

Early Care and Education in the Governor's 2011-13 Budget

Key Issues

CHILD CARE

a) **Cuts to Child Care: Wisconsin Shares Child Care Subsidy Program**

Wisconsin Shares helps low-income working families afford child care. The Governor's budget would reduce funding significantly, partly because caseloads and expenditures have dropped, and partly from cost-cutting measures. The Governor's budget would **cut over \$50 million** in each year of the biennium, bringing the budget down to \$290 million in SFY 2012 and \$288 million in SFY 2013. The proposal continues to freeze maximum payment rates to child care providers at 2006 levels, and gives the Department of Children and Families the authority to make the following cuts:

- Implementing a waiting list, increase copayments, tightening eligibility, and adjusting payment rates to child care providers (\$4.4 million in cost cutting over 2 years)
- Paying lower rates to child care programs rated at the 2-star level (on a 5-star scale) in the YoungStar quality rating and improvement system; and disqualifying child care programs who receive a low rating (1-star) in YoungStar (the total tiered reimbursement packet includes **\$29 million** in cost cutting over 2 years).

Department of Children and Families (DCF) proposed base funding of \$342 million annually as the cost to continue Wisconsin Shares. The Governor's budget reduced this amount by \$52 million in year one, and \$54 million in year two. It is likely that as the economy grows and more low-income families find jobs, demand for Wisconsin Shares will rise, and the child care budget will be insufficient to meet the needs.

Temporary Assistance to Needy Families (TANF) has been a major funding source for Wisconsin Shares, so it is significant that the Governor's proposal transfers \$37 million in TANF funds each year to Earned Income Tax Credits, freeing up state general funds for other uses. This transfer of TANF funds reduces funding available for Wisconsin Shares.

b) **YoungStar Changes: Tiered Reimbursement Reductions**

YoungStar quality rating and improvement system is a program begun in 2010 to help child care programs improve their quality and to provide ratings on a 5-star scale to help parents make informed choices. The initial design for YoungStar, approved by the Joint Finance Committee in 2010, included fiscal incentives to programs that met higher quality standards—a tiered reimbursement system. The Governor's budget would continue to implement YoungStar.

However the Governor dramatically changed the tiered reimbursement system, which makes Wisconsin Shares payments based on the quality rating of a program, by reducing quality incentive payments for 3-5 star programs and reducing payments to 2-star-rated programs.

The changes are shown below:

YoungStar Rating of Child Care Provider	Impact on WI Shares Payment: Initial Plan	Impact on WI Shares Payment: Governor's proposal	DIFFERENCE
One Star	No reimbursement	No reimbursement	No change
Two Stars	0% -No change	Up to 5% reduction	-5%
Three Stars	5% increase	No change	-5%
Four Stars	10% increase	Up to 5% increase	-5%
Five Stars	25% increase	Up to 10% increase	-15%

According to the Legislative Fiscal Bureau, the Governor's proposed payment policies would result in a net reduction of over \$29 million in Wisconsin Shares payments to child care providers over the biennium. The largest savings, \$23 million, would come from making one-star program ineligible to receive Shares payments. Many of the highest rated programs (5-star) would receive no increase, because accredited child care programs are already receiving 10% above regular payment maximums. Based on DCF data, the highest percentage of providers are in the 2-star tier –programs that are licensed in good standing but not meeting additional quality standards. This sector of 2-star child care providers, estimated at 40% of providers, would receive a 5% cut under the Governor's budget.

c) Increase in Child Care Quality Improvement Efforts

2010-11 base	2011-12 Governor's Proposal	2012-13 Governor's Proposal
\$5,384,600	\$13,486,700	\$13,169,400
Includes: \$3,475,000 TEACH Early Childhood 1,298,600 CC Resource & Referral 498,000 Technical Assistance 113,000 Child Care Info Center \$5,384,600 Note: In June and December 2010, Joint Finance approved \$9.6 m. to begin YoungStar efforts, including \$500,000 addition to TEACH; \$2.9 m. for training and technical assistance; and funding for microgrants, quality assurance monitoring, and state level administration. The Department of Children and Families contracts with a consortium of agencies (Wisconsin Early Childhood Association, Supporting Families Together Assn, and Celebrate Children Foundation) to implement most of these activities.	Includes: \$3,975,000 TEACH Early Childhood \$1,298,600 CC Resource and Referral \$491,000 Training and technical assist. \$120,000 Child Care Info Center <u>\$7,602,100 YoungStar QRIS</u> \$13,486,700 The YoungStar budget includes additional training and technical assistance, quality assurance monitoring, and microgrants to child care providers. (Estimated based on available budget information)	Includes: \$3,975,000 TEACH Early Childhood \$1,298,600 CC Resource and Referral \$491,000 Training and technical assist. \$120,000 Child Care Info Center <u>\$7,284,800 YoungStar QRIS</u> \$13,169,400 The YoungStar budget includes additional training and technical assistance, quality assurance monitoring, and microgrants to child care providers. (Estimated based on available budget information)

The Governor's budget proposal increases the base budget for child care quality improvement efforts, called "Quality Care for Quality Kids" in the proposal, building on allocations in the 2nd half of 2010 to help get YoungStar off the ground. The "quality" budget increases from \$5,384,600 in 2010-11, to over \$13 million in each year of the 2011-13 biennium. Most of the increase is for the YoungStar quality rating and improvement system (more than \$7 million per year) and for the TEACH Early Childhood scholarship and bonus program (\$500,000 more in both years compared to the 2010-11 base).

d) Child Care Licensing and Child Care State Administration

The budget proposal for child care licensing and child care state administration is \$21.1 million in both years of the biennium, with \$8,767,000 per year used for child care licensing activities. This budget item includes funding for administration of YoungStar: \$725,100 in year one, and \$719,400 in year two.

2. FOUR-YEAR-OLD KINDERGARTEN (4K)

Four-year-old kindergartens across the state are likely to be affected by the more than \$800 million in cuts to public schools in the Governor's budget. 4K is funded through the school funding formula that allocates funding to local school districts. Currently 85 percent of school districts offer 4K. Under the Governor's proposal 4K start-up funding to help school districts start 4K programs would continue with a 10% cut, or \$0.15 million. The cut would result in an annual allocation of \$1.35 million per year for 4K start-up grants.

3. STATE HEAD START SUPPLEMENT

The state funding that supplements federal Head Start in Wisconsin would continue, but with a 10% cut, or \$0.7 million. The cut would result in an annual allocation of \$6.26 million per year.

4. HOME VISITING

State funding for home visiting would continue at \$985,700 in the Governor's budget. This funding is needed to leverage federal home visiting funds, by meeting state maintenance of effort requirements. A combination of federal and state funds are expected to fund evidence-based home visiting programs in targeted counties.

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