

ARE WE AT THE CROSSROADS FOR WISCONSIN CHILD CARE? Policies in Conflict



Special acknowledgement goes to:
Alliance for Early Success
Herzfeld Foundation
Oscar & Elsa Mayer Family Foundation

The **Wisconsin Council on Children and Families** is a multi-issue policy research and advocacy organization promoting statewide policies that ensure a safe and healthy future for every child in Wisconsin. For more information, visit www.wccf.org.

TABLE OF CONTENTS

Executive Summary	4
Background: 20 Year Overview	5
The Importance of a Quality Child Care System	7
The Progress and Promise of YoungStar to Improve Quality	8
The Decline of Wisconsin Shares and its Impact	11
Meeting at the Crossroads: Recommendations for Change	14

EXECUTIVE SUMMARY

The Wisconsin Shares child care subsidy program (WI Shares), launched in 1997 as part of new welfare reform measures, was developed to support low-income families coming off welfare going to work, and to help low-income working families stay off of welfare.

The YoungStar quality rating and improvement system began in the fall of 2010, to: (1) promote higher quality by helping programs move up through a 5 Star rating system; and (2) provide better information to parents about the quality of early learning programs that they may access for their children.

The two pillars of Wisconsin's child care system, WI Shares and YoungStar, are out of sync. While our state has built YoungStar, which is a good thing, the WI Shares child care subsidy program—once a strong support system for children, families and child care programs—has been seriously eroded and threatens to undermine the YoungStar quality improvement efforts.

A quality child care system works by: (1) helping children thrive so they are ready for school and beyond, (2) supporting working families, (3) gaining a significant return on investment, and (4) strengthening Wisconsin's economy. WI Shares and YoungStar together hold the possibility of meeting these important goals.

YoungStar has made a great deal of progress and also has great promise for future success in improving the quality of child care in Wisconsin. But there are obstacles to sustaining this progress. Our analysis shows that there is a big gap between the total expenses required to operate a quality program and the available revenue.

WI Shares has undergone a huge drop in the number of children participating, especially in rural areas. There has also been an almost **\$131 million decline** in total payments to providers, and an **18% reduction** in average monthly payments per child over the last 7 years. There are many reasons for this decline, but the end result is that low payment rates undermine sustainable high-quality child care.

WCCF has four recommendations to get us back on the right track for developing and maintaining a sound child care system:

1. ECAC Recommendation: Direct Support to High-Quality Programs
2. Improve Child Care Payment Rates
3. Incentives to Maintain a Quality Child Care Workforce
4. Ongoing Research

The success of YoungStar and WI Shares depends on making critical investments that prioritize child wellness. We are confident that the recommendations will lead to healthier children, stronger communities, and a vital and viable economy that benefits us all.

BACKGROUND: 20 YEAR OVERVIEW

More than five years ago, Public Policy Forum published an extensive analysis of Wisconsin's child care system, tracking policy from when the state reformed its welfare system into Wisconsin Works (W-2) in 1997 up to 2010. The 2010 report, *Moving the Goal Posts: The Shift from Child Care Supply to Child Care Quality*, documented Wisconsin's policy shift from a primary focus on affordable child care **supply** to accommodate the surge of families coming off of welfare rolls to a greater emphasis on the **quality** of child care. The Wisconsin Shares child care subsidy program (WI Shares), launched in 1997 as part of welfare reform, was developed to support low-income families coming off welfare going to work, and to help low-income working families stay off of welfare.

The Wisconsin Council on Children and Families (WCCF) strongly supported the focus on quality, because of the strong research evidence that high-quality early learning for low-income children had impressive short- and long-term results. According to University for Wisconsin researcher Katherine Magnuson, decades of science from many disciplines all point to the same conclusion: the healthy development of young children provides a strong foundation for educational achievement, economic productivity, life-long health, and responsible citizenship. Even economists were convinced.

"Early childhood development is like a low-risk, blue chip stock that pays extraordinary dividends that are long-lasting."

- Arthur Rolnick, formerly director of research at the Federal Reserve Bank of Minneapolis
<http://wisfamilyimpact.org/fis32>

Clearly, public attention to the importance of high-quality early learning was growing, and by 2010 there was strong support for improving the quality of Wisconsin's child care subsidy program. The YoungStar quality rating and improvement system began in the fall of 2010, to: (1) promote higher quality by helping programs move up through a 5 Star rating system; and (2) provide better information to parents about the quality of early learning programs that they may access for their children. From its inception YoungStar was strongly linked to WI Shares by requiring that all child care programs receiving

WI Shares funding participate in YoungStar. Child care programs not receiving WI Shares subsidies can voluntarily participate in YoungStar, but this report will focus on children, families, and child care programs that are participating in both WI Shares and YoungStar (i.e. about 75% of programs serve WI Shares subsidized children).

The *Moving the Goal Posts* report saw YoungStar as a major change toward an emphasis on quality, a "transformation in the underpinning of the Wisconsin Shares program." We agree with that assessment, and this document analyzes the progress Wisconsin has made in the movement towards quality and makes recommendations to further improve quality.

