

AN EVALUATION

*Wisconsin Shares
Child Care Subsidy Program*

Department of Workforce Development

01-1

January 2001

LEGISLATIVE AUDIT BUREAU

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Co-chairs of the Joint Legislative Audit Committee
State Capitol
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Dear Senate Co-chair and Representative Leibham:

As part of our ongoing audits of the Wisconsin Works (W-2) program required by s. 49.141(2g)(a), Wis. Stats., we have completed an evaluation of Wisconsin Shares, the State's child care subsidy program. This program, which is administered by the Department of Workforce Development, was created by 1995 Wisconsin Act 289 to assist W-2 participants and other low-income working families in paying for child care.

In fiscal year (FY) 1999-2000, approximately 33,000 families and 60,500 children participated in the program at a cost of \$191.3 million in federal and state funds. FY 1999-2000 expenditures exceeded budgeted levels by \$10.2 million, primarily because of increased program participation that was, in part, the result of changes made in the 1999-2001 biennial budget expanding eligibility and reducing family copayments.

From September 1997 through June 2000, monthly program participation increased by 83.5 percent, growing from 18,671 to 34,268. It was estimated that in 1998, approximately 14 percent of eligible children participated in the program. Given that participation rates in several other midwestern states are greater than 20 percent of those eligible, there appears to be a realistic potential for continued growth in Wisconsin if more families choose to take advantage of the program and if adequate funding remains available. However, the extent of future growth is difficult to project based on the newness of the program and the numerous changes made to it since its inception.

As part of the program, the Department also administers contracts and grants designed to improve the quality and availability of child care services. We believe that improvements in the management of these types of grants are needed to ensure that \$11.4 million in increased funding that will be provided to local entities is spent appropriately. In addition, if participation increases and expenditures continue to rise substantially, the Legislature will have to consider a variety of issues related to program funding, eligibility, and benefits.

We appreciate the courtesy and cooperation extended to us by the Department of Workforce Development and staff of the local agencies we visited. The Department's response is Appendix 4.

Respectfully submitted,

Janice Mueller
State Auditor

JM/PS/ao

Summary

Wisconsin's child care subsidy program, Wisconsin Shares, was created by 1995 Wisconsin Act 289 to assist Wisconsin Works (W-2) participants and other low-income working families in paying for child care. The program, which is administered by the Department of Workforce Development, replaced a number of child care subsidy programs that had provided assistance to low-income families but had differing eligibility requirements and provided varying levels of benefits. Wisconsin Shares consolidated these subsidy programs, standardized eligibility requirements and benefits, and increased overall funding levels with the intention of serving all eligible families who applied for assistance.

In fiscal year (FY) 1999-2000, approximately 33,000 families and 60,500 children participated in the program at a cost of \$191.3 million. Of this total, \$189.1 million (98.8 percent) was for subsidy payments to providers, grants made to providers, and local program administration, and \$2.2 million (1.2 percent) was for state administration of the program. Federal revenue funded \$147.5 million, or 77.1 percent, of program expenditures, while state general purpose revenue funded \$43.8 million, or 22.9 percent.

Program participants must be low-income individuals and must need child care in order to participate in a W-2 employment, job search, or training position; to maintain unsubsidized employment; to meet Learnfare school attendance requirements; to obtain a high school or equivalency degree; or to acquire employment skills training that facilitates efforts to obtain employment. Eligibility for child care subsidies was expanded by 1999 Wisconsin Act 9, the 1999-2001 Biennial Budget Act. Since March 2000, income limits for participation have been set at 185 percent of the federal poverty level, which is currently \$2,181 per month (or \$26,178 annually) for a family of three. However, once enrolled, families remain eligible for the program as long as their gross monthly incomes stay below 200 percent of the federal poverty level, which is currently \$2,358 (or \$28,300 annually) for a family of three. Federal law requires parents to pay a portion of the cost of care through the assessment of copayments but does not place any requirements on the amount of these copayments. In Wisconsin, the amount of copayments varies by income and family size but cannot exceed 12 percent of a family's gross income.

While the Department is responsible for administering the child care subsidy and for allocating funds designated to improve the quality and availability of child care services, local W-2 agency staff are responsible

for determining program eligibility and referring eligible families to county human services agencies for child care assistance. County staff are responsible for authorizing payment for child care services, assisting individuals in identifying available child care providers, and determining a family's copayment.

There are four types of child care providers—licensed group, licensed family, regularly certified, and provisionally certified. Differences among them reflect differences in training, maximum provider-to-child ratios, and maximum number of children for whom care can be provided. Licensed group providers generally provide child care in a separate facility, whereas licensed family providers and both types of certified providers generally provide child care in their homes. In FY 1999-2000, 78.2 percent of children participating in the program were cared for by licensed providers—63.6 percent by licensed group providers, and 14.6 percent by licensed family providers. In contrast, regularly and provisionally certified providers cared for a combined total of 21.8 percent of participating children. Licensed providers are regulated by the Department of Health and Family Services, and certified providers are regulated by county human services agencies under rules promulgated by the Department of Workforce Development.

The Department of Workforce Development makes reimbursement payments to providers who care for children participating in the program. Counties are required to establish maximum reimbursement rates based on both the type of care provided and the age of the children for whom care is provided. Separate reimbursement rates are established for children under 2 and children ages 2 to 12. Parents are responsible for a copayment amount and for costs in excess of the amount the provider is reimbursed by the State. Child care rates are set through annual provider surveys and are based on a specific percentage or percentile of local market rates. The Department issues payments directly to child care providers based upon the reported attendance of participating children.

In July 2000, 84.7 percent of Wisconsin families receiving child care did not participate in the W-2 program, 43.5 percent had incomes below 100 percent of the federal poverty level, and 81.2 percent had children in the program who were more than two years old. A few notable differences exist between Milwaukee County and the rest of the state. For example, 49.8 percent of families with incomes under 100 percent of the federal poverty level participate in the program in Milwaukee County, compared to 39.2 percent in the rest of the state. In addition, while the percentage of child care subsidy recipients who also participate in W-2 is 15.3 percent statewide, it is 29.7 percent in Milwaukee County, compared to 5.4 percent in the rest of the state.

Because FY 1996-97 was a transitional year between the prior child care assistance programs and the current child care subsidy program, we

analyzed participation and expenditure data from FY 1997-98 through FY 1999-2000, which is more representative of recent trends. From September 1997—which is also the start of the W-2 program—through June 2000, monthly participation in the child care subsidy program increased 83.5 percent. Expenditures increased from \$114.5 million in FY 1997-98 to \$191.3 million in FY 1999-2000, or 67.1 percent. The relative proportion of federal and state expenditures has remained constant during this period, with federal funds covering more than 75 percent of all child care program expenditures in each of the past three fiscal years.

Child care funding is a complex mixture of federal and state funds. To maximize program funding, all general purpose revenue (GPR) funds provided for the program are used to secure available federal funds. State and federal funds are provided through one of two sources—the Child Care and Development Fund, and the Temporary Assistance for Needy Families (TANF) grant. As the program has grown, the State has more quickly exhausted federal child care funds that do not require a GPR match or maintenance of effort. Consequently, the State's reliance on TANF funds, which do require maintenance of effort using GPR funds, has increased significantly over the past three years.

The majority of program funds, \$118.6 million in FY 1999-2000, was provided through the Child Care and Development Fund, which includes some state funding needed to secure available federal funds. In FY 1999-2000, Wisconsin spent an additional \$72.7 million in direct TANF funds on child care, of which \$27.4 million (37.7 percent) was GPR.

When the child care subsidy program began in FY 1996-97, expenditures were only 50.7 percent of the program's \$99.0 million budget. The primary reason for this underspending was lower-than-expected participation rates. However, from FY 1997-98 through FY 1999-2000 expenditures increased markedly, and in FY 1999-2000 they actually exceeded the initial budget by \$10.2 million. Officials in the Department do not yet know whether the \$200.9 million included in the FY 2000-01 budget for reimbursement of providers will be exceeded, because program participation has not been consistently predictable. However, an additional \$9.0 million in federal discretionary funds may be available to Wisconsin for its current fiscal year upon passage of the federal budget for federal fiscal year (FFY) 2000-01.

Although participation in the child care subsidy program has increased steadily since its inception in 1996, not all eligible families are using it. Some families choose to stay at home or to use relatives or neighbors to provide child care, but others who might wish to participate find it difficult to use the program because of its cost to them, a lack of available child care providers, and difficulty finding transportation. Although these reasons are faced by all families seeking regulated child

care, families eligible for the program typically have fewer resources to help them in meeting these challenges.

Copayments are based on family income, family size, the number of children in care, and the type of care provided. Copayments are intended to ensure that families share the financial responsibility of providing child care. However, federal regulations require that their cost not be so high as to prohibit individuals from using the program. Because of concerns raised by county staff, child care providers, and child advocacy organizations, we examined issues related to the affordability, collection, and effects associated with child care copayments.

Although currently capped at 12 percent of gross family income, most families' copayments are substantially lower than this amount in order to make the program more affordable and to encourage families to participate. For example, for a family of three, copayments range from a low of 2.9 percent to a high of 11.3 percent of gross family income.

In an effort to make copayments more affordable for those with unique needs or additional financial burdens, the Legislature has provided that families meeting specific criteria be assessed lower copayments. For example, families that use subsidized child care for 20 hours or less per week are assessed a copayment that is half of their share of the regular copayment. Copayments are also set at lower levels for teen parents and, during the first month of employment, for W-2 participants who leave a W-2 employment position for unsubsidized work. In addition, copayments are not required for parents participating in the Learnfare program or the Food Stamp Employment and Training program, and beginning in February 2001 they will not be required for foster parents and court-ordered kinship care parents.

The use of copayments also affects child care providers, who sometimes find it difficult to collect copayments from parents. Providers and local staff in county and W-2 agencies stated that it is sometimes difficult for providers to collect copayments from subsidized families because some families cannot afford the copayments. As a result, some providers have chosen to collect only a portion of the required copayment or to forego the copayment rather than discontinue providing care. Other providers have continued to pursue collection, but without the assistance of the Department. Neither the Department, counties, nor W-2 agencies are required by law to take action when copayments are not made. Department officials believe the subsidy program helps low-income parents gain access to the private market but that child care providers have the responsibility to collect copayments, just as they collect payments from families who do not receive a subsidy.

Data provided by the Wisconsin Child Care Resource and Referral Network, a statewide organization of community-based child care resource and referral agencies, along with our interviews of county staff,

suggest that there has been a recent increase in the supply of child care providers. From 1997 through 1999, there were an estimated 7,400 new child care providers in Wisconsin, creating approximately 64,600 new child care slots for children. However, during the same time period an estimated 7,100 providers ceased providing care, resulting in the loss of approximately 58,400 child care slots. The net effect of these changes has been an increase of 283 providers and 6,186 child care slots in Wisconsin from 1997 through 1999. The increase in slots is the result of an increase in licensed group and provisionally certified providers. Despite the overall increase in the number of child care slots, parents who need care for certain ages of children, such as infants, or at certain times during the week, such as on the weekend or during nonstandard working hours, are likely to have difficulty finding child care.

Transportation challenges are another reason parents may choose not to participate or to discontinue participation in the program. County and W-2 agency staff indicate that parents who do not own automobiles and who rely on public transportation may have increased difficulty balancing their work and transportation schedules with the operating hours and locations of available child care providers.

Administrative oversight is a necessary component of maintaining an effective child care subsidy program, especially when the program is administered locally by more than 70 county human services and W-2 agencies. The 12 full-time equivalent positions in the Department's Office of Child Care manage efforts to maintain program data, monitor contract compliance for on-site child care activities at W-2 agencies, determine the effectiveness of grants awarded to increase capacity and improve quality, and assist in the local development of quality child care. We found the Department has implemented an effective system to make subsidy payments; however, its efforts to manage grant programs could be improved.

