Legislative Fiscal Bureau

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May 18, 2005 Joint Committee on Finance Paper #855

Temporary Assistance for Needy Families (TANF)

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

CURRENT LAW

The Wisconsin Shares child care subsidy 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 licensed child care providers, 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 reimbursement 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 reimbursement 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.

Base funding for child care subsidies is $308,040,600. This paper does not discuss a reduction in child care subsides due to savings from extending caretaker of newborn infant (CNI) grants from 12 weeks to 26 weeks or a reduction due to the implementation of a tiered reimbursement system for child care providers. These provisions are discussed in Papers #854 and #857.

GOVERNOR

Maintain base level funding. The administration anticipates no change in the number of children or average subsidies for which child care providers would be reimbursed.

DISCUSSION POINTS

1. Currently, 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, county administration, 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. Under the

bill, the child care program is also composed of three elements: (a) the direct child care program; (b) child care state administration; and (c) quality care for quality kids. While the direct child care program would remain the same, the other two elements have been renamed and include new initiatives, which will be discussed in Paper #856.

2. There are three sources of funds for Wisconsin's child care program: (a) the federal child care and development block grant (CCDBG); (b) the federal temporary assistance for needy families (TANF) block grant; and (c) GPR required to be spent as maintenance-of-effort for the CCDBG. Table 1 below details the proposed amounts 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 2005-07

Funding Sources	2005-06	2006-07
GPR	$26,421,200	$26,421,200
CCDBG	81,832,300	81,832,300
TANF	218,009,200	209,736,300
Total	$326,262,700	$317,989,800

Uses	2005-06	2006-07
Direct Child Care	$307,282,800	$300,509,900
Child Care State Administration	7,476,400	7,476,400
Quality Care for Quality Kids	11,503,500	10,003,500
Total	$326,262,700	$317,989,800

3. The amount of funding for direct child care reflects a reduction in child care subsidies from base funding due to the extension of grants for caretakers of newborn infants from 12 weeks to 26 weeks (-$757,800 in 2005-06 and -$1,530,700 in 2006-07) and the implementation of a tiered reimbursement system for child care subsidies (-$6,000,000 in 2006-07). [As noted above, both of these issues are discussed in Papers #854 and #857.]

4. Child care expenditures have continued to rise over the 2003-05 biennium. Direct child care expenditures totaled $299.8 million in 2003-04, compared to a budgeted level of $298.6 million. For 2004-05, program expenditures are expected to total $311.5 million, compared to the budgeted level of $308 million.

5. While both the number of children in subsidy-supported care and monthly subsidy amounts per child have increased overall, there has been some decline in the rate of increase, as shown in Table 2 below.

TABLE 2

Wisconsin Shares Participants and Subsidy Levels 1998-99 Through 2004-05 (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	48,584	8.0	463	-0.3
2003-04	51,328	5.6	458	-1.1
2004-05 (projected)	52,325	1.9	468	2.2

6. In preparing the budget bill, DOA estimated the total cost of the direct child care program at $308,040,600 annually (not including the reductions for the extension of grants for caretakers of newborn infants and for the tiered reimbursement system). The DOA estimate of the cost of child care subsidies under AB 100 retains base funding from 2004-05. The 2004-05 estimate of child care subsidies was based on an average of 51,333 children, average monthly subsidies per child of $474, and county administration, on-site child care, and migrant child care services costs of $16.1 million. However, the revised estimate of $311.5 million for 2004-05 is based on an average of 52,325 children, average monthly subsidies of $468 per child, and county administration, on-site child care, and migrant child care services costs of $17.4 million.

7. The revised estimate for 2004-05 reflects year-to-date growth in subsidy payments and the number of children served, with adjustments to account for seasonal patterns in program expenditures. Through April, subsidy payments were 8.7% higher than the same period last year, and the average number of children served each month was 2.3% higher. However, this April was a month in which five weekly subsidy payments were made, while only four payments were made in April, 2004. Therefore, the April year-to-date growth rate likely overstates the amount of growth that can be expected over the entire twelve months of the 2004-05 fiscal year. To account for this spike in payments, the year-to-date growth rate of 4.4% that was evident from January through March, 2005, was used to calculate the revised estimate for 2004-05.

8. DWD believes that no additional spending beyond the $308 million budgeted in Act 33 will be needed for child care subsidies in 2004-05. DWD also indicates that there could be underspending this year. However, in order for spending to stay within the budgeted amount of $308 million, total subsidies for May and June of this year would have to average $21 million per month. Subsidies have not been this low since March, 2004, and the level of payments typically is higher in the last quarter of the fiscal year than in any other quarter. The revised estimate assumes that the monthly subsidies for the last two months of the fiscal year will average $22.7 million per month, which is the year-to-date average for months in which four weekly payments are made.

