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Joint Committee on Finance

Paper #190

Child Care Quality and Availability Initiatives (Children and Families -- Economic Support and TANF-Funded Programs)

[LFB 2019-21 Budget Summary: Page 72, #17 and Page 74, #19]

CURRENT LAW

Wisconsin's child care subsidy program, Wisconsin Shares, provides child care assistance for low-income families to enable parents and other caretakers to work or to prepare for employment through work programs and education or training. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent.

Federal law requires states to use a portion of federal and state child care funding sources for quality improvements. In addition, funding the state receives under the federal child care and development fund (CCDF) is earmarked for certain kinds of activities, including expansion of child care, child care quality improvements, and resource and referral services.

Quality Rating and Improvement System (YoungStar). Child care providers, except for certain licensed exempt programs, must participate in the YoungStar quality rating and improvement system in order to participate in Wisconsin Shares. YoungStar assesses child care providers up to five stars on a publically searchable scale when they apply to be in YoungStar, and every other year thereafter when they renew their YoungStar contract. Child care providers receive an adjustment to their reimbursement under Wisconsin Shares based on the number of stars they earn under YoungStar. The rate adjustment applies after the parent copayment.

Under 2017 Act 236, the tiered reimbursement amounts under YoungStar are as follows: (a) one-star providers are prohibited from receiving reimbursement under Wisconsin Shares; (b) two-star providers receive a reduction of up to 5% from the base reimbursement rate; (c) three-star providers receive up to the base reimbursement rate; (d) four-star providers receive an increase of up to 15% from the base reimbursement rate; and (e) five-star providers receive an increase of up to 30% from the base reimbursement rate.

Beginning October 2018, DCF changed the YoungStar adjustment for two-star programs from -5% to -1%. Beginning January, 2019, DCF changed the YoungStar adjustment for four-star providers from 10% to 11% and for five-star providers from 25% to 27%.

Child Care Scholarships and Stipends. The teacher education and compensation helps (TEACH) program and the rewarding education with wages and respect for dedication (REWARD) program are designed to address child care staffing shortages and low staff retention rates. The TEACH program provides scholarships to teachers and child care providers for educational costs directly related to the child care field. The scholarships, which vary in length and amount, cover a portion of books, travel, and the costs of tuition (from three to 18 credits), and provide a raise or a bonus for staff that complete a credential in the registry credential system for the child care and education profession.

The REWARD program provides stipends to child care providers and teachers that meet certain requirements for education, employment, and longevity. Stipend amounts are based on the individual's career level in the registry.

TEACH and REWARD program expenditures totaled \$4.0 million in 2017-18. In 2018-19, \$4.0 million is budgeted for these programs.

Pyramid Model. The pyramid model is a framework of evidence-based interventions for child care providers, parents and professionals to support optimal early childhood development and to prevent challenging behaviors by infants, toddlers, and preschoolers. Key components of the pyramid model include positive teacher-student relationships, partnerships between teachers and families, structured classroom environments, explicit instruction in social and emotional skills, and individualized supports for children demonstrating more challenging behaviors. The Wisconsin Alliance for Infant Mental Health (AIMH) has provided statewide coordination for the implementation of the Wisconsin pyramid model since 2009. The Wisconsin pyramid model training is part of the YoungStar quality rating and improvement evaluation criteria.

In 2018-19, CCDF funding of \$100,000 supports training on the pyramid model, which is provided through the contract for YoungStar administration with the Supporting Families Together Association. Additional CCDF funding of \$50,000 supports training through locally based child care resource and referral agencies.

GOVERNOR

Modify child care quality and availability programs as described below.

YoungStar Adjustment. Maintain the YoungStar adjustment for two-star providers at -1%, for four-star providers at 11%, and five-star providers at 27%. As discussed in LFB paper #188, because funding for the recent changes to the YoungStar adjustment is not in the adjusted base for Wisconsin Shares, the bill would increase the allocation from temporary assistance for needy families (TANF) block grant programs for direct child care subsidies by: (a) \$2,213,600 FED annually for the adjustment for two-star providers (item "k"); and (b) \$750,000 FED annually for the adjustment for four- and five-star providers (part of item "f").

