

An Analysis of Child Care Payment Rate Decisions in the 2013-15 Budget

DCF Plans to Increase Child Care Rates

After digging into detailed budget papers and talking to key players in developing budget options for the Legislature, it looks like \$5.84 million may be available for increasing child care payment rates under the Wisconsin Shares program. The final negotiations of the Joint Finance Committee as they completed their work on the budget included more funding than most child care advocates thought. The good news is that the rates are no longer frozen at 2006 levels, and there is movement toward a rate increase. That's something to cheer about; \$5.8 million is a lot of money, though there's no guarantee that it will actually be used for this purpose.

In Perspective

But putting the anticipated increases in perspective, the \$560,300 increase in Fiscal Year 2014 is tiny fraction of a percent, and the \$5.28 million increase in 2015 is about a 2% increase. And the increased payment rates are likely to vary considerably by county and tribe, based on local market rate surveys. For instance, the current plan is to raise payment rates where the most recent market rate survey shows a disparity of 20% or 25% compared to the 2006 frozen rates.

For a decade, payment rates for Wisconsin Shares were set based at the 75th percentile of market prices for different age groups to assure that payments would cover costs at 75 percent of child care programs within a geographic area. That practice ended with imposition of the freeze at 2006 payment rates seven years ago.

DCF Outlined Much Higher Payment Rate Options

During 2013-15 budget deliberations, the Department of Children and Families (DCF) provided a range of payment rate options leading up to the biennial budget decisions, estimating their **annual** costs:

- **By county: Paying at the 75th percentile for each county/tribe.**
Cost Estimate: \$35.7 million
- **By urban zone: Paying at the 75th percentile for clusters of counties/tribes.**
Cost estimate: \$34.3 million
- **Statewide: Paying at the 75th percentile for the whole state.**
Cost estimate: \$30.6 million

- **Urban rate 75th percentile with a 10% hold harmless:** This approach would set rates for urban zones, with a 10% maximum change—so no rate would change by more than 10% in a positive or negative direction.
Cost estimate: \$19.1 million
- **Outlier Rates:** Set rates so that no rate would be more than 20% (or 25%) lower than the comparable 75th percentile rate for a county or tribe.
Cost estimate: \$5 million

The Legislative Fiscal Bureau offered most of these alternatives in its [Issue Paper #200](#) on child care provider reimbursement rates. The final decision in the budget reflects the \$5 million outlier rate option, obviously the cheapest of these five options. That provides a long-overdue increase in rates, but probably only a fraction of providers will benefit, especially in SFY 2014.

The final child care subsidy budget looks like this:

Wisconsin Shares Budget for 2013-2015 Biennial Budget		
COMPONENTS	SFY 14 budget	SFY 15 budget
Direct subsidy payments for child care services	\$255,321,700	\$257,850,400
Administration & contracts: county admin contracts, migrant child care contracts, on-site child care at county offices	\$15,387,400	\$15,387,400
Child care for Transform Milwaukee Jobs Program	\$343,400	\$688,200
4-Star increase: up to 10% higher for 4-Star programs in YoungStar	\$347,700	\$808,000
TOTAL: WI Shares allocation for child care subsidy	\$271,400,200	\$274,734,000

What Could Have Been

Had policymakers made a difference choice and used the federal funding available to help repair child care rates, that would have produced a major positive change for Wisconsin Shares. Instead, the Legislature and the Governor shifted over \$31 million in federal funds for other purposes, resulting in the modest, but welcome, increase in child care payment rates.

To put this all in perspective, the child care allocation in the 2013-15 biennial budget is **\$54 million less** than it was in the 2011-13 budget.

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