Child care expenditures exceeded appropriated funding in FY 1999-2000, and the Joint Committee on Finance added additional funds to the FY 2000-01 budget to address the increase in program participation and attempt to prevent another shortfall. Although the Department's 2001-03 biennial budget proposal requests an additional \$51.9 million in federal funding for the child care subsidy program, an increase of 10 percent in the first year and 5 percent in the second year, it is difficult to assess whether the amount requested will be adequate to cover program costs, primarily because it is not fully known how recent program changes that were made to expand eligibility and reduce copayments have affected participation.

Should participation continue to grow significantly, the Legislature will be faced with a number of questions. First, it will need to determine the extent to which it is willing to appropriate additional funds, should they

be necessary, to cover expenditure increases resulting from increased participation among eligible families.

Second, the source of any additional funds appropriated to the child care subsidy program will have to be considered. Although most federal funds under TANF have already been allocated by the Legislature, some could be reallocated if child care were viewed as a higher funding priority. In addition, rather than continue to allow local entities to benefit from federal funds that are passed directly to them by the State, the Legislature could choose to appropriate additional GPR to match these federal funds and use this revenue to enhance the program's budget.

Third, rather than increase funding, the Legislature could choose to allow counties to establish waiting lists for individuals who cannot be served within existing budgets. This may prevent harm to those currently enrolled in the program while limiting the amount the State invests in child care. This approach has been used in other states. Alternatively, the Legislature could implement changes to the program that would require parents to contribute more toward the cost of care, institute time limits on receipt of the subsidy, or amend eligibility criteria to reduce the number of eligible families.

Introduction

Wisconsin Shares assists eligible low-income working families in paying for child care.

Wisconsin's child care subsidy program, Wisconsin Shares, was created by 1995 Wisconsin Act 289 to assist Wisconsin Works (W-2) participants and other low-income working families in paying for child care. Wisconsin Shares replaced a number of child care subsidy programs that had provided assistance to low-income families but had differing eligibility requirements and provided varying levels of benefits. In the early 1990s, funding levels for these programs were insufficient to provide subsidies to all families that applied for services and met program qualifications. Consequently, families were placed on waiting lists, with many children outgrowing the need for child care before assistance became available. The program consolidated the various child care subsidy programs, standardized eligibility requirements and benefits, and increased overall funding levels with the intention of serving all eligible families who applied for assistance.

Federal revenue funded over three-quarters of the \$191.3 million spent on child care in FY 1999-2000.

The current child care subsidy program includes both federal and state funding. In fiscal year (FY) 1999-2000, approximately 33,000 families and 60,500 children participated in the program at a cost of \$191.3 million. Of this total, \$189.1 million (98.8 percent) was for subsidy payments to providers, grants made to providers, and local program administration, and \$2.2 million (1.2 percent) was for state administration of the program. Federal revenue funded \$147.5 million, or 77.1 percent of program expenditures, while state general purpose revenue (GPR) funded \$43.8 million, or 22.9 percent.

Concerns about the child care subsidy program were raised after its first year of operation, when \$50.2 million, or 50.7 percent of the program's total FY 1996-97 budget, remained unspent at the end of the fiscal year. Consequently, legislators and others questioned whether all individuals eligible for and in need of subsidized child care were, in fact, receiving it. Questions were raised about possible barriers to participation, including a lack of available child care openings, especially for infants and for children needing care during nonstandard work hours, and a lack of transportation for parents trying to get both their children to a child care provider and themselves to work. Additionally, some raised concerns about the size of the copayments parents are required to make and the quality of child care available to low-income families. In response to these concerns, and as part of a series of audits of the W-2 program required by s. 49.141(2g)(a), Wis. Stats., we reviewed:

- expenditures for the child care subsidy program;
- trends in participation rates and factors influencing program participation;
- policies and procedures for determining and collecting required copayments; and
- the use of grant funds designated to improve the availability and quality of child care services.

This is the fourth in a series of reports issued under our statutory requirement to audit the W-2 program. The first three reports included a review of W-2 expenditures after its first year (report 99-3), a review of the Food Stamp program (report 00-8), and a review of Maximus Inc.'s administration of W-2. Additional information on the performance of the W-2 agencies will be included in a subsequent report.

In conducting this evaluation, we interviewed officials and staff of the Department of Workforce Development, counties, and W-2 administrative agencies. In addition, we conducted a telephone survey of 100 child care providers throughout the state, analyzed program expenditures, reviewed state policies and procedures, collected and analyzed data on program participation, and reviewed the Department's efforts to increase program participation.

Program Eligibility

To receive a child care subsidy, a parent or other adult must need child care in order to:

- participate in a W-2 employment, job search, or training position;
- maintain unsubsidized employment;
- meet Learnfare school attendance requirements;
- obtain a high school or equivalency degree; or
- acquire employment skills training that facilitates efforts to obtain employment.

Program participants must also meet both nonfinancial and financial eligibility requirements for the child care subsidy program. Nonfinancial eligibility criteria require an individual to:

- be a United States citizen or a qualifying alien at least 18 years of age;
- be a custodial parent, a Kinship Care provider, a foster parent, or an adult acting in the place of a parent who is providing care to a child under 13 years of age or a child with special needs under 19 years of age; and
- fully cooperate in efforts to establish the paternity of the dependent child and to obtain support and other payments.

In July 2000, 46.1 percent of W-2 participants received subsidized child care.

In July 2000, 46.1 percent of W-2 participants participated in the child care subsidy program, but 84.7 percent of those receiving the subsidy were employed low-income individuals not participating in W-2.

Federal law gives states flexibility in setting income eligibility and family copayments for the program. According to federal law, income can be no greater than 85 percent of median state income, which in Wisconsin is \$3,408 per month, or \$40,891 annually, for a family of three. Federal law also requires families to help fund the cost of child care through a copayment but does not stipulate the amount that should be assessed.

Wisconsin has chosen to establish eligibility for program services based on the federal poverty level. Since March 2000, families' gross monthly incomes at enrollment must be no higher than 185 percent of the federal poverty level, which is currently \$2,181 (or \$26,178 annually) for a family of three. However, once enrolled, families remain eligible for as long as their gross monthly incomes stay below 200 percent of the federal poverty level, which is currently \$2,358 (or \$28,300 annually) for a family of three. Exceptions are made for foster parents and families caring for court-ordered Kinship Care children, who are eligible if the child's birth parent has gross monthly income under 200 percent of the federal poverty level.

According to a July 2000 report from the State Policy Documentation Project—a joint project of two national research organizations to track state policy choices on federal programs to aid needy families—23 states have income eligibility requirements that are more restrictive than Wisconsin's. However, we found that Wisconsin's income eligibility requirements are comparable to those of six other midwestern states, as shown in Table 1.

Table 1

Child Care Subsidy Programs in Midwestern States*
July 2000

<u>State</u>	<u>Maximum Monthly Income</u>	<u>Maximum Annual Income</u>
Minnesota	\$3,525	\$42,300
Ohio	2,181	26,178
Wisconsin	2,181	26,178
Michigan	2,172	26,064
Illinois	1,818	21,816
Indiana	1,686	20,232
Iowa	1,651	19,812

* Income limits are for a family of three.

In 1999, the Legislature expanded program eligibility and reduced copayments.

It should be noted that 1999 Wisconsin Act 9, the 1999-2001 Biennial Budget Act, resulted in expanded program eligibility in Wisconsin. For example:

- initial income eligibility was increased from 165 percent of the federal poverty level to 185 percent;
- an asset test for determining income eligibility was eliminated;
- requirements to count child support payments and income of dependents as income when determining eligibility were eliminated;
- eligibility was expanded to include disabled children between the ages of 13 and 18;
- maximum copayments were reduced from 16 percent of gross family income to 12 percent; and
- copayments for children in child care for 20 hours or less per week were reduced by one-half.

No current data are available on the child care subsidy program participation rates among the states. However, the federal government estimated that during 1998, 13.6 percent of eligible children participated in the subsidy program in Wisconsin. Participation rates for 28 other

states were higher. In fact, 11 states were estimated to have participation rates of 25 percent or more. Table 2 shows participation rates for surrounding midwestern states.

Table 2

Percentage of Eligible Children Participating in Child Care Subsidy Programs
April through September 1998

<u>State</u>	<u>Estimated Percentage of Eligible Children Participating</u>
Illinois	27.1%
Michigan	24.6
Ohio	23.8
Wisconsin	13.6
Iowa	11.6
Minnesota	10.1
Indiana	6.4
National average	15.5%

Program Administration

Federal rules governing the child care subsidy program require the Department to:

- ensure that all agencies administering the program operate according to established state and federal requirements;
- oversee the appropriate expenditure of funds;
- monitor programs and services; and
- determine the basic use and priorities for the expenditure of funds.

According to state statutes, local W-2 agency staff are responsible for determining program eligibility and referring eligible families to county human services agencies for child care assistance. County staff are

responsible for authorizing child care services, assisting individuals in identifying available child care providers, and determining copayments. In addition, each year counties must set maximum reimbursement rates for care provided and certify child care providers within their boundaries.

In the majority of counties, county staff administer both W-2 and the child care subsidy program. However, in Milwaukee County, five private agencies administer the W-2 program, while county staff determine eligibility and issue authorizations for the child care program through a contract with the W-2 agencies. For the remaining ten counties in which private agencies administer W-2:

- county staff determine eligibility and issue authorizations in two counties;
- W-2 agency staff determine eligibility and issue authorizations in two counties; and
- responsibilities are divided between the W-2 agency and the county in six counties.

The Department administers grants to improve the quality and availability of child care.

The Department is responsible not only for administering the child care subsidy but also for allocating approximately \$2-3 million annually in grants that have been designated to improve the quality and availability of child care services. The Department directly administers several of these grants and has contracted with 17 nonprofit child care resource and referral agencies across the state to administer others.

Types of Regulated Providers

Regulated child care providers are either licensed or certified.

There are four types of child care providers—licensed group, licensed family, regularly certified, and provisionally certified. As shown in Table 3, differences in provider types reflect differences in training, maximum provider-to-child ratios, and the maximum number of children for whom care can be provided. For example, licensed providers are required to receive more training than certified providers. In addition, licensed group providers are allowed to care for an unlimited number of children as long as they follow the prescribed space requirements, provider-to-child ratios, and group maximums. Providers caring only for their relatives are reimbursed at the provisionally certified rate. Appendix 1 provides additional information on provider-to-child ratios in Wisconsin.

Table 3

Comparison of Key Requirements for Regulated Child Care Provider Types

<u>Type of Provider</u>	<u>Provider Training</u>	<u>Continuing Education</u>	<u>Maximum Provider/Child Ratio</u>
Licensed group	Post-secondary education courses and 80 working days of experience as a full-time assistant child care teacher, or 120 working days as a half-time assistant child care teacher	25 hours per year if provider works more than 20 hours per week; 15 hours per year if provider works 20 hours per week or less	Varies by age of child—1:4 for infants to 1:18 for children 6 years and older. Maximum number of children per group varies by age of children
Licensed family	40 hours or 3 credits, plus 10 additional hours if caring for infants/toddlers	15 hours per year	1:8, depending on age of children; maximum of 8
Regularly certified	15 hours	Not required by State; counties and tribes may require up to 5 hours per year	1:6, depending on age of children; maximum of 6
Provisionally certified*	None	None	1:6, depending on age of children; maximum of 6

* Certified providers caring only for relatives are reimbursed at the rate for a provisionally certified provider.

