

Improving Access to Child Care for Low-Income Families in Wisconsin

For a growing number of low-income families, Wisconsin's child care subsidy program is falling short of providing affordable care. Both the governor and Republican legislators proposed remedies as part of the 2019-21 state budget, though neither side called for the resources needed to meet a challenging federal benchmark for access.

Over the past 13 years, a growing number of families participating in the Wisconsin Shares child care program have had to shoulder added financial responsibility for their children's care. In 2006, families qualifying for Wisconsin Shares could access 75% of the child care slots without contributing more than their family's expected copay. By 2017, that share had fallen to 15%, according to figures from the state Department of Children and Families (DCF).

The federal grant program that provides some Wisconsin Shares funding recommends setting reimbursement levels so that families receiving a subsidy can access 75% of child care slots, although as of 2016, a national study found that only one state did so.

DCF recently received a letter from the federal government warning the program is not complying with the conditions of the grant. The letter notes the state could face a penalty if it does not raise its maximum reimbursement rates so that at least 25% of slots are considered accessible to families receiving the subsidy.

The governor's proposal was intended to raise the share of slots considered affordable to 50%, a threshold known as the 50th percentile. Lawmakers put forward their own plan—which is included in the final version of the state budget—to raise the share of affordable slots by a smaller amount.

How the Subsidy Works

Qualifying families (generally those with income up to 185% of the federal poverty level) who participate in Wisconsin Shares receive an EBT card, or debit card, that comes pre-loaded with authorized funds to pay their child care provider. The process of determining the amount that is

loaded onto each card depends on a variety of factors, including family size, household income, and place of residence.

First, the state sets a maximum reimbursement rate, which it determines for each geographic area through a market rate survey of child care providers conducted every year or two. Then, the family's copay is determined based on household income and family size. If the family has a copay, that amount is deducted from the maximum reimbursement rate, and the resulting amount is what is loaded onto the card as the family's subsidy.

In most cases, however, the combination of the subsidy and copay (the sum of which is equal to the maximum reimbursement rate) is still not enough to cover the full cost of child care. The family is responsible for paying the remaining amount in addition to their copay, if any.

Reimbursement Rates in WI

Prior to 2006, rates were set by each county so that at least 75% of the child care slots could be completely covered by the maximum reimbursement rate (this is referred to as the 75th percentile, and is the federal recommendation). In 2006, four rate zones were established based on the percentage of the county population living in an urban area, and each coun-

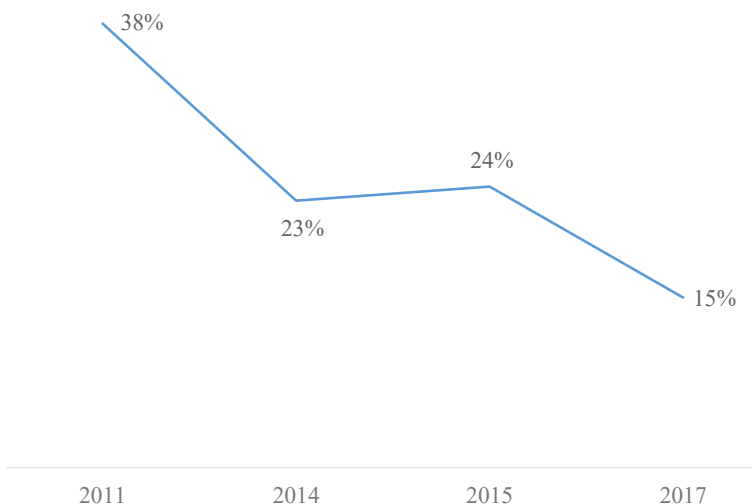
ty was placed in one of these rate zones. Between 2006 and 2013, the maximum rates were frozen, leading to decreased purchasing power for Wisconsin Shares participants.

In 2013, the maximum rates were raised to bring them closer to the 75th percentile, and they were adjusted again in 2014. Despite those efforts, the 2017 market survey found the maximum rates allowed Wisconsin Shares families to access just 15% of child care slots overall without having to pay extra on top of their copay. (See Figure 1.)

