



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #856

Temporary Assistance for Needy Families (TANF)

Quality Care for Quality Kids and Child Care State Administration (DWD -- Economic Support and Child Care)

[LFB 2005-07 Budget Summary: Page 556, #13 and #14]

CURRENT LAW

Indirect child care services are intended to improve the quality and availability of child care. Federal law requires states to use 4% of certain federal and state funding sources for child care quality improvements. Funding of \$12,217,800 in 2004-05 supports the following programs:

Resource and Referral Agencies. Child care resource and referral agencies help parents select child care by providing information on available providers and helping locate specialized care. These 16 agencies also work to increase the supply of child care, offer technical assistance and training, and work with communities, school districts, and employers to solve child care problems.

Child Care Scholarships and Stipends. Child care scholarships and stipends attempt to attract and retain quality child care workers. The teacher education and compensation helps (TEACH) program provides scholarships to child care providers to attend technical or private colleges or universities to achieve a higher educational level by completing a specific education path, and for mentoring opportunities. The rewarding education with wages and respect for dedication (REWARD) program provides stipends to child care teachers, providers, and directors based on their level of education specific to the child care field.

Child Care Information Center. The child care information center (CCIC) is a mail-order lending library and information center that serves those who work in the field of child care and early childhood education. The CCIC provides free information services, library services, and

adult learning services to help Wisconsin child care professionals. The CCIC is administered by the Department of Public Instruction's (DPI) reference and loan library.

Local Pass-Through Program. The local pass-through program provides funds to local public agencies that provide required matching funds to improve the quality of care. The funds may be used for: (a) enhancing the quality and increasing the supply of child care for all families; (b) providing parents with a broad range of child care options; (c) improving the quality of, and coordination among, child care programs and early development programs; (d) increasing the availability of early childhood development care services and before- and after-school care services; (e) educating consumers about child care; (f) improving the health and safety aspects of child care, including regulation; and (g) providing crisis respite child care to children in protective services cases or in need of protective services.

Other Expenditures. Indirect child care services funding also supports administration costs in the Department of Workforce Development (DWD) and a portion of child care licensing activities performed by the Department of Health and Family Services (DHFS).

The table below shows the indirect child care programs and funding for these programs in 2004-05.

**Indirect Child Care Programs
2004-05 Funding**

<u>Program</u>	<u>Amount</u>
Resource and Referral	\$1,219,800
Child Care Scholarships	2,700,000
Child Care Information Center*	105,200
Local Pass-Through	2,478,500
DWD -- Office of Child Care	1,206,400
DHFS -- Licensing Activities	<u>4,507,900</u>
 Total	 \$12,217,800

*One-time funding was provided in 2004-05. Therefore, there is no base funding for this program.

GOVERNOR

Child Care State Administration. Increase funding by \$117,600 annually to support the CCIC and the office of child care in DWD.

Quality Care for Quality Kids. Increase funding by \$2,205,200 annually to support child care scholarships and stipends, resource and referral agencies, the local pass-through program, and technical assistance.

The Governor's initiatives to implement a quality rating system and tiered reimbursement system for child care providers and to transfer child care licensing activities from DHFS to DWD are not part of this paper, but will be discussed in Papers #857 and #858.

DISCUSSION POINTS

1. Wisconsin's child care program is currently composed of three elements: (a) the direct child care program, which provides child care subsidies to low-income families; (b) programs to improve the quality and availability of child care; and (c) the local pass-through program. 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.

Child Care State Administration

2. Under the bill, funding for child care state administration would total \$7,476,400 annually and would support: (a) the CCIC; (b) administration costs in DWD's office of child care; and (c) child care licensing activities. This paper will focus on (a) and (b). [Child care licensing activities will be addressed in Paper #858.]

3. Under the bill, funding for the CCIC and the office of child care would total \$1,488,500 annually. This would represent an increase of \$282,100 annually. The table below provides a comparison of base level funding with the Governor's recommendations.

Child Care State Administration

	Base Funding	Governor's Recommendations		Change to Base	
		2005-06	2006-07	2005-06	2006-07
CCIC	\$0	\$125,000	\$125,000	\$125,000	\$125,000
DWD -- Office of Child Care	<u>1,206,400</u>	<u>1,363,500</u>	<u>1,363,500</u>	<u>157,100</u>	<u>157,100</u>
Total	\$1,206,400	\$1,488,500	\$1,488,500	\$282,100	\$282,100

The increase in the Office of Child Care represents base funding plus an increase due to standard budget adjustments.