Licensed group providers generally provide child care in a separate facility, whereas licensed family providers and both types of certified providers generally provide child care in their homes. Licensed and certified providers must meet similar requirements related to the size of the child care site, its furnishings, available outdoor space, and the meals and snacks provided. In addition, all providers must pass criminal background checks conducted by state or county officials, and each child care site must pass an inspection. Licensed providers are inspected annually, and most certified providers are inspected either annually or once every two years, based on individual county policy. Licensed providers are regulated by the Department of Health and Family Services, and certified providers are regulated by county human services agencies under rules promulgated by the Department of Workforce Development.

In FY 1999-2000, licensed group providers cared for 63.6 percent of participating children.

As shown in Table 4, 78.2 percent of children participating in the program were cared for by licensed providers—63.6 percent by licensed group providers, and 14.6 percent by licensed family providers. In contrast, certified providers cared for 21.8 percent of participating children.

Table 4

Providers and Children Participating in the Program
FY 1999-2000

<u>Type of Provider</u>	<u>Number of Providers</u>	<u>Percentage of Providers</u>	<u>Number of Children Participating</u>	<u>Percentage of Children Participating</u>
Licensed group	1,694	23.3	38,478	63.6%
Licensed family	1,680	23.1	8,833	14.6
Regularly certified	2,883	39.6	10,851	17.9
Provisionally certified	937	12.9	2,360	3.9
Unregulated*	<u>81</u>	<u>1.1</u>	<u>14</u>	<u><0.1</u>
Total	7,275	100.0%	60,536	100.0%

* Program participants are allowed to use an unregulated child care provider on a short-term basis when an emergency, such as a child or provider with a temporary illness, prevents the child from being cared for by his or her regular provider.

Provider Payment

Provider payments consist of state and federal subsidies and a family copayment.

The Department makes reimbursement payments to providers who care for children participating in the program. Families are responsible for paying any provider charges that exceed the reimbursement levels approved by the State, as well as required copayments. Counties are required to establish maximum reimbursement rates based both on the type of care provided and the age of the children for whom care is provided. Separate reimbursement rates are established for children under 2 and children ages 2 to 12. Child care rates are set through annual provider surveys and are based on a specific percentage or percentile of local market rates. In general:

- licensed group and licensed family maximum rates are set at the 75th percentile of local market rates;
- regularly certified rates are set at 75 percent of either the weekly maximum or the hourly rate established for licensed family care; and
- provisionally certified rates are set at 50 percent of either the weekly or the hourly rate established for licensed family care.

Reimbursement rates can vary substantially from county to county depending on the nature of the child care market. Hourly rates for the ten counties with the highest and lowest rates are shown in Table 5. No comprehensive information is collected on how provider charges statewide compare to state reimbursement rates. The 2000 reimbursement rates that have been established for all counties are provided in Appendix 2.

Table 5

Range of Maximum County Reimbursement Rates*
Hourly Rate for Children Ages 2 to 12
2000

	<u>Licensed Group Provider</u>	<u>Licensed Family Provider</u>	<u>Regularly Certified Provider</u>	<u>Provisionally Certified Provider</u>
Counties with Highest Rates				
Dane	\$5.50	\$6.07	\$4.55	\$3.04
Milwaukee	5.47	5.00	2.81	1.88
Waukesha	5.17	4.29	3.75	2.50
Outagamie	4.67	4.17	3.13	2.09
Racine	4.60	4.00	3.00	2.00
Counties with Lowest Rates				
Vernon	\$2.43	\$2.50	\$1.88	\$1.25
Adams	2.40	3.38	2.54	1.69
Juneau	2.37	2.25	1.68	1.12
Jackson	2.13	2.19	2.19	1.46
Buffalo	2.00	2.50	1.88	1.25

* Including required family copayments.

The established maximum county reimbursement rate is increased by 10 percent for providers that are accredited. Accredited providers are verified once every three years for meeting quality-of-care standards established by one of several national organizations. Accreditation review generally includes observation to determine whether child care providers meet competency standards established by the accrediting organization. The process may also include interviews with and testing of providers, assessing parental opinions through questionnaires, and a self-study process for providers. Licensed group and licensed family providers can obtain accreditation from the National Association for the Education of Young Children. Licensed and certified providers can earn a child development associate credential through the Council for Early Childhood Professional Recognition, a national child care accrediting organization.

The Department makes provider payments based upon reported attendance.

The payments that the Department of Workforce Development issues directly to child care providers are based upon reported attendance figures. Child care providers submit biweekly attendance reports to counties, which record the data onto the Department's payment system. The Department generally issues reimbursement checks within one week of receiving attendance data.

As noted, family copayments are also a part of the anticipated payment for child care providers. Copayments for each participating family are determined by county caseworkers in accordance with a copayment schedule created by the Department. Copayments vary by family income, family size, number of children in care, and type of provider. In general, the copayment amount per child is less for those with lower incomes, those with larger families, and those choosing certified rather than licensed care. Although most families are required to be assessed a copayment, parents participating in the Learnfare program or the Food Stamp Employment and Training program are exempt from this obligation. In addition, beginning in February 2001, foster parents and court-ordered Kinship Care parents will also be exempt from the copayment requirement.

Program Participation

The majority of families receiving the child care subsidy are not W-2 participants.

As shown in Table 6, which provides a one-month profile of child care subsidy recipients in July 2000, the majority of Wisconsin families receiving child care subsidies do not participate in the W-2 program and have children in the child care program who are more than two years old. A few notable differences exist between Milwaukee County and the rest of the state. For example, 49.8 percent of families with incomes under 100 percent of the federal poverty level participate in the program in Milwaukee County, compared to 39.2 percent in the rest of the state. In addition, while the percentage of child care subsidy recipients who also

participate in W-2 is 15.3 percent statewide, it is 29.7 percent in Milwaukee County, compared to 5.4 percent in the rest of the state. Appendix 3 provides information on child care participation levels for all counties in July 2000.

Table 6

Profile of Child Care Subsidy Recipients
July 2000

	<u>Milwaukee County</u>	<u>Balance of State</u>	<u>Total</u>	<u>Percentage of Total</u>
Family Income				
Less than 100 percent of poverty level	4,066	4,660	8,726	43.5%
101-185 percent of poverty level	3,937	6,944	10,881	54.3
Over 185 percent of poverty level	<u>161</u>	<u>289</u>	<u>450</u>	<u>2.2</u>
Total	8,164	11,893	20,057	100.0%
W-2 Participation				
Families participating in W-2	2,426	639	3,065	15.3%
Families not participating in W-2	<u>5,738</u>	<u>11,254</u>	<u>16,992</u>	<u>84.7</u>
Total	8,164	11,893	20,057	100.0%
Age of Children				
Less than 1	1,237	1,390	2,627	7.2%
1-2	1,899	2,298	4,197	11.6
2-6	7,343	9,983	17,326	47.8
Over 6	<u>5,381</u>	<u>6,716</u>	<u>12,097</u>	<u>33.4</u>
Total	15,860	20,387	36,247	100.0%
Ethnicity of Children				
White	1,299	11,664	12,963	35.8%
Black	9,671	2,365	12,036	33.2
Unknown	3,790	4,745	8,535	23.5
Hispanic	871	635	1,506	4.2
American Indian	56	491	547	1.5
Asian or Pacific Islander	133	388	521	1.4
Other	<u>40</u>	<u>99</u>	<u>139</u>	<u>0.4</u>
Total	15,860	20,387	36,247	100.0%

Teenagers with children cannot participate if their parents do not apply for the program.

In July 2000, 130 families participating in the child care subsidy program had teen parents who were attending high school or equivalent programs; 77 of these families were from Milwaukee County, and 53 were from the balance of the state. These 130 families represented less than 1.0 percent of all families participating in the child care subsidy program. Nevertheless, several local agencies indicated that teenagers with children may have difficulty getting access to the program because their parents are unwilling to apply—a program requirement for those under the age of 18. School officials are concerned that teenagers' difficulty in obtaining a child care subsidy may hamper their ability to remain in school. No data currently exist on the number of teenagers who have dropped out of school as a result of difficulty in obtaining the child care subsidy.

Program Expenditures

Funding for the child care subsidy program is provided through a complex mixture of federal and state revenue sources that are provided through two programs: the Child Care and Development Fund and the Temporary Assistance for Needy Families (TANF) grant. Although expenditures were much lower than budgeted amounts during the program's first year, expenditures have increased markedly in every year since FY 1996-97. As a result, expenditures exceeded budgeted amounts by \$10.2 million in FY 1999-2000 and, in July 2000, the Legislature increased expenditure authority by \$24.3 million to avoid another shortfall in FY 2000-01. Given the program's growth, expenditures for the 2001-03 biennium are projected to continue to increase.

Program Expenditures

From FY 1996-97 through FY 1999-2000, overall program expenditures increased from \$50.2 million to \$191.3 million. Because FY 1996-97 was a transitional year between the prior child care assistance programs and the current child care subsidy program, we analyzed participation and expenditure data from FY 1997-98 through FY 1999-2000, which are more representative of recent trends.

Expenditures increased from \$114.5 million in FY 1997-98 to \$191.3 million in FY 1999-2000.

From September 1997—which is also the start of the W-2 program—through June 2000, monthly participation by children in the child care subsidy program increased 83.5 percent, growing from 18,671 to 34,268. As shown in Table 7, expenditures increased from \$114.5 million in FY 1997-98 to \$191.3 million in FY 1999-2000, or 67.1 percent. The relative proportion of federal and state expenditures has remained constant during this period, with federal funds covering more than 75 percent of all child care program expenditures in each of the past three fiscal years.

Table 7

Program Expenditures
(millions)

	<u>Federal Expenditures</u>	<u>State GPR Expenditures</u>	<u>Total Expenditures</u>	<u>Percentage Change</u>
FY 1997-98	\$ 88.0	\$26.5	\$114.5	—
FY 1998-99	151.5	27.6	179.1	56.4%
FY 1999-2000	147.5	43.8	191.3	6.8

The largest portion of program expenditures is for reimbursements made directly to child care providers. As shown in Table 8, these expenditures were 71.0 percent of total expenditures in FY 1998-99 and 81.5 percent in FY 1999-2000, the only two years for which these data were available. Other program expenditures include grants to local entities for improving the quality and availability of child care services, and local and state administration expenditures.

Table 8

Program Expenditures by Type
(millions)

<u>Type of Expenditure</u>	FY 1998-99		FY 1999-2000	
	<u>Expenditures</u>	Percentage of <u>Total</u>	<u>Expenditures</u>	Percentage of <u>Total</u>
Provider reimbursements	\$127.2	71.0%	\$156.1	81.5%
Grants and local administration	44.7	25.0	33.0	17.3
State administration	<u>7.2</u>	<u>4.0</u>	<u>2.2*</u>	<u>1.2</u>
Total	\$179.1	100.0%	\$191.3	100.0%

* Does not include \$5.1 million for the child care subsidy program's portion of the Department's computer system costs allocated to a different TANF account beginning in FY 1999-2000.

The State's reliance on TANF funds has increased significantly over the past three years.

As noted, child care funding is a complex mixture of federal and state funds. To maximize program funding, GPR funds are appropriated to secure available federal funds. Table 9 shows the relative proportion of funding from each of the two funding sources—the Child Care and Development Fund and TANF—that finance the child care subsidy program. As the program has grown, the State has more quickly exhausted federal child care funds that do not require a GPR match or maintenance of effort. Consequently, the State's reliance on TANF funds, which do require maintenance of effort using GPR funds, has increased significantly over the past three years.

