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May 20, 2003 Joint Committee on Finance Paper #850

Temporary Assistance for Needy Families (TANF)

Child Care Subsidies (DWD -- Economic Support and Child Care)

[LFB 2003-05 Budget Summary: Page 497, #7]

CURRENT LAW

Base funding for the direct child care program is $305,550,000, which includes funding for: child care subsidies under the Wisconsin Shares program; local administration of the Wisconsin Shares program; on-site child care at job centers and counties; and migrant child care.

Under current law, the Wisconsin Shares program is administered by the Department of Workforce Development (DWD) through local Wisconsin Works (W-2) agencies and county human and social services departments. To be eligible for child care subsidies, families must generally have an initial income of no more than 185% of the federal poverty level. Once eligible, families retain eligibility until gross income exceeds 200% of the federal poverty level. There are no resource limits for the program. The individual applying for care must be a custodial parent, guardian, foster parent, legal custodian, or person acting in place of a parent. The subsidy can be provided for children under age 13 and for children under age 19 who are physically or mentally incapable of their own care.

In order to receive a child care subsidy, families must need child care to do any of the following: (a) work in an unsubsidized job; (b) work in a W-2 employment position; (c) participate in the food stamp employment and training (FSET) program; (d) participate in basic education or a course of study to obtain a GED, if the W-2 agency determines that basic education would facilitate the individual's efforts to maintain employment; (e) participate in a course of study at a technical college or participate in educational courses to provide an employment skill, if the W-2 agency determines that such education would facilitate the individual's efforts to maintain employment; (f) meet the Learnfare school attendance requirement for children of W-2 participants; or (g) obtain a high school diploma or participate in a course of study to obtain a GED if the parent is age 19 or younger. An individual may receive a child care subsidy under items (d) and (e) for up to two years.

Families are required to pay a weekly copayment depending on the family's gross income, family size, the number of children receiving child care, and the type of care selected. Copayments are not required for the following types of participants: (a) foster parents and kinship care parents who have court-ordered placement of a child; (b) FSET participants; and (c) teen parents who are Learnfare participants. The minimum copayment for the type of child care and number of children receiving care is required for the following participants: (a) individuals who are under the age of 20 and attending high school or participating in a course of study to obtain a GED; (b) non-court-ordered kinship care parents; and (c) parents who have left a W-2 employment position for an unsubsidized job within the last month. Families with children who receive child care services for 20 hours or less in a week are subject to one-half of the usual copay amount. The current copayment schedule is structured so that the required copayment will not exceed a maximum of 12% of the family's income. DWD has the authority to change copayments administratively to account for the following factors: (a) child care price changes; (b) the amount of available child care funding; (c) inflation; (d) changes in the federal poverty level; and (e) other economic factors that affect the cost of care, such as change in demand.

Each county is required to establish the maximum child care subsidy that will be paid to the licensed child care provider, subject to DWD review and approval. The rates are determined by surveying licensed group and licensed family day care centers for the rates they charge to the general community. The rate is set so that at least 75% of the number of places for children with licensed providers could be purchased at or below the maximum rate. The maximum rate for regular certified providers cannot exceed 75% of the rate for licensed family day care providers, and the maximum rate for provisionally certified providers cannot exceed 50% of the rate for licensed family day care providers.

GOVERNOR

Reduce funding by $5,363,300 in 2003-04 and provide $417,100 in 2004-05 for direct child care services. Funding for the direct child care program would total $293,634,300 in 2003-04 and $291,385,000 in 2004-05 including the reduction made to child care subsidies relating to the extension of cash assistance for caretakers of newborn infants (CNIs) discussed in LFB paper #849.