Looking back 20 years, it is clear that Wisconsin has made great strides in supporting child care, with a dramatic increase in support for low-income working families and a clear shift toward quality improvement. However, this progress is at risk due to the dramatic decrease in funding over the past few years.

Wisconsin Shares: Supporting Working Families

As Wisconsin revolutionized its welfare policies, the WI Shares child care subsidy program brought an extraordinary boost to help low-income families afford child care while the parents were working. The child care subsidy program now serves more than double the number of families and children than it did in 1997. WI Shares has always been able to provide subsidies to all eligible families, with no waiting list. The program requires parents to pay a co-payment based on their income, sharing part of the costs on a sliding scale. WI Shares payment rates were developed to match costs of 75% of the slots of child care businesses in each county, based on what those private programs were charging. The 75th percentile was seen as a fair measure of private market child care prices. As states developed their child care systems under welfare reform, Wisconsin's child care subsidy program was considered one of the top state initiatives in the country. Analysts saw Wisconsin as a model with no waiting lists, fair parent copays, reasonable income eligibility policies, and adequate payment rates for participating child care providers. Most of the WI Shares subsidy program policies have remained relatively stable for 20 years, but the one glaring **exception** over the last seven years has been a dramatic reduction (a \$131 million decline) in child care payments to providers.

YoungStar: Focus on Quality—the Good News

Wisconsin took a historic step to improve the quality of child care with the launch of YoungStar in late 2010. It made sense for our state to provide higher-quality early care and education to low-income children served by WI Shares, helping them to prepare for school and beyond and paying providers based on the quality of their programs.

The YoungStar system evaluates the quality of care and education provided by regulated child care providers, rating them on a scale of 1 to 5 Stars, with 5 Stars being the highest (1 Star programs are not eligible to receive WI Shares funds). The Star ratings were set using evidence-based criteria: (1) educational qualifications and training, (2) learning environment and curriculum, (3) professional and business practices, and (4) child health and well-being practices.

Early on, YoungStar ratings were linked to financial incentives through a WI Shares tiered reimbursement system, rewarding the higher-rated programs and reducing payments at lower quality. Programs rated 1 Star were prohibited from receiving Wisconsin Shares funding due to violations of health and safety standards.

The table below illustrates that there has been significant effort to improve support for higher quality programs (rated 4 Stars and 5 Stars).

Now over five years old, Wisconsin can look proudly on YoungStar and its achievements, with a remarkable increase in children served in higher-quality programs (3, 4, and 5 Star rated). YoungStar provided incentives for child care programs to improve their quality through awards for quality advancement and quality sustainability, and by supporting 4 Star and 5 Star programs through WI Share’s tiered reimbursement system. Wisconsin has one of the most robust Quality Rating and Improvement Systems (QRIS) in the nation.

Child Care Policies Now Out-of-Sync – the Not So Good News

The 20-year history sets the frame for our examination of WI Shares and YoungStar over the past five years. The two pillars of Wisconsin’s child care system, WI Shares and YoungStar, are out of sync. While our state has built YoungStar, which is a good thing, the WI Shares child care subsidy program—once a strong support system for children, families and child care programs—has been seriously eroded and threatens to undermine the recent quality improvement efforts.

Tiered Reimbursement Schedule

Program Rating	Increase or Decrease in Wisconsin Shares Payments
	+25 percent, effective January 2013 (formerly +10 percent, effective July 2012)
	+10 percent, effective July 2013 (formerly +5 percent, effective July 2012)
	No change
	-5 percent, effective July 2012 (initially no change in 2010)
	Prohibited from receiving Wisconsin Shares payments

WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

Low Child Care Payments Conflict With High Quality Goals



THE IMPORTANCE OF A QUALITY CHILD CARE SYSTEM

Wisconsin's two most important child care programs, WI Shares and YoungStar together, have great promise to meet important goals of: (1) helping children thrive so they are ready for school and beyond, (2) supporting working families, (3) gaining a significant return on investment, and (4) strengthening Wisconsin's economy.

Quality Child Care Helps Children Prepare for School and Beyond

High quality child care helps disadvantaged children develop skills needed for school and beyond, enabling them to arrive at kindergarten more intellectually and emotionally prepared than peers who have had no preschool. High quality child care helps to close the achievement gap.

Most researchers believe that teacher qualifications are the key to quality in child care. Child development experts say that the interaction between teachers and

Helping Prevent the Achievement Gap

"Taking a proactive approach to cognitive and social skill development programs is more effective and economically efficient than trying to close the gap later on."

- James Heckman, Nobel Laureate in Economics
www.heckmanequation.org

young children has an extraordinary impact on their learning and development.

Child Care Supports Working Families

Affordable high-quality child care enables parents not only to work, but to be better employees. Quality child care provides parents with more assurance that their children are safe and will be ready for school. A reliable child care system is essential to Wisconsin's workforce, especially for low-income working families.

