



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #103

### **Delete State Employee Child Care Center Subsidy (DOA -- General Agency Provisions)**

[LFB 2011-13 Budget Summary: Page 23, #17]

#### **CURRENT LAW**

The Department of Administration (DOA) must contract with one or more child care providers to supplement the cost of providing suitable space for child care services offered to the children of state employees who are assigned to work in the central portion of Madison.

The Department may: (a) in concurrence with the Building Commission, lease space or provide space in any state-owned or state-leased building to be used for a child care provider; or (b) contribute to the space costs incurred by a child care provider serving state employees in central Madison.

The Department must assess the costs of providing child care facilities for agencies who have employees that are located in central Madison. The Department must assess these agencies on an equitable basis for their share of a subsidy and deposit the revenues into the Department's facilities operations appropriation [s. 20.505(5)(ka) of the statutes]. Supplements for child care facilities in central Madison are funded from DOA's facilities operations appropriation. State agencies may be supplemented for agency child care facility costs from the space management supplements appropriation.

The child care center that receives this subsidy may provide services to individuals other than state employees as long as state employees are given first opportunity for the service.

The Department may not authorize construction work for any state office facility in Madison unless DOA first provides suitable space for child care primarily for the use of children of state employees.

The Director of the Office of State Employment Relations must provide a biennial report to the Building Commission regarding the desirability of child care facility space in the plans for

construction or major remodeling projects enumerated in the state building program in the biennial budget act. The Building Commission may direct the inclusion of a child care facility based on such a recommendation.

## **GOVERNOR**

Delete current law requirements related to the state employee child care center subsidy effective on September 1, 2011.

## **DISCUSSION POINTS**

1. Provisions of 1985 Wisconsin Act 29, authorized the Building Commission to lease space to day care providers within state office facilities under the charge of DOA. The Department was authorized to charge rent to the day care provider.

2. Act 29 also authorized the Secretary of the Department of Employment Relations (DER) -- now the Office of State Employment Relations (OSER) -- to report by the first day of the seventh month after the effective date of each biennial budget act, to the Building Commission on the desirability of including daycare facility space in the plans for construction or major remodeling for any state office building included in each biennial building program. Based on that report the Building Commission is authorized to direct that plans for a day care facility be included in a construction or major remodeling project.

3. Under Act 29, DER was required to develop a pilot proposal for administration of a day care facility located near a place of employment for state workers. The pilot program was required to charge a fee for the day care services. The Department of Employment Relations was required to assess the effectiveness of the program on enhancing employee productivity and efficiency.

4. On November 1, 1987, DER submitted a report on a pilot program to provide child care services in downtown Madison. The report indicated that many of the findings supported the opinion that a "near-site center enhances worker productivity and efficiency." Employees and employers that responded to questionnaires noted reduced absenteeism due to family illnesses, increased flexibility in employee work hours, and improved productivity.

5. Under 1991 Wisconsin Act 39, the Governor recommended and the Legislature authorized DOA to contract with one or more providers to supplement the cost of providing space for child care services that would be available for the children of employees who work near central Madison. The Department was authorized to lease space within state-owned or state-leased facilities. The lease rate would have been determined by the Building Commission. The Department was required to assess agencies that had employees eligible to use the facility for the costs of the supplement. For the 1991-93 biennium, \$150,000 PR annually was provided.

6. Nonstatutory provisions of Act 39 required DOA to request competitive sealed bids for potential child care providers. The provision specified that DOA could contract with one or more of the bidders. Currently, the Creative Learning Preschool and Child Care Center, located two blocks off the Capitol square, receives the supplement from DOA, as it has since the supplement

was approved under the 1991-93 biennium (the contract began in 1992).

7. The Department of Administration does not make a direct payment to the Center, but instead incurs certain facility costs, including rent, utilities, insurance, snow removal, and common area maintenance.

8. In 2010-11, DOA assessed agencies \$293,800. The assessment is based on the amount of space dedicated to state agencies that are located within one-mile of the State Capitol building. Agencies with less than 4,000 square feet are exempted. The following table shows the assessments by agency for 2010-11.

**Agency Assessments for Child Care Subsidy  
(2010-11)**

<u>Agency</u>	<u>Assessment</u>
Administration	\$29,700
Assembly	16,400
Children and Families	15,400
Commerce	12,500
Commissioner of Insurance	7,100
Corrections	700
Financial Institutions	6,800
Government Accountability Board	2,100
Governor's Office	1,800
Health Services	47,100
Justice	17,700
Legislative Audit Bureau	2,900
Legislative Council	1,900
Legislative Fiscal Bureau	2,100
Legislative Reference Bureau	3,900
Legislative Technical Services Bureau	1,800
Natural Resources	27,700
Office of State Employment Relations	1,800
Public Defender	4,000
Public Instruction	10,400
Secretary of State	600
Senate	9,900
State Treasurer	900
Supreme Court	18,000
Tourism	1,400
UW - Madison Campus	8,900
UW - System	8,200
Veterans Affairs	6,200
Workforce Development	<u>25,900</u>
Total	\$293,800

9. The Department Secretary indicated at the March 29, 2011, hearing before the Joint Committee on Finance on the DOA budget that this program, similar to what some businesses provide on site or subsidize, is seen as a benefit to employees. However the deletion of this item reflects that the state cannot continue to provide all the services that it traditionally has offered, thus a decision was made to delete this subsidy.

10. In exchange for the subsidy, the Creative Learning Preschool and Child Care Center offers state employees reduced rates (7% below the rates for non-state employees) and a preference in having children placed in open slots.