DISCUSSION POINTS

1. Wisconsin's child care program is composed of three elements: (a) the direct child care program, which provides child care subsidies through the Wisconsin Shares program, on-site child care at job centers and counties, and migrant child care services; (b) programs to improve the quality and availability of child care; and (c) the local pass-through program, which provides funds to local entities for child care activities. There are three sources of funds for Wisconsin's child care

program: (a) the federal child care and development fund (CCDF); (b) the federal temporary assistance for needy families (TANF) block grant; and (c) GPR required to be spent as maintenance-of-effort for the CCDF. Table 1 below details the proposed amount and distribution of child care funding for the next biennium under the bill. This paper focuses on the direct child care program.

TABLE 1

Child Care Sources of Funding and Proposed Uses for 2003-05

Funding Sources	2003-04	2004-05
GPR	$25,054,100	$25,054,100
CCDF	83,815,400	83,815,400
TANF	196,019,700	193,837,700
Total	$304,889,200	$302,707,200

Uses	2003-04	2004-05
Direct Child Care	$293,634,300	$291,385,000
Quality Improvement	6,859,400	6,926,700
Local Pass-Through Program	4,395,500	4,395,500
Total	$304,889,200	$302,707,200

2. It should be noted that, based on the actual federal child care and development block grant for federal fiscal year 2003, projected funds are now expected to total $83,210,900 per year over the 2003-05 biennium, a reduction of $604,500 annually from the amount assumed in the bill. Therefore, in order to maintain the level of expenditures provided under the bill, increased TANF funds would need to be allocated for the child care programs. It should be noted that there are some proposals at the federal level that would increase child care funds made available to the states; however, it is too early to speculate on the outcome of such proposals.

3. Child care expenditures have continued to rise over the 2001-03 biennium; however, not as much as had been projected. Direct child care expenditures totaled $266.3 million in 2001-02, compared to a budgeted level of $274.5 million. For 2002-03, program expenditures are expected to total $290.3 million, compared to the budgeted level of $305.6 million.

4. Therefore, while both the number of children in subsidy supported care and monthly subsidy amounts per child continue to increase, there has been some decline in the rate of increase, as shown in Table 2 below.

TABLE 2

Wisconsin Shares Participation and Subsidy Levels 1998-99 Through 2002-03 (Projected)

Fiscal Year	Monthly Children	% Increase	Average Monthly Subsidy per Child	% Increase
1998-99	26,763		$396	
1999-00	31,486	17.6%	413	4.3%
2000-01	39,520	25.5	460	11.4
2001-02	44,985	13.8	464	0.9
2002-03 (projected)	49,130	9.2	465	0.2

5. Part of the reason for the leveling off in the average subsidy amount in 2002-03 is due to a change in the reimbursement rate schedule by DWD. As indicated above, counties set the local reimbursement rates based on the cost of child care in the county. Typically, the reimbursement rates go up each year, as the cost of child care increases. Prior to 2003, the rates were broken down into two age categories: 0-2 years; and 2-12 years. The new reimbursement rate schedule, which went into effect in February, 2003, includes four age categories: 0-2 years; 2-3 years; 4-5 years; and 6 years and older. More age categories result in reimbursement rates that more accurately reflect the cost of care for each age category. Because the cost of child care generally decreases as children age, having more age categories for children between the ages of 2 and 12 years old has resulted in lower average subsidies than would have occurred under the previous schedule.

6. In preparing the budget bill, DOA estimated the total cost of the direct child care program at $305.3 million in 2003-04 and $311.0 million in 2004-05. Funding was reduced by $6.6 million in 2003-04 and $14.6 million in 2004-05 to reflect estimated savings from the provision under the bill that would extend W-2 benefits for caretakers for newborn infants from 12 weeks to six months. The Governor's proposal would reduce funding for the direct child care program by an additional $5.1 million each year to offset the estimated deficit in the overall TANF program. Therefore, based on DOA's estimates, the child care subsidy program would be underfunded by $5.1 million in each year under the bill.

7. The DOA estimate of the cost of child care subsidies is based on an average of 50,000 children for both years of the 2003-05 biennium, and estimated average monthly subsidies per child of $482 in 2003-04 and $491 in 2004-05.

