



## Legislative Fiscal Bureau

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May 21, 2013

Joint Committee on Finance

Paper #201

### **Electronic Benefit Transfer System for Child Care (Children and Families -- Economic Support and Child Care)**

[LFB 2013-15 Budget Summary: Page 115, #11]

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#### **CURRENT LAW**

*Payments to Child Care Providers.* The Wisconsin Shares program is the state's child care subsidy program. Under current law, the Department of Children and Families (DCF) is required to reimburse child care providers or to distribute funds to county departments or tribal governing bodies for child care services and to private nonprofit agencies that provide child care for children of migrant workers. DCF is authorized to reimburse a Wisconsin Works (W-2) agency for child care provided to the children of W-2 participants and applicants. A county may provide child care services itself, purchase child care services from a child care provider, provide vouchers to an eligible parent for the payment of child care services provided by a child care provider, reimburse an eligible parent for payments made by the parent to a child care provider for child care services, adopt, with DCF's approval, any other arrangement that the county considers appropriate, or use any combination of these methods to provide child care.

For child care other than on-site child care at job centers and county departments and migrant child care, the state subsidizes the cost of child care for qualified families by making payments directly to the child care provider chosen by the parent. DCF calculates the child care provider payment based on the number of hours of child care, the provider's reimbursement rate, the amount the parent is required to contribute to the cost of child care, and then an adjustment based on the number of stars the provider received under YoungStar, the state's child care quality rating and improvement system.

*Types of Child Care Providers.* A parent eligible to participate in the Wisconsin Shares program may choose the child care provider from three types: (a) a licensed child care provider; (b) a certified child care provider; or (c) a child care program provided or contracted for by a school board.

A child care provider that provides care for four or more children under the age of seven must be licensed by DCF. Licensed child care is further broken down into family child care that provides care for four to eight children and group child care centers that provide care for nine or more children.

Child care providers that are not required to be licensed by the state or established by a school board, but are reimbursed under Wisconsin Shares, must be certified by an entity contracted with DCF to administer the child care subsidy program at the local level. Certifications are broken down into two categories: Level I (regular) family child care and Level II (provisional) family child care. Provisionally certified child care providers are not subject to the two-credit early childhood training requirement that regularly certified child care providers are.

*Allowed Hours of Child Care.* Payments to child care providers under Wisconsin Shares may be based on the number of hours a child is authorized to attend (enrollment-based) or based on the number of hours the child actually attended (attendance-based). Enrollment-based payments pay for the child care "slot," whether or not the child actually attends.

Licensed group child care centers generally receive enrollment-based payments. Licensed family child care providers and certified child care providers receive attendance-based payments.

*Provider Reimbursement Rates.* Effective February 25, 2006, four zones were established based on the percent of the population in each county that lives in an urban area: (a) 0-24%; (b) 25-49%; (c) 50-74%; and (d) 75-100%. Each county and tribe was placed into one of these four zones based on U.S. census data. Rates were then set so that at least 75% of the number of places for children with licensed providers could be purchased at or below the maximum rate in each zone. Attachment 1 shows in which zone each county and tribe was placed in 2006.

Separate rates are provided for the different types of child care described above. Once the rates are set for licensed child care providers, Level I certified family child care providers are set at 75% of the licensed child care provider rates. Finally, Level II certified family child care providers are set at 50% of the rate set for licensed child care providers. Provider reimbursement rates are also adjusted downward if the individual participating in Wisconsin Shares has more than two children in child care. Due to increased costs for the child care subsidy program and a limited amount of federal funding, the child care reimbursement rates have been frozen at the 2006 level. Attachment 2 shows the 2006-2012 reimbursement rates for each county and tribal agency. It should be noted that the rates still differ within each zone because the initial urban zone rates were set such that no county's rate would increase or decrease by more than 10%. The rates have been frozen since then.

*Copayment Liability.* In general, families eligible for a Wisconsin Shares subsidy are liable for the percentage of the cost of child care as specified by DCF. DCF must set a schedule for parent copayments that requires all families to have a payment responsibility, unless prohibited by state or federal law. The copayment amounts must be based on family size, family

gross income, and the number of children in a given family in child care. Attachment 3 shows the current copayment schedule.

