written evaluation of staff, staff retention, Child Care Food Program participation	2	2
Staff Benefits – may include use of Model Work Standards, salary scale, health care benefits, paid vacation	2	1
Parental Involvement- may include parent newsletters, parents on advisory board, parent/teacher conferences	2	2
<b>Total points for learning environment and curriculum:</b>		<b>5</b>

Business practices: food program, written staff evaluations, staff development plan.  
 Staff Benefits: paid vacation. Parental Involvement: newsletter, meetings, conference.

Stars	Points
★	NA
★★	0 – 4
★★★	5 – 12
★★★★	13 – 22
★★★★★	23 – 30

<b>Total points for all categories:</b>	<b>10</b>
<b>Total stars:</b>	<b>★★★</b>

What is the easiest next step? The program could annually administer and review an environmental rating scale and add 15 minutes of reading to their lesson plans. This would give them 14 points, and thus 4 stars. (answers may vary)

## ATTACHMENT 4

### Family Child Care Case Study

Beth has been a family child care provider for the past two years. She enjoys the children and since this is her only source of income, she makes careful decisions. Beth takes advantage of community resources whenever possible. She participates in the child care food program.

Beth joined the ABC Support group that meets monthly. She attends about half of the meetings to get new ideas. Her priority is to obtain the Administrative Credential through the T.E.A.C.H.® WISCONSIN program. She has completed three of the classes and will complete the program in December.

The children play mainly in a large recreation room, but have access to the entire first floor, sometimes cooking in the kitchen, tumbling in the hall and snuggling on the couch. If the children can't play outside when the weather is bad, they can ride bikes in the garage. She always reads books before afternoon nap time. The children often take walks when the weather is nice and play in the park. She will also take them on field trips to the fire station or an event in town. She uses e-mail weekly to inform parent what has happened and the plans for the next week. She posts a plan of what she intends to do daily by the coat rack. The activities that Beth selects come from the activity books, ideas from other providers and quite a few of her own.

The parents support her by sharing their skills to interest children. One dad played his guitar for the children and a mom showed the children how to make tortillas. Twice a year she plans an activity after hours for the families. So far they have gone sledding and had hot chocolate in winter, had a picnic lunch and toured the Madison zoo on a Saturday, and had a fall party decorating pumpkins.

## Answer Key: Star Worksheet for Family Child Care

Provider Qualifications: Circle the highest applicable	Points
Child Development Associate (CDA) OR 6 credits related to early childhood education (ECE)	1
Infant - Toddler Credential	3
Administrator Credential	4
Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	7
CDA AND EITHER Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	8
Credential (Infant Toddler or Administrator) AND EITHER Related Associate Degree (ECE) OR Unrelated Bachelor's Degree (non-ECE)	10
Related Bachelor's Degree or higher (ECE)	13
Related Bachelor's Degree or higher (ECE) AND Credential (Infant-Toddler or Administrator)	14
<b>Total points for staff qualifications:</b>	<b>1</b>

Since she has taken three classes, she has at least 6 related credits.

Quality Indicator: Learning Environment and Curriculum	Points Possible	Points Earned
Well-equipped learning environment	2	2
The program has written weekly lesson plans that include at least 15 minutes of reading/early literacy daily	2	2
The program uses a curriculum aligned with the Wisconsin Model Early Learning Standards	2	
Documented annual use of quality improvement assessment process, using environment rating scales, accreditation self-study, or other approved methods, with a written improvement plan	2	
The preceding quality improvement assessment process administered by an outside, trained and reliable entity	1	
Accreditation (National Association for Family Child Care (NAFCC), City of Madison)	10	
<b>Total points for learning environment and curriculum:</b>		<b>4</b>

The large recreation room, garage for rainy days, and availability of kitchen for projects indicate a well equipped learning environment.

The posted activity plan, along with regular reading every day meets the second criterion.

Quality Indicator: Professional Practices	Points Possible	Points Earned
Business Practices - may include professional development opportunities, and a professional development plan, Child Care Food Program participation	2	2
Provider/Staff Benefits - may include use of Model Work Standards, salary scale, provider and staff benefits, health care, paid vacation	2	1
Parental involvement - may include parent newsletters, parent/provider conferences	2	2
<b>Total points for learning environment and curriculum:</b>		<b>5</b>

Business practices are indicated by working on the Administrator Credential and involvement in the food program.

The provider has the benefit of a support group. We do not see evidence in the study that more benefits are included besides this one.

There is much involvement of parents: emails, outings with parents and parent volunteers.

Stars	Points
★	NA
★★	0 - 4
★★★	5 - 12
★★★★	13 - 22
★★★★★	23 - 30

<b>Total points for all categories:</b>	<b>10</b>
<b>Total stars:</b>	<b>★★★</b>

What is the easiest next step? When Beth completes the Administrator Credential, her program will receive a total of 13 points, resulting in 4 stars. (answers may vary)