Affordable Child Care Helps Poor Mothers Seek and Keep Jobs

A U.S. General Accountability Office study found that: (1) reducing child care costs increases the likelihood that poor, near-poor, and non-poor mothers will work; (2) providing a full subsidy to mothers who pay for child care could increase the proportion of poor mothers who work from 29 to 44 percent, and near-poor mothers who work from 43 to 57 percent; and (3) affordable child care is a decisive factor that encourages low-income mothers to seek and keep jobs.

Source: <http://www.gao.gov/products/HEHS-95-20>

High Quality Child Care = Return on Investment

Research shows that high-quality child care and education leads to lasting benefits for children, and it is particularly effective for children with high needs. Economists have found a solid return on investment

for low-income children that participated in child care programs with a strong educational program. The children from low-income families enrolled in WI Shares and YoungStar can gain the most from high-quality child care. According to the Committee for Economic Development (CED), “Investing in quality child care today so that children start school ready to learn preempts a lifetime of remediation at a far higher cost, but research shows it takes very high quality child care to achieve strong outcomes.”

Federal Reserve Economist on Return on Investment

The cost benefit of early childhood programs has been evaluated using our most rigorous research designs. The return on early childhood programs for at-risk families far exceeds the return on most economic investments. For every \$1 invested in high-quality early childhood programs, there is a return of \$4 to \$16 to program participants and to society as a whole.

- Arthur Rolnick, former Director of Research, Federal Reserve Bank of Minneapolis
<http://wisfamilyimpact.org/fis32>

The Child Care Industry Affects Wisconsin’s Economy

A reliable child care system is an essential element to a stable workforce and the economy. Access to the organized child care market increases labor force participation and supports state and regional economic growth. A 2015 study by the Committee for Economic Development (CED) showed that the Wisconsin child care industry has \$829.7 million in revenue and employs 29,685 individuals, supporting an additional 11,800 jobs in other industry sectors across Wisconsin.
https://www.ced.org/childcare_impact

THE PROGRESS AND PROMISE OF YOUNGSTAR TO IMPROVE QUALITY

YoungStar Progress

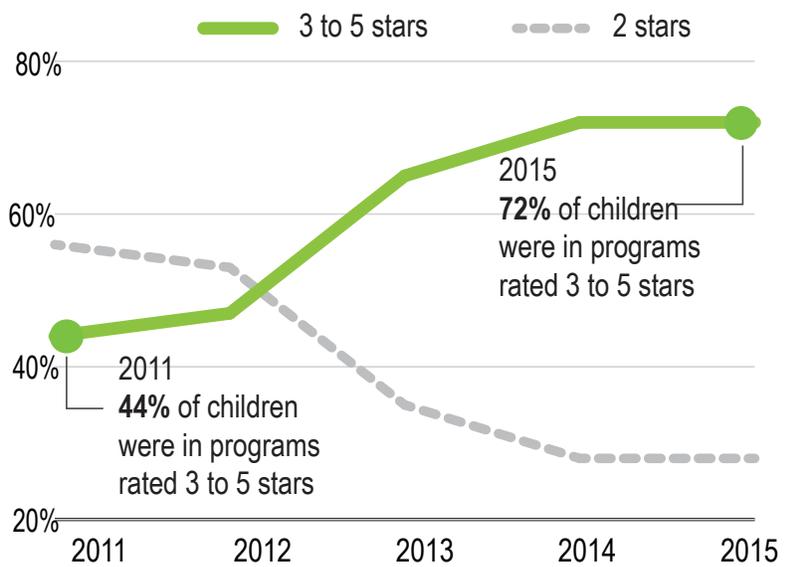
YoungStar was launched to improve the quality of Wisconsin child care programs, with emphasis on educational qualifications, early learning environments, and child health and well-being. As of the end of July 2015, it was evident that YoungStar has had a wide impact on child care programs and children: approximately 4,000 programs participate, serving 43,613 low-income children statewide. Wisconsin’s YoungStar program is one of the most robust quality rating and improvement systems in the nation.

Dramatic Increase of Children in Higher-quality Programs

YoungStar has had a striking impact on the number and percentage of children in higher-quality programs. When most child care programs under YoungStar had been rated in July 2011, 44% of children were in programs rated 3 to 5 Star. Four years later 72% of children were in those higher-rated programs, a remarkable change.

Most Wisconsin Children Now in Higher-Rated Child Care Programs

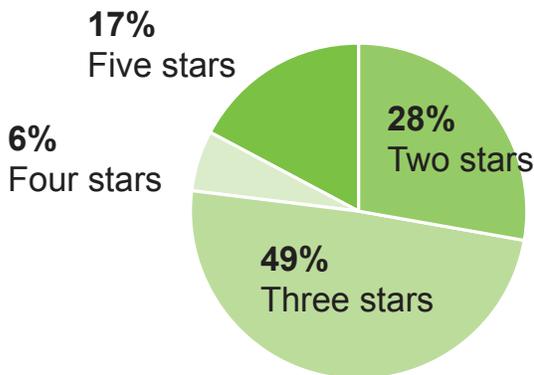
Share of children receiving Wisconsin Shares in July of each year, by the star rating of the programs.



Source: Wisconsin Department of Children and Families
 WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

Nearly Half of Children are in 3 Star Child Care Programs

Share of children receiving Wisconsin Shares, by program star level, as of July 2015.



