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Mitigating the Benefit Drop-off in Wisconsin Shares (Children and Families -- Economic Support and Child Care)

[LFB 2017-19 Budget Summary: Page 105, #9]

CURRENT LAW

Wisconsin's child care subsidy program, known as "Wisconsin Shares," provides child care assistance for low-income families to enable eligible persons to work or to prepare for employment. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent. The program is funded primarily through the federal temporary assistance for needy families (TANF) block grant and the federal Child Care Development Fund (CCDF), which includes funding under the Child Care Development Block Grant (CCDBG) Act and the Social Security Act.

Payments to child care providers are capped at maximum weekly reimbursement rates set by the Department of Children and Families (DCF) for each county. Current law requires DCF to establish a copayment schedule under which participating parents are required to contribute to the cost of child care. A parent's copayment is based on income, family size, and the number of children in care. After adjusting the maximum reimbursement rate by the copay, Wisconsin Shares pays the remaining amount to the child care provider (the subsidy). Participating child care providers may charge more than the maximum reimbursement, but families will be liable for all amounts exceeding the subsidy by choosing such providers.

Under the federal CCDF program, states are allowed to utilize CCDF funding to provide services to children in families with income equal to or less than 85% of the state median income (SMI) for a family of the same size. Family assets may not exceed $1.0 million. Under state law, initial eligibility for Wisconsin Shares is limited to families with gross income of no more than 185% of the federal poverty level (FPL), which is $37,777 for a family of three in 2017. There is no asset limit on participation. Once eligible, families retain eligibility until gross income exceeds an exit threshold of 200% of FPL for two consecutive months ($40,840 for a family of three in 2017). As a result, for participants earning income near the exit threshold, a relatively small increase in income may cause a much larger loss in public assistance benefits. This is often referred to as a fiscal "cliff effect" in the program, because the benefits sharply drop to zero when reaching the eligibility limit.

GOVERNOR

The bill would allocate $1,798,600 in 2018-19 from TANF block grant funds to support continued Wisconsin Shares eligibility to participating families whose incomes have increased above the 200% FPL exit threshold. The family's copayment would increase by $1.00 for every $3.00 by which the family's gross income exceeds 200% FPL. The subsidy amount would be reduced by an amount equal to the increase in the copayment. As a result, the subsidy would scale down with an increase in income rather than sharply dropping at the exit threshold. The effective date of the change would be the later of July 1, 2018, or the first day of the twelfth month beginning after the date of publication of the bill.

MODIFICATION

Modify the Governor's recommendation to provide a total of $4,000,000 from federal TANF block grant funds to fully support the estimated costs of the proposed eligibility expansion of Wisconsin Shares at a new exit threshold of 85% SMI. The family's copayment would increase by $1.00 for every $3.00 by which the family's gross income exceeds 200% FPL.

	Base	Change to Bill
FED	$4,000,000	$2,201,400

Explanation: Following the introduction of the bill, the administration forwarded a number of suggested modifications to the Committee to correct errors in the bill or to amend the bill to better conform to the administration's intent. The submission included a suggestion that the Committee consider specifying a new exit threshold for the program, and mentioned the 85% SMI federal standard as an example. The Committee considered the mitigation of the cliff effect in Wisconsin Shares when reviewing 2017 Assembly Bill 241 during an executive session on April 24, 2017. The Committee recommended passage of Assembly Bill 241 and recommended adoption of Assembly Amendment 1 by votes of 15 to 0. Assembly Amendment 1 would adopt a new exit threshold at 85% SMI as suggested by the administration. On May 10, 2017, the Assembly adopted the amendment by a voice vote and passed Assembly Bill 241, as amended, by a vote of 97 to 0. The fiscal estimate of the cost of expanding eligibility under Assembly Bill 241 is higher than originally projected by the administration for the budget bill. The original estimate utilized past caseload data to forecast an average amount of expanded participation for 2018-19. However, as discussed in the bill summary for Assembly Bill 241, the income gains of families participating in Wisconsin Shares are typically small year over year. This results in their copays rising slowly each year and hence families remaining in the program because their subsidies remain higher than the copay. Thus, the overall number of participating families would likely increase in each future month more than what would be estimated based on past caseload data alone. As a result, the overall number of monthly payments in 2017 will likely be larger than anticipated by the administration.

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