Table 9

Comparison of Program Expenditures
(millions)

<u>Funding Program</u>	<u>FY 1997-98</u>		<u>FY 1999-2000</u>	
	<u>Expenditures</u>	<u>Proportion of Total</u>	<u>Expenditures</u>	<u>Proportion of Total</u>
Child Care and Development Fund	\$100.9	88.2%	\$74.5	38.9%
TANF funds transferred*	<u>11.5</u>	<u>10.0</u>	<u>44.1</u>	<u>23.1</u>
Subtotal	\$112.4	98.2%	\$118.6	62.0%
Direct TANF funds	<u>2.1</u>	<u>1.8</u>	<u>72.7</u>	<u>38.0</u>
Total	\$114.5	100.0%	\$191.3	100.0%

* Represents TANF funding transferred directly into the Child Care and Development Fund.

The majority of program funds, \$118.6 million in FY 1999-2000, was provided through the Child Care and Development Fund, which includes some state funding needed to secure available federal funds. The federal government created the Child Care and Development Fund in 1996 to consolidate multiple federal child care funding programs in order to simplify program administration. Before 1996, federal funding for child care was provided through a number of child care assistance programs for low-income families, including Aid to Families with Dependent Children (AFDC) child care entitlements, Transitional Child Care, At-Risk Child Care, and the Child Care and Development Block Grant.

The Child Care and Development Fund has both discretionary and entitlement funding. A state receives discretionary funds based on its share of children under the age of five, its share of children receiving free or reduced-priced lunches, and its per capita income. There is no matching requirement for discretionary funds.

Entitlement funds are allocated to states in two parts. First, each state receives a fixed amount based on the amount of funding it received previously under its AFDC-funded child care programs. States are not required to match this portion of their entitlement funds. Second, after the initial distribution of entitlement funds, any remaining funds are distributed according to each state's share of children under age 13. However, the second distribution of entitlement funds requires states to use GPR to meet maintenance-of-effort and matching requirements.

Finally, federal rules also allow states to transfer a portion of their total TANF revenue to the Child Care and Development Fund. Once transferred, these funds lose their TANF designation and are considered part of the Child Care and Development Fund. Because of the manner in which federal funds are recorded, it is not possible to determine the amount of federal funds that was obtained on the basis of state GPR or the amount that was provided strictly as grant funds. However, in FY 1999-2000 Wisconsin's Child Care and Development Fund expenditures—including a TANF transfer and state GPR—totaled \$118.6 million, of which approximately \$58.0 million (48.9 percent) was either federal discretionary or entitlement funds.

**Wisconsin spent
\$72.7 million in direct
TANF funds on child
care in FY 1999-2000.**

States may also spend TANF revenue directly on child care programs without first transferring funds to the Child Care and Development Fund. In FY 1999-2000, Wisconsin spent \$72.7 million in direct TANF funds on child care, of which \$27.4 million (37.7 percent) was GPR. In addition to allowing TANF funds to be transferred into the Child Care and Development Fund and spent directly on child care, federal law also provides that TANF funds may be used for any purpose that had been allowable under AFDC, the emergency assistance program, or the Job Opportunities and Basic Skills Program.

TANF funding has also been used for broader purposes in Wisconsin and other states, because federal law is broadly worded and permits states to spend TANF funds in any manner that is reasonably calculated to accomplish the purposes of the TANF program, including:

- providing assistance to needy families so children may be cared for in their homes or in the homes of relatives;
- ending dependence on government services by promoting job preparation, work, and marriage;

- preventing and reducing the incidence of out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

In July 2000, as part of a s. 16.54, Wis. Stats., funding request related to the approval of federal child care block grant funds, the Governor requested and the Joint Committee on Finance approved a new two-year program that will allow the State to claim an additional \$26.0 million in federal Child Care and Development Fund revenues that were not initially claimed because of inadequate GPR match. The additional federal funds will be claimed by certifying local child care expenditures that are eligible to match federal funds and that, rather than being used to fund the State’s child care costs, will be provided directly to counties and local entities such as cities and school districts for child care related services. These funds were first released in October 2000.

Program Budgets

In FY 1999-2000, program expenditures exceeded the budget by 5.6 percent.

As noted, when the child care subsidy program began in FY 1996-97, expenditures were only 50.7 percent of budgeted levels. The primary reason for this underspending was lower-than-expected participation rates. However, as shown in Table 10, from FY 1997-98 through FY 1999-2000 expenditures increased markedly, and in FY 1999-2000 they actually exceeded the initial budget by \$10.2 million.

Table 10
Comparison of Program Expenditures to Budgets
(millions)

	<u>Program Budget</u>	<u>Program Expenditures</u>	<u>Expenditures as a Percentage of Budget</u>
FY 1997-98	\$161.5	\$114.5	70.9%
FY 1998-99	181.8	179.1	98.5
FY 1999-2000	181.1	191.3*	105.6

* The Legislature has granted the Department authority to exceed its established budget provided it remains within 10 percent of the established budget and sufficient unspent TANF funds remain to cover these expenditures.

In July 2000, the Governor requested \$9.7 million in additional expenditure authority to cover the FY 1999-2000 child care subsidy program budget that had been exceeded, as well as \$12.4 million to cover a potential shortfall in FY 2000-01. The Legislature's Joint Committee on Finance approved this request and provided an additional \$11.9 million to be placed within the Department's appropriation to fund additional child care costs in FY 2000-01, if needed. Officials in the Department do not yet know whether the \$200.9 million included in the FY 2000-01 budget for reimbursement of providers will be exceeded, because program participation has not been consistently predictable. However, when the federal budget for federal fiscal year (FFY) 2000-01 is passed, an additional \$9.0 million in federal discretionary funds may be available to Wisconsin for FY 2000-01.

Officials in the Department note that families choose to enter or leave the program for a number of reasons, making it difficult to accurately estimate participation rates. Although participation has increased substantially in recent years, concerns remain about possible barriers to participation for W-2 participants and other low-income working families. Therefore, we analyzed the factors that appear to most directly influence program participation.

Factors Affecting Program Participation

Although participation has increased substantially since 1996, not all eligible families are using the program. Some families choose to stay at home or use relatives or neighbors to provide child care, but others who might wish to participate find it difficult to use the program because of its cost to them, a lack of available child care providers, or difficulty finding transportation. Although these reasons are faced by all families seeking regulated child care, low-income families eligible for the program typically have fewer resources to help them meet these challenges. We identified a number of reasons why families do not participate in the child care subsidy program, including the size of their copayments, the availability of regulated child care, and access to transportation.

Copayments

Participating families are expected to share the cost of child care through copayments.

Copayments are intended to ensure that families share the financial responsibility of providing child care. However, federal regulations also require that the cost not be so high as to prohibit individuals from using the program. Because of concerns raised by county staff, child care providers, and child advocacy organizations, we examined issues related to the affordability, collection, and effects associated with child care copayments. It is important to note some child care providers may collect fees in addition to copayments for items such as transportation, field trips, and arts and crafts, or because their rates exceed the maximum reimbursement rate for the county. However, no data have been collected centrally on these fees. Therefore, they are not included in our analysis of copayments.

Size of Copayments

Wisconsin generally requires higher copayments than other midwestern states do.

Copayments increase as a family's income rises and, as noted, program eligibility terminates when a family's gross monthly income exceeds 200 percent of the federal poverty level, which is currently \$2,358 for a family of three. Copayments in Wisconsin are established by the Department and were last revised in April 2000. As shown in Table 11, compared to other midwestern states, Wisconsin generally requires higher copayments.

Table 11

Monthly Copayment Comparison*
July 2000

<u>State</u>	<u>Income at 100% of Federal Poverty Level</u>	<u>Income at 150% of Federal Poverty Level</u>
Illinois	\$206	\$232
Indiana	0	129**
Iowa	43	Ineligible
Michigan	59	59
Minnesota	5	53
Ohio	2	172
Wisconsin	90	189

* Data are for a family of three with one infant and one toddler receiving child care.

** For families already enrolled in the program. New applicants with family incomes at or above 143 percent of the federal poverty level are ineligible for the subsidy.

Copayments are often less than the maximum of 12 percent of a family's gross income.

Although currently capped at 12 percent of gross family income, most families' copayments are substantially lower than this amount. As shown in Table 12, for a family of three, copayments range from a low of 2.9 percent of gross income to a high of 11.3 percent. The size of copayments is affected by a family's size and income level, the number of children receiving care, and the type of child care provided.

In an effort to make copayments more affordable for those with unique needs or additional financial burdens, the Legislature has provided that families meeting specific criteria be assessed lower copayments. For example, families with children using subsidized child care for 20 hours or less per week are assessed a copayment that is half of their share of the regular copayment. Copayments are also set at lower levels during the first month of unsubsidized work for W-2 participants who leave a W-2 employment position. In addition, copayments are not required for parents participating in the Learnfare program or the Food Stamp Employment and Training program, and beginning in February 2001 will not be required for foster parents and court-ordered Kinship Care parents.

Table 12

**Copayments for Families with Income at
Different Points of the Federal Poverty Level
2000**

<u>Monthly Income for Family of Three</u>	<u>Estimated Monthly Copayment for Licensed Care*</u>	<u>Percentage of Monthly Income</u>	<u>Estimated Monthly Copayment for Certified Care*</u>	<u>Percentage of Monthly Income</u>
\$ 884 (75% of poverty level)	\$ 39	4.4%	\$ 26	2.9%
1,179 (100% of poverty level)	90	7.7	60	5.1
1,769 (150% of poverty level)	189	10.7	133	7.5
2,358 (200% of poverty level)	267	11.3	198	8.4

* Estimate based on two children in the family and 4.3 weeks in a typical month.

Despite these efforts to make copayments affordable, some county and W-2 agency staff told us that copayments remain unaffordable and, therefore, some parents who meet the program's eligibility requirements do not participate. To determine the amount of income potentially available to a family for meeting its child care copayment, we compared monthly income and expenses for a typical family participating in the program. Such a family consists of one adult who has two children and a full-time job and earns \$7.00 per hour, which places the family at approximately 100 percent of the federal poverty level.

We estimated monthly expenses for the family, based upon estimates prepared for the Education Fund of the Wisconsin Women's Network. They include food (\$325), housing (\$667), and transportation (\$177). Based on an income at 100 percent of the federal poverty level, the family's monthly copayment would be \$90. However, the disposable income available to the family for its copayment and other needs would vary substantially depending upon whether the parent received the earned income tax credit and child support. Disposable income for the copayment and other needs would be:

- approximately \$510 if all tax credits and child support income were received;
- approximately \$200 if either the tax credits or child support income were received; or

- approximately \$110 less than monthly expenses if neither the tax credits nor child support income were received.

Parents may, therefore, rely on relatives or neighbors who provide child care free of charge or are willing to barter. The quality and reliability of this care may vary substantially.

Collection of Copayments

Copayment collection is not enforced by the Department.

The program's use of copayments also affects child care providers. Providers and local staff in county and W-2 agencies told us that it is sometimes difficult for providers to collect copayments from subsidized families because some families cannot afford the copayments. As a result, some providers have chosen to collect only a portion of the required copayment or to forego the copayment rather than discontinue providing care. Other providers have continued to pursue collection, but without the assistance of the Department. Neither the Department, counties, nor W-2 agencies are required by law to take action when copayments are not made. Officials in the Department believe their responsibility is appropriately limited to providing funding to allow low-income families to gain access to child care and that collecting copayments from parents should continue to be the responsibility of the providers.

In order to determine the extent to which providers collect copayments and the level of difficulty associated with collection, we surveyed 100 licensed and certified providers throughout the state. Our sample was based on the proportion of the entire provider population that each of the four provider groups represents. It included:

- 25 licensed group providers;
- 27 licensed family providers;
- 39 regularly certified providers; and
- 9 provisionally certified providers.