*YoungStar.* Under YoungStar, adjustments are made to a child care provider's reimbursement rate based on the number of stars earned. This tiered reimbursement system has been implemented as follows: (a) one-star providers are prohibited from receiving reimbursement under Wisconsin Shares; (b) two-star providers receive a reduction of up to 5% from the maximum reimbursement rate; (c) three-star providers receive up to the maximum reimbursement rate; (d) four-star providers receive an increase of up to 5% from the maximum reimbursement rate; and (e) five-star providers receive an increase of up to 25% from the maximum reimbursement rate.

*Electronic Benefit Transfer Systems.* Under current law, DCF is prohibited from requiring a county or tribal governing body from participating in an electronic benefit transfer (EBT) system if the costs to the county or tribal governing body would be greater than the costs that the county or tribal governing body would incur in delivering the benefits through a different type of system. In addition, DCF must designate an electronic benefit system by rule.

## **GOVERNOR**

Provide \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 to implement a system that issues Wisconsin Shares benefits directly to individuals who are participating in the program.

Authorize DCF to issue benefits directly to individuals who are eligible for child care subsidies as one of the ways that child care subsidies may be distributed. Authorize, rather than require, DCF to contract with and provide grants to private nonprofit agencies that provide child care for children of migrant workers. Specify that DCF may also pay or reimburse W-2 agencies for child care that W-2 agencies arrange to meet immediate, short-term child care needs of participants prior to authorization of a child care subsidy.

Delete the provision that a county may provide child care services itself, purchase child care services from a child care provider, provide vouchers to an eligible parent for the payment of child care services provided by a child care provider, reimburse an eligible parent for payments made by the parent to a child care provider for child care services, adopt, with DCF's approval, any other arrangement that the county considers appropriate, or use any combination of these methods to provide child care.

Eliminate the statute that prohibits DCF from requiring a county or tribal governing body from participating in an EBT system if the costs to the county or tribal governing body would be greater than the costs that the county or tribal governing body would incur in delivering the benefits through a different type of system. In addition, eliminate the requirement that DCF designate an EBT system by rule.

Finally, modify statutory language from "reimbursement" to "payment" and "refuse to

pay" or "refusal to pay" to "refuse to allow payment" or "refusal of payment" to reflect that child care providers would be receiving payments from Wisconsin Shares participants, DCF, county departments or agencies, or tribal governing bodies, rather than just reimbursements from DCF, county departments, or tribal governing bodies.

## **DISCUSSION POINTS**

### **Background**

1. In an effort to expand and enhance state oversight of the Wisconsin Shares child care subsidy program, 2009 Wisconsin Act 2 provided \$500,000 FED in 2008-09 to implement a system to automatically monitor child care attendance in licensed child care centers. The purpose of the system was to ensure that child care subsidy payments to child care providers are accurate based on children who are actually in attendance and on the actual hours of attendance. Initially, it was anticipated that it would be a "swipe card" system that automatically records arrivals and departures. The proposed system was referred to as an automated attendance tracking system (AATS).

2. Under 2009 Act 28, additional funding was provided for the AATS. However, the funding was placed in the Finance Committee's appropriation and DCF was required to return to the Committee to request funding. DCF was required to provide a detailed plan of how the AATS would work and how the funds would be spent.

3. In March of 2010, DCF provided the Committee with an update regarding the implementation of the AATS. DCF chose to pursue a "biometric" AATS, rather than a "swipe card" system for several reasons: (a) the biometric system's overhead costs were significantly lower; (b) the potential for fraud under the swipe card system was higher; and (c) implementation of the biometric system would be easier for parents and child care providers.

4. DCF issued a request for proposals (RFP) for the biometric AATS on April 15, 2010. A contract for the implementation of the biometric AATA was finalized on September 17, 2010, with the vendor Controltec. The biometric AATS would have been based on a fingerprint of the child or authorized adult to record arrival and departure times.