4. The bill would also increase funding for the CCIC. The 2002-03 CCIC contract totaled \$175,000 for the period October, 2002, through September, 2003. DWD contracts with DPI to operate the CCIC. This funding was eliminated as part of the elimination of child care technical assistance funds under the 2003-05 budget. Through various cost-reduction measures, DPI was able to continue to provide CCIC services under the contract through mid-March, 2004. On March 19,

2004, the Joint Committee on Finance approved a request to allocate \$28,100 in 2003-04 and \$105,200 in 2004-05 to continue CCIC services. This funding came from additional matching funds accessed by the state under the federal child care development block grant. Although \$105,200 is provided in 2004-05, there is no base funding for the CCIC because the funding is one-time funding.

5. According to DWD, the CCIC has a collection of over 6,000 books, periodicals, and other publications, and over 3,500 videotapes relevant to child care and early education. The CCIC also handles approximately 5,300 inquiries per year, and distributes a newsletter to 13,000 child care and early education programs, staff, teacher educators, and others.

6. The Committee could fund the CCIC at the 2004-05 level of \$105,200. The CCIC would be able to operate at the same level in the 2005-07 biennium as it did in 2004-05. Alternatively, the Committee could delete funding for the CCIC. Funding for the CCIC had been eliminated under Act 33 before one-time funding was provided.

7. However, if funding for the CCIC were eliminated, DWD indicates that the services that the CCIC provides would no longer be available, with the following results: (a) no new materials would be added to the statewide lending library; (b) a toll free number for child care providers to contact to address daily issues and problems would no longer be staffed; (c) licensing information and child care startup packets would no longer be distributed to existing providers and others interested in becoming child care providers; (d) brochures on child care topics would no longer be developed or distributed to child care providers, counties, and W-2 programs; (e) newsletters would no longer be developed and distributed to child care providers; (f) information would not be added to the statewide training calendar; (g) there would no longer be interconnection with the state interlibrary loan network for child care providers and material titles would be removed from the statewide library database; and (h) the CCIC would no longer serve as a state resource for child abuse materials.

Quality Care for Quality Kids

8. Under the bill, funding for quality care for quality kids would total \$11,503,500 in 2005-06 and \$10,003,500 in 2006-07. This funding would support: (a) child care scholarships and stipends; (b) resource and referral agencies; (c) the local pass-through program; (d) technical assistance; and (e) a quality rating system for child care providers. [The quality rating system will be addressed in Paper #857.]

9. Under the bill, funding for child care scholarships and stipends, resource and referral agencies, the local pass-through program, and technical assistance would total \$8,603,500 annually. This would represent an increase of \$2,205,200 annually. The table below provides a comparison of base level funding with the Governor's recommendations.

Quality Care for Quality Kids

	<u>Base Funding</u>	<u>Governor's Recommendations</u>		<u>Change to Base</u>	
		<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Child Care Scholarships	\$2,700,000	\$4,500,000	\$4,500,000	\$1,800,000	\$1,800,000
Resource and Referral	1,219,800	1,225,000	1,225,000	5,200	5,200
Technical Assistance	0	400,000	400,000	400,000	400,000
Local Pass-Through	<u>2,478,500</u>	<u>2,478,500</u>	<u>2,478,500</u>	<u>0</u>	<u>0</u>
Total	\$6,398,300	\$8,603,500	\$8,603,500	\$2,205,200	\$2,205,200

13. Federal regulations regarding the child care development block grant require states to allocate 4% of child care funds for consumer education activities for parents and the public, to increase parental choice, and to improve quality and availability. In addition, under the federal program, the state has to meet certain earmarks to improve child care quality, increase the supply of quality care for infants and toddlers, and provide resource and referral services for school age children. The funding for programs to improve child care quality and availability are counted toward the federal requirements. If the federal requirements are not met, the \$81.8 million per year in anticipated CCDBG revenues could be jeopardized.

Child Care Scholarships and Stipends

10. Under the Governor's proposed budget for 2003-05, funding for TEACH and REWARD would have been eliminated entirely, due to the lack of available funds under the TANF program. Upon identification of additional funds, the Governor proposed an amendment to the bill that would have restored \$2.3 million annually for the TEACH and REWARD programs. The Legislature approved \$2.7 million in annual funding in 2003-05 for the programs. This amount represented a 50% decrease from the \$5.4 million provided in 2002-03. Of the \$2.7 million available annually, \$2.3 million was allocated for the TEACH program and \$0.4 million was allocated for the REWARD program in 2003-05.

