



# An Overview of Child Care Issues in the 2013-15 Budget

## Changes in Wisconsin Shares and YoungStar

The Governor's Budget proposed significant reductions in the Wisconsin Shares child care subsidy program, with a cut of close to \$17 million in year one, and \$18 million in year two compared to the 2012-13 base level, a total reduction of \$35 million over the biennium, according to the Legislative Fiscal Bureau analysis.

2013-14 Gov proposal	Change from 2012-13 base	2014-15 Gov proposal	Change from 2012-13 base
\$272,976,700	-\$16,766,300	\$273,156,500	- \$17,955,200

The \$35 million reduction in Wisconsin Shares spending helps make it possible to significantly increase the amount of funding from the welfare reform block grant (Temporary Assistance to Needy Families) that will be diverted to other purposes. The Governor proposes to increase by \$27 million a year the TANF funding that is shifted to fund the Earned Income Tax Credit (EITC), which would replace a comparable amount of state funds now financing that credit. This shell game diminishes the amount of funding to support services for low income families, such as Wisconsin Shares, while freeing up state funds for purposes, such as the income tax cuts.

The reduction is based on lower-than-anticipated expenditures in the current fiscal year, but leaves a little room for modest growth in caseload and tiered reimbursement payments. The proposal modifies the reimbursement level for programs rated at four stars by the YoungStar system, increasing the maximum reimbursement rate from up to 5% to up to 10%. The tiered reimbursement system is intended to adjust payments based on the quality level of child care programs as rated on a 5-star scale under YoungStar.

Another provision in the bill allows the freeze on child care payments to expire, which permits the Department of Children and Families to adjust rates if funding is available. However, the funding level assumes only a very small increase in those rates. A new initiative is proposed to develop an electronic benefit card for parents to use to purchase child care under Wisconsin Shares.

Funding for child care quality improvement activities basically stays about the same as in 2012-13, with \$13 million proposed for each year, to be used for the child care provider scholarship and bonus program, information technology to provide quality information to parents, and child care resource and referral services. The budget also includes expenditure authority for the recent federal Race to the Top grant, a 4-year grant with significant focus on improving YoungStar.

## Impact on Child Care Quality

The proposal provides less funding for child care services, with few significant changes in Wisconsin Shares policies and the YoungStar quality rating and improvement system. The Governor's proposal missed an opportunity to use \$35 million to strengthen YoungStar's efforts to help child care

programs move up the 5-star rating scale and correct the long-term decline in Wisconsin Shares payment rates.

YoungStar was created originally with the intention of creating fiscal incentives to help programs improve, building on the base funding from Wisconsin Shares. But under the Governor’s proposal, the base payment rates in Wisconsin Shares are not likely to rise significantly, and the tiered reimbursement system will continue to reduce funding from far more programs than those that get higher rates—not a recipe for quality improvement. Research shows that investing in high-quality early learning and development has a high rate of return.

The chart shows that 65% of child care programs are receiving cuts, 26% getting no increase, and only 9 percent (rated at 4 or 5 stars) are receiving increased payments. We were pleased with the Governor’s proposal to raise the fiscal boost for 4-star programs from the current 5% incentive payment to a 10% boost.

YoungStar Rating of Child Care Provider	Impact on WI Shares Payments: Original Schedule 2010	Impact on WI Shares Payments: Governor’s proposal 2013-15	Percent of child care programs receiving payments by star level (Feb. 2013 data)
One Star	No reimbursement	No reimbursement	0%
Two Stars	No change	Up to 5% reduction	65%
Three Stars	5% increase	No change	26%
Four Stars	10% increase	Up to 10% increase*	3%
Five Stars	25% increase	Up to 25% increase	6%

\*The Governor’s proposal increases the 4-star increase from 5% to 10%, a change from 2011-13 budget.

Rather than reducing the child care budget, the funds could have been used to boost child care quality with better incentives and resources in YoungStar and improved payment rates to child care providers.

Possibilities for adjustments

- Wisconsin Shares policies could be adjusted to be more in line with market rates, after 7 years of no increases.
- Policies for licensed family child care programs could be changed so that normal business costs are covered when children are absent. Child care providers would not be penalized when children are sick.
- The tiered reimbursement system could be adjusted to eliminate the five percent penalty for 2-star programs, and a 5% increase could be provided for 3-star programs.
- Wisconsin could invest more in training, scholarships and rewards for credit-based education (T.E.A.C.H. Early Childhood and R.E.W.A.R.D. stipends), on-site technical consultation, and micro-grants to help child care programs improve and move up the YoungStar 5-star quality rating scale.

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