5. In early 2011, DCF cancelled the contract with Controltec for the following reasons: (a) every milestone deadline was missed; (b) recommended hardware configuration for the project changed; and (c) inability to establish and document a working interface with DCF's subsidy payment system and third party systems. Also, in a letter dated March 9, 2011, the DCF Secretary indicated that in addition to these reasons, the biometric scanning would only work effectively with children over the age of four, which would exclude 58% of the children receiving Wisconsin Shares subsidies.

6. DCF had been submitting reports to the Committee with updates on the progress of implementing an AATS. In its report dated October 31, 2012, DCF listed its efforts to implement an AATS since the contract was cancelled. DCF issued a request for information to evaluate technologies available in the marketplace to support automated attendance and billing processes to

use in administering the Wisconsin Shares program. DCF evaluated the submissions and held follow-up vendor presentations in January of 2012. In April of 2012, DCF staff visited Kansas, Oklahoma, and Virginia to evaluate their automated child care systems. DCF reviewed the information gathered from those visits.

7. DCF also reviewed the possibility of using a palm scanner, rather than a fingerprint scanner. DCF indicated that the technology for the palm scanner had the same limitations in reliably scanning younger children. After looking at costs and technology limitations associated with biometric scanning, DCF decided to pursue other alternatives. DCF proposes to implement an EBT system that provides child care subsidies to the parents, who then pay the child care providers. This system is similar to the EBT system implemented in Kansas.

### **Current Subsidy Payment System Under Wisconsin Shares**

8. On-site child care at local job centers, W-2 agencies, and county departments is typically provided on an hourly basis while parents are attending meetings with caseworkers, participating in training and education, or using other agency resources. Migrant child care services are provided to parents who meet the definitions of migrant, transitional, and seasonal workers. DCF contracts with counties, W-2 agencies, and other child care administrative agencies for these services. A total of \$3.3 million annually is budgeted for these child care activities. An additional \$12.1 million annually supports local administration of Wisconsin Shares.

9. The remaining child care subsidy funds are paid directly to the child care provider chosen by the parent. For a child in a licensed family child care or certified family child care setting, the child care provider submits the attendance of the child. The payment is calculated based on the hourly rate in Attachment 2 multiplied by the number of hours attended. In general, there is a maximum weekly rate equivalent to 35 hours per week. The copayment amount in Attachment 3 is calculated and subtracted out. Finally, the amount is adjusted to reflect the star rating under YoungStar. This amount is paid to the child care provider.

10. The same process applies to group child care centers, except that payment is not calculated based on the actual hours of attendance. Instead, group child care centers are paid directly based on the number of hours the child is authorized to attend.

11. The parent is involved in determining eligibility and the number of hours of child care needed. They would also be involved in periodic eligibility reviews. The payment relationship, however, is between the child care provider and DCF, counties, or tribes. The child care providers submit their bills after the services are provided, and are paid directly without family involvement. It is at the child care provider's discretion as to whether additional payments, including the copayment amounts, are collected from the parent.

12. For many child care providers, especially the licensed group centers, parents who do not participate in Wisconsin Shares, pay for a child care slot in advance. Under Wisconsin Shares, however, payment is sent several weeks after the care is provided. The child care provider, therefore, may have separate billing systems to account for the different revenue streams, and the timing of their receipt. In addition, due to the rules and regulations under the Wisconsin Shares

program, child care providers may have separate policies for vacation days, sick days, and school snow days. As a result of this system, the child care provider is aware of the subsidy amount the family receives under the Wisconsin Shares program.

### **Description of the Kansas Electronic Benefit Transfer System**

13. Kansas implemented its EBT system statewide in 2005. Under the Kansas model, once eligibility is determined, a subsidy is calculated based on the eligibility information provided by the family, the approved rate for the selected provider, and the amount of the family copayment amount. The subsidy amount is calculated prospectively, based on the estimated needed hours of child care. Similar to the private sector, the parent would pay for a child care "slot," rather than for hours actually attended.

14. This amount is placed on an EBT card on the first day of the month, and the parent uses the EBT card to pay the child care provider throughout the month. Parents are responsible for paying child care providers based on their contract with the provider. If the child care provider's rates are higher than the subsidy amount, the parents are responsible for the difference. The provider does not know what the subsidy amount is, unless told by the parent.