Source: Wisconsin Department of Children and Families
WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The shift for children from lower-quality programs (rated 2 Stars) to higher-quality programs (3-5 Stars) over a short period of time was impressive, but it is important to note that most of the shift was from 2 Star programs to 3 Star programs. The chart above shows nearly half of children with subsidies from Wisconsin Shares are in programs rated 3 Stars. As of July 2015, 23% of the children are in highest-quality programs (4 Star and 5 Star) a significant increase from 15% of the children three years earlier in July 2012, but still not as high as we would like it to be.

Increased Number of Programs with Higher Quality Ratings

In addition, the number of programs rated at 3, 4, or 5 Stars has also increased dramatically. From June 2012 to July 2015, the percentage of programs meeting the higher-quality ratings (3, 4, and 5 Stars) has increased rapidly, from 29% to 46%. Clearly YoungStar is helping to increase the quality of child care.

The percentage of **children (72%)** in higher-rated programs is much higher than the percentage of **child care programs (46%)** largely because most children served are in group child care programs. These larger centers serve many more children than family child care programs, and group centers generally have higher quality ratings.

Can this Progress Be Sustained?

While YoungStar shows promising trends, there are clear obstacles to further increase high-quality programs and to retain the 4 Star and 5 Star programs. A primary disincentive for programs to meet high quality standards is the steady decline of the core funding through WI Shares. YoungStar is heavily dependent on WI Shares funding, which has been steadily declining, coupled with policies that further reduce financial support for programs. The reductions in payments to programs create a major challenge for those striving to meet higher quality levels and for those trying to sustain high-quality programs (rated as 4 Stars or 5 Stars).

YoungStar Ratings of Child Care Programs Over 3 Years

The number of child care programs receiving higher quality ratings have increased dramatically.

Date	Percent of Programs Rating 1-2 Stars	Percent of Programs Rating 3-5 Stars
July 2012	71%	29%
July 2013	62%	38%
July 2014	57%	43%
July 2015	54%	46%

WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The tiered reimbursement system applies increases of 10% for 4 Star programs and 25% for 5 Star programs to support high quality programs, but the percent increases are applied to declining WI Shares payment rates. Additionally, the highest quality programs are worried about a new WI Shares policy to be implemented in 2017. Payments will be made by the parents through an Electronic Benefits Transfer card, but under the new system the total of WI Shares regular payment plus the tiered reimbursement bonus will be capped at the provider's private pay price. It appears the result will be to reduce the copays of families using the card, but significantly reducing the tiered reimbursement quality payments, or even eliminate them.

It is expensive for programs to meet the high quality standards of 4 Star and 5 Star ratings, particularly due to the expense of attracting and retaining well-qualified teachers with reasonable compensation. Even though these high-quality programs receive subsidy payments plus quality payments for meeting high quality standards (a 10% increase for a 4 Star program and a 25% bonus for a 5 Star program), the combined funding is often well below cost for most high-quality programs.

Cost Modeling Analysis: How Much Does High-Quality Child Care Cost?

The Wisconsin Council on Children and Families worked with the Wisconsin Early Childhood Association to examine the cost of high-quality child care, using a cost modeling analysis developed by the Alliance for Early Childhood Finance. The cost modeling measured revenue available (such as parent

fees and public subsidies) and expenses (such as staff costs, rent, and equipment). As the table below demonstrates, while a typically 2 Star program operates at a deficit, the deficit of a 5 Star program is thirty times larger (over \$100,000 a year).

Not surprisingly, the analysis showed that in Wisconsin's YoungStar child care quality rating and improvement system **it costs much more to operate a 5 Star program than a 2 Star program.** Typically, not only was it cheaper to operate a lower-quality program than a higher-quality one, it was also difficult to sustain higher quality standards over time without operating at a significant loss.

Higher salaries and the addition of benefits for teachers and directors were the primary reasons that costs increased as programs moved from 2 Stars to 5 Stars. (In YoungStar, 5 Star programs must have teachers with at least an associate degree.)

The analysis concluded that while YoungStar is improving child care quality, more attention to a realistic financing strategy is essential if Wisconsin is to sustain higher-rated programs with qualified staff-- the key to quality -- without making child care unaffordable for families.

If effective child care teachers and directors are key to high quality child care, improved financing is crucial for child care programs to attract and retain qualified staff.

<h2 style="margin: 0;">Cost Comparison of Child Care Programs</h2> <p style="margin: 0; font-size: 0.9em;">It's much more costly to operate a 5 Star program than a 2 Star, a major disincentive for programs to meet high quality stands.</p>			
Star Level	Average Cost Per Child	Loss Per Child Per Year	Net Loss for a Typical Program Per Year
2 Star	\$9,000	\$63	\$3,428
5 Star	\$11,168	\$1,881	\$102,335

THE DECLINE OF WISCONSIN SHARES AND ITS IMPACT

While YoungStar has largely been a success story, the Wisconsin Shares child care subsidy program has been in marked decline. Wisconsin Shares was established to help low-income working families afford child care while they worked, with a wide range of child care options available to them. The program was designed in 1996 during the Thompson administration as a key component of their welfare reform agenda. It was designed to reach all eligible families, and to pay fair “market rates” to the child care programs serving their children, with a reasonable affordable copay on a sliding scale paid by the families. However, in recent years fewer families and children have participated in WI Shares, payments to child care businesses are significantly below “fair market rates,” and parents often have to pay not only their copay, but also the costs of the gap between the providers’ price and reimbursement from WI Shares. According to data from a 2015 Wisconsin Child Care Market Survey, the maximum payment rates have plunged below average market prices, making it more difficult for child care programs to deliver high-quality services.