Wisconsin Pyramid Model. Provide \$415,000 FED in 2019-20 and \$535,000 FED in 2020-21 from CCDF monies budgeted in the TANF allocation for child care quality improvement programs to support the implementation of the Wisconsin pyramid model at daycare providers.

Milwaukee Grant Program. Provide \$655,000 FED in 2019-20 and \$749,000 FED in 2020-21 for DCF to award grants to improve overall child care for families that reside in a geographic area with high-poverty levels (as identified DCF) in the City of Milwaukee. The program would include two aspects.

First, the bill would provide direct child care subsidy payments for eligible families, totaling \$190,000 FED in 2019-20 and \$253,000 FED in 2020-21 from TANF block grant funds, as grants to child care providers to support access to high-quality child care. A grant could be used for start-up costs, ongoing operational costs, including subsidy payments for eligible families, and quality improvement activities. A child care provider that is awarded a grant would be required to contribute matching funds equal to 25 percent of the amount awarded. The matching contribution could be in the form of money or in-kind goods or services.

Second, the bill would provide CCDF funding of \$465,000 FED in 2019-20 and \$496,000 FED in 2020-21 from the allocation for child care quality initiatives for DCF to provide grants to child care providers and employees of child care providers and educational institutions to educate employees of child care providers. DCF indicates that the funding would support awards through the TEACH program, the REWARD program, and Milwaukee Area Technical College training programs.

Other Child Care Quality Programs. Maintain funding at base levels for other child care quality and availability programs, such as TEACH, REWARD, and the administrative contract costs of YoungStar. Under the bill, total funding for child care quality and availability programs would be \$16,532,700 in 2019-20 and \$16,683,700 in 2020-21.

DISCUSSION POINTS

YoungStar

1. 2017 Act 236 allocated an additional \$8,000,000 FED (TANF) in 2018-19 to increase reimbursement rates for child care services under the Wisconsin Shares program. Of the funds provided, Act 236 required DCF to use \$7,250,000 FED to increase rates as a uniform percentage increase in every county. Act 236 also increased the maximum YoungStar adjustment beginning in 2019 for four-star providers from 10% to 15% and for five-star providers from 25% to 30%. The act provided \$750,000 FED to fund the increased costs of YoungStar adjustment in the second half of 2018-19.

2. After the passage of Act 236, the federal Consolidated Appropriations Act of 2018 significantly increased federal CCDF discretionary funding. CCDF support for Wisconsin child care programs increased by more than \$25.4 million in 2017-18.

3. On June 13, 2018, the Governor approved several changes to Wisconsin Shares under authority provided to DCF under current law. DCF increased the YoungStar adjustment for two-star

providers from a 5% reduction to a 1% reduction. DCF implemented the changes beginning in October, 2018.