15. The EBT card may include benefits from other public assistance programs, but only the child care subsidy amount may be used for a child care provider who has been approved to receive payment from the cardholder. Conversely, the subsidy amount cannot be used for cash or food benefits. The different benefit accounts are tracked separately by the system the vendor operates. If a family changes child care providers before the end of a month, and there are no subsidy benefits left in the EBT account for that month, the family is responsible for any remaining costs. On the other hand, any unused subsidy amount may be carried over to the next month to be used to purchase child care. The vendor tracks activity on the account. If there has been no activity for 90 days, the benefit is deleted from the system.

16. Child care providers have three options to accept child care subsidy payments. First, a point of sale (POS) device may be rented from the vendor to accept payments. This device is similar to a credit card or debit card reader. Second, parents may use a speech interactive voice response system to call a toll free number to authorize a fund transfer from the vendor to the approved child care provider. Finally, parents have access to a web portal to allow an online transfer of funds.

### **Wisconsin Shares Electronic Benefit Transfer Proposal**

17. The administration proposes to phase in the Kansas-style child care EBT system for Wisconsin Shares. As noted in LFB Paper #196, the payment of W-2 benefits is no longer a responsibility of the W-2 agency under the 2013-2016 W-2 agency contracts. As of January 1, 2013, DCF makes W-2 benefit payments to W-2 participants placed in community service jobs or transitional placements or to recipients of grants for caretakers of newborn infants and at-risk pregnant women. DCF has indicated its intent to implement an EBT system for the payment of W-2 benefits. DCF anticipates that implementation of this EBT system would take place in 2014-15.

18. DCF would then expand the EBT system used for W-2 benefits to include Wisconsin Shares payments to the parent. DCF anticipates that the EBT system for both W-2 and Wisconsin Shares would be phased in over a four-year period. In 2013-14, DCF would develop a request for proposals, select a vendor, and develop related policies. In 2014-15, DCF would finalize related policies, make necessary changes to the computer system, develop training materials, and develop the reimbursement rate structure for child care providers. In 2015-16, DCF would test the changes made to the computer system, conduct the appropriate trainings, issue the new electronic benefit transfer cards, and begin the expansion of the EBT to Wisconsin Shares subsidy payments. Finally, in 2016-17, the entire Wisconsin Shares payment system would be switched over to the new EBT system, and the statutory provisions related to the old system would be phased out.

19. Under the EBT system, DCF would calculate a subsidy amount prospectively based on the projected needed hours of child care by the parent. The payment relationship between the child care provider and DCF, counties, or tribes would be severed. Instead, the parent would receive the benefit under Wisconsin Shares and would pay for a child care slot in advance. The subsidy amount would be transferred to the EBT card (or other EBT account) before the child care services are provided. Parents would be responsible for paying child care providers based on their contract with the provider. If the child care provider's rates are higher than the subsidy amount, the parents would be responsible for the difference. The provider would not know what the subsidy amount is, unless told by the parent.

20. A parent would be able to choose any provider participating in YoungStar, as is the case under current law. The parent could also choose an out-of-state child care provider. The EBT card would only work at the child care provider selected. The vendor selected to implement the EBT system would be responsible to ensure that the subsidy benefit would only be usable at the selected child care provider. The EBT card could be used at more than one provider if the parent is receiving care from more than one provider. This could happen if one provider is only available for specific hours or days and another provider is needed for other times.

21. Child care providers would be required to have a POS device or an account into which funds may be transferred. If a child care provider has a credit or debit card reader, it may be possible to use the same reader for the EBT card. However, given that the funds on the EBT card would be protected, it may also be possible that a child care provider who has a credit or debit card reader would need to rent a second machine specifically for the EBT card. This would be determined at a later date once it is determined what restrictions DCF would want to place on the card.

22. The actual calculation to determine the subsidy amount is also unknown at this time. DCF indicated that they may review the current method for calculating the subsidy amount to evaluate whether "hours" would be the best time increment for the benefit.

