



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #189

### **Wisconsin Shares Rates for Certified Providers (Children and Families -- Economic Support and TANF-Funded Programs)**

[LFB 2019-21 Budget Summary: Page 72, #16]

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#### **CURRENT LAW**

Wisconsin's child care subsidy program, Wisconsin Shares, provides child care assistance for low-income families to enable parents and caretakers to work or prepare for employment through W-2, the FoodShare employment and training (FSET) program, or through a combination of work and education or training programs. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent. The parent must pay a copay amount based on income, family size, and the number of children in care.

In general, child care providers must be licensed by the Department of Children and Families (DCF) to receive compensation for caring for four or more children under the age of seven. Licensed group child care centers may provide care for nine or more children. Licensed family child care centers, usually operating out of the provider's home, may provide care for up to eight children.

Providers caring for three or fewer children under the age of seven must be certified by the local administrator in order to receive payment from Wisconsin Shares. There are two certification categories: Level I (regular) family child care and Level II (provisional) family child care. Certified programs must meet basic health and safety standards and are monitored for compliance with applicable state and federal law. For example, both regularly and provisionally certified providers, and all employees, substitutes, and volunteers of those providers, must complete training on the most current, medically accepted methods of preventing sudden infant death syndrome and shaken baby syndrome. In addition to meeting certification standards, Level I providers must complete an additional training in early childhood education.

Payments to child care providers are capped at maximum weekly reimbursement rates set by DCF for each county. Separate rates are set based on the child's age. Separate rates are also provided for the different types of child care. By statute, the maximum rate for Level I certified providers cannot exceed 75% of the rate for licensed family child care providers, and the maximum rate for Level II certified providers cannot exceed 50% of the rate for licensed family child care providers. The maximum hourly rate for licensed providers is the maximum weekly rate divided by 35 hours. For regularly and provisionally certified providers, the maximum hourly rate is 75% and 50% of the licensed family hourly rate, respectively.

## **GOVERNOR**

Repeal the ceiling on reimbursement under Wisconsin Shares for regularly and provisionally certified providers, so that DCF could set the maximum reimbursement rate for these providers to be no more than the rates established for the licensed family hourly rate. The bill would allocate an additional \$1,700,000 FED annually from federal temporary assistance for needy families (TANF) block grant funds to support the cost of increasing Wisconsin Shares child care subsidies paid to certified providers.

## **DISCUSSION POINTS**

1. Unregulated child care providers do not qualify to participate in Wisconsin Shares. Certification requirements ensure that programs receiving public reimbursement through Wisconsin Shares adequately protect the health, safety, and development of children.

2. According to DCF, certified child care is popular in areas that have fewer child care options available. The administration indicates that the most certified providers are located in rural areas of the state. Most certified child care is based in the provider's home.

3. The availability of certified child care providers has decreased significantly in recent years. In 1998, there were 5,117 certified family providers. For comparison, according to the DCF annual report on early care and education in Wisconsin, as of December 31, 2014, there were 1,215 certified providers serving an estimated 7,290 children. As of December 31, 2017, there were 748 certified family providers serving an estimated 4,488 enrolled children. As of December 31, 2018, there were 580 certified family providers serving an estimated 3,480 enrolled children.

4. The number of certified providers at the end of 2018 has declined by 22.5% compared to 2017, by 52.3% compared to 2014, and by 85% compared to 1998.

5. Under current law, a parent choosing a Level I certified child care provider receives 75% of the amount that would have been available under if they had selected a licensed provider. The rating of a certified child care provider under the YoungStar quality rating and improvement system makes no difference as to whether the reduced payment rate applies. Thus, the subsidy for a four-star certified provider would be 75% of the subsidy for a three star licensed family provider (before accounting for the YoungStar bonus).

6. DCF indicates that this payment disparity discourages families participating in Wisconsin Shares from choosing certified child care over licensed child care.

7. If the Committee determines that the statutory cap on reimbursement under Wisconsin Shares for certified providers has played a part in the significant decrease in availability of certified child care across the state, it could approve the Governor's recommendation (Alternative 1). The TANF allocation for Wisconsin Shares subsidies would increase by \$1,700,000 FED annually, based on the assumption that DCF would increase payments for certified providers to be equal to those it sets for licensed family care.

8. The bill would not require the payment rates for licensed family providers and certified providers to be equal. DCF could set the rates for certified providers at any amount, as long as these rates do not exceed the rates established for licensed providers. The Committee could decide to modify the Governor's recommendations to require DCF to set reimbursement under Wisconsin Shares for regularly and provisionally certified providers to be equal to the maximum reimbursement rates set by DCF for licensed providers (Alternative 2).

9. Licensed child care providers have additional training and regulatory oversight compared to certified providers. The tiered reimbursement under current law is intended to reflect the additional costs of, and the quality benefits associated with, increased administration, compliance review, training, and continuing education. Providing increased subsidies under Wisconsin Shares for licensed provide an incentive for providers caring for three or fewer children to become licensed and improve the quality of their services.

10. The Committee could find that the maximum reimbursement rates for certified providers should not be the same as the rates for licensed providers. The Committee could instead choose to increase the cap on reimbursement to be 90% of the rates established for licensed providers (Alternative 3). Alternatively, the Committee could reject the Governor's recommendation and maintain the current limits on reimbursement for certified providers (Alternative 4).

## ALTERNATIVES

1. *Governor's Recommendation.* Approve the Governor's recommendation to repeal the limits on setting maximum reimbursement rates under Wisconsin Shares for regularly and provisionally certified providers, so that DCF could set the rates for these providers to be up to 100% of the licensed family hourly rate, instead of up to 75% and 50%, respectively. Provide \$1,700,000 FED annually to increase rates for certified providers.

ALT 1	Change to	
	Base	Bill
FED	\$3,400,000	\$0

2. *Establish Certified Rates Equal to Licensed Rates.* Modify the Governor's recommendations to require DCF to set maximum reimbursement rates under Wisconsin Shares for

regularly and provisionally certified providers to be equal to the rates set by DCF for licensed family providers.

<b>ALT 2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
FED	\$3,400,000	\$0

3. Modify the bill to limit reimbursement under Wisconsin Shares for regularly and provisionally certified providers to be no more than 90% of the maximum reimbursement rates set by DCF for licensed family providers. Reduce funding in the bill by \$680,000 FED annually.

<b>ALT 3</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
FED	\$2,040,000	-\$1,360,000

4. Take no action on this item.

<b>ALT 4</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
FED	\$0	-\$3,400,000

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