11. The TEACH program provides scholarships to child care providers and teachers for educational costs directly related to the child care field. The scholarships cover a portion of the costs of tuition, books, and travel, and provide a bonus upon completion of a credential. Some funds may also be provided to the child care center so that the center can cover for the time a recipient attends classes. Both recipients and the child care center where the recipient is employed are also expected to contribute toward the educational expenses. In addition, recipients are required to commit six months to one year to the sponsoring child care center upon completion of the program. In program year 2004, there were 958 TEACH participants. The average scholarship of approximately \$2,750 is paid out over the time that the participant completes their program.

12. Because of the funding reductions for 2003-05, a number of modifications were made to the TEACH program for program year 2004, including: (a) a reduction from 80% to 70%

in the amount of tuition the TEACH program will cover (for family child care providers TEACH covers 90% of tuition); (b) a reduction from 48 to 30 hours in the maximum number of hours per semester for release time for recipients to attend class (TEACH reimburses the sponsoring institution for half of this time); (c) a \$150 cap on reimbursement for books per semester; and (d) a \$50 reduction in bonuses under the TEACH program for completion of an educational credential.

13. The REWARD program provides stipends to child care providers and teachers who attain a certain level of education. The stipend increases with the level of education. In 2003, the stipends ranged from \$125 for entry level training to \$1,750 for a bachelor's degree or higher, with an average of \$892. In 2003, 3,362 stipends were awarded. No stipends were awarded in program year 2004. Instead, the entire \$800,000 allocated for REWARD in the 2003-05 biennium will be awarded in program year 2005. Applications for program year 2005 are now being accepted and will be awarded in September, 2005.

14. The intent of these programs is to enhance child care program quality by promoting professional development within the child care workforce, rewarding and retaining professionals who have attained early childhood education, encouraging commitment to the field, and reducing turnover in the child care workforce.

15. According to the Wisconsin Early Childhood Association (WECA), which administers the TEACH and REWARD programs, the turnover rate for child care workers statewide is approximately 40% annually. In comparison, the turnover rate for participants receiving TEACH scholarships is 11.7%. WECA indicates that over 46,000 children have been served by recipients of TEACH scholarships.

16. No outside evaluation of REWARD has been completed. However, WECA verifies that REWARD recipients continue to remain in the field and have access to TEACH scholarships to improve their education.

17. Under the bill, the Governor would provide \$4,500,000 annually to support scholarships and stipends. DWD indicates that a portion of the increased funding would fund on-going contracts with the Wisconsin Technical College System to develop additional opportunities for early childhood care and education credit-based coursework through alternative delivery methods and training formats, including on-line, weekend retreat, evening, and intensive coursework. According to DWD, these additional opportunities could provide the child care workforce with increased access to credit-based instruction, particularly in rural areas.

18. The Committee could continue to fund the TEACH and REWARD programs at the base funding level of \$2,700,000. The savings of \$1,800,000 annually could be used to replace other sources of funding for TANF-related programs or to restore or increase funding in other TANF-related programs. Alternatively, the Committee could eliminate funding for the TEACH and REWARD programs. The savings of \$4,500,000 annually could be used to replace other sources of funding or to restore or increase funding in other TANF-related programs.

19. However, the \$2,700,000 annual funding amount in the 2003-05 biennium represented a 50% decrease from the 2001-03 biennium. The Governor's request of \$4,500,000 annually would still reflect a 17% decrease from the level of funding provided during the 2001-03 biennium. Reducing or eliminating funding could impair the ability to attract and retain quality child care providers. DWD indicates that a reduction in funding would reduce access to credit-based instruction for the child care workforce, which would result in an inability to improve the quality of early learning experiences. In addition, increased funding could assist child care providers in the quality rating system assessments by improving program quality.

Resource and Referral Agencies

20. The child care resource and referral (CCR&R) network consists of 16 community-based agencies that provide an array of services, such as assisting parents in selecting child care, offering start-up information and technical support for potential child care providers, providing technical assistance to existing child care centers, and helping communities develop local solutions to child care problems. The CCR&R network provides over 27,000 referrals and consultations annually for families on a wide range of child care issues. Base funding for the CCR&R network is \$1,219,800. This amount is \$281,500 lower than funding for the program in 2002-03 of \$1,501,300 (including \$146,000 of the child care technical assistance funds that DWD used to contract with the CCR&R agencies in 2002-03).