11. The Center indicates that the subsidy represents 20% of their operating budget, and that the elimination of the subsidy would likely result in substantial fee increases, larger group sizes, and reductions to staffing and programming.

12. In the absence of a state supplement to the Creative Learning Preschool and Child Care Center, it is likely that the tuition discount for state employees would be eliminated, resulting in an average increased cost to state employees who use the facility of \$926 per child annually.

13. Alternatively, it could be argued that other day care and child care facilities are available for state and private sector employees. Further, the benefit to state employees in Central Madison is not available to state employees who do not live or work in proximity to the Capitol.

### **Funding Reduction**

14. It could be argued that if a reduction in state costs was the stated reason for eliminating the subsidy, the deletion of the provision should have been accompanied by a reduction to agency assessments dedicated to the facilities operations appropriation and a reduction to the amounts expanded for that program.

15. The State Budget Office indicates that the amounts provided under the facilities operations appropriation were not reduced because the savings related to the deletion of the child care subsidy were offset by the need for additional expenditures for the upkeep of the State Capitol and the executive residence.

16. Currently, there is a GPR appropriation under program supplements [s. 20.865(2)(e) of the statutes] funded at \$4,508,900 annually under the bill, that pays for maintenance of the Capitol and the executive residence. If there are insufficient funds to cover Capitol and executive residence costs, excess costs are borne by DOA's PR facilities operations appropriation. The Department expended \$2,476,200 PR in 2009-10 and is expected to offset \$1,210,300 PR for Capitol and executive residence costs in 2010-11 above the GPR appropriation. Under the bill, the Capitol and the executive residence GPR appropriation would be reduced by 10% (-\$501,000 annually) under the budget efficiencies provision. If the costs of maintaining the Capitol and executive residence remained at 2010-11 levels, then DOA's facility operations appropriation would provide a total of \$1,711,300 PR toward Capitol and executive residence costs. By deleting the child care subsidy, an additional \$293,800 would be available offset these costs. The facilities operations appropriation would not be reduced under the bill.

17. It could be argued that, under these provisions, DOA, in its role of maintaining the Capitol and executive residence, as well as state buildings as a whole, would not have to meet the same savings requirements that other agencies would be obliged to make under the budget. The net reduction to Capitol and executive residence expenditures would be reduced from 10% to 4.1% by the offset provided by the child care subsidy deletion. In addition, there is no reduction to the facilities operations appropriation, so agencies would likely be assessed the same amount for building rent costs on state facilities despite a 10% reduction to their supplies and services funding.

18. If the Committee wishes to delete the child care subsidy authorization, it could consider also deleting the expenditure authority (\$293,800 PR annually) from DOA's facilities operations and police services appropriation [Alternative 2]. This would reduce the assessments to agencies for space rental related to the child care subsidy and require DOA to find savings for Capitol and executive residence costs equal to those specified under the bill for 10% budget reductions to supplies and services.

19. Alternatively, the Committee could consider whether the subsidy should be phased out. It could be argued that elimination of 20% of the operating budget of the current vendor would limit their ability to adjust its facility arrangements (determining whether to stay at their current location or renegotiating their rent), staffing, and programs, with such a short time-period.

20. In deliberations relating to the 2007-09 biennial budget, the Assembly proposed a three-year phase out of child care subsidies. The Committee could reduce payments to the child care provider by \$97,900 in 2011-12 (capping the payment at \$195,900), by \$195,800 in 2012-13 (capping the payment at \$98,000), and deleting the authorization to make the subsidy beginning in 2013-14 (deleting subsidy authorization language, effective June 30, 2013) [Alternative 3]. The Committee could separately decide whether to apply this reduction to the facilities operations appropriation [Alternative 4].

21. Under the bill, there would be no estimated savings to state agency expenditures related to eliminating subsidies to a central Madison child care center. More agency savings would be realized by requiring DOA to reduce expenditures on the maintenance and operations at the Capitol building and the executive residence and applying the same 10% reduction to the payments to the child care subsidy (-\$29,400 PR annually) which would result in a reduction to the facilities operations appropriation by the same amount [Alternative 5]. Under this alternative, the current child care subsidy provisions would be retained. The payments to the child care vendor could then be established at \$264,400 annually.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to delete the requirement that Department of Administration contract with one or more child care providers to supplement the cost of providing suitable space for child care services offered to the children of state employees who are assigned to work in the central portion of Madison.

2. In addition to Alternative 1, delete \$293,800 PR annually from the Department of Administration's facilities operations and police services appropriation [s. 20.505(5)(ka) of the statutes].

<b>ALT 2</b>	<b>Change to Bill</b>
	Funding
PR	- \$587,600

3. Specify that the Department of Administration may contract with one or more child care provider to supplement to costs of child care services offered to the children of state employees who are assigned to work in the central portion of Madison for no more than \$195,900 PR in 2012-13 and \$98,000 PR in 2012-13. Delete the authorization to make the subsidy after June 30, 2013.

4. In addition to Alternative 3, delete \$97,900 PR in 2011-12 and \$195,800 PR in 2012-13 from the Department of Administration's facilities operations appropriation [s. 20.505(5)(ka) of the statutes].

<b>ALT 4</b>	<b>Change to Bill</b>
	Funding
PR	- \$293,700

5. Delete the Governor's recommendation. Specify that the Department of Administration may not pay more than \$264,400 annually for supplementing the costs of child care facility in central Madison. [This provision represents a 10% annual reduction to the 2010-11 child care subsidy.]

<b>ALT 5</b>	<b>Change to Bill</b>
	Funding
PR	- \$58,800

6. Delete the Governor's recommendation.

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