

## **We Care for Dane Kids:**

### **Increasing Opportunities for Families to Be Part of the Middle Class**

The child care market in Dane County, Wisconsin, is failing. To achieve a middle-class income, both parents need to work. To work, parents must find and pay for child care, which is difficult. Child care is the single largest expense for working families' budgets, costing more than housing, transportation, or health care. Despite the expense, it is an essential need for over 40,000 families in Dane County. Even though many parents struggle to pay for care, child care workers are underpaid, and too many leave the field. Child care programs, unable to make ends meet, are closing their doors, resulting in fewer children getting quality care. The shortage of quality child care keeps parents from working and earning more income. Employers end up not being able to retain good workers, especially women, who cannot work due to a lack of quality child care. Moreover, initiatives aimed at solving one problem in the child care system can create or exacerbate other problems. For example, paying higher wages to reduce child care staff turnover could result in making child care more expensive for many parents. Alternatively, reducing the fees parents pay for care leaves child care programs without enough revenue to keep their doors open.



### **Goal**

Drawing on years of practical experience and rigorous research, the We Care for Dane Kids team has developed a set of four interdependent, innovative strategies to transform the child care system for families with children up to 12 years of age. The full plan will increase the supply of child care *and* meet the demands of parents and employers.

### **Innovative Idea + Approach**

*Strategy 1: Dependent Care Flexible Spending Accounts* will help working parents afford child care by working with employers to increase use of IRS Section 125 Dependent Care Tax Assistance plans. We Care will use marketing research to address the barriers and emotional roadblocks that employers, HR managers, and employees face to using these benefits. Next, we will develop a marketing campaign that includes key messaging, targeted promotional materials, and multiple delivery channels. Additionally, we are seeking an IRS Private Letter Ruling so that employers can make 401(k) contributions matched against employee child care payments. This strategy will help 5,000 families save up to \$3,600 annually and 10,000 families save up to \$2,400 per year for a total of up to \$42 million annually.

*Strategy 2: Shared Services* will capitalize on efficiencies of scale by creating a network of 60 family-based and 60 center-based child care programs. The network will provide members with technology-driven back office administrative tools, a shared substitute teaching pool, discounted joint purchasing, and collaborative professional development. With shared services, We Care will make the system stronger, more accountable, more financially sound and efficient, and better equipped to offer affordable, high-quality services for children and their families. Programs will realize cost savings of 30% annually, with estimated savings of \$10.5 million.

An investment of \$1.5 million from the Alliance for the American Dream will fund the first two strategies. The subsequent two strategies (to be funded by other means) are:

*Strategy 3: Expanded Use of the Wisconsin Child Care Subsidy.* Wisconsin's subsidy program does not have a waiting list, but most eligible families fail to take advantage of the benefit, leaving money on the table. We Care will use racially diverse and bilingual outreach workers in communities to help families apply for and maintain the subsidy, eliminating the need for parents to take time off work and navigate a complicated application system. This strategy will provide each eligible family with approximately \$12,000 annually to pay for child care. Additionally, when children are in dependable child care, these parents can work and earn more.

*Strategy 4: Boost Wages of Care Workers* by 10% with public and private investments in the system. Using both philanthropic resources and policy changes, We Care will work to advance public and private investments to increase compensation for qualified care workers. Greater investments in programs and higher wages for care workers will reduce turnover, increase child care capacity, and improve the quality of care for children. This could save child care programs \$4 million in turnover costs annually and will create \$11 million for increased wages.

## Scale Potential

These four strategies are mutually reinforcing because they address both supply and demand within the child care system. They will enable non-working parents to enter the workforce and working parents to increase their hours and enhance the child care system’s capacity and quality. We Care is a comprehensive strategy designed to strengthen the child care market for the middle class. Child care will be more accessible and affordable, and care programs will be more sustainable. State government leaders are keenly interested in We Care and will track its performance. In its entirety, We Care is a model that can inform state policies and investments for a stronger child care system beyond Dane County.

## Measures of Success

We Care has focused goals to track implementation processes and outcomes for families, employers, and the child care sector. Each strategy has specific metrics to be used, ranging from the number of families gaining tax savings (Strategy 1) to the increased collection of fees for child care programs (Strategy 2). Yet, the most important measure of success is whether after two years we have increased the net incomes of families in Dane County and made quality child care more affordable and available; this is something we are prepared to evaluate. We Care will benefit 20,000 households by the end of 2020, supporting \$66 million in benefits:

- Working parents will yield \$45 million in income and reduced costs;
- Child care programs will increase revenue by \$10 million; and
- Child care professionals will receive \$11 million in additional income.

Moreover, Dane County employers will have a larger pool of talented and reliable employees to draw from. We Care also has the potential to go beyond the local community. We Care partner, Total Administrative Services Corporation (TASC), works with 77,000 employers across the country. The potential of an IRS policy change means We Care is poised to scale strategies nationally that could yield enormous financial benefits for middle-class families across the country.

## People + Partners

We Care for Dane Kids has deep roots in the community and in academia. The Alliance for the American Dream has challenged us to collaborate in an unprecedented way to understand how the current child care market pushes young families out of the middle class. We convened a group of dedicated, locally and nationally recognized leaders to envision a new solution for an old problem. For the past year, we have met almost every Monday to engineer this innovative solution using our prior collaborative successes and our collective expertise. This process generated a strong, cross-sector partnership that is heavily invested in achieving success for Dane County families.

Cross-Sector Leadership within the Community	
Wisconsin Early Childhood Association <ul style="list-style-type: none"> <li>• Ruth Schmidt, Executive Director</li> <li>• Paula Drew, Research and Policy Analyst</li> </ul> Reach Dane <ul style="list-style-type: none"> <li>• Jen Baily, Executive Director</li> </ul> Madison Out-of-School Time <ul style="list-style-type: none"> <li>• Nathan Beck, Coordinator</li> </ul> Satellite Family Child Care <ul style="list-style-type: none"> <li>• Dr. Amy Christianson, Director</li> </ul> City of Madison <ul style="list-style-type: none"> <li>• Coral Manning, Care and Education Manager</li> </ul>	Total Administrative Services Corporation (TASC) <ul style="list-style-type: none"> <li>• Dan Rashke, CEO/Owner</li> </ul> University of Wisconsin–Madison <ul style="list-style-type: none"> <li>• Dr. Beth Graue, Sorenson Professor of Curriculum &amp; Instruction; Director, Center for Research on Early Childhood Education</li> <li>• Dr. Katherine Magnuson, Vilas Distinguished Achievement Professor of Social Work</li> <li>• Dr. Laura Dresser, Assistant Clinical Professor, School of Social Work; Associate Director of COWS</li> </ul>
Key Stakeholders and Supporters	
<ul style="list-style-type: none"> <li>• Brandgarten, market research company</li> <li>• Firepower Design, advertising company</li> <li>• Alliance for Early Success</li> <li>• Children’s Funding Project</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities Exchange</li> <li>• Major employers covering 20% of Dane County’s workforce</li> <li>• Dozens of child care programs, local philanthropic organizations, state and local government</li> </ul>