



Legislative Fiscal Bureau

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May 12, 2017

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Children and Families: Request to Allocate Supplemental Child Care Block Grant Funding

REQUEST

On April 4, 2017, the Joint Committee on Finance received a request from the Governor under section 16.54(2)(a)2. of the statutes for one-time supplemental funding of \$3,300,000 FED under the child care and development block grant (CCDBG). The request would increase the Department of Children and Families' (DCF) federal block grant operations appropriation [20.437(2)(mc)] by \$3,300,000 in 2016-17 to modify information technology systems to meet new federal requirements and to implement the electronic benefit transfer (EBT) system for the Wisconsin Shares child care subsidy program.

Under s. 16.54(2)(a)2. of the statutes, the Governor may not administer, and no state agency may encumber or expend, certain federal monies unless the Governor first notifies the Co-chairs of the Joint Committee on Finance under a 14-day passive review process. However, this requirement does not apply to the expenditure of block grant funds that are allocated pursuant to section 49.175 of the statutes which provides the allocations for public assistance and local assistance under the temporary assistance for needy families (TANF) block grant.

The Co-chairs notified the Governor on April 24, 2017, that an objection was made and that a meeting would be held to address the request.

BACKGROUND

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 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 TANF block grant

and the federal child care development fund (CCDF), which includes funding under CCDBG and the Social Security Act.

CCDF provides a combination of discretionary and entitlement funds for child care services for low-income families and to improve the quality and supply of child care for all families. The Child Care and Development Block Grant Act of 2014 (CCDBG Act) reauthorized the program through federal fiscal year 2020. Further, the Administration for Children and Families published new federal regulations in September, 2016. The CCDBG Act and related regulations made numerous changes to federal requirements relating to health and safety standards, consumer information, child care subsidy eligibility, and child care quality. These changes require states receiving CCDF funding to undertake various actions, including to: (a) monitor for compliance with health and safety standards all licensed child care providers as well as licensed exempt programs (such as programs run by school or religious organizations) that receive CCDF funds; (b) provide background checks for child care staff and child care providers; and (c) establish a 12-month eligibility re-determination period for participating families regardless of temporary changes in work, training, or education so long as their income does not increase above the federal financial eligibility threshold of 85% of the state median income for a family of similar size.

In addition to the changes required under the CCDBG Act, DCF is also in the process of implementing an EBT system for Wisconsin Shares that will substantially alter the payment process. The EBT system is intended to make the payment process more consistent with the practices commonly used in the market for unsubsidized child care. Instead of paying for care after it is provided, DCF will prospectively calculate the subsidy amount based upon the projected hours of child care needed by the parent. The subsidy will be transferred to an EBT account established on behalf of the parent at the beginning of each payment period (generally at the beginning of each month). Parents will be free to transfer funds at any time from the EBT account via telephone, website, or an EBT "swipe" card. The charged amounts will be immediately and electronically transferred into the child care provider's bank account.

DCF indicates that its current expenditure authority under s. 20.437(2)(mc) is insufficient to support the program and information technology updates required under the CCDBG Act and EBT implementation. Further, DCF indicates that without increased budget authority DCF may not be able to pay expenses already incurred.

ANALYSIS

DCF indicates that updates in information technology systems will be needed in order to comply with the changes in federal law under the CCDBG Act. DCF requests an increase of \$2,000,000 in expenditure authority under 20.437(2)(mc) in 2016-17 for the following changes to the client assistance for reemployment and economic support (CARES) and related information technology systems: (a) \$400,000 for enhancements to manage employee background checks, including audit findings by the federal bureau of investigations; (b) \$100,000 for enhancements to monitor license exempt providers; (c) enhancement and maintenance to comply with CCDBG regulations (\$400,000); (d) after school integration data integration project (\$200,000); (e) enhancement and maintenance to comply with CCDBG regulations for the YoungStar child care

quality and availability program (\$300,000); and (f) creation of a data warehouse to meet new reporting requirements for Wisconsin Shares (\$600,000). In addition, another \$1,000,000 in expenditure authority is requested for DCF's contract with Deloitte Consulting LLP (Deloitte) for system development work related to the CCDBG. This includes a three-month continued eligibility for participants who have been terminated from their employment, updates relating to implementing an asset limit for Wisconsin Shares participation (federal law sets a limit of \$1.0 million), and updates for immunization requirements. DCF indicates that this work relates to the preexisting contract for Deloitte to update and maintain CARES.

DCF Requested 2016-17 Funding for Compliance with CCDBG Act

DCF-Developed Projects	
Employee Background Check Enhancement	\$400,000
Monitoring of License Exempt Providers	100,000
Maintenance to Continue Compliance with CCDBG Act	400,000
After-school Data Integration Project	200,000
YoungStar compliance with CCDBG Act	300,000
Data Warehouse for CCDBG Act Reporting Requirements	600,000
Deloitte Contract for CARES System Development	
Continued Three-month Eligibility for Job Search	500,000
Asset Test	200,000
Immunization Requirements	<u>300,000</u>
Total	\$3,000,000

In addition, DCF requests an increase of \$300,000 in expenditure authority under 20.437(2)(mc) in 2016-17 to support the implementation of EBT. Specifically, DCF indicates that the increased funding would support the EBT vendor contract with Fidelity National Information Services, Inc., the Deloitte contract, and maintain both the new and old payment systems until the implementation of EBT is complete.

It should be noted that DCF is not requesting the provision of any new funding. As DCF stated in its letter, DCF has already received more CCDF funds than originally anticipated for the 2015-17 biennium (which are sufficient to support all the requested spending outlined above). Instead, DCF is requesting that its expenditure authority under Chapter 20 of the Wisconsin Statutes be increased to reflect the actual operational needs of Wisconsin Shares.

The Committee could approve the request because DCF has already received the requested funds under the CCDBG and because the expenditures are required to comply with federal law and/or implement the EBT payment system (Alternative 1).

Alternatively, the Committee could deny the request and require DCF to implement the projects outlined above using TANF and general purpose revenue that have already been appropriated and allocated for TANF-related programs under s. 49.175 (Alternative 2). Due to underspending for Wisconsin Works benefits and other TANF-related programs, sufficient funding is available to be reallocated to Wisconsin Shares by the Secretary of the Department of

Administration under the process outlined in 49.175(2)(a). DCF would expend the requested CCDF funding in the 2017-19 biennium as part of the budget bill.

ALTERNATIVES

1. Approve the request to increase DCF's expenditure authority under the federal block grant operations appropriation in the amount of \$3,300,000. This would support modifications to the CARES system for compliance with federal regulation under the CCDBG Act and the implementation of the EBT payment system for Wisconsin Shares.

2. Deny the Request. DCF would be required to spend other funding already made available under the allocations for TANF-related programs in s. 49.175 of the statutes (such as TANF or general purpose revenue) to support the requested expenditures for the CARES system and implementation of EBT. DCF would be required to spend the requested CCDF funds in the 2017-19 biennium.

Prepared by: John Gentry