9. In addition, DWD assumes that child care subsidies will not increase in 2005-06 and

2006-07. DWD indicates the growth rate has been slowing and future costs would be reduced by an improved economy or different rate reimbursement methodologies, which could reduce the amount of subsidies paid to child care providers to reduce the overall costs of child care subsidies. DWD continues to assert that the baseline estimates under AB 100 ($308 million in 2005-06 and $308 million in 2006-07) are accurate.

10. While the increase in participation has been slowing down, it may be optimistic to assume no further growth in the direct child care program. A 1% increase in participation in 2005-06 and a 0.5% increase in 2006-07 may be more realistic.

11. If costs of the direct child care program were reestimated for 2005-06 using a 1% increase in 2005-06 and a 0.5% increase in 2006-07 in the average number of children served per month, a 1% increase annually in the average subsidy over the biennium, and county administration, on-site child care, and migrant child care services costs of $17.4 million (estimated expenditures in 2004-05), projected subsidy costs would total $317.4 million in 2005-06 and $321.9 million in 2006-07. Compared to the funding provided under the bill, this would represent an increase in costs of $9.3 million in 2005-06 and $13.8 million in 2006-07. Therefore, under the bill, funding for child care could be adjusted so that funds were increased by $9.3 million in 2005-06 and $13.8 million in 2006-07.

12. These estimates are used in Paper #850 projecting revenues and expenditures under the TANF program for the 2005-07 biennium. It should be noted that the child care funding numbers in that paper are offset by a higher reestimated subsidy savings, compared to the bill, relating to the provision to extend CNI grants from 12 weeks to 26 weeks.

13. As noted in Paper #850, under the bill, there is a projected TANF deficit of $25.7 million at the end of 2006-07. Since projected direct child care program expenditures would make up about 50% 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 replace other revenue sources, offset the structural deficit, or restore funding to other programs.

14. This 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, 2005, 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.

15. It should be noted that the information on programs in other states, provided below, is based on data compiled by the National Women's Law Center in the spring of 2004. It is the most recent comprehensive information available. However, in response to growing child care costs, some states may have reduced eligibility limits and increased copayments from the levels indicated below.

16. Paper #861 provides some additional options to reduce other TANF-funded programs to generate savings to address the anticipated TANF structural deficit, to reduce other sources of funding for TANF-related programs, or to restore funding for other programs.

a. Increase Copayments

17. 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.

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

19. Based on information compiled by the National Women's Law Center for all states and the District of Columbia, as of spring of 2004, Wisconsin had the 20th highest copayment for families with incomes at 100% of the federal poverty level, with 29 states and the District of Columbia having lower copayments (one state had the same copayment). For families with incomes at 150% of the federal poverty level, excluding one state in which copayments are set within ranges, Wisconsin's copayment ranked 20th, with 23 states and the District of Columbia having lower copayments. In six states (Idaho, Indiana, Iowa, Missouri, Montana, and Nebraska), a family with income at 150% of the federal poverty level was not eligible for a child care subsidy.

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

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	5%	7%
Indiana	6	Ineligible
Iowa	2	Ineligible
Michigan	2	7
Minnesota	4	5
Ohio	10	10
Wisconsin	5	9

21. 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 $3.7 million in 2005-06 and $5.1 million in 2006-07, for total savings of $8.8 million over the biennium. The maximum copayment would increase from 12% to 13.7% of a family's gross income.

22. 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.

23. Alternatively, a copayment increase of 10% per year would generate estimated savings of $2.4 million in 2005-06 and $3.4 million in 2006-07, for a total savings of $5.8 million over the biennium. Under this alternative, the maximum copay would increase from 12% to 13.2% of a family's gross income. However, 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 reimbursement 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 $1.1 million in 2005-06 and $4.4 million in 2006-07, for total savings of $5.5 million over the biennium.

27. However, 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 $56,940 for a family of four for federal fiscal year 2005, which is approximately 294% of the federal poverty level.

30. Based on information compiled by the National Women's Law Center, as of spring of 2004, excluding three states in which income eligibility is set within ranges, 20 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 23 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 National Women's Law Center.

TABLE 4

Comparison of Initial Child Care Subsidy Program Eligibility Levels For Midwestern States (Spring 2004)

State	Income Eligibility as a Percentage of the Federal Poverty Level
Illinois	178%
Indiana	122
Iowa	140
Michigan	152
Minnesota	170
Ohio	150
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 million in 2005-06 and $20.2 million in

2006-07, for total savings of $35.2 million over the biennium. However, an estimated 1,900 families in 2005-06 and 2,600 families in 2006-07 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 2005-06 and $8.4 million in 2006-07, for a savings of $14.6 million over the biennium. An estimated 800 families in 2005-06 and 1,100 families in 2006-07 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, 23 states and the District of Columbia had statewide waiting lists 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 $0.6 million in 2005-06 and $1.1 million in 2006-07, or $1.7 million over the biennium. Under this alternative, a waiting list would need to be implemented by October 1, 2005, for persons with incomes above 140% of the federal poverty level. An estimated 80 families in 2005-06 and 150 families in 2006-07 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. Some options are discussed below and other options could be estimated for the Committee. As noted above, most options assume an October 1, 2005, 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 $1.6 million in 2005-06 and $5.1 million in 2006-07, for total projected savings over the biennium of $6.7 million.