Table 13 provides a summary of the findings of our survey. While the majority of providers reported that they always attempt to collect copayments, 17 providers that we contacted reported they never try to collect them.

Table 13

Responses to Provider Survey on Copayment Collection

	<u>Number Responding</u>	<u>Percentage of Those Responding</u>
Frequency of copayment collection:		
Always	65	65.0%
Sometimes	18	18.0
Never	17	17.0
Percentage of families paying in a timely manner:		
0 to 24 percent	12	14.5
25 to 49 percent	8	9.6
50 to 74 percent	12	14.5
75 to 100 percent	51	61.4
Difficulty in collecting copayments from subsidized as compared to unsubsidized families:		
More difficult	26	32.9
Same level of difficulty	38	48.1
Less difficult	15	19.0
Comparison of amount reimbursed by State with amount charged to parents:		
Greater than amount charged to parents	19	20.0
Equal to amount charged to parents*	49	51.6
Less than amount charged to parents	27	28.4

* Many provisionally certified providers care only for relatives; therefore, the rate they charge is often the same as that reimbursed by the State.

Among providers who attempt to collect copayments, some expressed frustration with the difficulty of doing so. Among the reasons they gave for the difficulty were:

- parents not being told by caseworkers that they owe copayments and, therefore, not understanding their obligation to make them;
- parents believing they should not be required to contribute toward the cost of child care through copayments; and

- prospective providers not being told by caseworkers when a family already owes past-due copayments to a former provider.

When families do not make their copayments, the providers we surveyed stated that they most often continue to care for the children and try to set up alternate payment schedules. However, one-third of the providers we surveyed indicated they had, on at least one occasion, asked a family to withdraw a child or children from their care.

We found licensed providers were much more likely than certified providers to always try to collect copayments: 84.6 percent of licensed providers always try to collect copayments, compared to 43.8 percent of certified providers. Of the providers who occasionally or never try to collect copayments, 85.7 percent identified parents' inability to afford the copayment as the primary reason for not collecting it. Other reasons given by providers for not collecting the copayment included the State's reimbursement being high enough to cover all of their expenses, not being comfortable asking parents to make their copayments, and believing that not collecting copayments provides a competitive advantage.

Effects of Copayments

Child care costs increase greatly for families with incomes exceeding 200 percent of the poverty level.

Some local staff with whom we spoke expressed concern about the disincentive for program participants to find better-paying jobs, especially if these jobs will increase their income above 200 percent of the federal poverty level and thereby make them ineligible for continued program participation. For example, a family of three with two children would pay \$267 per month in copayments under the program, but at least \$955 per month when it is no longer qualified for the subsidy because its income exceeds 200 percent of the federal poverty level. Although the family would also be eligible for an additional child care tax credit of approximately \$320 per year if it paid all child care costs, its child care costs would still be approximately \$8,000 more per year, or \$667 more per month, than they would have been under the child care subsidy program.

Officials in the Department acknowledge this issue as a disincentive for parents to find higher-paying jobs if the jobs will raise their incomes beyond 200 percent of the federal poverty level. However, possible alternatives to the current approach could also have negative effects. For example, charging higher copayments may place an even greater financial burden on families, while expanding program eligibility beyond 200 percent of the federal poverty level would further increase program costs. Because the incomes of most program participants are currently well below 200 percent of the poverty level—only 2.2 percent

had incomes above 185 percent of the federal poverty level in July 2000—officials in the Department believe the current copayment structure is the most appropriate approach to balance these competing interests.

In Milwaukee County, school-sponsored programs compete with providers for school-age children.

Another effect created by the copayment structure is associated with before- and after-school programs in Milwaukee County. Families residing in Milwaukee County whose children are cared for by a public school provider before or after school are assessed half the standard copayment. This policy may encourage parents to use public school programs rather than part-time child care offered by other providers. While there are benefits to parents and children in using public school programs, such as not having to transport children from school to a care provider, some Milwaukee County providers and staff have expressed concern with the growth of school-sponsored child care.

In FY 1999-2000, school-sponsored child care in Milwaukee served an average of 507 children per month. In general, providing child care for preschool children is less expensive than providing child care for infants, primarily because the provider-to-child ratios are lower for older children than for infants. Providers offering infant care may depend on income from serving preschool-age children to offset the costs associated with caring for infants. Therefore, some providers contend that the policy regarding copayments for school programs creates financial hardships for providers in Milwaukee County.

Availability of Regulated Care

From 1997 through 1999, the number of child care slots increased by 6,186.

Data provided by the Wisconsin Child Care Resource and Referral Network, a statewide organization of community-based child care resource and referral agencies, along with our interviews of county staff, indicate there has been a recent increase in the supply of child care providers. From 1997 through 1999, there were an estimated 7,400 new child care providers in Wisconsin, creating approximately 64,600 new child care slots for children. However, during the same time period an estimated 7,100 providers ceased providing care, resulting in the loss of approximately 58,400 child care slots. As shown in Table 14, the net effect of these changes has been an increase of 283 providers and 6,186 child care slots in Wisconsin from 1997 through 1999. The increase in slots is the result of an increase in licensed group and provisionally certified providers.

Table 14

Change in the Number of Child Care Providers and Slots
1997 through 1999

<u>Type of Provider</u>	<u>Change in Number of Providers</u>	<u>Change in Number of Slots</u>
Licensed group	84	4,833
Licensed family	(215)	(1,823)
Regularly certified	(606)	(3,133)
Provisionally certified	<u>1,020</u>	<u>6,309</u>
Total	283	6,186

Milwaukee County accounted for 88.0 percent of the increase in slots between 1997 and 1999. As shown in Table 15, the remaining 740 slots were created in other areas of the state.

Table 15

Change in the Number of Child Care Slots
1997 through 1999

<u>Type of Provider</u>	<u>Change in the Number of Slots in Milwaukee County</u>	<u>Change in the Number of Slots in Balance of State</u>	<u>Change in Slots Statewide</u>
Licensed group	1,197	3,636	4,833
Licensed family	600	(2,423)	(1,823)
Regularly certified	338	(3,471)	(3,133)
Provisionally certified	<u>3,311</u>	<u>2,998</u>	<u>6,309</u>
Total	5,446	740	6,186

It can be difficult for parents to find providers to care for infants.

Despite the overall increase in the number of child care slots, parents who need care for certain ages of children, such as infants, or at certain times during the week, such as on the weekend or during nonstandard working hours, are likely to have difficulty finding child care. As shown

in Table 16, data provided by the Wisconsin Child Care Resource and Referral Network indicate that 43.3 percent of licensed group providers and 78.0 percent of licensed family providers are permitted by their licenses to care for infants. The data also indicate that 79.1 percent of regularly certified providers and 73.0 percent of provisionally certified providers are permitted by their certification standards to care for infants. However, we were told it is likely the actual percentage of providers providing infant care is substantially smaller because of the higher cost of providing this type of care.

Table 16

**Providers Approved to Provide Specialized Care
1999**

<u>Type of Provider</u>	<u>Percentage Approved to Provide Infant Care</u>	<u>Percentage Approved to Provide Evening Care</u>	<u>Percentage Approved to Provide Overnight Care</u>	<u>Percentage Approved to Provide Weekend Care</u>
Licensed group	43.3%	3.3%	0.2%	1.4%
Licensed family	78.0	10.0	4.0	7.4
Regularly certified	79.1	25.9	11.1	14.1
Provisionally certified	73.0	21.8	10.0	12.4

Less than 5.0 percent of licensed group providers are approved to provide evening, overnight, or weekend care.

County and W-2 agency staff have also noted that parents working the second or third shift, or working shifts that include weekend hours, are likely to have difficulty finding regulated child care. Less than 5.0 percent of licensed group providers are approved to provide either evening care, overnight care, or weekend care. Only slightly higher proportions of licensed family providers, regularly certified providers, and provisionally certified providers are approved to provide these types of care.

Parents needing regulated child care for children with special needs are also likely to have difficulty finding it. Local agency staff can authorize a higher reimbursement rate when emotional, behavioral, physical, or personal needs that require more care and supervision than is usual for the child's age are documented by a physician or other qualified professional. However, no statewide information currently exists about the number of providers willing or approved to care for children with special needs, although nearly every local agency we spoke with

indicated that there is an insufficient supply of child care providers for these children.

The provision of infant, evening, overnight, weekend, and special needs care is low because providing these types of care is generally not profitable for providers. All families, not just those that are subsidized, are likely to have difficulty locating providers able and willing to provide these types of care. This is a concern both because it may limit the ability of some W-2 participants to accept work and become self-sufficient and because difficulty in finding appropriate care may lead some parents to choose to use unregulated care or to leave their children unsupervised.

Transportation Issues

Transportation challenges are another reason parents may choose not to participate or to discontinue participation in the child care program. County and W-2 agency staff indicate that parents who do not own automobiles and rely on public transportation may have increased difficulty balancing their work and transportation schedules with the operating hours and locations of available child care providers. Transportation obstacles are further complicated if a parent has more than one child and uses more than one child care provider, or if a child care provider and a parent's employer are located some distance apart.

Local agencies provided the following examples of challenges faced by parents without reliable automobiles:

- bus rides of 90 minutes each morning and evening to travel between home, the child care provider, and work;
- frequent use of taxicabs when cheaper forms of transportation are unavailable; and
- dependence on others for rides, which may not be reliable.

W-2 agencies in Milwaukee have contributed funds to provide child care transportation.

In Milwaukee County, W-2 agencies have combined their resources to develop the W-2 Child Care Transportation Project to temporarily assist parents with these transportation challenges. The program, coordinated by staff from YW Works, provides children with van rides from their homes to their child care providers and back again. When the program was implemented in June 1999, transportation services were available to all W-2 families participating in the child care subsidy program. These services were available for 90 days, during which time parents were expected to work with W-2 agency staff to arrange long-term

transportation options for their families. The project was funded with W-2 program funds contributed by each of the five W-2 agencies in Milwaukee County and with community reinvestment funds, which are unexpended W-2 contract funds that must be spent on services for low-income individuals. From June 1999 through December 1999, approximately \$666,000 was spent to provide rides to 684 children. That amount includes the cost of van rides, agency staff, and administration. Transportation vendors were reimbursed \$4.50 per child for each one-way trip.

Since July 2000, YW Works has relied upon a \$1.5 million federal and state grant from the Wisconsin Employment Transportation Assistance Program (WETAP). The grant is administered by the Department to provide funding for the YW Works child care transportation program. In July 2000, the program was expanded by:

- including families with incomes up to 200 percent of the federal poverty level;
- no longer limiting participation to those enrolled in the child care subsidy program;
- providing service for up to one year, rather than limiting it to 90 days; and
- accepting referrals for transportation services from several community-based organizations.

Although the \$1.5 million in WETAP funding was supposed to fund services from July 2000 through June 2001, program administrators are predicting that additional funding will be needed because of higher than anticipated usage. YW Works indicates it may seek private foundation funding to allow for the continued expansion of services in 2001. Increased participation is, in part, the result of the programmatic changes made to expand the program.

Families in rural settings may face significant transportation challenges.

Finally, in rural areas of the state, families may have to travel longer distances between home, work, and their child care providers, and those that do not own or cannot maintain a reliable automobile may not have access to public transportation. Because the number of families needing transportation in any one area is much smaller in rural than in urban areas, fewer resources have been devoted to addressing their transportation needs.

Administrative oversight is a necessary component of an effective child care subsidy program, especially when the program is administered locally by more than 70 county human services and W-2 agencies. The 12 full-time equivalent positions in the Department's Office of Child Care manage efforts to maintain program data, monitor contract compliance for on-site child care activities at W-2 agencies, determine the effectiveness of grants awarded to increase capacity and improve quality, and assist in the local development of quality child care. We found the Department has implemented an effective system to make subsidy payments; however, its efforts to manage grant programs could be improved.