23. Further, if a subsidy is adjusted downward due to a selecting a two-star provider, the parent would be responsible for the difference. The provider would not receive less money to reflect the lower quality rating. Rather, the portion that the state pays would be less and the difference would be shifted to the parent to pay. In theory, a parent could be paying more for a two-star child care provider than they would be for a five-star child care provider (assuming the

providers charge the same rate). There are, therefore, issues and policies that need to be discussed and developed before implementation of an EBT system.

### **Electronic Benefit Transfer Systems**

24. DCF has indicated several reasons to implement an EBT system for subsidy benefits under Wisconsin Shares. First, it would reduce the burden on child care providers. Second, it would increase the efficiency of the program. Finally, it would provide parents with more responsibility, accountability, and flexibility.

25. An EBT system for Wisconsin Shares would allow child care providers to treat all families the same. Child care providers would have one payment system and one policy system for all families who receive their care. In addition, the payments would be known and paid in advance, making budgeting and cash flow more certain.

26. In addition, DCF would be able to streamline the W-2 program by using technology and eliminating current rules and regulations regarding child care provider billing practices. DCF staff, county staff, and tribes would no longer have to review child care provider billing for over 50,000 children across the state to determine the amount to reimburse providers. DCF would no longer have payment arrangements with thousands of different child care providers. Instead, an eligible recipient would be provided a benefit, and the individual would have a payment arrangement with a child care provider of his or her choosing.

27. For parents, the new EBT system would mirror the private sector. Parents enter into agreements with child care providers and pay for the care in advance with the assistance from the subsidy benefit payment. This would provide a more active role and personal responsibility for parents in managing their child care costs and budgeting. Parents would be accountable for knowing what the child care provider charges and ensuring the provider would not be overpaid.

### **Issues Regarding Fraud**

28. Fraud in Wisconsin Shares can occur when child care providers and parents pretend a child is receiving child care services when he or she is not. Fraud can also occur when a child care provider is caring for a child, but is paid for more hours of care than what was provided. In some cases, this could be without the parent's knowledge. In addition, there may be child care providers that hire employees in order to care for their children.

29. Legislation enacted during the past few years has attempted to address some of these issues. A program integrity unit was established to: (a) ensure that parents and providers receiving child care subsidies comply with state and federal statutes and rules; (b) monitor billing and attendance activity; and (c) implement overpayment prevention strategies. Attendance records are required to be kept and maintained. Limits have been placed on subsidies for children of child care providers. Licensing, certification, or payments have been restricted for providers convicted or charged with certain crimes.

30. The issue that the AATS was meant to address is to track arrival and departure of



children so that child care providers are not able to pad hours or create fictitious children. Parents would have to either swipe their cards or scan their child's fingerprint or palm print. The EBT system, on the other hand, does not track attendance at all. Rather, the parent receives a monthly fixed amount and must pay the child care provider for a child care slot. This system puts more responsibility on the parent to prevent child care provider fraud.

31. However, critics argue that the EBT system may make it easier to commit fraud than any other method. They argue that an EBT system allows collusion between a parent and child care provider. Attendance is not routinely submitted for billing purposes, so it is not routinely tracked. The parent can authorize payment when care was never provided. Further, they argue that it is not difficult to create fictitious children, which may take time to weed out under an EBT system.

32. DCF indicates that under the current Wisconsin Shares program, child care providers are able to over-report hours. Under an EBT system, subsidy payments do not rely on the reporting of hours a child attended. There is a fixed monthly amount provided to the parent. If the child care provider over-charges the parent, then it is the parent's responsibility to fix the problem or pay more out-of-pocket child care expenses. However, a parent could over-represent the need for child care when applying for a subsidy, resulting in parents receiving a higher child care subsidy amount than they would otherwise be eligible for in order to cover more of their child care expenses.

33. DCF also points out that collusion between child care providers and parents can occur under the current Wisconsin Shares program. DCF notes that the random monitoring visits and requirement for keeping and maintaining attendance records would still be in place to help prevent fraud under the EBT system.

34. DCF acknowledges that there would have to be new sanction policies to address individuals who try to take advantage of the new system. These would be developed as implementation details became more concrete.