8. While the increase in participation in the child care subsidy program has begun to slow, it may be optimistic to assume a complete leveling off for the 2003-05 biennium. A 3.0% increase in participation in 2003-04 and a 1.5% increase in 2004-05 may be more realistic.

9. In addition, the DOA estimate is based on average subsidy levels for the first six months of the fiscal year, which were higher than the average levels for more recent months under

the new reimbursement rate schedule. Decreases in rates under the new schedule were phased in the second and third weeks of February, 2003. Therefore, while limited data is available on average subsidies under the new schedule, it seems reasonable to expect that reimbursement rates will hold constant for 2003-04 at the projected level for 2002-03. A small increase is likely in 2004-05 to reflect inflation.

10. If costs of the direct child care program were reestimated for 2003-05 using a 3% increase in 2003-04 and 1.5% increase in 2004-05 in the average number of children served per month, and no increase in the average subsidy in 2003-04 and a 2% increase in 2003-04, projected subsidy costs would total $298.6 million in 2003-04 and $308.0 million in 2004-05. Compared to the funding provided under the bill, this would represent a reduction in costs of $1.5 million in 2003-04 and an increase in costs of $2.1 million in 2004-05, for a net increase to the bill of $527,400 over the biennium. Therefore, under the bill, funding for child care could be adjusted so that funds were decreased in 2003-04 by $1.5 million and increased in 2004-05 by $2.1 million.

11. These estimates are used in the reestimate paper projecting revenues and expenditures under the TANF program for the 2003-05 biennium. It should be noted that the child care funding numbers in that paper indicate a higher cost of the program compared to the bill due to lower reestimated subsidy savings relating to the provision to extend CNI grants from 12 weeks to six months.

12. As noted in the reestimate paper, under the bill, there is a projected TANF deficit of $2.1 million on June 30, 2005. In addition, going into the next biennium, there would be an estimated structural deficit (annual expenditures exceed annual revenues) of $53.9 million per year. Since projected direct child care program expenditures would make up about 46% of total projected TANF expenditures over the biennium, the Committee could consider several alternatives to reduce costs of the program. Generated savings could be used to offset the projected TANF deficit, or to restore programs that would be eliminated under the bill.

13. This issue paper discusses several options to reduce the projected costs of the direct child care program including: (a) increasing copayments; (b) modifying reimbursement rates; (c) modifying income eligibility limits; (d) implementing waiting lists; or (e) some combination of (a) through (d). Alternatives to modify copayments and eligibility limits and to implement a waiting list assume an October 1, 2003, effective date in order to allow time to implement the modification. In addition, the Committee could reduce funding for county administration, contracted child care, or migrant child care.

14. It should be noted that the information on programs in other states, provided below, except for the waiting list information, is based on data compiled by the Children's Defense Fund as of June 1, 2001. It is the most recent comprehensive information available. However, a March, 2003, report by the Children's Defense Fund on the impact of budget cuts on child care programs indicates that many states have had to reduce child care assistance due to increased demand, state budget crises, and competing demands on TANF resources. Therefore, since June, 2001, some states may have reduced eligibility limits and increased copayments from the levels indicated below. In addition, according to the report, many states are looking to implement measures to

reduce child care assistance costs for 2003-04.

15. Issue paper #855 provides some additional options to reduce other TANF-funded programs to generate savings to address the anticipated TANF deficit or to restore funding for other programs.

a. Increase Copayments

16. Federal child care development block grant regulations require that copayments be affordable and help to ensure equal access to child care for low-income families. The rules indicate that copays that consume no more than 10% of a family's income will help ensure access.

17. Wisconsin's copayment schedule is currently structured so that copayments do not exceed 12% of a family's gross income.