Program Data and Payment System

When the current child care subsidy program began in August 1996, the Department's goal was to create an efficient statewide administrative system for processing child care assistance cases. In March 1997, the current Child Care Payment System was established. This system allows the State to track all child care activity, from the time an individual applies for child care assistance to the time payment is issued directly to a provider. Counties were added to the Child Care Payment System throughout 1997 and, with the exception of Milwaukee County, were required to use the system by March 1998. Milwaukee County was not required to use the system until March 1999.

The Department's Child Care Payment System has improved the timeliness of reimbursements.

Before the Child Care Payment System was implemented, counties maintained their own systems for making eligibility determinations, processing child care assistance cases, and reimbursing providers. Some counties reimbursed providers only once per month, which meant that a provider may have had to wait more than four weeks after providing care to be reimbursed. In March 1997, the Department began processing reimbursements directly, which has improved the timeliness of reimbursements. If providers submit biweekly attendance reports to counties and if counties enter these data within one week, reimbursements can be made within two to four weeks of providing care. Most providers with whom we spoke indicated that the current system is an improvement over the previous one and that they have had relatively few problems with it. However, a few providers remain concerned with the timeliness of payments because the State makes reimbursement payments only after care has been provided. However, this approach is consistent with other social service programs and provides some means of preventing fraud and abuse.

Before the Child Care Payment System was developed, information about the needs and characteristics of program participants was obtained through semiannual surveys of counties. These data were not centrally maintained, nor were they always comparable. Maintaining participant data in one system has allowed the Department to obtain more accurate information about the characteristics of children and families using the program. However, counties currently have limited access to the data, which could allow them to analyze the composition and characteristics of program participants, assess the effectiveness of current staffing assignments, and project future staffing needs. The Department is working toward enhancing the counties' access to the data, which should improve counties' abilities to plan.

Monitoring Efforts for On-Site Contracts

In 2000, 15 W-2 agencies, including all 5 agencies in Milwaukee County, were awarded contracts to provide on-site and emergency child care at 28 sites. These contracts were made as amendments to existing two-year W-2 contracts. The care provided under the on-site and emergency child care contracts is temporary and available to families who have appointments at job centers or W-2 agencies, are participating in training at job centers or W-2 agencies, are in need of child care before their authorizations are issued or permanent care can be arranged, or whose regular provider is unavailable.

As part of these contracts, the Department requires agencies to submit annual planning documents with budget estimates and to maintain and report attendance records. In our review of 1997-1999 contracts, we found that in 1999, the Department reimbursed one of the W-2 agencies, Employment Solutions, for on-site and emergency child care services even though no annual planning document had been completed and the agency did not adhere to contract reporting requirements. Staff turnover was identified as the primary reason for the oversight. Given the confusion among staff responsible for monitoring the program, we believe enhanced contract management and additional staff training would be prudent.

Grant Administration

The Department is responsible for administering several types of grant programs to improve the quality of child care.

Over the past four years, the Department's oversight responsibilities have included administering three types of smaller child care grants to local entities: W-2 local grants, quality improvement and staff retention grants, and start-up and expansion grants. Under state laws, these grants are given to organizations or providers to start up and expand child care programs, to improve the quality of child care, or to increase staff retention.

In December 1996, as part of a three-year, \$5.0 million initiative to improve the availability of child care for W-2 families, \$1.9 million in federal funding was allocated for local grants to increase and sustain the supply of child care for these families. The local grants were administered at the local level by 17 child care resource and referral agencies across the state. They were intended to address needs identified by these agencies, local W-2 agencies, child care licensors, county human or social service departments, and quality child care consultants.

**W-2 local grants created
8,320 child care slots
from 1997 through 1999.**

Of the \$1.9 million allocated, \$1.8 million was awarded in grants. The remaining amount was used for local administration. Funds were used for two purposes: to start or expand child care services, and to maintain existing capacity to serve W-2 families. Eligible grantees included Head Start agencies, public schools, child care providers, and job centers. Between January 1997 and December 1999, the Department reports that a total of 8,320 child care slots were created statewide as a result of these grants, of which:

- 1,929 slots (23.2 percent) were for infants;
- 1,271 slots (15.3 percent) were for children needing care during nonstandard work hours; and
- 342 slots (4.1 percent) were for children with special needs.

Quality improvement and staff retention grants began to be awarded by the Department in 1992. These grants are intended to assist licensed group and licensed family child care providers in meeting standards, including achieving accreditation by national organizations; establishing higher staff educational and training requirements; and establishing personnel standards, such as providing paid leave to staff. Statutes require providers to make a 25 percent in-kind or dollar match. As shown in Table 17, nearly \$1.3 million was awarded in quality improvement grants in 1999, of which \$267,800 was for new grants and nearly \$1.0 million was given to continue existing grants. The average new grant awarded during this period was \$7,400 for licensed group providers and \$1,400 for licensed family providers. The average amount awarded for continuation grants was \$4,900 to licensed group providers and \$1,100 to licensed family providers.

Table 17

**Number and Value of Quality Improvement and Staff Retention Grants
1999**

<u>Type of Provider</u>	<u>Number of New Grants</u>	<u>Number of Continuation Grants</u>	<u>Value of New Grants</u>	<u>Value of Continuation Grants</u>	<u>Total Value of Grants</u>
Licensed group	34	189	\$251,000	\$935,000	\$1,186,000
Licensed family	<u>12</u>	<u>55</u>	<u>16,800</u>	<u>61,300</u>	<u>78,100</u>
Total	46	244	\$267,800	\$996,300	\$1,264,100

Many providers have not met the quality standards set forth in their grants.

Agreements between the Department and providers indicate that the quality standards for many of these grants are to be met within four years. As shown in Table 18, the percentage of licensed providers who received grants and met the standards has fallen consistently over the past several years. In fact, less than half of licensed group providers awarded grants between 1993 and 1995 achieved the agreed-upon standards. In addition, for the licensed providers who received grants during this same time period and met the standards, the summary management information maintained by the Department does not facilitate an assessment of whether these standards were met within the required four-year time period or whether the grants had a positive effect on staff retention. Officials in the Department indicate that licensed group providers were not able to meet the high quality standards because of problems in retaining staff, administrator turnover resulting in delays in understanding grant requirements, and a shortage of accreditation validators in the state.

Finally, the Department also oversees start-up and expansion grants, which are given for one-time costs associated with increasing the availability or supply of licensed care for infants and children up to the age of 13. These grants are awarded to Head Start agencies, employers who wish to provide child care services for their employees, programs for children of student parents, providers who care for sick children, and providers employing former or current participants in a W-2 employment position. Grant funds may be used for staff training, supplies, equipment, personnel costs, a portion of the first year's operating expenses, and minor remodeling that is needed to obtain a child care license. Statutes require providers to make a 25 percent in-kind or dollar match for these grants.

Table 18

Quality Improvement Grant Recipients Achieving the High Quality Standards

Licensed Group Providers

<u>Grant Year*</u>	<u>Number of Grant Sites</u>	<u>Number of Grant Sites Meeting High Quality Standards</u>	<u>Percentage of Grant Sites Meeting High Quality Standards</u>
1992	104	52	50%
1993	65	31	48
1994	124	49	40
1995	64	10	16

Licensed Family Providers

<u>Grant Year*</u>	<u>Number of Grant Sites</u>	<u>Number of Grant Sites Meeting High Quality Standards</u>	<u>Percentage of Grant Sites Meeting High Quality Standards</u>
1992	32	29	91%
1993	21	14	67
1994	30	20	67
1995	42	26	62

* We selected grants from this period because many recipients have up to four years to meet the quality standards.

As shown in Table 19, 29 start-up and expansion grants with a total value of \$529,100 were awarded in 1999. Between 1998 and 1999, the number and value of grants increased, as did the number of child care slots created. Although the Department reports that a total of 1,735 slots were created in 1998 and 1999, staff acknowledge that the grants' direct effects on child care slot creation were not examined because staff resources were inadequate and because it would be too difficult to separate the effects of these grants from other market factors that may have played a role.

Table 19

Start-Up and Expansion Grants
1998 through 1999

<u>Start-Up and Expansion Grants</u>	<u>1998</u>	<u>1999</u>	<u>Percentage Change</u>
Number of grants awarded	18	29	61.1%
Value of grants awarded	\$358,428	\$529,100	47.6
Number of slots created	787	948	20.5

The Department could improve its data collection to better determine whether child care program outcomes meet specified grant purposes and are the direct result of the grant funding. For example, in the Department's management report that summarizes grant activity on capacity building for the period January 1997 through December 1999, we found missing information for at least 15 counties, including grantee names, the type of provider, and the number of child care slots created. Without reviewing documentation contained in individual grant files, it was therefore not always possible to determine for what and to whom grant funding was awarded and what direct effect these grants had on enhancing the quality and availability of child care.

The total dollar value of the grant programs we reviewed is small in comparison to the amount reimbursed to providers of the child care subsidy program. However, as noted, the Legislature created a new two-year program in July 2000 that will provide up to \$26.0 million in federal funds directly to counties and other local entities for child care-related services. For FFY 1999-2000, 83 counties and local entities identified expenditures they made that allowed the State to claim \$11.4 million in federal funds. An additional \$14.6 million may be claimed in FFY 2000-01, if local child care expenditures reach budgeted levels. Because the Department is not required to promulgate administrative rules detailing reporting and other requirements for this program until June 30, 2001, it will be especially important for the Department to improve management of its grant programs in the interim to ensure that program funds are spent appropriately. Therefore, we recommend the Department of Workforce Development work to ensure that adequate management information is available to assist it in determining whether stated goals or outcomes for all local grant programs are achieved and that it develop corrective action plans for providers who do not achieve them.

Future Considerations

The Department's 2001-03 biennial budget request is for an additional \$51.9 million.

Determining the level of funding to be provided for the child care subsidy program will be an important issue for consideration in the 2001-03 legislative session. As noted, for the first time since the program was created in 1996, child care expenditures exceeded appropriated funding in FY 1999-2000; the Joint Committee on Finance also added funds to the FY 2000-01 budget to address an increase in program participation and attempt to prevent another shortfall. In its 2001-03 biennial budget request, the Department has asked for an additional \$51.9 million in federal funding for the child care subsidy program, an increase of 10 percent in the first year and 5 percent in the second year over the prior biennium's budget, including the increased expenditure authority approved by the Joint Committee on Finance in July 2000.

Given the large number of changes made to expand the program in March 2000, as well as ongoing efforts to reduce barriers to participation, it is difficult to project future participation levels with any accuracy. Between July 1999 and July 2000, participation by families increased 17.8 percent. Whether this increase will be sustained in the future is unknown. Therefore, it is difficult to assess whether the amount requested will be adequate to cover program costs over the next two years.

Reauthorization of federal legislation in 2002 could affect funding for the child care subsidy program.

Not only the level but also the source of any additional funds used to support the program will be an important consideration. Since FY 1997-98, Wisconsin has enhanced overall program funding by relying more heavily on the TANF allocation. Both the federal Personal Responsibility and Work Opportunity Reconciliation Act, which created TANF, and the Child Care and Development Fund program are scheduled to be reauthorized by Congress in 2002. Therefore, the Legislature may wish to work with Wisconsin's congressional delegation in an effort to ensure that adequate federal funds are available to meet the State's child care needs and that any changes made to federal legislation continue providing states the flexibility needed to use TANF funds for purposes that include subsidizing child care for low-income families.

