



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #892

### **Quality Rating System for Child Care Providers (DWD -- Economic Support and Child Care)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 614, #10]

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#### **CURRENT LAW**

The Department of Health and Family Services (DHFS) may license a person to operate a day care center, and no person may provide care and supervision for four or more children under the age of seven for less than 24 hours a day unless the person obtains a license to operate a day care center. In addition, a county department of human services or social services may certify a day care provider for reimbursement under the Wisconsin Works (W-2) Wisconsin Shares program (the child care subsidy program), which is administered by the Department of Workforce Development (DWD), and a school board may establish or contract for the provision of day care programs for children. Child care providers must meet minimum standards and requirements to be licensed or certified, but the providers are not rated as to the quality of the services they provide in relation to each other.

#### **GOVERNOR**

Provide \$1,627,500 FED in 2007-08 and \$1,199,800 FED in 2008-09 to establish a child care quality rating system. Of these amounts, \$436,200 FED in 2007-08 and \$444,900 FED in 2008-09 would be transferred from DWD to DHFS as program revenue service (PR-S) funds to support 6.0 FTE in DHFS's Bureau of Regulation and Licensing to implement the quality rating system, and \$1,191,300 FED in 2007-08 and \$754,900 FED in 2008-09 would fund a quality rating computer system in DWD. Federal funds for the quality rating system are from the child care development block grant.

The bill would require the quality rating system to include licensed child care providers that receive reimbursement from the Wisconsin Shares program and any other licensed child care providers that volunteer to be rated. The bill would require quality ratings to be completed by June 30, 2009, for all child care providers that are licensed and are receiving reimbursement under the Wisconsin Shares program on that date. Finally, the bill would require DWD to make the rating information available to parents, guardians, and legal custodians of children who are recipients, or prospective recipients, of care and supervision from a child care provider that is rated under the system, and DWD would have to provide this information on its Internet site.

## **DISCUSSION POINTS**

1. In June, 2004, the Governor established a task force, the Quality Counts for Kids Task Force, to develop a program that would rate the quality of child care providers, guide parents in choosing a child care provider for their children, and reimburse child care providers through the Wisconsin Shares program based on their quality rating. The task force examined national research and experiences in other states to develop a potential quality rating system. The Quality Counts for Kids Task Force recommended a tiered reimbursement system and a quality rating system.

2. In tiered reimbursement systems, states provide higher rates of pay for child care providers that participate in subsidy programs and achieve one or more levels of quality beyond basic licensing requirements. In a quality rating system, the state develops and markets a quality rating indicator for use as a child care consumer guide, sometimes referred to as a "report card."

3. Under the Governor's proposed 2005-07 biennial budget, both a quality rating system and a tiered reimbursement system were included. The quality rating system would have assessed a rating to the child care provided by a state licensed or certified child care provider or provided by a day care program established or contracted for by a school board, based on a five-star system. Participation in the quality rating system would have been mandatory for providers that received reimbursement from Wisconsin Shares. For child care providers that participated in Wisconsin Shares, reimbursement for child care provided would depend on the provider's quality rating. However, the Legislature deleted both of these provisions.

4. Under SB 40, the Governor includes a provision for the quality rating system. Participation in the quality rating system would be mandatory for licensed child care providers that receive reimbursement from Wisconsin Shares. Licensed providers that do not receive reimbursement from Wisconsin Shares could volunteer to be rated. The quality rating system would not apply to certified child care providers.

5. According to the National Child Care Information Center (NCCIC), quality rating systems are a method to assess, improve, and communicate the level of quality in early care and education settings. Quality rating systems consist of the following five elements: (a) standards that are based on the foundation of compliance with the state's child care licensing regulations and two or more levels of quality criteria above basic licensing requirements; (b) accountability, through

appropriate means of assessment and monitoring, for compliance with the specific criteria of the standards; (c) program and practitioner outreach and support, including efforts to promote participation in the quality rating system, as well as technical assistance, training, mentoring, and other supports; (d) financing incentives specifically linked to compliance with quality standards, such as quality bonus payments, tiered reimbursement rates, contracts, quality grants, and wage supplements; and (e) parent education designed to ensure that parents understand the quality rating system and how it benefits children, families, and the early care and education system as a whole, including a five-star system.

6. According to the NCCIC, as of March, 2006, 13 states and the District of Columbia had a quality rating system with multiple levels available throughout the state: Colorado, Iowa, Kentucky, Maryland, Montana, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, and Vermont.

7. Evaluations of the effects of quality rating systems on the quality of child care provided have been mixed. In Kentucky, a 2004 evaluation indicated that child care programs in child care centers decreased in quality, and overall participation in the rating system decreased. However, for providers who participated in the quality rating system, quality increased. The evaluation also noted urban and rural differences in the way child care providers participate in and perceive the benefits of the system. Rural child care providers rated the program more favorably. Kentucky's KIDS NOW quality rating system is a four-star, voluntary system.

