



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #893

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

Bill Agency

[LFB 2007-09 Budget Summary: Page 615, #11]

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 \$13,343,900 from the child care development block grant (CCDBG) in 2006-07 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 are provided 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.

Technical Assistance. Funding for technical assistance to child care providers is provided for: (a) the Registry (a system that documents verified formal and informal education on individuals in the early care and education workforce); (b) the Wisconsin child care improvement project (a system of specialized support services to establish child care programs to improve program quality and business practices); (c) inter-tribal child care project (a project to improve the quality of tribal child care programs and increase collaboration among tribal child care, tribal head start, and Wisconsin head start programs); (d) the University of Wisconsin-Extension Wisconsin child care research project (a project to focus attention on the quality of early care and education, particularly on services to low-income children, through research and evaluation); (e) Wisconsin child care resource and referral network (to provide a broad range of training and technical assistance services to persons interested in working in the field of early child care and education); and (f) strengthening families-Center for the Study of Social Policy (a program to prevent child abuse and neglect).

Local Pass-Through Program. The local pass-through program awards 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 2006-07.

**Indirect Child Care Programs
2006-07 Funding**

<u>Program</u>	<u>Amount</u>
<u>Quality Care for Quality Kids</u>	
Resource and Referral	\$1,225,000
Child Care Scholarships	3,275,000
Child Care Information Center	125,000
Technical Assistance	400,000
Local Pass-Through	<u>2,478,500</u>
Total	\$7,503,500
<u>State Administration</u>	
DWD -- Office of Child Care	\$1,399,900
DHFS -- Licensing Activities	<u>4,440,500</u>
Total	\$5,840,400
 Indirect Child Care Total	 \$13,343,900

GOVERNOR

Provide \$1,200,000 FED annually to increase funding for child care scholarships.

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) quality care for quality kids, which funds child care quality improvement activities; and (c) child care state administration, which funds DWD's office of child care and child care licensing activities. This paper will focus on the quality care for quality kids component.

2. Under the bill, funding for quality care for quality kids would total \$8,703,500 annually. This funding would support: (a) resource and referral agencies; (b) child care scholarships and stipends; (c) the child care information center; (d) technical assistance; and (e) the local pass-through program. This funding represents an increase of \$1,200,000 annually. The table below provides a comparison of base level funding with the Governor's recommendations.

**Funding for Programs to Improve Child Care Quality and Availability
Under the Governor's Budget Bill**

	<u>Base Funding</u>	<u>Governor</u>		<u>Change to Base</u>	
		<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Child Care Scholarship	\$3,275,000	\$4,475,000	\$4,475,000	\$1,200,000	\$1,200,000
Child Care Information Center	125,000	125,000	125,000	0	0
Resource and Referral	1,225,000	1,225,000	1,225,000	0	0
Technical Assistance	400,000	400,000	400,000	0	0
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	\$7,503,500	\$8,703,500	\$8,703,500	\$1,200,000	\$1,200,000

3. Federal regulations regarding the CCDBG 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. A total of \$10.9 million annually must be spent for child care availability and quality programs. If the federal requirements are not met, the \$81.8 million per year anticipated CCDBG revenues could be jeopardized.

Resource and Referral Agencies

4. 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 25,000 referrals and consultations annually for families on a wide range of child care issues. Base funding for the CCR&R network is \$1,225,000. This amount is \$5,200 more than funding for the program in 2004-05 of \$1,219,800, but \$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).

5. As indicated above, the CCDBG 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.

6. Under the Governor's proposed budget for 2005-07, funding for the CCR&R network would have increased by \$5,200 annually to \$1,225,000. However, the Legislature reduced funding by \$725,000 annually, for total funding for the CCR&R network of \$500,000 annually. Through the veto process, the Governor restored funding for the CCR&R network to

\$1,225,000 annually.

7. Under SB 40, the Governor would continue to provide \$1,225,000 annually for the CCR&R network. 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.

8. The Committee could fund the CCR&R system at \$500,000 annually, for a reduction of \$725,000 annually that could be used to replace other sources of funding for TANF-related programs or restore or increase funding in other TANF-related programs. This amount would be slightly more than the minimum required under federal law (approximately \$300,000).

9. Alternatively, the Committee could 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 TANF-related programs or to restore or increase funding in other TANF-related programs.

10. 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 network to provide these services.

Child Care Scholarships and Stipends

11. 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.

