

Hearing Summary

Proposed Rules Relating to Child Care Rates DWD 56 CR 007-030

A public hearing was held in Madison on May 7, 2007.

269 people commented or registered against the proposed rules

0 commented in support of the proposed rules

3 observed for information only

The following commented or registered against the proposed rules:

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| 1. Richard Abelson, Executive Director
AFSME District Council 48
Shorewood | 2. Nicholas Alexander, Research Analyst
Child Care Providers Together/AFSCME
Madison |
| 3. George Hagenauer, Acting Director
4-C Community Coordinated Child Care, Inc.
Springdel Township | 4. Oma Vic McMurray
Madison |
| 5. Sherry Bishop
Arcadia | 6. Silke O'Donnell
Madison |
| 7. Genniene Lovelace-Michel
Sauk City | 8. Earlean Collier
Milwaukee |
| 9. Towanda Ford
Milwaukee | 10. Brenda Daniel Czac
Merrill |
| 11. Virginia Pratt
Milwaukee | 12. Patricia Wooldridge
Oregon |
| 13. Julie Shackelford
Berlin | 14. Mary Bankhead
Milwaukee |
| 15. Sharon Garcia
Beaver Dam | 16. Bonnie Schultz
Stone Lake |
| 17. Carolyn Klingsmith
Madison | 18. Billie Holzer
Trempealeau |
| 19. Patricia Miller
Fond du Lac | 20. ShonDa Morgan
Milwaukee |
| 21. Delores Neal
Milwaukee | 22. Rita Wagner
Blair |
| 23. Michelle Gunther
Melrose | 24. Tina Lee
Taylor |

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| 25. Jennifer Hessler
Blair | 26. Denise Doerr
Eltrick |
| 27. Travis Pellowsk
Blair | 28. Brent Miller
Hixton |
| 29. Jeanene Bishop
Ettrick | 30. Amber Smith
Blair |
| 31. Joe Stevens
Whitehall | 32. Wade Noren
Ettrick |
| 33. Kelly Wilson
Taylor | 34. Amy Ready
Blair |
| 35. Justin Shramek
Blair | 36. Jessica Ellingson
Black River Falls |
| 37. Debra Belanger
Mosinee | 38. Danna Schroeder
DeForest |
| 39. Pamela Lake
Stevens Point | 40. Myra Stumlin-Oyer
LaCrosse |
| 41. Michelle Hansen
LaCrosse | 42. Charlotte Randolph
Milwaukee |
| 43. Lapricia Hooks
Milwaukee | 44. Cari Swensen
Arpin |
| 45. Sarah Koeshall
Madison | 46. Roxann Zastrow
Algoma |
| 47. Theresa Hutchinson
Milwaukee | 48. Tanisha Boston
Milwaukee |
| 49. Dorothy Hopkins
Milwaukee | 50. Heather Long
Milwaukee |
| 51. Beverly Spiva
Milwaukee | 52. Debra Taylor
Milwaukee |
| 53. Barbara Kelley
Milwaukee | 54. Alisha Jordan
Milwaukee |
| 55. Angelina Zapata
Milwaukee | 56. Ethel Glass
Milwaukee |
| 57. Andrea Edwards
Milwaukee | 58. Dora Martinez
Milwaukee |
| 59. Sonia Ruiz
Milwaukee | 60. Denita Sublett
Milwaukee |

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| 61. Quasheba Knight
Milwaukee | 62. Jerrica Bluntson
Milwaukee |
| 63. Shantrel Lockett
Milwaukee | 64. Carmen Mudd
Milwaukee |
| 65. Twana Kingbryant
Milwaukee | 66. Tarina Ruffin
Milwaukee |
| 67. Barbara Crawford
Milwaukee | 68. Ebony Oglesby
Milwaukee |
| 69. Tammy Schultz
Brookfield | 70. Kathryn Wahl
New Berlin |
| 71. Angela Sepulveda
Madison | 72. Brandee Crabb
Madison |
| 73. Nancy Bradley
Madison | 74. Kelly Murphy
DeForest |
| 75. Lanae Pete
Fitchburg | 76. Sue McNamara
Monona |
| 77. Stacy Dyson
DeForest | 78. Emily Curtis
Mount Horeb |
| 79. Edna Young
Racine | 80. Linda Yarbrough
Racine |
| 81. Kevin Kaleck
Kenosha | 82. Sue Kaleck
Kenosha |
| 83. Norma Merten
Kenosha | 84. Sheryl Sabur
Kenosha |
| 85. Judith Edwards
Beloit | 86. Debbie Litzler
Beloit |
| 87. Kathryn Wu
Janesville | 88. Michelle Staver
Janesville |
| 89. Betty Christianson
Janesville | 90. Joan Schneider
Sauk City |
| 91. Jane Beloungy
Prairie du Sac | 92. Charles Wilson
Reedsburg |
| 93. Lisa Witt
Reedsburg | 94. Stephanie Scholz
Richland Center |
| 95. Linda Bowe
Chippewa Falls | 96. Sandy Schley-Zelm
Chippewa Falls |