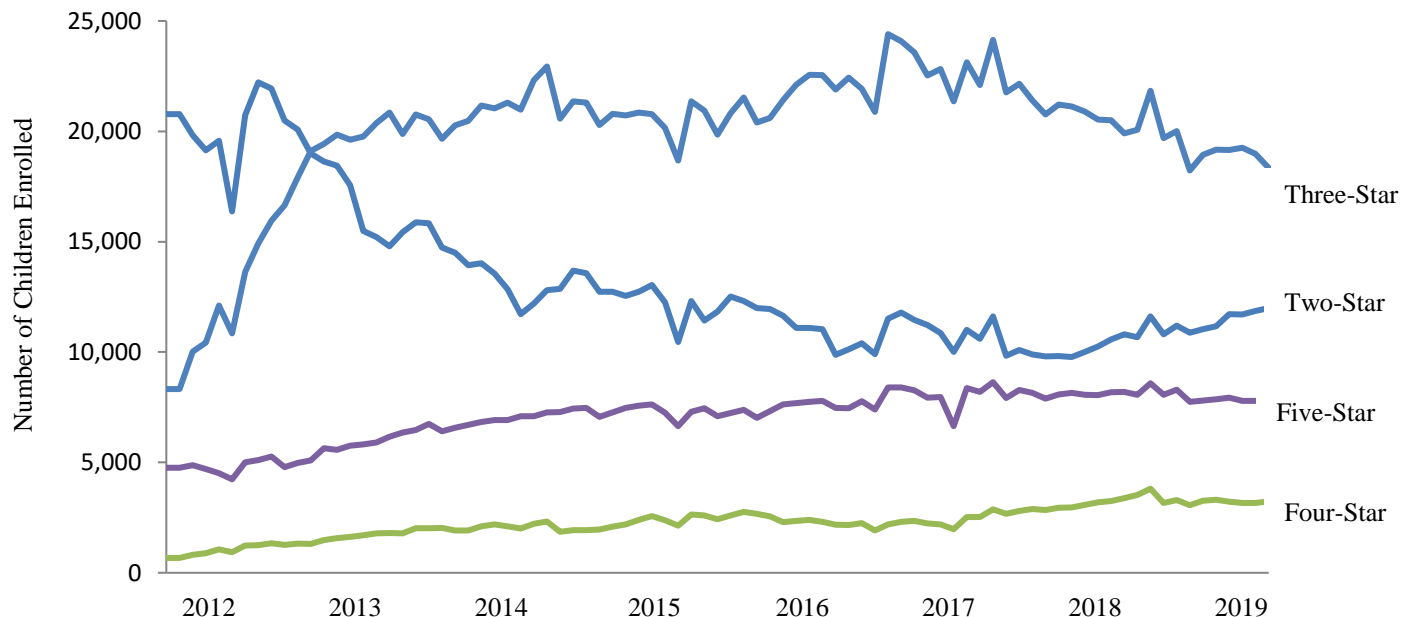
4. As directed by Act 236, DCF used \$7,250,000 FED to increase Wisconsin Shares reimbursement rates in January, 2019. Based on its projections of rate changes that could be funded with the remaining \$750,000 FED under Act 236, DCF increased the YoungStar adjustment for four-star and five-star providers to 11% and 27%, respectively.

5. DCF estimated that the costs of increasing the YoungStar adjustment to the maximum allowed under Act 236 in the second half of 2018-19 would be approximately \$2,100,000.

6. For comparison, DCF projected, based on caseloads before to the rate increases, that the TANF allocation for direct child care subsidies would be underspent by approximately by \$5.0 million (1.5% of the allocation). However, due to the many recent changes to Wisconsin Shares including changes in federal law, Act 59 (the 2017-19 budget act), and the October rate increases, it was uncertain whether the projected underspending in Wisconsin Shares would allow for further increases to the YoungStar adjustments.

7. Tiered reimbursement under YoungStar is intended to incent child care providers to improve the quality of their programs. The chart below shows the participation of children in Wisconsin Shares by the star level since March, 2012. As shown in the chart, there has been a substantial shift in participation at two-star programs into three-star programs. Further, participation in four- and five-star programs has markedly increased.

Authorized Wisconsin Shares Enrollment, by YoungStar Rating



8. Table 1 compares of Wisconsin Shares children authorized for subsidies under Wisconsin Shares in January, 2015, and January, 2019. As shown in Table 1, the decrease in

authorizations for enrollment at two- and three- star providers has been greater than the increase in authorizations for enrollment at four-, and five-star programs.

TABLE 1

Wisconsin Shares Enrollment Authorized by YoungStar Rating

	<u>Two- Star</u>	<u>Three- Star</u>	<u>Four- Star</u>	<u>Five- Star</u>	<u>Total</u>	<u>Percent Two-Star</u>	<u>Percent Four and Five-Star</u>
January, 2015	12,727	20,789	2,090	7,260	42,866	29.7%	21.8%
January, 2019	<u>11,701</u>	<u>19,258</u>	<u>3,163</u>	<u>7,781</u>	<u>41,903</u>	27.9	26.1
Difference	-1,026	-1,531	1,073	521	-963	-1.8%	-4.3%

* One-star rated providers are not eligible to participate in Wisconsin Shares

9. As shown in Table 2, there has been a substantial decline in two-star and three-star rated programs over the previous four years. There has been no comparable increase in the number of four- and five-star providers.