12. Under the Governor's proposed budget for 2005-07, funding for TEACH and REWARD would have increased by \$1,800,000 annually. However, the Legislature reduced the increase to \$178,500 annually, for a total of \$2,878,500 annually. Through the veto process, the Governor partially restored the increase for TEACH and REWARD by \$396,500, for total funding of \$3,275,000. This amount represented a 21% increase from the \$2.7 million in annual funding provided in 2004-05, but a 39% decrease from the \$5.4 million provided in 2002-03.

13. 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 2006, there were 1,245 TEACH participants and 706 scholarships

awarded. The average scholarship of approximately \$2,600 is paid out over the time that the participant completes their program.

14. 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 covered 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 education credential.

15. 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. Stipend amounts are based on which step an individual is placed in The Registry, which documents and quantifies individuals' credit based training. There are 14 steps in the system, ranging from entry level training through completed degrees. REWARD awards stipends beginning with level 6. Individuals can reach level 6 with completed credentials or a minimum of 18 credits. In 2006, the stipends ranged from \$200 for level 6 training to \$900 for a bachelor's degree or higher, with an average of \$584. In 2006, approximately \$1.6 million funded REWARD. The additional funding provided under 2005 Act 25 increased funds for the REWARD program. In 2005-06, \$50,000 funded REWARD.

16. 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 workforces.

17. 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 42% annually. In comparison, the turnover rate for participants receiving TEACH scholarships is 3.7%. WECA indicates that over 59,500 children have been served by recipients of TEACH scholarships.

18. 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. To participate in REWARD, participants must meet educational, employment, and longevity requirements. Minimum longevity requirements include three full years at current employment or six years in the child care field.

19. Under the bill, the Governor would provide \$4,475,000 annually to support scholarships and stipends, an increase of \$1,200,000 annually. WECA indicates that although no budget has been prepared for the additional funds, half of the funds would increase dollars available for the REWARD program, and half would increase the amount of and/or the number of TEACH scholarships. DWD indicates that without the additional funds, a waiting list would need to be

established for TEACH. In addition, DWD indicates that funds could be used to support the CCR&R network to market TEACH grant opportunities to child care providers across rural Wisconsin and that funds could be used to provide on-line, accelerated, weekend, and evening course delivery methods for providers in rural areas.

20. The Committee could continue to fund the TEACH and REWARD programs at the base funding level of \$3,275,000. Alternatively, the Committee could fund TEACH and REWARD at the 2004-05 level of \$2,700,000. The savings of \$1,200,000 annually or \$1,775,000 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. Finally, the Committee could eliminate funding for the TEACH and REWARD programs. The savings of \$4,475,000 annually could be used to replace other sources of funding or to restore or increase funding in other TANF-related programs.

21. However, 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. In addition, DWD indicates that a statewide infrastructure of training assistance is needed to support providers in the process of attaining higher levels of education, which lead to higher-quality care arrangements.

Child Care Information Center

22. The bill would maintain funding of \$125,000 annually for the CCIC. Funding for the CCIC had been 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 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 in one-time funding to continue CCIC services. The 2005-07 biennial budget bill provided \$125,000 annually for the CCIC.

23. According to DWD, the CCIC has a collection of over 8,000 books, periodicals, and other publications, and over 4,000 videotapes relevant to child care and early education. The CCIC also handles approximately 5,000 inquiries per year, and distributes a newsletter to 10,000 child care and early education programs, staff, teacher educators, and others.

24. 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 2007-09 biennium as it did in 2004-05. Alternatively, the Committee could delete funding for the CCIC. Funding for the CCIC had been eliminated under 2003 Act 33 before one-time funding was provided.

25. 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.

Technical Assistance

26. 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.

27. 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 the Governor's proposed budget for 2005-07, funding for the CCR&R network would have totaled \$400,000 annually. However, the Legislature reduced funding by \$400,000 annually, eliminating funding for technical assistance. Through the veto process, the Governor restored funding for technical assistance to \$400,000 annually.

28. DWD indicates that funding would assist child care providers in increasing their quality, by providing assistance such as training and mentoring, and promote information sharing among agencies for the quality rating system. Funding would also support a tribal project to improve the quality of tribal child care.

29. 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.

30. 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.

Local Pass-Through Program

31. Through the local pass-through program, funds are distributed to local public agencies that provide the required matching funds to improve the quality of child care. Funds are provided in the form of grants to support community child care initiatives. In 2006-07, grants have been awarded to 46 local governments and tribes. Through collaborative efforts, a total of 85 local jurisdictions and agencies are represented.