18. Based on information compiled by the Children's Defense Fund for all states, as of June 1, 2001, excluding two states in which copayments are set within ranges, Wisconsin had the 11th highest copayment for families with incomes at 100% of the federal poverty level, with 14 states having higher copayments (some states had the same copayment). For families with incomes at 150% of the federal poverty level, Wisconsin's copayment ranked 15th, with 14 states having higher copayments. In three states, (Idaho, Iowa, and Missouri) a family with income at 150% of the federal poverty level was not eligible for a child care subsidy.

19. Table 3 below provides a comparison of copayment levels among the Midwest states for families at 100% and 150% of the federal poverty level. The information is based on a family of three with one child in care as of June 1, 2001. As shown in the table, Wisconsin's copayments, as a percent of income, ranked second highest among Midwestern states at 100% of the federal poverty level, and highest at 150% of the federal poverty level.

TABLE 3

Monthly Copayment Comparison for Midwestern States
Out-of-Pocket Child Care Costs as a Percent of Income

State	Families with Income at 100% of Federal Poverty Level	Families with Income at 150% of Federal Poverty Level
Illinois	11.0%	7.5%
Indiana	0.0	8.4
Iowa	1.8	Ineligible
Michigan	2.0	1.3
Minnesota	0.4	1.9
Ohio	3.5	4.8
Wisconsin	5.0	8.7

20. The Committee could consider increasing copayments under the child care subsidy program as a way to reduce costs of the program. An increase in the copayments of 15% per year over the current law copayment would generate estimated savings of $3.5 million in 2003-04 and $5.0 million in 2004-05, for total savings of $8.5 over the biennium. The maximum copayment would increase from 12% to 13.7% of a family's gross income.

21. Prior to March, 2000, the maximum copayment was structured so that it did not exceed 16% of a family's income. Therefore, increasing copayments by 15% would still result in lower copayments, as a percentage of gross income, than those that were in effect prior to March, 2000.

22. Alternatively, a copayment increase of 10% per year would generate estimated savings of $2.3 million in 2003-04 and $3.4 million in 2004-05, for total savings of $5.7 million over the biennium. Under this alternative, the maximum copay would increase from 12% to 13.1% of a family's gross income.

23. However, as shown above, Wisconsin's copayment is already high compared to other Midwestern states, and ranks within the top 15 states nationally. Increasing copayments further could be viewed as inhibiting access to child care for low-income families.

b. Modify Reimbursement Rates

24. Another option to reduce child care subsidy costs would be to modify reimbursement rates for providers. The federal child care development block grant regulations require that families that receive child care subsidies have equal access to the same range of child care services that non-subsidized children receive. The regulations suggest that an effective way to ensure access is for states to cap reimbursement rates at the 75th percentile of the local market rate, by type of care and age of child. This means that at the maximum rate paid by a state, 75% of the child care slots for a particular type of care and area could be purchased.

25. In Wisconsin, each county establishes the maximum child care subsidy so that at least 75% of the licensed child care capacity in the county could be purchased at or below the maximum rate. Rates for providers that are certified by the counties are then set at a certain amount below the rates for licensed day care. Rates for Level 1 providers, which are required to complete a 15-hour training requirement, may not exceed 75% of the rate for licensed family day care. Rates for Level 2 providers, which are not subject to the training requirement, may not exceed 50% of the rate for licensed family day care providers. The rates are reviewed and approved annually by DWD.

26. The Committee could consider freezing reimbursement rates for the entire biennium. Under this alternative, DWD would not be allowed to adjust reimbursement rates for the biennium. This would save an estimated $1.6 million in 2003-04 and $6.4 million 2004-05, for total savings of $8.0 million over the biennium.