12,248 Less Children Participating

Since State Fiscal Year (SFY) 2008, there has been a steady decline of children served in the Wisconsin Shares child care subsidy program to help low-income working families afford child care while they work. The average number of children served monthly by Wisconsin Shares has **dropped by 12,248 – a 21% decline** from 58,379 in SFY 2008 to 46,131 in SFY 2015.

While there may be many reasons for the drop in children enrolled in Wisconsin Shares, it is clear that fewer low-income children have access to the higher quality programs available through YoungStar (Source: Department of Children and Families, WI Shares data

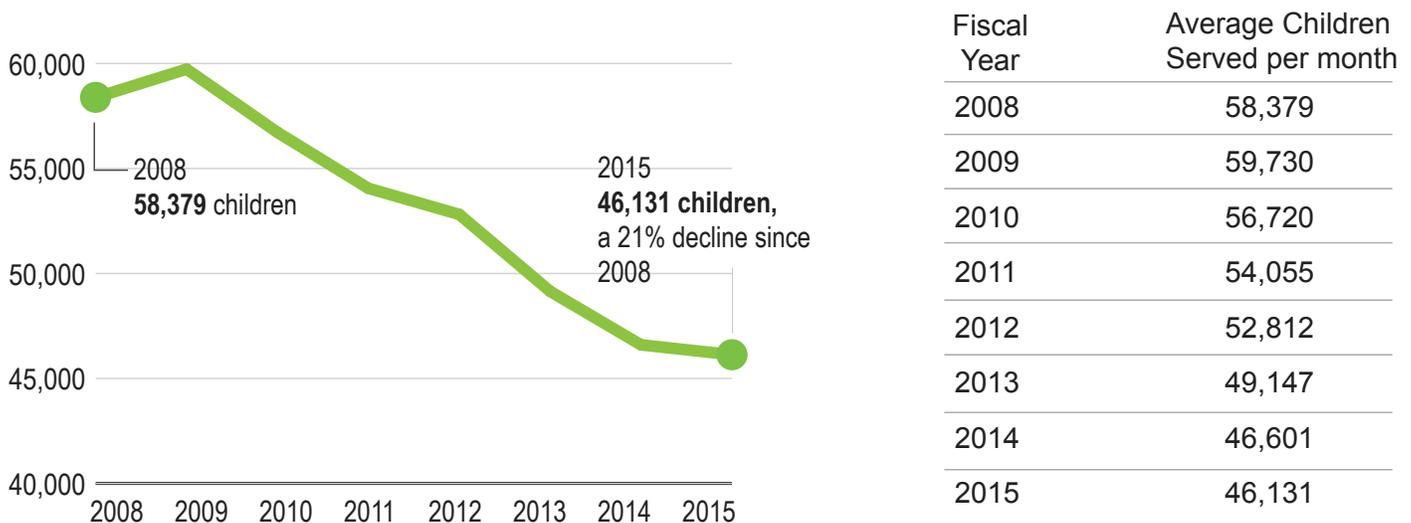
<http://dcf.wi.gov/childcare/wishares/spfcs.htm>).

The Decline of Rural Children Participating in Shares has been Most Severe

Our analysis showed that the smaller the county in population, the greater the drop in children served over the five years analyzed. The 15 most populous counties have experienced a 19% drop and the percent decline gets greater the smaller the county. The least populous counties show a whopping decline of 54%. Children served by tribes show a steep decline (44%) as well.

Number of Children Served by Wisconsin Shares Has Sharply Declined

Monthly average of the number of children receiving Wisconsin Shares.

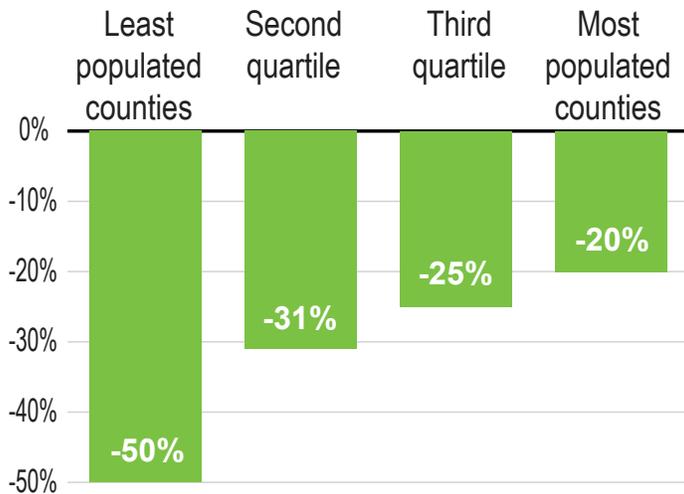


Source: Wisconsin Department of Children and Families

WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The Smaller the County, the Greater the Drop in Children Served

Change in number of children served by WI Shares between 2009 and 2014, by county population size.



