



# A Summary of the Governor's Proposal for Child Care Issues

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## CHANGES IN WISCONSIN SHARES CHILD CARE SUBSIDY

The Governor's Budget proposes a modest increase in funding for the Wisconsin Shares child care subsidy program, relative to current spending level. However, the size of the change depends on how you look at the current funding level.

The Legislative Fiscal Bureau figures, shown in the table below, indicate that spending for Wisconsin Shares subsidies would decrease in the first fiscal year by almost \$6.8 million, relative to the 2014-15 appropriation level, before increasing in 2016-17 to a level more than \$12 million above the current appropriation. However, if you compare the proposed spending to the current estimate of actual spending for subsidies in 2014-15 (\$261 million), the budget bill provides an increase of \$6.9 million in year one, and \$25.8 million in year two.

### Proposed Changes in Wisconsin Shares Child Care Subsidy Amounts

In millions.

FISCAL YEAR	AMOUNT	CHANGE FROM 2014-15 BASE
2015-16	\$267.9	-\$6.8
2016-17	\$286.8	+\$12.0

Source: Analysis of 2015-17 budget bill.

Whichever way you look at it, the proposed budget for Wisconsin Shares is a significant shift from the last biennium when the Governor's budget recommended a \$35 million reduction.

Most of the increase in proposed subsidy spending in the second fiscal year is a temporary effect of implementing the proposed electronic benefit transfer (EBT) Parent Pay initiative. That initiative will shift reimbursements to advance payments, which will cause a one-time \$10 million increase in subsidy payments in 2016-17.

In addition to that change in the second year, two factors increase costs in both years of the biennium:

- A large portion (\$16.5 million) of the increase is the continuation of higher child care payment rates that began in November 2014.
- The budget assumes utilization of the Shares program will grow by 1% in 2015-16 and an additional 1.5% the following year.

The increase in child care subsidies is significant after a seven-year rate freeze. Annual payments have dropped over \$100 million. The proposed increase provides a modest boost to child care programs striving

to provide high-quality services under YoungStar. However, the payment rates are still well below market rate standards.

## **IMPACT ON THE YOUNGSTAR QUALITY RATING SYSTEM**

The budget proposes increasing YoungStar contracts by \$1.2 million annually to maintain current levels for rating, training, technical assistance, and micro-grants.

## **ELECTRONIC BENEFIT TRANSFER (EBT) PARENT PAY INITIATIVE**

The proposed budget contains about \$4.5 million to begin the EBT Parent Pay initiative, which is expected to be implemented statewide in 2016-17. The proposed increase would finance Parent Pay vendor and IT costs. One of the changes expected to result from the EBT card program is that providers would no longer be penalized when children are absent, which would help stabilize child care revenue.

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