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| 97. Wanda Goyette
LaCrosse | 98. Wanda Marick
LaCrosse |
| 99. Julinna Canik
Park Falls | 100. Deborah Rucinski
Wisconsin Rapids |
| 101. Vicki Voth
Eau Claire | 102. Sheila Gerrits
Chippewa Falls |
| 103. Julie Cox
Brodhead | 104. Vonda Lange
Platteville |
| 105. Joanne Esser
Oconomowoc | 106. Stephanie Colvin
Watertown |
| 107. Amy Mustache
Hayward | 108. Heidi Bignell
Durand |
| 109. Tammy Cooper
Ladysmith | 110. Kelly Kuhn
Port Edwards |
| 111. Sandra Nicolini
Adams | 112. Stacy Olds
Nekoosa |
| 113. Suzne Brooks
Green Bay | 114. Tammy Dannhoff
Oshkosh |
| 115. Becki Schillinger
Ashland | 116. Jammie Schiller
Pittsville |
| 117. Jayme Prein
Colby | 118. Jolene Dankemeyer
Port Edwards |
| 119. Amanda Blaskowski
Marshfield | 120. Nicole Kersten
Wausau |
| 121. Tracy Williams
Omro | 122. Rebecca Kirkpatrick
Shullsburg |
| 123. Nicole Galbreath
Nekoosa | 124. Jeannie Reinhardt
Arkansas |
| 125. Brenda Danielczak
Merrill | 126. Nancy Smazal
Waupaca |
| 127. Shawn Lesperance
Manitowoc | 128. Pam Clark
Wautoma |
| 129. Katherine Johnson
Almond | 130. Gina Vitale
Tomahawk |
| 131. Valerie Steger
Berlin | 132. Carrie Falk
Berlin |

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| 133.Jodi Knutson
Nekoosa | 134.Jennifer Rodriguez
Independence |
| 135.Holly Blumke | 136.Demere Kentry |
| 137.Bertile Cotton | 138.LaToya Hardy |
| 139.Angela Arnneton | 140.Irene Colburn |
| 141.Grant Ebnetter | 142.Phetsamone Olk |
| 143.Kelly Gomez | 144.Allan Legler |
| 145.David Steger | 146.Sarah Klawitter |
| 147.Amanda Shakelford | 148.Karen Homan |
| 149.Rochelle Newman | 150.Emily Hefko |
| 151.Anthony Pulera | 152.Della Daniel |
| 153.Lillie Daniel | 154.Louise Pulera |
| 155.Katie Burzynski | 156.Cathy Brown |
| 157.Renee Solis | 158.Kristina Steiner |
| 159.Kara NeVearux | 160.Nicole Brantner |
| 161.Laura Knaapen | 162.Nancy Kopach |
| 163.Corey Baas | 164.Heather Nanke |
| 165.Lisa Backman | 166.Joe Knaapen |
| 167.Ruthie Jines | 168.Terry Dubinsky |
| 169.Tina Bidlingmaier | 170.Sherri Schulner |
| 171.Linda Hoff | 172.Sandra Worachek |
| 173.Tara Holm | 174.Cheryl Dura |
| 175.Josephine Davis | 176.Shauna Prather |
| 177.Tammy Maki | 178.Sandra Schley-Zelm |
| 179.Tina Greeley | 180.Riley McNurlin |
| 181.Annette Louis | 182.Janice Shelby |
| 183.Sandie Granger | 184.Tammy Harris |

