



# A Summary of the Governor’s Proposed Budget for Early Care and Education

February 21, 2017

The Governor’s budget proposes a significant increase in funding for the Wisconsin Shares child care subsidy program, relative to current spending levels, especially in the second fiscal year of the 2017-19 two year budget. Nevertheless, the proposed appropriations would be far below the amounts expended in past years, before the state made policy changes that have significantly reduced the reimbursement rates and the number of families and providers participating in the subsidy program. Wisconsin Shares helps working parents who have low incomes get the assistance they need to pay for child care.

## INCREASE IN CHILD CARE SUBSIDIES

The proposed budget would increase spending for Wisconsin Shares by \$8.5 million in the first fiscal year and by \$27.5 million in the second fiscal year, compared to the 2016-17 appropriation level.

A significant portion of the increase in proposed subsidy spending in the second fiscal year is due to implementation of new federal Child Care Development Block Grant (CCDBG) reauthorization requirements, including a 12-month eligibility modification. Under the updated CCDBG law, all children determined eligible for child care assistance must be considered eligible for a minimum of 12 months. Eligibility in Wisconsin Shares has typically been for six months. Research suggests that longer authorizations reduce the risk of losing benefits, support stable parental employment, and increase the continuity of care for the child.

Families with rising incomes may face the “cliff effect,” in which families lose child care subsidies once they reach the income threshold of 200% of the federal poverty level, or about \$49,000 for a family of four. The proposal in the Governor’s budget would mitigate the sudden drop-off in benefits that occurs when a family’s income reaches that threshold, allowing working families with incomes above that level to continue to receive child care subsidies, with a sliding scale for copayments. The 12-month authorization and adjustment of the income threshold are expected to be effective in fiscal year 2019. We will know more about the details when the Legislative Fiscal Bureau completes its analysis.

The Governor’s proposal includes a requirement that families show they have less than \$25,000 in savings in order to be eligible for assistance. That amount excludes the value of retirement accounts, a car, or a house. This test could add another complication for families applying for eligibility.

The Wisconsin Shares child care subsidy program has shown a serious decline over the last decade, with annual subsidy payments dropping over \$130 million in current dollars, an 18% decline in participating child care programs, and a decline of over 20% in children served – particularly in rural areas. Subsidy payment

### Proposed Changes in Wisconsin Shares Subsidy Amounts

In millions of dollars, as recommended by Governor Walker in his 2017-19 budget proposal.

FISCAL YEAR	TOTAL AMOUNT	CHANGE FROM 2016-17 BASE
2017-18	\$289.2	+\$8.5
2018-19	\$308.2	+\$27.5

Source: Analysis of 2017-19 budget bill  
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rates continue to be well below market rates in nearly every county. The proposed budget provides some improvements, but the foundation of Wisconsin Shares continues to look shaky without reasonable payment rates.

## IMPACT ON CHILD CARE QUALITY

The budget proposal does not appear to strengthen child care quality. The Quality Care for Quality Kids budget stays basically the same at \$15.7 million in each year, with a very modest \$200,000 increase, a 1% change.

The Governor’s budget proposal includes the Department of Children and Families child care objectives of increasing the percentage of child care programs that are rated 3, 4 or 5 Star quality level, and increasing the percentage of subsidized children attending 3, 4 or 5 Star rated programs. However, the budget does not add funding to support these objectives.

The Governor’s proposal includes no mention of increases in quality improvement through: (1) grants to help programs meet and sustain high quality standards, (2) increased funding for scholarships and stipends to improve the child care workforce, or (3) increased Wisconsin Shares payment rates. Any of these policies would support quality improvement.

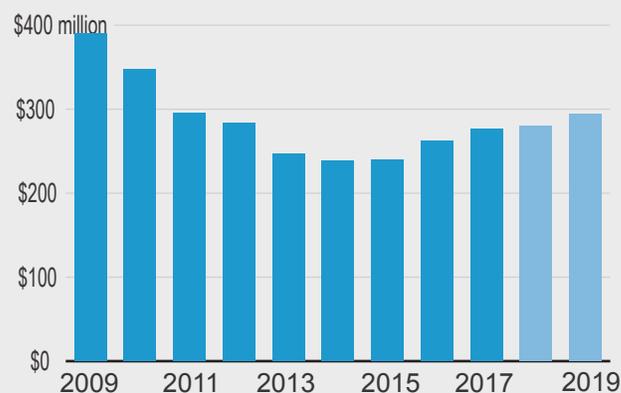
## HOME VISITING BOOST

The Governor’s budget increases the Family Foundations Home Visiting (FFHV) Program’s budget by \$3.9 million in each year of biennium. FFHV supports pregnant women and families and helps parents of children from birth to age five to develop the skills to raise children who are physically, socially, and emotionally healthy. The increase in funding would cover an additional 400 to 550 families that would benefit from evidence-based models shown by research to improve child outcomes, family self-sufficiency, health, and safety. In 2016 federal funds for home visiting were reduced by 20%. The Governor’s budget would restore that funding and provide additional resources for expansion.

Dave Edie

## Even with Proposed Increase, State Spending on Child Care Subsidies Below Historical Levels

Wisconsin Shares subsidy payments by fiscal year, in millions, presented in current dollars. Amounts for 2015 and earlier represent actual spending on subsidies. Amounts for 2016 and 2017 represent budgeted levels, and amounts for 2018 and 2019 are the levels proposed by the Governor in his budget.



Source: Department of Children and Families and Department of Administration  
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