27. However, based on the new reimbursement rate schedule, some providers are

currently receiving lower payments than under the previous schedule. Therefore, as the costs of child care increase, fewer providers may be willing to participate in the program, and, as a result, families would have fewer options for child care providers. As noted above, the federal regulations require states to certify that the payment rates for child care providers ensure comparable access to child care for families who are eligible for assistance as for those that are not eligible for assistance. If the Committee were to freeze reimbursement rates, the state would have to be able to justify that eligible families still have equal access to child care providers.

c. Income Eligibility Limits

28. Another option to reduce child care subsidy costs would be to impose more strict income eligibility limits. In Wisconsin, the initial income eligibility limit is set at 185% of the federal poverty level. Once eligible, a family can retain eligibility until its income exceeds 200% of the federal poverty level. Prior to March, 2000, the initial eligibility limit for child care subsidies was 165% of the federal poverty level.

29. Federal law requires that families who receive child care subsidies earn less than 85% of the state median income level. In Wisconsin, 85% of the state's median income level is $56,700 for a family of four for federal fiscal year 2003, which is approximately 325% of the federal poverty level.

30. Based on information compiled by the Children's Defense Fund, as of June 1, 2001, excluding two states that allow localities to set their own income levels, 23 states and the District of Columbia had initial eligibility levels higher than 185% of the federal poverty level, four states, including Wisconsin, had income limits at 185% of the federal poverty level, and 21 states had income eligibility limits lower than 185% of the federal poverty level.

31. Table 4 below provides a comparison of the income eligibility levels for state child care subsidy programs for the Midwestern states based on information compiled by the Children's Defense Fund.

TABLE 4

Comparison of Initial Child Care Subsidy Program Eligibility Levels for Midwestern States As of June, 1, 2001

State	Income Eligibility as a Percentage of the Federal Poverty Level
Illinois	166%
Indiana	138
Iowa	135
Michigan	178
Minnesota	289
Ohio	185
Wisconsin	185

32. If the initial income eligibility level were lowered back to 165% of the federal poverty level, it would generate estimated savings of $15.2 million in 2003-04 and $20.8 million in 2004-05, for total savings of $36.0 million over the biennium. However, an estimated 2,100 families in 2003-04 and 2,800 families in 2004-05 that would be anticipated to seek child care subsidies would not have access to the program. If the initial eligibility limit for child care subsidies were reduced to 180% of the federal poverty level, it would generate estimated savings of $6.2 million in 2003-04 and $8.5 million in 2004-05, for a savings of $14.7 million over the biennium. An estimated, 900 families in 2003-04 and 1,200 families in 2004-05 that would be anticipated to seek subsidies would not have access to the program. Under both of these alternatives, once eligible, families would remain eligible for the program until their incomes reach 200% of the federal poverty level.

33. It could be argued that income eligibility levels should not be decreased because doing so would heighten the affordability problems for families in the excluded income range.

d. Waiting Lists

34. Another option would be to reduce the amount of funding provided under the bill for the child care subsidy program by some amount, and require DWD to implement a waiting list for families with incomes above a certain threshold. Based on a survey of states at the end of 2002, twenty states and the District of Columbia had statewide waiting lists for child care assistance. In addition, several other states were either not accepting new applications for child care assistance or may have had waiting lists at the local level.

35. The Committee could reduce funding for child care subsidies by $2.8 million in 2003-04 and $4.7 million in 2004-05, or $7.5 million over the biennium. Under this alternative, a waiting list would need to be implemented by October 1, 2003, for persons with incomes above 140% of the federal poverty level. An estimated 400 families in 2003-04 and 600 families in 2004-05 would be without access to the program if a waiting list were implemented for families with incomes above 140% of the federal poverty level.

36. If waiting lists were implemented, DWD could be given authority to allow access for those above the waiting list income threshold if increased funding became available, either due to reduced cost projections over the biennium, or increased federal funds.

e. Combinations of Alternatives a through d

37. The options described above could be combined in numerous ways to reduce projected direct child care program costs over the biennium. However, the projected savings associated with the alternatives cannot be added together to produce combinations of alternatives because the variables interact. A couple of options are discussed below and other options could be estimated for the Committee. As noted above, most options assume an October 1, 2003, effective date to allow DWD to make the necessary programmatic and computer system changes.

