



## Legislative Fiscal Bureau

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February 1, 2022

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Children and Families: Plan for Supplemental Child Care and Development Block Grant Act (CCDBG) Funds Received by DCF under ARPA -- Agenda Item IV

On December 3, 2021, the Governor submitted a request from the Department of Children and Families (DCF) to the Joint Committee on Finance for authority to expend \$194.0 million during the 2021-23 biennium in supplemental child care development block grant (CCDBG) discretionary funds the state will receive under provisions enacted in the federal American Rescue Plan Act (ARPA). The request was submitted under a 14-day passive review process under s. 16.54(2)(a)2 of the statutes.

On December 23, the Co-Chairs notified the Secretary of the Department of Administration that it wished to meet to consider the DCF request.

### **BACKGROUND**

The Wisconsin Shares program, administrated by DCF, provides child care assistance for low-income families to enable parents and other caretakers to work or 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.

Wisconsin Shares is funded with federal funds the state receives under the temporary assistance for needy families (TANF) block grant and the federal child care development fund (CCDF). Under 2021 Act 58 (the 2021-23 budget act), the following amounts are budgeted to support DCF's child care programs: (a) \$376.7 million in 2021-22 and \$383.9 million in 2022-23 for direct child care services; (b) \$16.7 million annually for child care quality initiatives; and (c) \$42.1 million in 2021-22 and \$41.8 million in 2022-23 for child care administration and licensing.

In response to the COVID-19 pandemic, DCF received substantial federal revenues under several acts of Congress. In addition to certain adjustments made to preexisting CCDF mandatory

and matching allocations, DCF received one-time federal funding of \$860.3 million in 2020 and 2021, consisting of: (a) \$51.6 million of supplemental CCDBG under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act; (b) \$79.7 million from the coronavirus relief fund under CARES; (c) \$148.8 million supplemental CCDBG under the Consolidated Appropriations Act of 2021; and (d) \$580.2 million under ARPA.

ARPA provided states two separate allocations for states to support the child care industry -- \$24 billion to fund stabilization grants to child care providers, and \$15 billion to provide supplemental CCDBG discretionary funds. Wisconsin's share of this funding will total \$580.2 million, including \$223.2 million for discretionary CCDBG funds and \$357.0 million for stabilization grants.

On November 2, 2021, the Committee approved DCF's request to expend the stabilization grant funding to continue the Child Care Counts program through 2022-2023. DCF has budgeted \$351.7 million to support two payment programs -- one to increase access to high-quality care and one to fund workforce recruitment and retention. Under the first program, regulated child care providers may apply for grants to support operating expenses, including expenses relating to mitigating the risk of COVID-19, materials and supplies, professional development, mental health services for children and employees, and providing assistance from copayments and tuition. Funding may not be used to reimburse families participating in Wisconsin Shares. Under the second program, regulated child care providers may apply for grants to recruit and maintain staff by providing wage increases, bonuses, and benefits to current or future employees with approved background checks. The balance of the stabilization grant funding (\$5.3 million) is budgeted for program administration.

## **DCF PROPOSAL**

DCF requests the Committee's approval to expend \$194.0 million of the \$223.2 million the state was allocated from the supplemental CCDBG discretionary funding. (Under Act 58, \$29.2 million of the CCDBG supplemental funding was budgeted to support rate increases under the Wisconsin Shares child care subsidy program.)

Under ARPA, the supplemental CCDBG discretionary funds must be obligated on or before September 30, 2023, and fully expended on or before September 30, 2024.

DCF proposes to spend \$21.7 million in 2021-22 and \$172.3 million in 2022-23 of the emergency CCDBG funds to support nine programs and administrative costs, as described below.

*Child Care Counts.* DCF would provide \$108.9 million in 2022-23 to continue the Child Care Counts program, including monthly payments to child care providers based on the number of children served and monthly payments based on the number of employees. The per-child grants could be used cover operating expenses such as payroll, mortgage and rent, utility costs, and the costs of materials and supplies for cleaning and sanitation. Funding could also support tuition reimbursement and mental health services for children and employees. The per-staff grants would support wage increases, bonuses, benefits, professional development, training, and continuing education.

DCF estimates that the child care counts program will be funded primarily with ARPA stabilization grant funding through March or April, 2023, and that the supplemental CCDBG discretionary funding would enable the agency to continue providing grants through February, 2024. Further, DCF indicates that any underspending in the other proposed programs would be redirected to Child Care Counts.

