

## Wisconsin Shares, Early Childhood Education and Madison/Dane County Wisconsin 2015

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### Introduction- Madison and Accredited Care:

Before we begin a long discussion related to low income families and child care in Madison and Dane County, it is important to review the considerable accomplishments that the City of Madison has attained in providing high quality child care and early childhood education. There is a tendency to either take this for granted or to only look at the work which still needs to be done when the accomplishment is considerable.

There are 138 city accredited programs serving 4897 children. If compared to the NAEYDC accredited programs (an equivalent accreditation process) the City accreditation program is ranked the **31<sup>st</sup> state!** Note that is state not city or county.

Rank	State	NAEYC Accredited Programs	Children Served	Rank	State	NAEYC Accredited Programs	Children Served
1	MASSACHUSETTS	770	62,130	27	ARIZONA	71	6,713
2	CALIFORNIA	538	45,134	28	KENTUCKY	94	6,504
3	ILLINOIS	386	36,773	29	OKLAHOMA	66	6,111
4	TEXAS	297	29,583	30	NEW MEXICO	90	6,079
5	CONNECTICUT	446	29,305		<b>CITY ACCREDITED PROGRAMs ONLY</b>	<b>138</b>	<b>4,897</b>
6	MINNESOTA	437	29,196	31	ALABAMA	56	4,811
7	PENNSYLVANIA	337	27,771	32	NEW HAMPSHIRE	61	4,536
8	GEORGIA	251	27,287	33	KANSAS	40	4,444
9	FLORIDA	300	25,596	34	NEVADA	42	3,695
10	NEW JERSEY	245	23,199	35	NEBRASKA	51	3,541
11	NEW YORK	281	22,607	36	OREGON	35	3,172
12	INDIANA	177	15,009	37	MISSISSIPPI	32	2,876
13	VIRGINIA	146	13,676	38	UTAH	30	2,774
14	OHIO	159	13,109	39	WYOMING	48	2,686
15	MICHIGAN	125	12,196	40	MAINE	47	2,541
16	NORTH CAROLINA	115	10,546	41	LOUISIANA	29	2,418
17	SOUTH CAROLINA	93	10,215	42	VERMONT	52	2,413
18	COLORADO	109	9,527	43	DELAWARE	23	2,219
19	MISSOURI	117	9,419	44	RHODE ISLAND	29	2,072
20	MARYLAND	108	9,378	45	ALASKA	19	1,653
21	TENNESSEE	97	8,218	46	WEST VIRGINIA	20	1,491
22	WASHINGTON	105	8,005	47	IDAHO	19	1,234
23	WISCONSIN	110	7,955	48	ARKANSAS	17	1,014
24	HAWAII	106	7,896	49	NORTH CAROLINA	8	714
25	IOWA	122	7,581	50	MONTANA	11	599
	<b>DANE COUNTY</b>	<b>165</b>	<b>7,316</b>		SOUTH DAKOTA	4	438
					PUERTO RICO	8	433
26	DISTRICT OF COLUMBIA	120	7,261	52			

All accredited

Highlighted on the chart are adjacent states with which Wisconsin often is in a competition with for skilled workers. The high level of accredited care in Madison plays a role in making the City and Dane County competitive for especially younger workers with families. While a large percentage of the state is losing this key demographic, Madison is not and part of that success is due to city accredited early childhood programs. When the city accredited program is compared to the state's YoungStar numbers:

**Madison Compared to the State of Wisconsin**

<b>Madison percent of Wisconsin population</b>	5%
<b>Madison city accreditation percent of 4 Star programs</b>	24%
<b>Madison city accreditation percent of 5 Star programs</b>	18%

Due to its own efforts, Madison has a disproportionate share of high quality programs and plays a key role in Wisconsin's attaining the relatively high level of quality in the state rankings on the preceding page. High quality early childhood programs in Dane are facing a major challenge at this time. In 2015 the number of available 5 star slots went up in Dane but enrollment in high quality programs went down. This may be due to families, and not just low income families, having trouble affording high quality care. The percentage of empty slots in 5 star or accredited programs is still lower than the field as a whole 5% as opposed to the norm of 10% in Dane County but the issue of affordability for all families needs to be carefully monitored.