32. Under the Governor's proposed budget for 2005-07, funding for the local pass-through program would have totaled \$2,478,500 annually. However, the Legislature eliminated funding for this program. Through the veto process, the Governor restored funding for the local pass-through program to \$2,478,500 annually.

33. The Committee could eliminate funding for the local pass-through program, for a savings of \$2,478,500 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.

34. However, local public agencies provide matching funds to receive the local pass-through grants. These matching funds, in the amount of \$1,820,700 annually, are used as part of the match requirement for the CCDBG under federal law. Approximately \$21.5 million annually is needed as matching funds for the CCDBG. DWD also indicates that the following locally-based services would likely end if funding were eliminated: (a) technical assistance to child care providers; (b) quality improvement activities, such as addressing teacher education, improving the learning environment, and enhancing the curriculum and professional practices; (c) parent education in conjunction with child care; and (d) enhanced services for children in child care.

35. As noted above, \$10.9 million annually must be spent for child care availability and quality programs in order to receive the full federal child care block grant. Other than the programs described in this paper, funding for child care licensing (\$4.8 million annually in the 2007-09 biennium), a day care time study (\$0.8 million annually), and the Governor's proposal for a quality rating system (\$1.6 million in 2007-08 and \$1.2 million in 2008-09) could be applied towards the \$10.9 million. With the quality rating system, the programs described in this paper could be reduced to the point that \$3.7 million in 2007-08 and \$4.1 million in 2008-09 would be needed to reach the \$10.9 million. Without the quality rating system, the programs described in this paper could be reduced to the point that \$5.3 million annually would be needed to reach the \$10.9 million. In addition, also noted above, a minimum of \$300,000 annually must be spent on the CCR&R network to meet federal requirements.

36. As noted, savings from the reduction of funding in these programs could be used to increase funding in other TANF-related programs, such as child care. Wisconsin Shares faces a shortfall, as discussed in a separate budget paper, without significant programmatic changes.

ALTERNATIVES TO BILL

A. Child Care Resource and Referral Network

1. Reduce funding for the CCR&R network by \$725,000 FED annually to fund the network at \$500,000 annually.

ALT A1	Change to Bill Funding	Change to Base Funding
FED	-\$1,450,000	-\$1,450,000

2. Reduce funding for the CCR&R network by \$5,200 FED annually to fund the network at \$1,219,800 as in 2004-05.

ALT A2	Change to Bill Funding	Change to Base Funding
FED	-\$10,400	-\$10,400

3. Maintain current funding of \$1,225,000 annually for the CCR&R network.

B. Child Care Scholarships and Stipends

1. Approve the Governor's recommendation to increase funding for TEACH and REWARD by \$1,200,000 FED annually, for total funding of \$4,475,000 annually.

ALT B1	Change to Bill Funding	Change to Base Funding
FED	\$0	\$2,400,000

2. Modify the Governor's recommendation to reduce funding for TEACH and REWARD by \$1,775,000 FED annually, for total funding of \$2,700,000 annually.

ALT B2	Change to Bill Funding	Change to Base Funding
FED	-\$3,550,000	-\$1,150,000

3. Delete provision. As a result, total funding for TEACH and REWARD would be \$3,275,000 annually.

ALT B3	Change to Bill Funding	Change to Base Funding
FED	- \$2,400,000	\$0

4. Eliminate funding of \$4,475,000 FED annually for TEACH and REWARD.

ALT B4	Change to Bill Funding	Change to Base Funding
FED	- \$8,950,000	- \$6,550,000

C. Child Care Information Center

1. Reduce funding for the CCIC by \$19,800 FED annually, for total funding for the CCIC of \$105,200.

ALT C1	Change to Bill Funding	Change to Base Funding
FED	- \$39,600	- \$39,600

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

ALT C2	Change to Bill Funding	Change to Base Funding
FED	- \$250,000	- \$250,000

3. Maintain current law funding of \$125,000 annually for the CCIC.

D. Technical Assistance

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

ALT D1	Change to Bill Funding	Change to Base Funding
FED	- \$800,000	- \$800,000

2. Maintain current law funding of \$400,000 annually for technical assistance.

E. Local Pass-Through Program

1. Eliminate funding of \$2,478,500 FED annually for the local pass-through program.

ALT E1	Change to Bill Funding	Change to Base Funding
FED	- \$4,957,000	- \$4,957,000

2. Maintain current law funding of \$2,478,500 annually for the local pass-through program.

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