Source: Wisconsin Department of Children and Families
WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The decline of the number of children subsidized by WI Shares in rural counties may have been affected by the sharp reduction of family child care programs available. From July 2012 to July 2015 the number of family child care programs receiving WI Shares dropped 28%. Families in rural areas often use family child care more frequently than in urban areas.

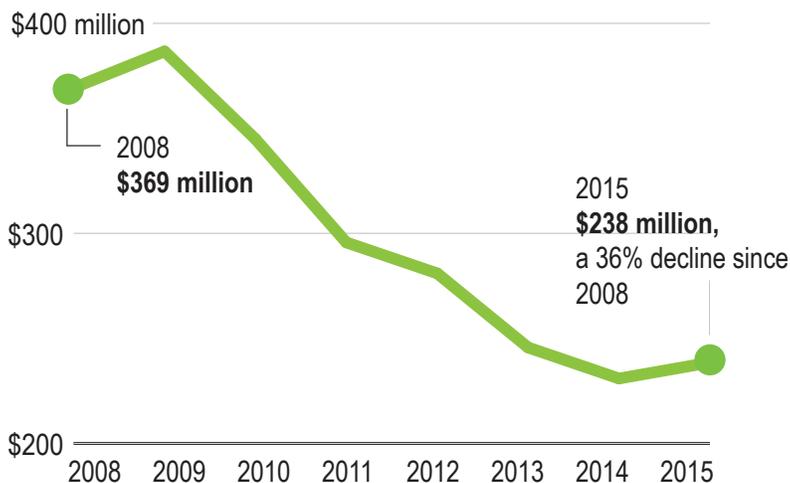
Decline in Child Care Subsidy Payments

In a seven-year period, the annual total WI Shares subsidy payments have **dropped by \$131 million, a 36% decline**, in constant dollars. In addition, the trend shows a **18% decline** in payments per child over 7 years, in constant dollars.

This analysis shows that the decline in child care expenditures was not only due to a drop in children participating, but was also compounded by a significant drop in payments per child. The decline in payments per child was largely due to policy changes: a 7-year freeze on payment rates, a 5% reduction in payments to 2 Star rated programs, and increasingly paying only for attended days. The slight increase in the budget from SFY 2014 to SFY 2015 ended the freeze on payments and increased the payment rates for counties where the rates were farthest from market rates.

Payments to Child Care Providers for Wisconsin Shares Have Dropped

Annual subsidy payments in millions by fiscal year, in current dollars.



Fiscal Year	Annual Shares Subsidy Payment
2008	\$369 million
2009	\$387
2010	\$345
2011	\$296
2012	\$281
2013	\$246
2014	\$231
2015	\$238

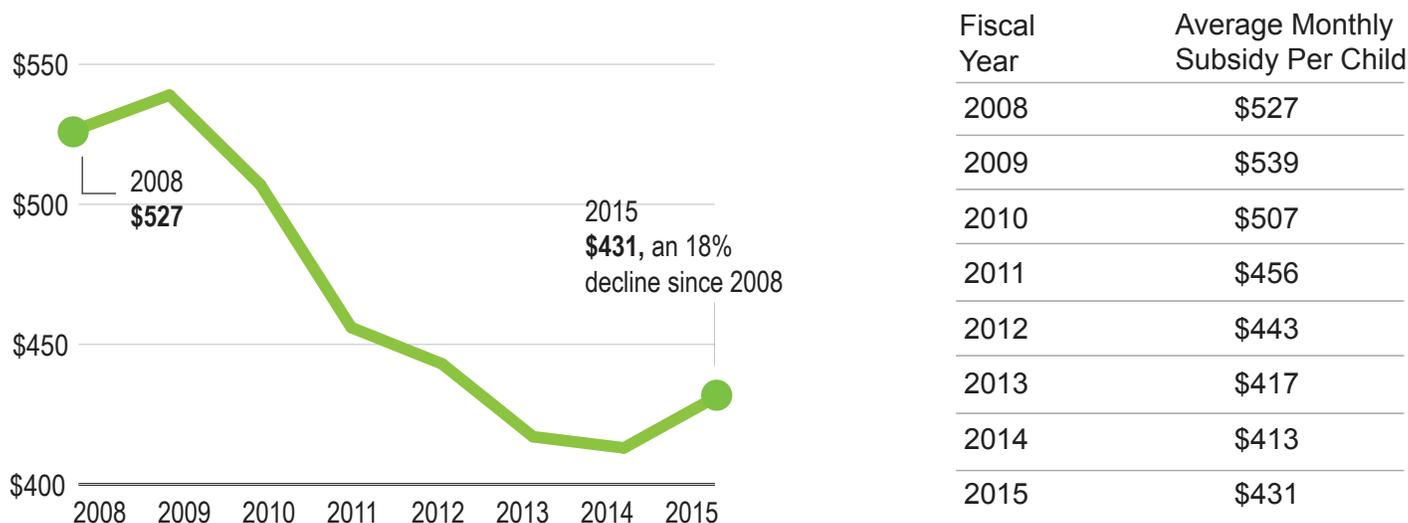
Source: Wisconsin Department of Children and Families

WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

Note: The amounts are for child care subsidy payments only; they do not include administration or contracted services.