The second major finding in this year's data is the major role unregulated public and private schools are playing in nearly childhood education for children ages 2 to 4. 25% of the enrollment for children in that range in licensed programs are funded partially or fully by DPI. Over 3000 more children are in preschool or 4K programs in public or private schools. As such there needs to be additional focus on the public schools and DPI funding and its impact on low income families.

Finally while the focus on this paper is on Wisconsin Shares an additional 2384 low income children are served by other subsidy programs in Dane County (Headstart, CCTAP, the City Tuition program, DPI 4K funds). This is probably an undercount as it does not include private scholarship programs. While it is impossible to identify any overlap in these numbers with Shares, it is evident that access to quality early childhood education for low income families is broader than just the Shares program in Dane County.

**WISCONSIN SHARES- The program and its Challenges:**

In the 1990s Wisconsin chose to reduce welfare by incentivizing low wage employment within the state. By increasing child care and health care subsidies for low income families with children for both the unemployed and the low income employed, they hope to increase the number of families working and decrease the numbers supported mainly by welfare cash payments.

The subsidies for health care and child care amount to a several dollar an hour subsidy for employers who were employing people at under 185% of poverty. There were no requirements placed on employers related to the quality or stability- including even set work hours- of the jobs provided

This was done by utilizing federal payments and adding additional state funds.

A key component of this welfare reform process was child care. This was done through the Wisconsin Shares subsidy system which was built upon federal child care block grant funds. The federal child care subsidy program is one large educational/care voucher system designed to work on free market principles and with relatively little regulation. States are allowed significant leeway in how they regulate child care/early childhood education programs. Federal guidelines suggest that the payment system be driven by the market price of care, and mandate periodic rate surveys of all regulated programs to determine what and how much the state should pay for the care of low income children. The ideal is that the subsidy system should pay for care at about the rate where 75% of the out of pocket parents are paying for care. In this way theoretically, low income families would have the same access to the child care/early childhood education market as parents paying the full price of care.

While that is the theory, it is rarely followed and there are no best practices as to how to achieve a functioning fair free market subsidy system. For instance rate surveys are done statewide but depending on the state could result in a statewide reimbursement rate, a county rate or a regional rate- each strategy having a different impact on access to programs by low

income families. To Wisconsin's benefit, until the 2008 recession they did a better than average job of meeting the intent of the law.

The Shares system has 3 main components that effect how well it works within any county in the state. They are the eligibility, rates and co-pay formulas.

### **RATES:**

The rates formula is not designed to give low income parents access to all programs just most programs in any given area. Programs are paid up to the market rate set by the state. (If the programs rates are say \$250 and the maximum rate is \$225 the program can only be paid at a \$225 level). Currently the maximum rate in Dane is below where it would be if the federal formula was followed at the county level.

The current system works at two levels. First rates are set within a series of demographic tiers. Dane/Madison is in the most urbanized set of rates. Under the YoungStar system, payment is also determined by level of quality. Programs that are 2 Star (ie. meeting licensing standards) are penalized 5%. 3 Star programs are paid up to the current maximum market rate. 4 Star programs can be paid 10% more than the current maximum rate and 5 star programs can be paid 15% over the maximum rate.

City Accredited programs in YoungStar fall in the 4 Star and 5 Star categories.