8. Evaluations in other states show that participation in a quality rating system improves the quality of child care provided over time. In Oklahoma, 76.5% of children whose care is subsidized by the state received child care in two- or three-star rated facilities, up from 45.8% two years prior. Oklahoma's Reaching for the Stars quality rating system is a three-star system. Evaluations in Pennsylvania and Tennessee also concluded that child care quality improved as child care providers participated in and moved up the rating scale in their quality rating systems.

9. Under the Governor's proposal, the quality rating system would include only licensed child care providers, provide a five-star scale using child care quality indicators to determine the number of stars, build on the foundation of current child care regulation, and award star levels based on the total number of points earned from a 30-point quality indicator system. The quality rating system would be mandatory only for licensed child care providers that participate in Wisconsin Shares. The quality rating system would be voluntary for all other licensed child care providers. The quality rating system would not include certified child care providers. There are approximately 5,700 licensed child care providers. Of these, approximately 5,300 currently participate in Wisconsin Shares.

10. The quality rating system would have three categories of quality indicators for licensed child care providers, and each category would have a maximum number of points that could be awarded. The quality indicators include: (a) teacher/director qualifications (maximum of 14 points); (b) learning environment and curriculum (maximum of 10 points); and (c) professional practices (maximum of six points).

11. Although initial information had been provided to show how the points would be allocated for each category of quality indicators for both child care centers and for family child care programs, DWD indicates that specific criteria within each main category to earn the maximum number of points available will be revised as necessary as determined by the Grow in Quality pilot project. The pilot project is being conducted with 70 randomly selected licensed group centers in four distinct pilot program areas of the state to identify key indicators of child care quality and to begin the process of designing technical assistance specific to these quality indicators.

The purposes of the Grow in Quality pilot project are to: (a) design and test an efficient, accurate, and effective instrument that can be used reliably by trained observers to assess key quality indicators, including classroom environments and business practices, within early care and education settings statewide; and (b) use the information gathered from the assessments, in collaboration with early care and education program directors, to develop meaningful plans for program improvement, to implement specified amounts and types of technical assistance, and to assess the impact of technical assistance on key quality indicators.

Classroom environments will be assessed in: (a) health, safety, and physical development; (b) social and emotional development; (c) language, literacy, and writing; and (d) math, science, and child assessments. Business practices will be assessed in: (a) staff development; (b) business management; and (c) family involvement. Data from these assessments will be used to determine the next steps for developing a statewide quality indicator project approach. It is anticipated that the data will be available for evaluation in the summer of 2007.

12. Under the Governor's proposed quality rating system, both child care centers and family child care programs would be rated on a five-star scale as follows: (a) one star for being licensed and out of compliance with regulatory standards; (b) two stars if the center or program is licensed, meets the standards for regulatory compliance, and scores between zero and four points; (c) three stars if the center or program is licensed, meets the standards for regulatory compliance, and scores between five and 12 points; (d) four stars if the center or program is licensed, meets the standards for regulatory compliance, and scores between 13 and 22 points; and (e) five stars if the center or program is licensed, meets the standards for regulatory compliance, and scores between 23 and 30 points. As noted, it is unknown how these points would be awarded until specific criteria result from the Grow in Quality pilot project. However, DWD indicated that the initial distribution of licensed child care providers would likely be as follows: (a) 15% would receive one star; (b) 20% would receive two stars; (c) 38% would receive three stars; (d) 22% would receive four stars; and (e) 5% would receive five stars. It is anticipated that the percentages of four star and five star licensed child care providers would increase as the providers improve in quality over time.

13. The Quality Counts for Kids Task Force also indicated that a fully-automated data system would be essential for the operation of the quality rating system. The task force suggested building on existing information technology systems, although funding would be required to expand these systems to accommodate the quality rating information.

14. Under the bill, funding of \$1,627,500 FED in 2007-08 and \$1,199,800 FED in 2008-

09 would be used for: (a) 6.0 FTE in DHFS to assess licensed child care providers and assign a star rating (\$436,200 FED in 2007-08 and \$444,900 FED in 2008-09); and (b) the creation, implementation, and maintenance of a computer system in DWD to manage and display the quality rating information (\$1,191,300 FED in 2007-08 and \$754,900 FED in 2008-09).

### *Assessments*

15. Funding of \$436,200 FED in 2007-08 and \$444,900 FED in 2008-09 and 6.0 FTE positions, beginning in 2007-08, would be for assessments. The 6.0 FTE positions would be added to DHFS's Bureau of Regulation and Licensing staff to perform approximately 5,500 assessments every two years for licensed child care providers that participate in Wisconsin Shares (5,300) and for other licensed child care providers that volunteer to participate in the quality rating system (estimated at 200).