Analysis of Affordability

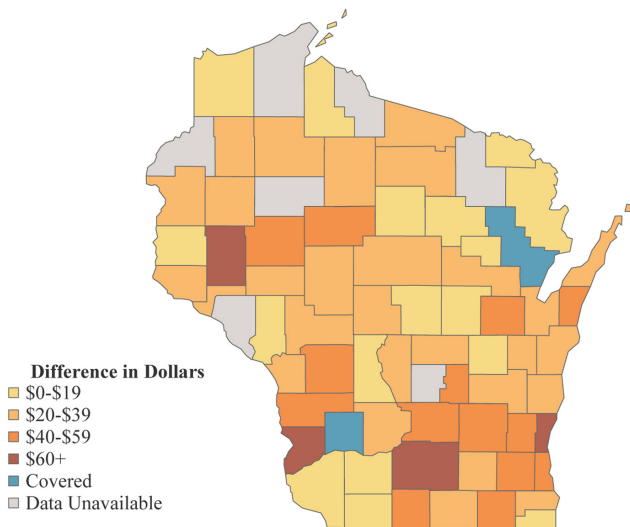
To analyze affordability for Wisconsin Shares families, we looked at both the maximum reimbursement rates and average price per slot in each county for accessing care in two age groups: 0-1 year olds (for whom care tends to be most expensive) and 4-5 year olds. In seven counties, five

Figure 1: Affordable Child Care Slots Fall in the State
% of Slots Covered by WI Shares Max Reimbursement Rate, 2011-2017



Source: Wisconsin Department of Children and Families

Figure 2: Difference Between Maximum Reimbursement Rate and Average Cost by County
Group Center Care for Infants



Source: Wisconsin Department of Children and Families

of which are categorized as less than 50% urban, the maximum reimbursement rate was enough to cover the average cost of care in both age groups. An additional nine counties met the affordability threshold for one of the age groups (four in the infant age group and five in the older group).

In the remaining 56 counties, the difference between reimbursement rates and average monthly cost ranged from \$0.50 to \$84.05, with a median difference of \$23. This difference would be in addition to any copayment the family already pays.

Finding affordable child care is a problem faced by families in many communities throughout the state, and is not limited to urban or rural settings. Counties with gaps greater than the median include largely rural counties such as Iowa, Kewaunee, Pepin, Polk, Pierce, and Sawyer, as well as mostly urban ones like Milwaukee, Dane, La Crosse, Rock, and Waukesha. Counties falling in between (25-74% urban, according to DCF's categorization) also face difficulties, with Crawford, Ozaukee, Dunn, Walworth, and Columbia counties facing some of the largest gaps.

Wisconsin's Rank Among States

Using a different measure of affordability, data from state plans submitted to the federal government for 2016 show Wisconsin in the middle of the pack nationally for both age groups listed above and for both family- and center-based care.

When the National Women's Law Center prepared a 2016 report on state child care assistance policies, the group noted that in 2001 there were 22 states (including Wisconsin) that

met the 75th percentile benchmark for affordability. In 2016, there was only one such state.

Impact of Budget Proposals

In his 2019-21 budget, Governor Evers proposed providing roughly \$23 million per year—a 9% increase—to raise the maximum reimbursement rates for Wisconsin Shares and with them the number of affordable slots. In proposing that reimbursement rates be set at the 50th percentile, Evers' budget was recommending that 50% of child care slots be accessible to families without having to pay more than their copay.

The state is expecting an 82% increase in discretionary funding from the Child Care and Development Block Grant (CCDBG), a federal program that helps fund state child care subsidy programs such as Wisconsin Shares. This funding is available because of a large increase in CCDBG money in the 2018 federal budget after years of flat funding. The funding compliments a larger federal block grant

known as Temporary Assistance for Needy Families (TANF) that provides support for low-income families.

In early June, the Republican-controlled Joint Finance Committee (JFC) approved a smaller increase of \$23.6 million over two years for Wisconsin Shares reimbursement rates, or roughly half the amount proposed by Evers. This move would free up funds to narrow a gap in the governor's proposed budget between projected revenues and expenditures across all TANF-related programs; the governor's proposed budget would have bridged the gap by dipping into TANF-related funds left over from previous years, while the JFC proposal would lessen the need to do so. The JFC provision is included in the final budget that was approved by the Legislature and signed into law by the governor.

Conclusion

Clearly, the issue of child care affordability is not new or unique to Wisconsin. The problem has been building in this state for years and is widely seen around the country.

On the one hand, taking additional steps to address this issue in future budgets could produce broad benefits for early childhood education, low-income families, and the broader workforce in the state. It could also avoid potential federal penalties. On the other, the state faces competing needs for its range of TANF-related programs and must be sure it can sustain any enhanced funding for child care reimbursement granted in any single budget.

While the adopted 2019-21 budget provides some relief for Wisconsin Shares families, and in the short term allows the state to meet the 25th percentile federal standard, it falls well short of the 50th percentile objective proposed by the governor. Consequently, pressure may build on legislators heading into the next budget to come up with the funds for a more substantial increase. □