A simple comparison of weekly rates for accredited programs in March 2015 showed 81% of them being over the maximum rate plus 15% as paid by the state. The median losses were \$64 for infant toddlers and \$40-47 a week for full time preschoolers. That either adds \$2-3000/ a year to co-pays or are losses that need to be made up in increased rates to fee paying parents, fundraising or by program cuts,

### **Eligibility and Co-Pays:**

Another and possibly more serious problem is how the cost of living affects eligibility and co-pays. Wisconsin Shares and indeed most eligibility system works on a statewide definition of poverty. The problem is that poverty is not a constant is varies by local cost of living. When the Wisconsin Women's Network did a statewide study to determine the self-sufficiency standards for various size families, the results showed a range of \$27,000 for a family of 2 adults and 2 children from the lowest cost county to the highest. (Dane and Madison are the second highest). At the median or lower portion of the scale not surprisingly were the counties with a lot of success under welfare reform since the eligibility and co-pay formulas in those areas worked to transition families from poverty to self-sufficiency without subsidies.

Just looking at the co-pay chart it is obviously not set up to transition families to self-sufficiency. At 200% of poverty, the maximum amount you can earn and still be on Shares, the co-pay is \$76. That means when the family earns a dollar over 200%, their payment for one child in Dane County triples or more without any subsidy. The co-pay structure overall is not designed to transition families out of poverty but rather to work as well as it can under the funds available.

In higher cost counties however the problem extends beyond just transitioning from dependency on welfare to work subsidies. To explore this issue and lacking a self-sufficiency study for current years, I utilized a national living wage scale and chose a family of 2 as that is the most common family type within the welfare and shares system. While these have been criticized for estimating too high a wage needed to be self-sufficient, I found instead they underestimated the funds necessary to provide for a family in Dane County. Their housing and especially child care (based on full time care) costs were quite bit below the costs for unsubsidized housing on the Realtors website and the 4-C data provided by programs related to the cost of care. Because of the shortage of rental housing in Madison and Dane County, rental costs are increasing almost monthly.

In modifying the chart, I first created columns for children by age and with more accurate child care and housing costs. I then added 2 more columns with costs at an accredited care level. While these seem high, most income data do not include the full cost of health insurance and medical care and thus are often 10% under the actual cost of living. Likewise owning a home sometimes freezes housing costs at below the normal rental level.

<b>Annual Cost of Living Dane County/Madison:</b>						
Living wage calculator	from website	Modified with housing & child care			Accredited care	
Annual Expenses	1 Adult 1 Child	1 Adult 1 Child under 2	1 Adult 1 Child over 2	1 Adult 1 Child under 2	1 Adult 1 Child over 2	
Food	\$4,553	\$4,553	\$4,553	\$4,553	\$4,553	
Child Care	\$8,284	\$14,144	\$11,180	\$16,432	\$13,104	
Medical	\$5,727	\$5,727	\$5,727	\$5,727	\$5,727	
Housing	\$10,776	\$13,680	\$13,680	\$13,680	\$13,680	
Transportation	\$8,320	\$8,320	\$8,320	\$8,320	\$8,320	
Other	\$3,699	\$3,699	\$3,699	\$3,699	\$3,699	
Required annual income after taxes	\$41,359	\$50,123	\$47,159	\$52,411	\$49,083	
Annual taxes	\$7,180	\$7,518	\$7,074	\$7,862	\$7,362	
Required annual income before taxes	\$48,538	\$57,641	\$54,233	\$60,273	\$56,445	

Looking at this chart but without medical and child care costs you end up with this (no taxes listed because a mother and child at this level would owe none):

All are for one adult and one child	Madison		Accredited care	
	Infant	Preschooler	Infant	Preschooler
Annual Expenses				
Food	\$ 4,553	\$ 4,553	\$ 4,553	\$ 4,553
Child Care	\$ -	\$ -	\$ -	\$ -
Medical	\$ -	\$ -	\$ -	\$ -
Housing	\$ 13,680	\$ 13,680	\$ 13,680	\$ 13,680
Transportation	\$ 8,320	\$ 8,320	\$ 8,320	\$ 8,320
Other	\$ 3,699	\$ 3,699	\$ 3,699	\$ 3,699
Required annual income before taxes	\$ 30,252	\$ 30,252	\$ -	\$ 30,252
Eligibility level where you lose benefits	\$ 31,860.00	\$ 31,860.00	\$ 31,860.00	\$ 31,860.00
Difference between cost and eligibility	\$ (1,608.00)	\$ (1,608.00)	\$ (1,608.00)	\$ (1,608.00)