38. One option would be to increase copays by 2% per year over the current law amount, and allow no growth in reimbursement rates. Under this alternative, participating families would be required to contribute up to 12.2% of their gross incomes, compared to up to 12% under current law. All families that are anticipated to seek child care subsidies would have access to the program. Estimated savings generated under this option would be $2.1 million in 2003-04 and $7.1 million in 2004-05, for total projected savings over the biennium of $9.2 million.

39. Another option would be reduce funding for child care subsidies by $3.1 million in 2003-04 and $4.5 million in 2004-05, increase copayments by 10% per year, and require DWD to implement a waiting list for families with incomes that exceed 175%. Under this option, an estimated 100 families in 2003-04 and 200 families in 2004-05 would not have access to the program. In addition, participants would be required to contribute up to 13.1% of their gross family income, compared to up to 12% under current law.

f. County Administration, On-site Child Care, and Migrant Care

40. As noted above, the direct child care program includes funding for county administration, on-site child care at job centers and counties, and migrant child care. According to DWD, the budget for these activities totals $15,838,000 in 2002-03. The bill would provide $16,240,600 annually for the 2003-05 biennium. Separate allocations are not made for these activities; rather DWD allocates the funding based on projected contract costs. Table 5 below provides a comparison of contracted funding for 2002-03, and DWD's estimates of how the funding under the bill would be allocated for 2003-05.

TABLE 5

Funding for County Administration, On-Site Child Care, and Migrant Child Care

	Base 2002-03	Proposed Annual 2003-05	Percent Increase
County Administration	$11,773,900	$12,027,700	2.2%
Onsite Child Care	3,168,500	3,317,300	4.7
Migrant Child Care	895,600	895,600	0.0
Total	$15,838,000	$16,240,600	2.5%

41. County agencies and W-2 agencies share in the administration of the child care subsidy program at the local level. The W-2 agency expenditures are built into the W-2 contracts. W-2 agencies are primarily responsible for determining eligibility for child care subsidies. They also may assist in locating child care. Once eligibility is determined, the county agency is responsible for determining the number of child care hours authorized, copayment amounts, and arranging for payments to the child-care providers. In addition, counties certify Level 1 and Level II day care providers that are not licensed by the state, and, as noted above, set the maximum reimbursement rates paid to child care providers. Counties may also assist individuals in locating

appropriate care. In many cases, the W-2 agency is the county agency; however, DWD contracts with counties separately under the direct child care program to perform these duties.

42. The Committee could reduce the amounts available for county administration by 5% annually, for savings of $601,400 per year, or $1,202,800 over the biennium. However, county budgets are already expected to be stretched for the 2003-05 biennium. Therefore, the Committee may not wish to further burden counties with reduced funding for administration of the child care program. Further, according to DWD, the amounts under the bill would already represent a decrease of $80,600 per year to the amounts actually contracted for calendar year 2003.

43. DWD currently contracts with 16 W-2 agencies and counties for on-site child care at the agencies and job centers. As noted above, for 2002-03, funding of $3,168,500 is budgeted for these contracts. According to DWD, this would be increased to $3,317,300 annually for the 2003-05 biennium based on funds provided under the bill.

44. On-site child care is typically provided on an hourly basis while parents are attending meetings with caseworkers, participating in training and education, or using other agency resources. According to DWD, the contract amounts are generally based on projected child care usage and the county reimbursement rates. Providers are reimbursed at levels consistent with requiring a copayment; however, parents are not required to pay a copayment.

45. According to DWD, for calendar year 2002, the agency contracted for 381 on-site child care slots. DWD officials indicate that on a monthly basis these contracts serve an average of 2,467 families and 4,236 children.