16. DWD indicates that it takes an average of four hours to do a quality rating assessment. A total of 11,000 hours annually would be needed to perform 5,500 assessments every two years. DWD assumes that 1.0 FTE could work 1,880 hours annually after considering vacation, holidays, and other time off. Therefore, 6.0 FTE would be needed to perform 11,000 hours of assessments annually. SB 40 would provide \$72,700 in 2007-08 per employee and \$74,100 in 2008-09 per employee. These funds would support \$49,700 in 2007-08 and \$50,700 in 2008-09 for salaries and \$23,000 in 2007-08 and \$23,400 in 2008-09 for fringe benefits.

17. Instead of using assessments, another option would be for child care providers to provide information related to the quality indicators during the current licensing process. Several states with quality rating systems do not perform on-site assessments. Instead, a paper assessment of self-reported information regarding the criteria that would be established after the results are obtained from the Grow in Quality pilot project could be performed. DHFS staff could rate child care providers based on paper assessments rather than on-site visits. Assuming that one hour would be sufficient time to provide ratings based on paper assessments, only 2.0 FTE would be needed for a total of \$145,400 in 2007-08 and \$148,300 in 2008-09. Therefore, the Committee could reduce funding by \$290,800 in 2007-08 and \$296,600 in 2008-09 and reduce positions by 4.0 FTE, beginning in 2007-08.

18. However, self-reported information may not be as accurate or objective. To accurately reflect the quality of a child care provider, it may be better to have an on-site visit by an objective observer.

### *Information Technology*

19. The bill provides \$1,191,300 FED in 2007-08 and \$754,900 FED in 2008-09 to create, implement, and maintain a computer system to manage and display the quality rating information. The administration indicates that the higher cost of \$1.2 million in the first year is to create and implement the system, while ongoing costs for maintenance in subsequent years would be less.

20. Information technology costs would include: (a) incorporating the rating system in existing DWD computer systems, including DWD's child care statewide administration on the web (CSAW) system; (b) building interfaces with other child care organizations and agencies; (c) creating a public website to assist parents; (d) developing software to perform the assessments; and (e) building a common system for both licensed and certified child care providers.

21. The Committee could eliminate funding for a computer system to manage and display the quality rating information for child care providers. However, without funding, it could make assessments more difficult. The assessments would have to be done on paper, rather than with a computer program to centrally compile the results. The assessors would be required to access existing data, such as staff credentials and participation in food programs, through many sources, rather than through one central source. Also, it could be difficult to publish the ratings in a format that would be easy for consumers to understand and use once the providers are assessed without funding to create a separate website for this purpose.

22. In addition, DWD indicates that maintaining a provider database with associated ratings, as well as a public website that displays the data, is an essential part of the rating system. Information technology system interfaces with other agencies that already have data that would be used for rating providers, such as the Registry and the Department of Public Instruction, would be key to providing accurate assessments of providers.

23. Finally, the Committee could eliminate the provision related to the quality rating system. Under current law, child care providers are regulated through licensing or certification. In addition, although child care providers are not currently comparatively rated, parents can obtain information regarding child care providers through the child care information center and child care resource and referral services.

**ALTERNATIVES TO BILL**

**A. Assessments**

1. Adopt the Governor's recommendation to establish a quality rating system and provide \$436,200 FED in 2007-08 and \$444,900 FED in 2008-09 and 6.0 FTE positions in DHFS, beginning in 2007-08, for assessments of child care providers to assign a star rating.

	ALT A1-DWD Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	\$0	0.00	\$881,100	0.00

	ALT A1-DHFS Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	\$881,100	6.00

2. Modify the Governor's recommendation to reduce funding for assessments by \$290,800 in 2007-08 and \$296,600 in 2008-09 and reduce positions in DHFS by 4.0 FTE, beginning in 2007-08.

	ALT A2-DWD Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	-\$587,400	0.00	\$293,700	0.00

	ALT A2-DHFS Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	-\$587,400	- 4.00	\$293,700	2.00

3. Delete funding and positions for assessments of child care providers.

	ALT A3-DWD Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
FED	-\$881,100	0.00	\$0	0.00

	ALT A3-DHFS Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	-\$881,100	- 6.00	\$0	0.00

## B. Information Technology

1. Adopt the Governor's proposal to establish a quality rating system and provide \$1,191,300 FED in 2007-08 and \$754,900 FED in 2008-09 in DWD to create, implement, and maintain a computer system to manage and display the quality rating information.

ALT B1	Change to Bill	Change to Base
	Funding	Funding
FED	\$0	\$1,946,200

2. Delete funding for the creation, implementation, and maintenance of a computer system to manage and display the quality rating system.

ALT B2	Change to Bill	Change to Base
	Funding	Funding
FED	-\$1,946,200	\$0

**C. Delete Entire Quality Rating Proposal**

1. Delete the entire proposal related to the quality rating system.

<b>ALT C1-DWD Change to Bill</b>			<b>Change to Base</b>	
	Funding	Positions	Funding	Positions
FED	-\$2,827,300	0.00	\$0	0.00

<b>ALT C1-DWD Change to Bill</b>			<b>Change to Base</b>	
	Funding	Positions	Funding	Positions
PR	-\$2,827,300	- 6.00	\$0	0.00

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