Monthly Subsidy Amounts per Child Have Fallen

Average monthly subsidy payment per child by fiscal year, in current dollars.



Source: Wisconsin Department of Children and Families. Amounts are for child care subsidy payments only and do not include administration or contracted services.

WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

Child Care Financing and Decline of Payment Rates

Three revenue sources fund state child care in Wisconsin: the federal Child Care and Development Block Grant, the federal Temporary Assistance for Needy Families (TANF), and state dollars. The vast amount of revenue (about 90%) is from federal sources, with about 10% state funds required to match federal dollars and to show maintenance of effort. WI Shares is required to follow standards set by the federal Child Care and Development Block Grant (CCDBG). Of course states can provide more funds than those required to draw down federal funds, but Wisconsin rarely does that.

CCDBG regulations require that states (1) do regular market rate surveys that reflect the prices of child care services by geographic areas or (2) use an alternative methodology such as a cost estimation model to establish appropriate rates. Wisconsin has used market rate surveys yearly to set payment rates by county. Since the mid-1990s, Wisconsin has had a law that counties should set rates “so that at least 75% of the number of places for children within the licensed capacity of all child care providers in that county can be purchased at or below that maximum rate.” This seemed a fair approach to make sure low-income families could afford child care and most child care providers would have a fair reimbursement.

But in 2011 the law changed, giving the Department of Children and Families authority to lower costs by reducing payments to child care providers. With this change, the payment rates have been stagnant and no longer are payments meeting the 75% standard. Our recent analysis of 2016 payment rates is dramatically below the 75% standard; in fact, the rates are well below *average* market prices. This is not a good foundation to support high quality child care. The current practices no longer provide a reasonable payment rate for many child care providers, and the decline is particularly damaging to the highest-quality programs.

Low Payment Rates Undermine Sustainable High-Quality for Children

The fact that current WI Shares pays well below private sector market rates undermines the YoungStar goals of increasing and sustaining high-quality child care for our most vulnerable children and the programs that serve them. A significant ongoing rate increase and/or an alternate financing mechanism focused on quality are necessary for Wisconsin to increase and sustain the number of the 4 Star and 5 Star programs available to children and families.

Factors Leading to the Conflict in Policies

- 1. Child Care Fraud:** Probably the strongest impetus for the decline of Wisconsin Shares was the child care fraud that was revealed in a series of Milwaukee Journal Sentinel stories in 2008-09. Addressing fraud was a major rationale for changes in enforcement and policies implemented under both Governors Doyle and Walker. Some of the changes addressed fraud specifically, and some reduced child care spending overall. Most of the fraud uncovered was in Milwaukee, but a series of anti-fraud and belt-tightening measures ended up affecting all child care programs statewide that were participating in Wisconsin Shares, regardless of whether or not they had committed fraud. As we showed previously, the largest declines in the number of children served were in our rural, least populated areas. As often happens, efforts to correct a problem result in unintended consequences, negatively affecting solid child care programs operating in good faith and the children and families they serve.
- 2. Fiscal Obstacles to Quality:** As the anti-fraud and cost-cutting measures were being implemented, the state also launched the YoungStar quality rating and improvement system, the most significant quality improvement initiative for child care in Wisconsin history. A top goal of YoungStar from its inception was to help children from disadvantaged backgrounds prepare for school. However, since the tiered YoungStar incentive payments were tied to the frozen Wisconsin Shares rates, the intended positive impact has been undermined. So far, for a large segment of the child care industry, the YoungStar fiscal incentives have been more than cancelled out by shrinking Shares payments.
- 3. Cut Funding for Other Priorities:** Wisconsin had sufficient funding (most of it federal) to build YoungStar and maintain a robust WI Shares program, with payment rates to meet private sector market prices and to establish a sustainable YoungStar system. The \$131 million reduction in the state budget for WI Shares could have been avoidable, or at least had a much less damaging cut. But, year after year, Wisconsin reduced child care payments and then policymakers funneled the underspending

to other purposes. In budget after budget, more federal Temporal Assistance for Needy Families (TANF) funding was siphoned away from the child care budget and through complicated budgetary maneuvers, were used for other purposes, such as tax cuts for powerful special interests.

MEETING AT THE CROSSROADS: RECOMMENDATIONS FOR CHANGE

As the hope of YoungStar is encouraging providers to increase quality, a sound funding and policy scheme is sorely needed. The crossroads for Wisconsin child care policy has led to too many crashes and contradictions. It's time to build a more coherent system with policies that are complementary. Wisconsin has a great history of helping young children and their families, especially for those in need. Certainly we can build on our strength, so that our working families can afford child care with the assurance that their children will be safe, nurtured, and prepared for school. Here are four recommendations for developing and maintaining a sound child care system.