Other options the Legislature could consider include reviewing whether other programs that have received TANF funds should continue to do so in the future. For example, during the 1999-2001 biennium, the Legislature budgeted:

- \$19.7 million for the Workforce Attachment and Advancement program, which provides services to low-income working families to assist individuals in retaining and advancing in their employment;
- \$15.0 million for the Early Childhood Excellence Initiative, which is intended to develop early childhood centers for TANF-eligible children under the age of five;
- \$8.3 million in community reinvestment funds awarded through the W-2 program; and
- \$7.2 million for burials of TANF-funded program participants if their estates are insufficient to pay funeral, burial, and cemetery expenses.

Finally, the Legislature may wish to consider the future of the local pass-through program, which, beginning in FFY 1999-2000, allows counties and other local entities to directly capture matching federal funds for child care related services. Counties received \$11.4 million in federal matching funds based upon FFY 1999-2000 expenditures and are expected to receive approximately \$14.6 million based upon FFY 2000-01 expenditures. For the 2001-2003 biennium, the Legislature could choose to appropriate some or all of the GPR necessary to receive these matching federal funds for state child care expenditures.

If reductions in federal funding or limitations in state funding occur, the Legislature could also consider program changes. For example, consideration could be given to:

- whether W-2 participants should be given priority in receiving the child care subsidy, because they cannot be compelled to meet W-2 work requirements if they cannot gain access to child care for their children who are under the age of six;
- whether families should be required to contribute more toward the cost of child care through higher copayments or by lowering the reimbursement the State provides to child care providers;
- whether policies should be changed to reduce the number of families eligible for the program; or
- whether a time limit should be placed on families' receipt of the subsidy.

In considering which options are most appropriate, the Legislature may wish to consider how the program compares to similar programs in other states. As noted, compared to the six midwestern states we contacted, Wisconsin's income limits for its child care subsidy program were about average, but Wisconsin had higher copayments than most states. Therefore, options to enhance program funding or to limit participation by increasing copayments are likely to put Wisconsin out of line with other midwestern states.

Although other midwestern states have lower copayment requirements and some allow families with higher incomes to participate, not all states serve every eligible family, either because of inadequate funding or because of a lack of child care providers. Consequently, these states have established waiting lists for families interested in receiving child care subsidies. Rather than increasing funding or making program changes, the Legislature could choose to allow counties to establish waiting lists for those individuals who cannot be served within existing budgets. This may prevent harm to those currently enrolled in the program, while limiting the amount the State invests in child care.

Appendix 1

Provider-to-Child Ratios for Regulated Care

<i>Provider Type</i>	<i>When Children Under 2 Are Present</i>		<i>When All Children Are 2 or Older</i>	
	<i>Provider-to-Child Ratio</i>	<i>Maximum Number of Children Allowed</i>	<i>Provider-to-Child Ratio</i>	<i>Maximum Number of Children Allowed</i>
Licensed Group	1:4	8 per group	1:6 to 1:18, depending on age of children	From 12 per group to 32 per group, depending on age of children
Licensed Family	1:4	5-8, depending on age*	1:8	8*
Regularly Certified	1:4	3 under the age of 7 who are unrelated to provider; 4-6 under the age of 7*	1:6	3 under the age of 7 who are unrelated to provider, and no more than 6 unrelated to provider*
Provisionally Certified	1:4	3 under the age of 7 who are unrelated to provider; 4-6 under the age of 7*	1:6	3 under the age of 7 who are unrelated to provider, and no more than 6 unrelated to provider*

* Provider's own children ages 7 and older may also be present but are not included in these maximum limits.

Appendix 2

**Maximum County and Tribal Reimbursement Rates
2000**

County or Tribe	<i>Licensed Group Children Under 2</i>		<i>Licensed Group Children 2-12</i>		<i>Licensed Family Children Under 2</i>		<i>Licensed Family Children 2-12</i>		<i>Regularly Certified Hourly</i>		<i>Provisionally Certified Hourly</i>	
	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Children Under 2	Children 2-12	Children Under 2	Children 2-12
Adams	\$ 78.00	\$ 2.60	\$ 72.00	\$ 2.40	\$ 120.00	\$ 4.00	\$ 101.25	\$ 3.38	\$ 3.00	\$ 2.54	\$ 2.00	\$ 1.69
Ashland	137.50	4.58	112.50	3.75	105.00	3.50	95.00	3.17	2.63	2.38	1.75	1.59
Barron	100.00	2.86	90.00	2.57	100.00	2.86	95.00	2.72	2.50	2.38	1.67	1.59
Bayfield	132.50	3.79	122.50	3.50	150.00	4.29	110.00	3.14	3.22	2.36	2.15	1.57
Brown	160.00	5.33	125.00	4.17	120.00	4.00	107.50	3.58	3.00	2.69	2.00	1.79
Buffalo	100.00	3.33	60.00	2.00	100.00	2.50	100.00	2.50	1.88	1.88	1.25	1.25
Burnett	125.00	4.17	100.00	3.33	130.00	4.33	105.00	3.50	3.25	2.63	2.17	1.75
Calumet	126.00	4.20	95.00	3.17	125.00	3.57	117.50	3.36	3.13	2.94	2.08	1.96
Chippewa	123.00	3.51	115.00	3.29	112.50	3.21	112.50	3.21	2.41	2.41	1.61	1.61
Clark	125.00	3.13	125.00	3.13	100.00	2.86	100.00	2.86	2.15	2.15	1.43	1.43
Columbia	127.40	3.64	115.00	3.29	125.00	3.13	125.00	3.13	2.68	2.68	1.79	1.79
Crawford	113.02	3.77	104.75	3.49	125.00	3.57	112.50	3.21	3.13	2.81	1.88	2.08
Dane	185.00	6.17	165.00	5.50	175.00	5.83	182.00	6.07	4.37	4.55	2.92	3.04
Dodge	140.00	3.50	130.00	3.25	125.00	3.57	112.50	3.21	2.68	2.41	1.79	1.61
Door	150.00	5.00	106.00	3.53	138.00	4.60	125.00	4.17	3.45	3.13	2.30	2.09
Douglas	142.50	4.07	130.00	3.71	125.00	3.57	112.50	3.21	2.68	2.41	1.79	1.61
Dunn	105.00	3.00	105.00	3.00	117.50	2.94	105.00	2.63	2.21	1.97	1.47	1.32
Eau Claire	132.00	4.40	120.00	4.00	125.00	4.17	112.50	3.75	3.13	2.81	2.09	1.88
Florence	100.00	2.50	100.00	2.50	100.00	2.50	100.00	2.50	1.88	1.88	1.25	1.25
Fond du Lac	135.00	3.86	115.00	3.29	125.00	3.57	112.50	3.21	2.68	2.41	1.79	1.61

County or Tribe	<i>Licensed Group Children Under 2</i>		<i>Licensed Group Children 2-12</i>		<i>Licensed Family Children Under 2</i>		<i>Licensed Family Children 2-12</i>		<i>Regularly Certified Hourly Children</i>		<i>Provisionally Certified Hourly Children</i>	
	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Under 2	2-12	Under 2	2-12
Forest	112.50	3.75	112.50	3.75	112.50	3.75	112.50	3.75	2.81	2.81	1.88	1.88
Grant	125.00	3.13	120.00	3.00	112.50	2.81	100.00	2.50	2.11	1.88	1.41	1.25
Green	136.00	3.89	114.00	3.26	125.00	3.13	112.50	2.81	2.35	2.11	1.57	1.41
Green Lake	116.00	3.31	104.00	2.97	110.00	3.14	98.00	2.80	2.35	2.10	1.57	1.40
Iowa	110.00	3.67	95.00	3.17	110.00	3.14	110.00	3.14	2.36	2.36	1.57	1.57
Iron	113.00	3.77	113.00	3.77	113.00	3.77	113.00	3.77	2.83	2.83	1.89	1.89
Jackson	135.00	3.38	85.00	2.13	92.50	2.31	87.50	2.19	2.31	2.19	1.54	1.46
Jefferson	132.00	3.30	100.00	2.50	132.50	3.31	125.00	3.13	2.48	2.35	1.66	1.57
Juneau	110.00	2.75	95.00	2.37	101.25	2.53	90.00	2.25	1.89	1.68	1.26	1.12
Kenosha	157.50	5.25	125.00	4.17	150.00	5.00	130.00	4.33	3.75	3.25	2.50	2.17
Kewaunee	120.00	4.00	95.00	3.17	100.00	3.33	100.00	3.33	2.50	2.50	1.67	1.67
La Crosse	135.00	4.50	105.00	3.50	120.00	3.43	101.25	2.89	2.57	2.17	1.72	1.44
Lafayette	125.00	3.13	115.00	2.88	101.25	2.53	101.25	2.53	1.90	1.90	1.27	1.27
Langlade	175.00	4.38	137.50	3.44	112.50	3.75	112.50	3.75	2.81	2.81	1.88	1.88
Lincoln	127.50	4.25	107.50	3.58	125.00	3.57	107.50	3.07	2.68	2.30	1.79	1.54
Manitowoc	120.00	3.43	107.00	3.06	125.00	3.57	125.00	3.57	2.68	2.68	1.79	1.79
Marathon	157.00	5.23	118.00	3.93	137.50	4.58	125.00	4.17	3.44	3.13	2.29	2.09
Marinette	98.00	3.27	86.25	2.88	125.00	3.57	100.00	2.86	2.68	2.15	1.79	1.43
Marquette	111.00	3.70	99.00	3.30	130.00	4.33	125.00	4.17	3.25	3.13	2.17	2.09
Menominee	110.00	3.67	93.00	3.20	110.00	3.67	93.00	3.20	2.75	2.40	1.84	1.60
Milwaukee	190.00	6.33	164.00	5.47	165.00	5.50	150.00	5.00	3.09	2.81	2.06	1.88
Monroe	107.00	3.57	86.00	2.87	100.00	3.33	92.50	3.08	2.50	2.31	1.67	1.54
Oconto	110.00	3.67	98.00	3.27	110.00	3.67	100.00	3.33	2.75	2.50	1.84	1.67
Oneida	145.00	4.83	120.00	4.00	130.00	4.33	90.00	3.00	3.25	2.25	2.17	1.50
Outagamie	160.00	5.33	140.00	4.67	137.50	4.58	125.00	4.17	3.44	3.13	2.29	2.09