*Child Care Pilot for Vulnerable Populations.* DCF would allocate \$7.4 million in 2021-22 and \$22.4 million in 2022-23 to create a pilot program, beginning in March, 2022, to provide categorical eligibility to a new child care subsidy program to three groups: (a) children of teen parents; (b) child at risk of removal by child protective services; and (c) children with disabilities who receive services under the state's Birth to 3 program. DCF indicates that all funds would be obligated by the end of 2022-23 and the pilot would continue through June, 2024, at which point its efficacy would be evaluated. DCF estimates that approximately 1,935 children would be enrolled in the program per month, at an average cost of \$963 per month per child.

*TEACH/REWARD.* DCF would provide \$4.3 million 2021-22 and \$8.5 million in 2022-23 to the Wisconsin Early Childhood Association (WECA) to increase support for the Teacher Education and Compensation Helps (TEACH) and Rewarding Education with Wages and Respect for Dedication (REWARD) programs by \$4.0 million in 2021-22 and \$7.9 million in 2022-23, provide professional development counseling (\$0.2 million in 2021-22 and \$0.4 million in 2022-23) and quality improvement grants (\$0.1 million in 2021-22 and \$0.2 million in 2022-23). DCF indicates that the funding would support an additional 200 TEACH scholarships annually. The funding would also support increases in REWARD stipends and expanded eligibility by reducing tenure requirements.

The TEACH and REWARD programs are components of the DCF Quality Care for Quality Kids program. The TEACH program provides scholarships to teachers and child care providers for educational costs directly related to the childcare field. The REWARD program provides stipends to children care providers and teachers that meet certain requirements for education employment, and longevity. Under Act 58, \$3,975,000 FED is budgeted in 2021-22 and 2022-23 to support these programs.

*Employer Supported Child Care.* DCF would provide \$10.0 million in 2022-23 to extend the workforce grants program approved by the Committee in September, 2021. The program, which DHS expects to implement in spring, 2022, will offers matching grants to employers of essential workforce sector employees that commit to purchasing six or twelve months of child care for their employees. Together with \$10.0 million of funding the state received under the federal Coronavirus Response and Relief Supplemental Act funds the Committee approved in September, \$20 million would be available to support the program.

*Shared Services Networks.* DCF would provide \$8.4 million in 2022-23 to extend and expand the contract with WECA to provide the early education shared service network to reduce administrative costs of providers by pooling the management of payroll and benefits, banking, janitorial services, food services, bulk purchasing, and other operations. The program is intended to assist smaller providers maximize their resources by achieving economies of scale in purchasing

supplies and improving access to quality business management practices. In April, 2021, the Committee approved DCF's request to expend \$5.5 million of supplemental CCDBG to create the program in 2021-22. DCF indicates the new funding would focus on providing services to nonparticipating 2- and 3-star YoungStar-rated providers, as well as ethnically diverse communities.

*Social Emotional Tools.* Social emotional learning (SEL) assists children and youth to manage their emotions, develop self-control, sustain supportive relationships, and reduce problem behaviors. DCF would provide \$2.8 million in 2021-22 and \$4.9 million in 2022-23 to support four SEL programs.

First, \$1.3 million in 2021-22 and \$2.7 million in 2022-23 would be provided to increase capacity for the Wisconsin Alliance for Infant Mental Health (WI-AIMH) to deliver training and coaching to early care and education providers on the Wisconsin 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.

Second, \$0.75 million annually would fund a contract with Conscious Discipline to supply early childhood educator training on trauma-informed social-emotional development. DCF indicates that funding would support at least five regional coaches and 150 staff across the state.

Third, \$0.6 million in 2021-22 and \$1.2 million in 2022-23 would support staff and infrastructure at WI-AIMH for the infant and early childhood mental health endorsement program, which provides a credential to recognize the proficiency of professionals that work with infants, toddlers, young children and their families.

Fourth, DCF would allocate \$0.2 million in 2021-22 and \$0.3 million in 2022-23 to the Wisconsin affiliate of the Afterschool Network to provide school-age child care programs throughout the state with training and technical assistance on selected topics, including mental health and trauma-informed care.

*Family Resource Centers.* DCF would provide the Child Abuse and Neglect Prevent Board (CANPB) \$3.5 million annually to increase support for family resource centers throughout the state. Funding would expand services, such as agreements between child care centers and family resource centers to offer parent education, training for parents and early care educators, coordination of professional development for child care and family support providers, and providing child care centers with outreach materials. A grant of \$75,000 would be provided to 30 family resource centers. In addition, \$250,000 would be provided for family resource centers staff training, \$650,000 for child care outreach materials, \$400,000 for micro-grants, and \$150,000 for staffing and other contractual services.