1. Adopt Early Childhood Advisory Council Recommendation to Provide Direct Support to High-Quality Programs

Critical to achieving success is support for a reliable, stable supply of high quality programs through quality advancement awards and quality sustainability awards. In March 2016, the Governor's Early Childhood Advisory Council (ECAC) approved three recommendations, including one to double the number of children in high quality child care programs rated 4- or 5 Star under YoungStar. The ECAC recommended an additional investment of \$10 million per year to help programs reach 4 Star and 5 Star ratings, and to help sustain programs at those ratings.

This approach provides a clean funding stream separate from the WI Shares payment system, going directly to high quality programs and to those striving to reach high quality standards.

According to the ECAC co-chairs (Eloise Anderson, Secretary of the Department of Children and Families, and Tony Evers, Superintendent of the Department of Public Instruction), research shows that building quality early childhood programs can yield a return on investment between 7% and 10%. According to the co-chairs: “**Studies**

have shown that these investments also result in narrowing the K-12 achievement gap, decreasing involvement in the juvenile justice system, and increasing earnings later in life.”

The recommendations are the culmination of a multi-year, coordinated effort, reviewing community need, research on best practices, and high-impact systems that support families and their young children. The 24 ECAC members include representatives of state departments, public schools and higher education, business, philanthropy, and key agencies and associations. WCCF strongly supports the recommendation of the ECAC to invest more in promoting quality early learning programs.

2. Improve Child Care Payment Rates

If Wisconsin is serious about building a solid child care system, something has to change in the payment rate system. Low payment rates discourage programs from serving low-income children and undermine those working hard to meet high quality standards. Low payment rates often force parents to pay not only their copay, but also to cover the gap between the state payment rate and the providers' price. Most low-income families can't afford that.

WCCF believes there are options that could be adopted to address this challenge:

- **Reinstate the 75% standard for setting maximum rates:** for 14 years the process for setting rates worked well, giving parents a broad range of affordable choice, and child care providers receiving payments that met market rates. WCCF supports returning to the policy that county rates are set so that at least 75% of the child care slots for children can be purchased at or below that maximum rate.

- **Reinstate the tiered reimbursement payments process:** The plan to shift tiered reimbursement quality payments to an Electronic Benefits Transfer (EBT) card for families to use in paying their child care provider has serious negative consequences. The policy will result in reducing or eliminating quality payments to 4 Star and 5 Star programs, undermining the excellent progress in increasing high-quality programs for children with high needs. Cutting payments that were originally intended to reward and sustain high-quality

programs is not a wise policy after hundreds of programs have worked hard to meet the 4 Star and 5 Star standards. The EBT card should include the regular subsidy payments only, but the card should **not** include the tiered reimbursement quality payments. The quality payments should go directly to the 4 and 5 Star programs to help maintain and increase the supply of high-quality programs.

- **Using cost modeling for setting rates:** This approach is fairly recent. Instead of surveying the prices charged for child care, cost modeling estimates the costs of providing care at varying levels of quality. The focus is on quality. Such an approach might be more effective than the current system that has conflicting financing elements, namely setting county maximum rates based on price surveys and adding tiered reimbursement payments. WCCF also would support using a cost-modeling approach to setting payment rates.

3. Incentives to Maintain a Quality Child Care Workforce

The quality of a child care program largely hinges on the quality of its teachers. The interactions between child and teacher are the key to learning and development. Wisconsin child care teachers and caregivers earn an average pay near \$10 an hour, and teacher turnover is in the 39% range. WCCF supports strategies that include:

- **Expanding the REWARD Wisconsin Stipend Program** with higher stipends, now administered by the Wisconsin Early Childhood Association. REWARD is an opportunity to reward and retain professionals who have attained education specific to the field, increase compensation for early childhood professionals, reduce turnover, and improve the quality of care received by Wisconsin children

- **Targeting professional development support** for child care teachers in areas with children with highest needs, measured by low income, race and ethnicity, children with disabilities, etc.

- **Creating incentives such as a child care teacher student loan forgiveness option.** For example, establish a program that forgives student loans for teachers after they graduate and work in the child care field for three years.

4. Ongoing Research

Further research on Wisconsin Shares and YoungStar needs to be conducted to ensure that children of color have equitable access to high-quality child care.

CLOSING

Wisconsin has come a long way to fulfilling a promise that all children, no matter their economic circumstances, can have access to affordable, quality early learning programs, programs that get them to the K-12 starting line “ready to go”. But that promise is threatened by funding decisions that in fact make it more likely that quality programs will fade away and that the most vulnerable children will be left “out in the cold.”

The success of YoungStar and Wisconsin Shares depends on making critical investments that will lead to healthier children, stronger communities, and a vital and viable economy that benefits us all.



WISCONSIN COUNCIL ON

**children
& families**

Raising Voices to Make Every Kid Count

www.wccf.org

www.facebook.com/wiskids

www.twitter.com/wiskids