TABLE 2

YoungStar-Rated Child Care Facilities

	<u>One- Star</u>	<u>Two- Star</u>	<u>Three- Star</u>	<u>Four- Star</u>	<u>Five- Star</u>	<u>Total</u>	<u>Percent Percent Two-Star</u>	<u>Four and Five-Star</u>
January, 2015	14	2,312	1,267	184	372	4,149	55.7%	13.4%
January, 2019	<u>9</u>	<u>1,634</u>	<u>1,216</u>	<u>229</u>	<u>509</u>	<u>3,597</u>	45.4	20.5
Difference	-5	-678	-51	45	137	-552	-10.3%	7.1%

* One-star rated providers are not eligible to participate in Wisconsin Shares

10. As discussed in LFB Paper #139, the number of certified providers has greatly declined over the past decade. Most providers are rated two-stars as part of the automated rating process in YoungStar.

11. Structural changes in the child care industry have had similar effects on licensed family care providers, more than half of which are rated two-stars. In recent years, children have increasingly enrolled in group care centers. Because group care centers are typically more expensive than licensed family providers and certified providers, this trend has contributed to the increasing costs of child care in Wisconsin.

12. The Committee could approve the Governor's recommendation to maintain the 1%

YoungStar reduction for two-star providers and provide \$2,213,600 FED annually (Alternative A1). The Committee could reasonably conclude from current industry trends that it is unnecessary to reduce subsidies under YoungStar for two-star providers in order to provide an incentive for them to improve their YoungStar rating.

13. Alternatively, the Committee could conclude that the overall decrease in child care authorizations under Wisconsin Shares over the last four years suggests that the increase in the licensed capacity at higher quality programs has not kept pace with the loss of capacity at two-star providers, especially in rural areas of the state lacking larger day care programs. Thus, the Committee could increase funding in the bill by \$1,935,700 FED annually to also increase the YoungStar adjustment for four- and five-star programs to the maximum allowed under Act 236 (Alternative A2). Under this Alternative, DCF would be directed to increase the YoungStar adjustment effective on the date of the bill through June 30, 2021. On and after July 1, 2021, DCF would retain authority to set the YoungStar adjustments up to 15% and up to 30%, for four- and five-star programs respectively.

14. The Committee could also find that tiered reimbursement under YoungStar should reward more highly rated programs and thus decide that the decline in the number of two-star providers does not warrant a change in YoungStar adjustment. In this case, the Committee could provide \$2,685,700 FED annually and require DCF to set the YoungStar adjustment for two-star providers to -5%, for four-star providers to 15%, and for five-star providers to 30% effective on the date of the bill (Alternative A3) through June 30, 2021. The net fiscal effect of this option is to reduce funding in the bill by \$227,900 FED annually.

Wisconsin Pyramid Model

15. Research indicates that preschool children are three times more likely to be removed from programs than children in kindergarten through grade 12 combined. DCF indicates that programs with consultation and support in addressing the behavioral needs of children, such as the Wisconsin Pyramid Model, can help decrease behavioral issues and the levels of expulsion of children in early childhood programs. The pyramid model is designed for use by early educators at child care, preschool, early intervention, Head Start, and early childhood special education programs.

16. A study conducted by UW-Whitewater researchers evaluated Wisconsin classrooms using the pyramid model and found, similar to results of national studies, problem behaviors decreased more in classrooms that used the pyramid model than the reported behaviors of students in the comparison classrooms. The reductions in problem behaviors and the increases in social skills for students with more challenging behaviors in classrooms that used the pyramid model were so great that these students were reported to display typical behaviors and expected social skills of four-year-old children at the conclusion of the school year. Further, the growth in early comprehension skills was greater for the students with challenging behaviors in these classrooms.

17. As a result, the Committee could find that reducing challenging behavior in children via the pyramid model makes it more likely that children will enter school with the social competence and emotional control necessary to have academic success. Thus, the Committee could choose to approve the Governor's recommendation and provide \$415,000 FED in 2019-20 and \$535,000 FED in 2020-21 to continue to expand the pyramid model in child care programs across the state (Alternative B1).