21. As indicated above, the federal child care development block grant requires a specific earmark for resource and referral services. Also, under the state plan for the block grant, the state must offer services to provide a child care resource and referral system.

22. Under the bill, the Governor would provide \$1,225,000 annually for the CCR&R system. In addition to the services mentioned above, funding for the CCR&R network would also assist in providing information to parents regarding the early childhood options in their communities, including four-year-old kindergarten and head start.

23. The Committee could continue to fund the CCR&R system at the 2004-05 level, for a savings of \$5,200 annually that could be used to replace other sources of funding for the TANF-related programs or to restore or increase funding in other TANF-related programs.

24. However, DWD indicates that no other agency provides the services offered by the CCR&R network, such as assistance for families, child care providers, and communities to find, provide, and plan for affordable, quality child care. A reduction in funding could affect the ability of the CCR&R system to provide these services.

Technical Assistance

25. Technical assistance for child care providers has included a variety of services: (a) on-site technical assistance, training, and peer support for providers in preparation for accreditation; (b) training on integrating child care for disabled and non-disabled children; (c) printed and media materials through the CCR&R network; (d) development of school-age child care; (e) venture

development grants to employers who are considering developing on-site child care; and (f) an early childhood credentialing system and clearinghouse for training information.

26. Funding for training and assistance was eliminated during the 2003-05 biennium under 2003 Act 33. Funding during the 2001-03 biennium totaled \$995,300 annually. Under AB 100, the Governor would provide \$400,000 annually. DWD indicates that funding for technical assistance would support the quality rating system. A statewide professional development system would be created for early care and education personnel. In addition, funding for technical assistance would provide consultation, information dissemination, and access to resources. Technical assistance for preparation for accreditation would also be provided, including on-site assistance, training, and peer support for child care centers and family child care homes.

27. The Committee could eliminate funding for technical assistance, for a savings of \$400,000 annually that could be used to replace other sources of funding for TANF-related programs or to restore or increase funding in other TANF-related programs.

28. However, a funding level of \$400,000 for technical assistance would be approximately 60% less than the funding level provided in the 2001-03 biennium. In addition, according to DWD, eliminating funding for technical assistance provided under the bill would hinder the ability to create a statewide infrastructure for quality child care programs, including training on the Wisconsin Model Early Learning Standards, and to provide assistance to other child care programs, such as head start and school districts.

ALTERNATIVES

A. Child Care Information Center

1. Approve the Governor's recommendation of funding for the CCIC of \$125,000 annually.
2. Reduce funding for the CCIC by \$19,800 annually. Under this alternative \$105,200 annually would be provided for the CCIC.

Alternative A2	FED
2005-07 FUNDING (Change to Bill)	- \$39,600

3. Eliminate funding of \$125,000 annually for the CCIC.

Alternative A3	FED
2005-07 FUNDING (Change to Bill)	- \$250,000

B. Child Care Scholarships and Stipends

1. Approve the Governor's recommendation of funding for child care scholarships and stipends of \$4,500,000 annually.

2. Reduce funding for child care scholarships and stipends by \$1,800,000 annually. Under this alternative, \$2,700,000 annually would be available for child care scholarships and stipends, which represents base level funding.

Alternative B2	FED
2005-07 FUNDING (Change to Bill)	- \$3,600,000

3. Eliminate funding of \$4,500,000 annually for child care scholarships and stipends.

Alternative B3	FED
2005-07 FUNDING (Change to Bill)	- \$9,000,000

C. Child Care Resource and Referral

1. Approve the Governor's recommendation of funding for the CCR&R network of \$1,225,000 annually.

2. Reduce funding for the CCR&R system by \$5,200 annually. Under this alternative, \$1,219,800 annually would be available for the CCR&R system, which represents base level funding.

Alternative C2	FED
2005-07 FUNDING (Change to Bill)	- \$10,400

D. Technical Assistance

1. Approve the Governor's recommendation of funding for technical assistance of \$400,000 annually.

2. Eliminate funding of \$400,000 annually for technical assistance.

Alternative D2	FED
2005-07 FUNDING (Change to Bill)	- \$800,000

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