This is at the upper income levels where wages are higher and you would expect things to work well this is at \$14.54 an hour a wage few low income workers receive but add in co-pays and there is an entirely different result.

All are for an adult and a child Annual Expenses	Madison		Accredited care	
	Infant	Preschooler	Infant	Preschooler
Food	\$ 4,553	\$ 4,553	\$ 4,553	\$ 4,553
Child Care co-pay	\$ 3,952	\$ 3,952	\$ 3,952	\$ 3,952
Medical co-pay	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
Housing	\$ 13,680	\$ 13,680	\$ 13,680	\$ 13,680
Transportation	\$ 8,320	\$ 8,320	\$ 8,320	\$ 8,320
Other	\$ 3,699	\$ 3,699	\$ 3,699	\$ 3,699
Required annual income before taxes	\$ 36,904	\$ 36,904	\$ -	\$ 36,904
Maximum Eligibility level	\$ 31,860.00	\$ 31,860.00	\$ 31,860.00	\$ 31,860.00
Difference between cost and eligibility	\$ 5,044.00	\$ 5,044.00	\$ 5,044.00	\$ 5,044.00

So at the upper end of the eligibility and co-pay scale, unless the family has lower housing costs or other major savings the scale is about \$5000 off the real cost of living. There are other savings if the family accesses Foodshare, free or low cost clothing etc.. **Overall, though the co-pay and eligibility formulas do not take into account the higher cost of living in Dane.** The eligibility formula is a federal policy.

This plays out differently depending on family income. At 100% of poverty copays are about \$1000 a year (though market rate housing at that point is almost all of income).

Most of the co-pay problems accredited centers face depend on how well the family can deal with the high cost of living and their access to other charity options. Another factor here is that the situation improves if the child care tax credit and Earned Income Tax Credit can be made to work. The co-pay qualifies for the child care tax credit but the family can only claim it if they pay taxes and when they pay taxes. As such many low income families capable of receiving the maximum credit get no benefit from the program.

Another major problem facing low income families and the child care programs that serve them is either the lack of full time work or the fact that the eligibility and co-pay formulas may discourage full time work. Here is an analysis of hours paid for child care under Wisconsin Shares in April 2015.

Hours Authorized in Month Analyzed by number of children				
22 week days in April				
220 hours	full time at 10 hours/day			
198 hours	full time at 9 hours/day			
176 hours	full time at 8 hours/day			
	Group		Licensed	
	Centers	%	Family	
Hrs authorized				
1 to 50	138	10%	14	10%
51-100	196	15%	24	17%
101-150	459	35%	52	36%
151-200	529	40%	55	38%
201+	8	1%	0	0%
Total Children	1330	100%	145	100%
176+	247	19%	27	19%

Most likely this is because many low wage jobs are part-time and often without set hours.

**One strategy to address the co-pay problem:**

Very indication at this time from a limited analysis of the data is that the cost of living in Dane county makes it difficult for low income families to pay co-pays or in some cases access higher quality child care.

If resources were available it would be relatively easy to address this issue. The data file I used for this study is taken from the Wisconsin Shares payment system. My file did not include co-pay amounts but that is available in the state database. As such it would be possible to set a payment policy to help programs cover either losses from rate differences from the maximum rate caps or from lost co-pays with minimum paperwork or additional staff time from either accredited programs or the city. Basically the city would get a monthly data file from the state, apply whatever formula you devise to address the problem and then pay out the funds to each program.