46. The Wisconsin Child Care and Education Coalition has suggested eliminating or reducing on-site contracts as a way to fund other indirect child care programs. The Coalition's rationale for reducing on-site child care is that it was created at a time when the waiting period for approval for the child care subsidy program was more lengthy, and now that the process is quicker, there is less need for the services. In addition, since the contracts only fund care at 16 sites, the Coalition indicates that the on-site services have limited impact compared to the subsidy program itself and other indirect care programs, which provide statewide benefits. The Coalition's most recent proposal would reduce on-site child care funding to $2,250,000 annually. The Committee could adopt the Coalition's proposal for a reduction in costs to the bill of $1,067,300 per year.

47. The Committee could also eliminate on-site child care at job centers and W-2 agencies entirely, for savings of $3,317,300 annually. However, W-2 participants who are not able to access child care may be exempted from required W-2 activities. According to W-2 managers, on-site child care virtually eliminates "good cause" exemptions for individuals who would otherwise have difficulty finding child care for the time spent in W-2 training and education activities or caseworker meetings. In addition, as noted above, the Coalition indicates that because only 16 agencies participate, the services have limited statewide impact. However, four of the 16 agencies are the Milwaukee County W-2 agencies, which serve an estimated 77% of the W-2 caseload.

48. Migrant child care services are provided under contract with the United Migrant Opportunity Services (UMOS) agency. The UMOS migrant child care services program is administered in Oshkosh. However, the UMOS office in Milwaukee provides fiscal management for the program. Under the program, child care services are provided in 22 counties. Parents are required to make copayments. Child care is provided only to parents that meet the definitions of migrant, transitional, and seasonal workers. In the event that families become permanent residents, they are expected to apply for the Wisconsin Shares program. According to DWD, for calendar year 2002, a total of 567 slots were contracted for migrant care, serving an average of 631 children per day.

49. As shown in Table 5, funding for migrant care would be held constant under the bill. The Committee could reduce or eliminate funding for migrant child care services. However, these families could seek services through the state Wisconsin Shares program, which would offset savings from eliminating the contracts. In addition, according to DWD, the county offices do not necessarily have bilingual staff and are not equipped to deal with issues concerning migrant child care. Further, if the services were eliminated, DWD staff indicate that many of the migrant workers would end up leaving their children behind in migrant camps, or taking them to the worksites, neither of which would be beneficial to the children. Therefore, the Committee may not want to reduce or eliminate the migrant child care funding.

ALTERNATIVES

Fund Projected Child Care Subsidy Costs

1. Approve the Governor's recommendation to reduce TANF funding by $5,363,300 FED in 2003-04 and provide $417,100 FED in 2004-05 for direct child care services.

2. Modify the Governor's recommendation to reduce TANF funding for child care subsidies by $1,546,100 FED in 2003-04 and increase funding by $2,073,500 FED in 2004-05 to fully fund the reestimated costs of child care subsidies for 2003-05, for increased costs to the bill of $527,400 over the biennium.

Alternative 2	FED
2003-05 FUNDING (Change to Bill)	$527,400

Reduce Child Care Subsidy Costs

3. Make one or more of the following modifications to the direct child care program to reduce projected costs. Costs for each option are not included because they will vary depending on the specific combination chosen.

a. Increase copayments.

b. Freeze reimbursement rates.

c. Limit initial income eligibility to a level below 185% of the federal poverty level.

d. Require DWD to implement a waiting list for participants with incomes above a certain federal poverty level.

e. Reduce funding for county administration, on-site child care, or migrant care.

Maintain Base Level Funding

4. Delete provision. Provide increased funding of $5,363,300 FED in 2003-04 and reduce funding by $417,100 FED in 2004-05 to maintain direct child care funding at the current level. This would not take into account the reductions under the bill related to extending the caretaker of a newborn infant grants. Under this alternative, funding for child care subsidies would exceed projected costs by $6.9 million in 2003-04, and would be $2.5 million less than projected costs for 2004-05.

Alternative 4	FED
2003-05 FUNDING (Change to Bill)	$4,946,200

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