Under Act 58, CANPB is budgeted \$2,195,600 (all funds) annually to support grants to family resource centers and agencies that conduct child abuse and neglect prevention services. This funding includes \$995,000 GPR, \$750,600 PR from revenue the CANPB receives from \$7 of

the \$20 fee for the sale of duplicate birth certificates, and \$450,000 FED in funds the state receives under Title II of the Child Abuse Prevention and Treatment Act.

*Infant Mental Health Consultation System.* DCF would provide \$2.5 million annually to contract with an administrative entity to hire, train and coordinate mental health consultants. The consultants would provide support and guidance to early childhood educators that serve young children with challenging behaviors.

*Employee Assistance Program.* DCF would provide \$0.3 million in 2021-22 and \$0.6 million in 2022-23 to WECA to create an employee assistance program (EAP) for early childhood educators. The EAP would provide early child care educators various services, including mental health counseling, crisis intervention and support services, and legal services.

*Administration.* DCF anticipates administrative costs of \$0.8 million in 2021-22 and \$2.6 million in 2022-23, including information technology updates needed to implement the child care for vulnerable populations pilot program, program integrity and evaluation, and communications with child care providers and parents.

## **SUMMARY**

All of the components of the Department's spending plan appear to be consistent with the permissible uses of the supplemental CCDBG discretionary funds, as indicated in the federal legislation and subsequent policy guidance issued by the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) in June, 2021. States may use these funds for any activities allowable under the federal CCDBG Act and CCDF regulations, and need not meet minimum set-aside requirements relating to quality improvement and direct services that apply to other CCDBG funds states receive. Permissible uses are not restricted to responses to the COVID-19 public health emergency. States may not use these funds to supplant funding for these activities from other sources.

ACF encourages states to prioritize expenditures to increase provider payments, improve payment policies, increase wages for early educators and family child care providers, and increase the supply of child care for underserved populations. ACF offers several strategies states can use to increase the supply of providers in underserved areas, including funding staffed family child care networks, providing grants to cover the startup costs for new child care providers, providing bonuses for providers in underserved areas, and supporting unlicensed child care providers to become licensed. Agencies may use the supplemental funds to conduct outreach to providers that closed due to the COVID-19 pandemic and help those providers with costs associated with reopening. Further, the ACF guidance suggests that states implement policies to increase access to child care providers for parents that work non-traditional houses and parents of children with disabilities. Other suggested uses of these funds offered by ACF include waiving or reducing parent copayments, broadening the income eligibility threshold for child subsidy programs, increasing access to mental health services for child care providers and children, conducting outreach on the availability of child care assistance.

The Committee may choose to approve the administration's plan as submitted, modify the plan by reducing or deleting one or more components of the plan and reallocating funding to other permissible uses, or directing the agency to resubmit parts of the plan the Committee chooses not to approve at this time.

**ALTERNATIVES**

1. Approve the plan as submitted.
2. Modify the administration's plan by deleting or reducing funding for one or more components of the plan, and redirecting this funding to one of the remaining components.

**DCF Plan for Supplemental CCDBG Discretionary Funding**

	<u>SFY22</u>	<u>SFY23</u>	<u>Total</u>
a. Child Care Counts	\$0	\$108,898,874	\$108,898,874
b. Social Emotional Tools	2,843,333	4,936,667	7,780,000
c. Infant Mental Health Consultation	2,500,000	2,500,000	5,000,000
d. Child Care Pilot for Vulnerable Populations	7,466,933	22,400,798	29,867,731
e. Family Resource Centers	3,500,000	3,500,000	7,000,000
f. TEACH/REWARD	4,270,000	8,540,000	12,810,000
g. Employer Supported Child Care	0	10,000,000	10,000,000
h. Shared Services Network	0	8,400,000	8,400,000
i. Employee Assistance	302,253	604,507	906,760
j. Administration	<u>792,000</u>	<u>2,556,173</u>	<u>3,348,173</u>
 Total	 \$21,674,520	 \$172,337,018	 \$194,011,538

3. Modify the administration's plan by deleting or reducing one or more components of the plan. Direct DCF to resubmit a plan to the Committee by March 1, 2022, for the Committee's approval, to allocate any remaining unallocated funding from the supplementary CCDBG discretionary funds.

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