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| 185.M. Binkley | 186.A. Schramm |
| 187.Amanda Wertz | 188.Jamie Hill |
| 189.Monica Benoit | 190.Helena Fenters |
| 191.Nicole Hoover | 192.Andrea Miller |
| 193.John Miller | 194.Meloney Green |
| 195.Melissa Meade | 196.Molly Calderon |
| 197.Sheryl Ann Stovall-Sabur | 198.Jamella Jackson |
| 199.Jason Foster | 200.Morgan Williams |
| 201.Melissa Miller | 202.Reginald Handy |
| 203.K. Perkins | 204.Kathy Travis |
| 205.Debbie Bland | 206.Terese Hopkins |
| 207.Christina Murray | 208.Joseph Daly |
| 209.Carolyn Mathers | 210.Mollie Firestone |
| 211.Kathline Jones | 212.Clara Rose Thornton |
| 213.Terese Kolodzieg | 214.Susan Ewald |
| 215.Megan Bongarten | 216.Julia Boebel |
| 217.Gabriella Wade | 218.Margie Omotosho |
| 219.Bertha SoJozono | 220.Katherine Lane |
| 221.Adriana Anghel | 222.Tim Griffin |
| 223.Grace Amandes | 224.Susie An |
| 225.Lauren Casaccio | 226.Diane Connolly |
| 227.Miriam Carey | 228.Thomas Wuellner |
| 229.Robert Ralph | 230.AtaKO Kochi |
| 231.Katherine Connor | 232.Kerri Kratochvil |
| 233.Ginger Cervantez | 234.Chul Kam |
| 235.Kathleen Jensen | 236.Peggy Dinkel |
| 237.Diane Baskette | 238.Nahrini Shamoon |

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| 239.Mary Cunningham | 240.Sandra Lawrence |
| 241.T. Holland | 242.Renee Tawa |
| 243.Erica Battaglia | 244.Jennifer Goldfarb |
| 245.Charles Aloy | 246.Sara Allen |
| 247.Fidelina Manvis | 248.Johnny Powell |
| 249.Nick Adam | 250.Brooke Williams |
| 251.Keith Browne | 252.Barb Domala |
| 253.Maureen Thul | 254.Karim Babur |
| 255.Jacque Day | 256.Paula Williams |
| 257.Norma Barker | 258.Linda Varnell |
| 259.Reader Gatson | 260.Gloria Clark |
| 261.Earline Gates | 262.Persheeka Stoval |
| 263.Helena Steele | 264.Mickel Stovall |
| 265.Breshenda Wade | 266.Lavetta Arringta |
| 267.Rejennia Adams | 268.Elena Gruzten |
| 269.Duanna Gamell | |

The following observed for information only:

Brenda Mahnke
Beaver Dam

Jeani Meehan, KinderCare Director
Madison

Aisha Salleh, AFSCME
Milwaukee

Summary of comments by child care providers, parents, and other supporters listed above as #4 to #269

- We oppose the emergency order freezing 2007 reimbursement rates at 2006 levels.
- We are dedicated to providing the highest quality of care. These increased reimbursements are necessary to cover the costs of providing the highest quality of care.
- If the scope of the budget deficit would have been acknowledged much earlier than it was, less harmful initiatives could have been developed.
- DWD should develop deficit reduction plans that do not balance the budget on the backs of providers and the children and families that Wisconsin Shares is supposed to support. If reimbursement rates are frozen, a significant number of providers may be forced out of business. Remaining providers may have to stop caring for Wisconsin Shares children.
- If high quality providers can't afford to keep Wisconsin Shares children, the children will wind up in lower quality settings. These children need high quality care.
- Parents have difficulty paying an increased copayment.
- There should be more money for child care.

Department response: In January, the Department estimated that the child care program would have a fiscal year deficit of \$46 million. The deficit issues are due to flat federal funding, rising caseload, and increased provider costs. In April, the Legislature appropriated an additional \$30 million for the program in 2007 Wisconsin Act 5. The emergency rule has been instrumental in the Department's ability to address the remaining \$16 million deficit. Moving into state fiscal year 2008, the Department continues to be challenged with potential deficit issues for the child care program. The rule provides that provider rates will not be adjusted for calendar 2007 to continue to address the deficit issues. Further funding issues will be determined by the Legislature.

The Department does not have authority to set rates based on quality of care, other than the 10% rate enhancement for accredited providers. Rates are based on the provider's level of regulation.

The Department does not control how much money is appropriated for child care.

Richard Abelson, AFSCME

Wisconsin Child Care Providers Together/AFSCME represents over 7,000 family child care providers and AFSCME Local 255 has represented child care workers in several centers for over 30 years.

We oppose this rule change that would freeze maximum reimbursement rates and believe that rates should be adjusted according to the results of the market survey done in 2006. The survey showed only 7 counties out of 78 counties and tribes where market rates did not rise. These rising rates reflect the rising costs of providing care.