39. Another option would be reduce funding for child care subsidies by $2.6 million in 2005-06 and $3.7 million in 2006-07, increase copayments by 10% per year, and require DWD to implement a waiting list for families with incomes that exceed 175% of the federal poverty level. Under this option, less than 50 families annually would not have access to the program. In addition, participants would be required to contribute up to 13.2% of their gross family income, compared 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 $17,379,100 in 2004-05: (a) $13,509,800 for county administration; (b) $2,973,700 for onsite child care; and (c) $895,600 for migrant child care. AB 100 does not increase funding for these activities.

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 2 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 $675,500 per year, or $1,351,000 over the biennium. However, counties could increase tax levies to offset the decrease in state funding for administrative costs related to Wisconsin Shares. Therefore, the Committee may not wish to further burden counties with reduced funding for administration of the child care program.

43. DWD currently contracts with 17 W-2 agencies and counties for on-site child care at the agencies and job centers. As noted above, for 2004-05, funding of $2,973,700 is budgeted for these contracts.

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 2004, the agency contracted for 334 on-site child care slots. DWD officials indicate that in January, 2005, these contracts served 1,620 families and 2,170 children.

46. The Committee could reduce on-site contracts as a way to fund other child care programs. On-site child care was created at a time when the waiting period for approval for the child care subsidy program was more lengthy. Now that the process is quicker, there may be less need for the services. In addition, since the contracts only fund care at 17 sites, the on-site services have limited impact compared to the subsidy program itself and other indirect child care programs, which provide statewide benefits. The Committee could reduce funding for on-site contracts by half or by $1,486,900 per year.

47. The Committee could also eliminate on-site child care at job centers and W-2 agencies entirely, for savings of $2,973,700 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, because only 17 agencies participate, the services have limited statewide impact. However, three of the 17 agencies are Milwaukee County W-2 agencies, which serve an estimated 80% 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 who meet the definition 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 2004, a total of 642 slots were contracted for migrant care. From July, 2004, through September, 2004, the maximum number of children served at any one time was 298.

49. The Committee could reduce or eliminate funding for migrant child care services. For example, DWD could contract for half of the slots (321) because the maximum number of children served at any one time was 298. The Committee could reduce funding for migrant child care services by $447,800 annually.

50. However, the reduction of funding could eliminate slots entirely for some of the 22 counties that currently have them, leaving some of these counties without migrant child care. In addition, these families could seek services through the state Wisconsin Shares program, which would offset savings from eliminating or reducing 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.

51. As noted above, to fund child care subsidies at a level consistent with the revised estimates would require an increase in funding of $9.3 million in 2005-06 and $13.8 million in 2006-07 over AB 100. These estimates are not certain and it is possible that the funding level under AB 100 would be sufficient for child care subsidies in the 2005-07 biennium. If the Committee funds child care subsidies at the same level as AB 100, and additional funding is needed during the 2005-07 biennium, several options could be available to support child care subsidies: (a) underspending in other programs could be reallocated to child care subsidies with approval from the Department of Administration; (b) if the state receives TANF high performance bonus funds, these funds could be allocated for child care subsidies through the process under s. 16.515 and s. 16.54 of the statutes; or (c) DWD could receive higher than anticipated revenues through AFDC or TANF overpayment recoveries, or through child support assigned to the state by TANF recipients. However, it is possible that there could be overspending in TANF-related programs, that the state does not receive a TANF high performance bonus, or that DWD could receive lower than anticipated revenues. It should also be noted that the child care subsidy program is not an entitlement. Therefore, DWD could implement measures such as waiting lists, changing categories for rate reimbursements, increasing copayments, or reducing services for current recipients in order to reduce costs for child care subsidies.

ALTERNATIVES

A. Fund Projected Child Care Subsidy Costs

1. Approve the Governor's recommendation to maintain base funding of $308,040,600 FED annually during the 2005-07 biennium for direct child care services.

2. Modify the Governor's recommendation to increase TANF funding for child care subsidies by $9,338,500 FED in 2005-06 and $13,838,500 FED in 2006-07 to fully fund the reestimated costs of child care subsidies for 2005-07, for increased costs to the bill of $23,177,000.

Alternative A2	FED
2005-07 FUNDING (Change to Bill)	$23,177,000

B. Reduce Child Care Subsidy Costs

1. 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.

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