County or Tribe	<i>Licensed Group Children Under 2</i>		<i>Licensed Group Children 2-12</i>		<i>Licensed Family Children Under 2</i>		<i>Licensed Family Children 2-12</i>		<i>Regularly Certified Hourly Children</i>		<i>Provisionally Certified Hourly Children</i>	
	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Under 2	2-12	Under 2	2-12
Ozaukee	178.00	5.09	155.00	4.43	150.00	4.29	150.00	4.29	3.22	3.22	2.15	2.15
Pepin	120.00	3.43	97.50	2.79	135.00	3.86	110.00	3.14	2.90	2.36	1.93	1.57
Pierce	130.00	4.33	120.00	4.00	115.00	3.83	110.00	3.67	2.87	2.75	1.92	1.84
Polk	105.00	3.50	100.00	3.33	112.00	3.20	100.00	2.86	2.40	2.15	1.60	1.43
Portage	125.00	3.57	115.00	3.29	134.00	3.83	130.00	3.71	3.35	3.25	2.23	2.17
Price	175.00	5.83	137.50	4.58	112.50	3.75	112.50	3.75	2.81	2.81	1.88	1.88
Racine	155.00	5.17	138.00	4.60	160.00	4.57	140.00	4.00	3.43	3.00	2.29	2.00
Richland	137.50	4.58	92.50	3.08	90.00	3.00	75.00	2.50	2.25	1.88	1.50	1.25
Rock	150.00	4.29	130.00	3.71	135.00	3.86	125.00	3.57	2.90	2.68	1.93	1.79
Rusk	105.00	3.50	100.00	3.33	100.00	3.33	100.00	3.33	2.50	2.50	1.67	1.67
St. Croix	140.00	4.00	140.00	4.00	125.00	3.57	115.00	3.29	3.13	2.88	2.08	1.92
Sauk	150.00	3.75	125.00	3.13	125.00	3.13	115.00	2.88	2.35	2.16	1.57	1.44
Sawyer	95.00	3.17	80.00	2.67	90.00	3.00	90.00	3.00	2.25	2.25	1.50	1.50
Shawano	115.00	3.83	95.00	3.17	100.00	3.33	90.00	3.00	2.50	2.25	1.67	1.50
Sheboygan	137.75	3.94	119.00	3.40	132.50	3.79	125.00	3.57	2.84	2.68	1.90	1.79
Taylor	137.50	4.58	112.50	3.75	120.00	4.00	112.50	3.75	3.00	2.81	2.00	1.88
Trempealeau	110.00	3.14	100.00	2.86	112.50	3.21	100.00	2.86	2.41	2.15	1.61	1.43
Vernon	100.00	2.86	85.00	2.43	100.00	2.50	100.00	2.50	1.88	1.88	1.25	1.25
Vilas	130.00	4.33	100.00	3.33	120.00	4.00	110.00	3.67	3.00	2.75	2.00	1.84
Walworth	150.00	3.75	127.50	3.19	130.00	3.25	112.50	2.82	2.44	2.12	1.63	1.41
Washburn	98.75	3.29	100.00	3.33	100.00	3.33	90.00	3.00	2.50	2.25	1.67	1.50
Washington	159.00	4.54	132.50	3.79	140.00	4.00	125.00	3.57	3.00	2.68	2.00	1.79
Waukesha	181.00	6.03	155.00	5.17	157.50	4.50	150.00	4.29	3.94	3.75	2.63	2.50
Waupaca	115.00	3.83	100.00	3.33	97.50	3.25	85.00	2.83	2.44	2.12	1.63	1.42
Waushara	105.00	3.50	102.50	3.42	110.00	3.67	100.00	3.33	2.75	2.50	1.84	1.67

County or Tribe	<i>Licensed Group Children Under 2</i>		<i>Licensed Group Children 2-12</i>		<i>Licensed Family Children Under 2</i>		<i>Licensed Family Children 2-12</i>		<i>Regularly Certified Hourly</i>		<i>Provisionally Certified Hourly</i>	
	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Weekly Maximum	Hourly Rate	Children Under 2	Children 2-12	Children Under 2	Children 2-12
Winnebago	159.00	5.30	136.00	4.53	135.00	4.50	125.00	4.17	3.38	3.13	2.25	2.09
Wood	105.00	3.50	95.00	3.17	125.00	4.17	105.00	3.50	3.13	2.63	2.09	1.75
<u>Tribes</u>												
Bad River	137.50	4.58	112.50	3.75	105.00	3.50	95.00	3.17	2.63	2.38	1.75	1.59
Forest County Potawatomi	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HoChunk	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lac Courte Oreilles	95.00	3.17	80.00	2.67	90.00	3.00	90.00	3.00	2.25	2.25	1.50	1.50
Lac du Flambeau	130.00	4.33	100.00	3.33	120.00	4.00	110.00	3.67	3.00	2.75	2.00	1.84
Oneida	160.00	5.33	125.00	4.17	120.00	4.00	107.50	3.58	3.00	2.69	2.00	1.79
Red Cliff	137.50	4.58	125.00	4.17	150.00	5.00	112.00	3.73	3.75	2.80	2.50	1.87
St. Croix	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sokaogon	125.00	3.13	125.00	3.13	125.00	3.13	125.00	3.13	3.13	3.13	2.08	2.08
Stockbridge-Munsee	105.00	3.50	75.00	2.50	105.00	3.50	75.00	2.50	2.63	1.88	1.75	1.25
Statewide Average	\$ 129.53	\$ 4.00	\$ 111.08	\$ 3.43	\$ 120.37	\$ 3.65	\$ 109.96	\$ 3.33	\$ 2.74	\$ 2.51	\$ 1.83	\$ 1.68

Appendix 3

Number of Children Served by County or Tribe
July 2000

<u>County or Tribe</u>	<u>Number of Children Served</u>	<u>Percentage of Total</u>
Adams	75	0.21%
Ashland	166	0.46
Barron	227	0.63
Bayfield	49	0.14
Brown	1,161	3.20
Buffalo	43	0.12
Burnett	43	0.12
Calumet	100	0.28
Chippewa	313	0.86
Clark	48	0.13
Columbia	178	0.49
Crawford	69	0.19
Dane	2,464	6.80
Dodge	360	0.99
Door	156	0.43
Douglas	317	0.87
Dunn	125	0.34
Eau Claire	670	1.85
Florence	12	0.03
Fond du Lac	438	1.21
Forest	50	0.14
Grant	110	0.30
Green	121	0.33
Green Lake	75	0.21
Iowa	68	0.19
Iron	28	0.08
Jackson	45	0.12
Jefferson	145	0.40
Juneau	102	0.28
Kenosha	1,158	3.19
Kewaunee	68	0.19
La Crosse	711	1.96
Lafayette	40	0.11
Langlade	104	0.29
Lincoln	143	0.39

<u>County or Tribe</u>	<u>Number of Children Served</u>	<u>Percentage of Total</u>
Manitowoc	158	0.44
Marathon	796	2.20
Marinette	112	0.31
Marquette	73	0.20
Menominee	87	0.24
Milwaukee	15,860	43.76
Monroe	187	0.52
Oconto	158	0.44
Oneida	144	0.40
Outagamie	653	1.80
Ozaukee	215	0.59
Pepin	31	0.08
Pierce	123	0.34
Polk	192	0.53
Portage	273	0.75
Price	138	0.38
Racine	1,357	3.74
Richland	93	0.26
Rock	974	2.69
Rusk	84	0.23
St. Croix	148	0.41
Sauk	186	0.51
Sawyer	231	0.64
Shawano	153	0.42
Sheboygan	285	0.79
Taylor	47	0.13
Trempealeau	149	0.41
Vernon	77	0.21
Vilas	49	0.14
Walworth	214	0.59
Washburn	72	0.20
Washington	360	0.99
Waukesha	848	2.34
Waupaca	134	0.37
Waushara	114	0.31
Winnebago	760	2.10
Wood	424	1.17

<u>County or Tribe</u>	<u>Number of Children Served</u>	<u>Percentage of Total</u>
Red Cliff	75	0.21
Stockbridge-Munsee	-	0.00
Lac du Flambeau	56	0.15
Bad River	50	0.14
Sokaogon	27	0.07
Oneida Nation	98	0.27
	<hr/>	<hr/>
Total	36,247	100.00%

Tommy G. Thompson
Governor

Jennifer Reinert
Secretary



State of Wisconsin

Department of Workforce Development

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December 21, 2000

Ms. Janice Mueller
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to respond to the Legislative Audit Bureau's evaluation of Wisconsin Shares, the State's child care subsidy program. The report provides useful analysis of the growth in families' use of the child care subsidy program as well as accurate information about the subsidy program's policies related to eligibility, payment rates, parent copayments, and child care provider regulation.

The Department agrees with the key findings of the audit concerning the growth of program usage, which reflect the program's overall success:

monthly participation in the subsidy program has increased by 83.5 percent since 1997, and

expenditures have increased by 67.1 percent since FY 1997-98.

We believe that the primary policy issue identified in the audit is how to address the growth in child care subsidy program usage and cost. The report points out correctly that if participation in the program continues to grow significantly, the Legislature will either need to add additional funds to support it or face other difficult decisions to contain the cost of the program within budget limits.

In anticipation of continued discussion of this important issue, I would like to provide some additional information regarding Wisconsin Shares that will be relevant to the continuing dialogue.

First, while the audit accurately portrays copay policies and community concerns about parent copayment requirements, we believe that copayments should be viewed in the context of the value of the benefit. On average, subsidized families pay \$90.45 per month (11 percent of the cost of child care), while the state pays \$725.58 per month (89 percent of the cost of care). In today's market, child care is expensive. The subsidy program provides a substantial benefit to Wisconsin's low-income working families.

Second, while the child care market saw a number of program closings during the time period covered by the audit largely due to a tight labor market, we believe that overall growth was partially due to the start-up and expansion grants administered by the Department. The audit accurately reports that a total of 8,320 child care slots were created statewide as a result of start-up or expansion grants administered Department of Workforce Development (DWD). The report concludes that there was a net increase of 6,186 regulated child care slots from 1997 through 1999.

Third, we believe the quality grants have increased the access to quality child care in Wisconsin by helping child care programs to become accredited, child care staff to attain higher educational standards, and quality sites to reduce staff turnover. The Department is proud of these accomplishments, including:

An increase of 298 accredited programs, from 40 to 338. Of these 338 accredited programs, 314 (92 percent) received quality improvement grants.

Over 7,000 program directors and teachers received high quality training, including degrees in Early Childhood, Child Development Associate credentials, and Infant Toddler and Administrative credentials.

Grantees showed a decrease in staff turnover of 7.1 percent from 1992 to 1998, at a time of a very tight labor market.

Grantees showed an increase in wages of 19.3 percent over the period of their grants.

We acknowledge the audit finding that some programs have taken longer to meet the high quality standards than expected, and that others were unable to meet the standards. We believe that the goals of the program were set at a high level, and we knew achieving the goals would be a challenge for many grantees.

Fourth, as a result of our program monitoring efforts, we had already identified the concerns noted by the Legislative Audit Bureau regarding providers not meeting the quality standards set forth in their grants. Our findings resulted in the development of proposed changes to the program, which we submitted as part of the Department's 2001-2003 biennial budget proposal. Given our already established record of monitoring in this area, we support fully the recommendation included in the audit regarding the development of management information, as it does not differ from our past or current practices.

Finally, while the audit focused on a few programs to improve the quality and supply of child care, several other departmental efforts were not mentioned in the audit report.

Child Care Resource and Referral: 17 Child Care Resource and Referral agencies provide services to 72 counties and 11 tribal communities. These agencies help communities to meet gaps in child care services, and provide child care referrals to over 23,000 families, with a particular emphasis on low-income families.

Ms. Janice Mueller
December 21, 2000
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The Early Childhood Excellence Initiative: This initiative funded 18 child care centers around the state to create state-of-the-art learning centers for children from low-income families. The centers are serving as a hub for training of child care workers, parent education, and outreach about best practices for early learning.

The Child Care Scholarship and Bonus program: This program help child care staff increase skills through credit-based coursework, and provides fiscal incentives to retain qualified staff in the child care field. Since 1999, this program has provided over 600 scholarships to child care center staff and to family child care providers.

Child Care Information Center: This specialized clearinghouse library for multimedia information provides child care information to over 5,000 child care customers annually.

Local Start-up/expansion and Improvement Grants: Under contract with the Department, local Child Care Resource and Referral agencies complete local needs assessment and award grants to increase supply and improve quality, in addition to the W-2 supply building program mentioned in the audit.

Child Care Grants to Local Government: This initiative currently provides grants to local and tribal government that provide local match to improve the quality and supply of child care.

These as well as other initiatives, in combination with those highlighted in the audit report, provide a solid program to improve the quality and supply of child care services throughout the state.

We believe that our Department has shown leadership and effective management in building a strong child care program to meet the needs of Wisconsin's working families, including their children. The Legislative Audit Bureau's report provides useful information to help policy makers plan for the future of this important service.

Again, thank you for the opportunity to respond to the evaluation.

Sincerely,

Jennifer Reinert
Secretary