18. Although not specified under the bill, DCF indicates that the funding to implement the pyramid model would be used as follows: (a) \$125,000 annually for an administrative contract with AIMH; (b) \$100,000 in 2019-20 and \$160,000 in 2020-21 to train a statewide coach to provide on-site support to child care programs; (c) \$75,000 annually for child care provider training; (d) \$50,000 in 2019-20 and \$75,500 in 2020-21 for a week-long training event for programs selected to be implementation sites; and (e) \$65,000 in 2019-20 and \$100,000 in 2020-21 to develop trauma-informed practices as part of the model.

19. Alternatively, the Committee could decide to provide \$1,825,000 FED annually more than the Governor recommended to accelerate the expansion of the program statewide. DCF indicates that the funding would be used as follows: (a) \$550,000 annually for an administrative contract with AIMH; (b) \$1,030,000 annually for coaching on-site support; (c) \$170,000 annually for child care provider training; and (d) \$75,000 for a week-long training event for programs selected to be implementation sites. (Alternative B2).

Milwaukee Grant Program

20. As shown in Table 3, compared to the rest of the state, Milwaukee has a higher amount of participation at two-star providers and a lower amount of participation at five-star providers.

TABLE 3

Wisconsin Shares Enrollment Authorized by YoungStar Rating (March, 2019)

	<u>Two-Star</u>		<u>Three-Star</u>		<u>Four-Star</u>		<u>Five-Star</u>		<u>Totals</u>
Milwaukee	7,773	32.0%	10,918	45.0%	2,033	8.4%	3,546	14.6%	24,270
Balance of State	<u>4,215</u>	24.6	<u>7,431</u>	43.4	<u>1,206</u>	7.0	<u>4,265</u>	24.9	<u>17,117</u>
Total	11,988	29.0%	18,349	44.3%	3,239	7.8%	7,811	18.9%	41,387

* One-star rated providers are not eligible to participate in Wisconsin Shares

21. According to DCF licensing data, more than half of the child care providers in Milwaukee are licensed or certified home care providers. Typically, these smaller providers are rated two-stars.

22. The administration indicates that the funding for the Milwaukee grant program is intended to target the 53206 zip code area of Milwaukee. According to federal Census Bureau's 2013-2017 American Community Survey, 40% of families with children under the age of 18 who live in that zip code had income below the federal poverty level (FPL) in the past 12 months. Among families having children under the age of five, 53.6% had income below the poverty level. The administration indicates that there are currently no five-star providers located in the 53206 zip code.

23. In order to earn a five-star rating, a child care provider must be accredited from one of a variety of organizations (such as the National Association for the Education of Young Children) or by undergoing an intensive formal on-site review using the YoungStar quality indicators,

environmental rating scales (which are used by quality rating and technical assistance programs to observe classrooms throughout the country), and program administration and business administration scales (which review business practices, professional development, staff benefits and family involvement). In either case, the education and training of the provider's teaching staff and administration is a critical component of the ratings process. For example, a five-star rating is not attainable under the YoungStar review process by a licensed family provider unless the provider has a minimum of a level 12 Registry qualification, which is equivalent to an associate's degree in early childhood and youth development, a bachelor's degree in another field, or an associate's degree in another field with certain additional credentials and education required.

24. As previously indicated, in order to improve the quality of child care in economically disadvantaged areas in the City of Milwaukee, the bill would provide \$465,000 in 2019-20 and \$496,000 in 2020-21 for DCF to provide grants for the purpose of educating employees of child care providers. DCF indicates that the funding would support awards through the TEACH program, the REWARD program, and Milwaukee Area Technical College training programs. Further, direct child care subsidy payments for eligible families (\$190,000 FED in 2019-20 and \$253,000 FED in 2020-21 from TANF block grant funds) would be provided as grants to child care providers to support access to high-quality child care.

25. The administration indicates that the grants are intended to be awarded as part of a request for proposals to establish the first five-star program in zip code 53206. Conditions of such a grant could include a required number of child care slots available, required hours of operation, guarantee slots available to local residents, and a time frame for reaching five-star status.