We believe that the rate increases would be substantially higher if the data collection process were improved. DWD has identified concerns about data collection, including inaccurate provider data reporting, inaccurate local agency data entry, providers submitting hourly rates instead of weekly rates, providers submitting part-time rates instead of full-time rates, private pay family information not provided, and low return rate for the survey. We believe the low rate

of return is a particular problem because providers who do not participate in Wisconsin Shares are less likely to fill out the survey. Also, various fees may not be reflected in the survey.

The ability and willingness of providers to provide subsidized care is directed affected by the reimbursement rates. If subsidized children are going to receive care that is comparable to nonsubsidized children, the reimbursement rates must keep pace with market rates.

Department response: The annual child care rate survey is administered by local agencies and is funded as part of their Child Care Administration Contract. These agencies print the Department-prepared survey, mail it to providers, collect the responses, and forward the results to the Department. The Department has long discussed both internally and with the larger child care community, the shortcomings of the annual rate survey. The concerns center on the following factors:

- Response rates. Counties and tribes are actively encouraged to work for a response rate of at least 80 percent. However, there is a great deal of variability from county to county. In Milwaukee County, for 2005, 977 surveys were sent to family providers and 653 were returned for a response rate of 67 percent.
- Number of useable responses. Not all responses are eligible for inclusion in the rate survey. To be included, a response must indicate that at least 25 percent of children served are private pay. This requirement is necessary so the survey is more accurately assessing the private pay market, which is the price structure the program seeks to support. In 2005, of the 653 surveys returned from Milwaukee County family providers, only 108 met this threshold.
- Lack of verification that providers actually charge the rates they indicate on the survey. Providers have vested interest in over-reporting rates to increase the maximum county rates.
- Lack of verification that parents actually pay the rates that providers indicate on the survey. The program is intended to assist low income working parents in accessing the same regulated care that moderate income parents can purchase. We do not know what moderate income parents are paying for child care.
- Concern that, in some areas of the state, the subsidy is such a large share of the market that the subsidy is actually setting the market rate and middle income parents cannot afford to buy regulated care in those markets.

In short, the annual market rate survey has flaws; however, at this point, it is the most reliable data available.

Provider rates will be adjusted to the annual market rate survey when budget limitations allow. Provider rates will not be adjusted for calendar year 2007.

Nicholas Alexander, AFSCME

We believe the rate freeze will have a significant impact on a substantial number of child care businesses. The reimbursement rates are determined by a system of zones that reflect the percentage of the population that lives in an urban area. The most urban zone, Group D, contains over 65% of all children served by Wisconsin Shares and over 65% of child care small businesses participating in the program. The average 2006 market rate in Group D increased by 7.4% from 2006 to 2007.

In the analysis to the proposed rule, the Department states that the rule would not have a significant economic impact on a substantial number of small businesses. To make this

determination, the Department divided the total estimated cost savings from implementation by the total number of child care small businesses statewide to estimate the loss of revenue to each child care small business. The average decreased revenue from the child care subsidy program to a provider due to not increasing the child care subsidy maximum rates is \$1,080 or 2.8%. The percentage decrease in overall revenue to a provider will be significantly less than 2.8% due to revenue from private pay families and copayments from families receiving child care assistance. According to the UW-Extension's Wisconsin Child Care Research Partnership in 2001, there were 190,000 young children in out-of-home regulated child care, of whom 40,000 (21%) were funded by the subsidy. On average, we would expect providers, including those who are small businesses, to experience a decrease in overall revenue of about 0.5%.

The Department's analysis does not take into account small businesses in different rates zones would lose revenue and produce cost savings at different rates. We believe the rule will have a significant economic impact on a substantial number of small businesses and urge the Department to do a full analysis of that impact.

Department response: The Department's report to the Small Business Regulatory Review Board dated June 29, 2007, is attached.

George Hagenauer, Dane County 4-C

Setting an inaccurate maximum reimbursement rate causes deficits in local program budgets. In group centers, those deficits are often passed through to private pay families. This increases the rates for all and in future years also increases the maximum reimbursement rate via the formula. A rate freeze will not benefit the state in sustaining affordable care for its children.

Mr. Hagenauer submitted additional comments on the child care program that are not directly related to this rule. The Department is reviewing the comments and will take them under advisement.

Department response: The Department agrees that not adjusting rates this year may lead to a larger than average increase when rates are next adjusted.