26. The Committee could approve the Governor's recommendation (Alternative C1) if it determines that additional funding to improve child care quality in Milwaukee could improve the availability high quality programs. The grant program could allow local providers to educate, train, and retain their staff, thereby enabling them to improve their YoungStar rating.

27. Alternatively, the Committee could modify the Governor's proposal by providing an additional \$1,000,000 FED annually to expand the grant program statewide (Alternative C2). DCF would award grants to the programs it selects with the goal of improving those program's YoungStar ratings to four and five stars. Finally, Committee could find that it is unnecessary to fund a new child care quality initiative for a specific area of Milwaukee (Alternative C3).

ALTERNATIVES

A. YoungStar

1. Approve the Governor's recommendation to: (a) provide \$2,213,600 FED annually for the projected increase in payments to child care providers to maintain the YoungStar adjustment for two-star providers at -1%; and (b) provide \$750,000 FED annually to fund projected increase in payments to child care providers to maintain the YoungStar adjustment for four- and five-star providers at 11% and 27%, respectively.

ALT A1	Change to	
	Base	Bill
FED	\$5,927,200	\$0

2. Modify the Governor's recommendation to provide an additional \$1,935,700 FED annually to increase the YoungStar adjustment for four- and five-star providers to 15% and 30%, respectively, effective on the date of the bill.

ALT A2	Change to	
	Base	Bill
FED	\$9,798,600	\$3,871,400

3. Delete the Governor's recommendation to provide funding to maintain a YoungStar adjustment of -1% for two-star child care providers and direct DCF to set the YoungStar adjustment for two-star providers to -5%, effective on the date of the bill for a period running through June 30, 2021. Further, increase the YoungStar adjustment for four- and five-star providers to 15% and 30%, respectively, effective on the date of the bill through June 30, 2021. Reduce funding in the bill by \$227,900 FED annually to reflect the net fiscal effect of these changes. The TANF allocation for direct child care subsidies would be increased by \$2,685,700 FED annually.

ALT A3	Change to	
	Base	Bill
FED	\$5,371,400	-\$555,800

B. Wisconsin Pyramid Model

1. Approve the Governor's recommendation to provide \$415,000 FED in 2019-20 and \$535,000 FED in 2020-21 from the CCDF to increase use of the pyramid model in child care programs statewide.

ALT B1	Change to	
	Base	Bill
FED	\$950,000	\$0

2. Modify the Governor's recommendations to increase funding in the bill by \$1,825,000 FED annually to accelerate the use of the pyramid model in child care programs across the state.

ALT B2	Change to	
	Base	Bill
FED	\$4,600,000	\$3,650,000

3. Take no action.

ALT B3	Change to	
	Base	Bill
FED	\$0	- \$950,000

C. Milwaukee Grant Program

1. Approve the Governor's recommendation to provide a total of \$655,000 FED in 2019-20 and \$749,000 FED in 2020-21 for DCF to award grants to improve overall child care for families that reside in a geographic area with high-poverty levels (as identified DCF) in the City of Milwaukee. Of these funds, \$190,000 FED in 2019-20 and \$253,000 FED in 2020-21 would increase the TANF allocation for direct child care subsidy payments and \$465,000 FED in 2019-20 and \$496,000 FED in 2020-21 would increase the TANF allocation for child care quality initiatives.

ALT C1	Change to	
	Base	Bill
FED	\$1,404,000	\$0

2. Modify the Governor's recommendation to increase funding in the bill by \$1,000,000 FED annually so that a total of \$1,655,000 FED in 2019-20 and \$1,749,000 FED in 2020-21 would be provided for DCF to award grants to improve overall child care for families that reside in a geographic area with high-poverty levels (as identified DCF) across the state. Of these funds, \$490,000 FED in 2019-20 and \$553,000 FED in 2020-21 would increase the TANF allocation for direct child care subsidy payments and \$1,165,000 FED in 2019-20 and \$1,196,000 FED in 2020-21 would increase the TANF allocation for child care quality initiatives.

ALT C2	Change to	
	Base	Bill
FED	\$3,404,000	\$2,000,000

3. Take no action.

ALT C3	Change to	
	Base	Bill
FED	\$0	- \$1,404,000

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