### **Cost of Electronic Benefit System Under Wisconsin Shares**

35. DCF estimates both significant costs and savings for the new EBT system. Costs reflect the development, implementation, and on-going operations costs of the vendor's management of the EBT system. The development and implementation costs would cover a three-year period. Costs include: (a) vendor or contractor costs; (b) information technology changes; (c) POS devices; (d) training costs; (e) increased costs from losing potential savings from attendance-based reimbursements; and (f) one-time costs from switching to a prospective payment.

36. Vendor costs include start-up funding and on-going costs. DCF indicates these costs would vary depending on the system. DCF notes that start-up costs for the Kansas EBT system were \$1.4 million in 2005. Of this amount, \$110,000 was related to child care subsidies. Start-up costs for an EBT system for Wisconsin Shares would depend on the vendor selected and whether the child care EBT card was combined with other programs. In Kansas, ongoing monthly processing costs total \$1.30 per active child care family. Given the approximately 32,000 families participating in Wisconsin Shares, the total for ongoing costs would be approximately \$500,000

annually. This amount would be higher with other benefit caseloads included in the system.

37. Information technology costs include programming the computer systems to switch from a retrospective method of payment to a prospective method. DCF estimates a need of 10,560 hours of programming at a total cost of \$1.8 million.

38. In Kansas, a POS device for the child care providers may be rented or leased from the vendor at a rate of \$18 per month. DCF anticipates a similar arrangement in Wisconsin.

39. DCF estimates training costs of \$400,000. Child care administrators, providers, and parents would all have to be notified and trained regarding the new EBT system for a smooth transition.

40. As noted above, licensed family child care providers and certified child care providers are reimbursed based on the number of hours actually attended. Under the EBT system, the child care subsidy amount is set based on the need of the family. If the need of the family is not accurately determined because it is determined prospectively rather than on actual attendance retrospectively, there could be increased costs to the program. In August, 2011, DCF switched reimbursements for licensed family child care providers from enrollment-based to attendance-based. DCF estimated the savings associated with this policy change to be \$4 million annually. Reverting back to an enrollment-based policy for all child care providers, including the certified child care providers, could add significant costs to the program. DCF indicates that until all of the program and policy changes are identified, the fiscal impact is unknown. DCF also notes that any impact would not be realized until the 2015-17 biennium.

41. Finally, there would be one-time costs during the switch. There would be an overlap of one month of retrospective reimbursements with one month of prospective payments. This would result in two months of payments being made in one month on a one-time basis.

42. DCF also anticipates savings from the EBT system due to: (a) reduced regulatory and administrative burden; (b) reduced local staff dedicated to managing provider payment processing; (c) reduced costs due to retiring current regulations and computer systems; (d) reduced costs with EBT and electronic payments; and (e) elimination of fraudulent payments related to overbilling.

43. DCF indicates that reducing the regulatory and administrative burden would produce savings for child care providers of \$3.8 million annually. This estimate assumes child care providers would spend five hours less per month managing billing and receipts for Wisconsin Shares participants at a staff rate of \$15 per hour, for an average savings per child care provider of \$900 annually.

44. DCF notes that it may be possible to reduce state and local child care administrative staff who currently receive and manage provider billings. However, staff could, instead, be reallocated to perform other duties.

45. According to DCF, the computer systems used to process provider payments would

no longer be supported, resulting in a savings of approximately \$170,000 annually. This represents the current 2,000 hours of information technology support at \$85 per hour. DCF states that additional savings would be realized for eliminating current rules and policies, but the savings are unknown.

46. DCF estimates that transition to the EBT system would result in savings of \$87,100 annually by eliminating the need for the Department of Administration (DOA) to process child care payments. Currently, DCF pays DOA to manage electronic and paper payments to child care providers under the Wisconsin Shares program. Every two weeks, DOA mails forms to the child care provider to report attendance for the payment period. DOA then processes the biweekly payments.

47. Finally, DCF indicates that there would be savings due to the inability of child care providers to inflate billing records. DCF indicates that an average of \$214,000 in overpayments is submitted every month. Preventing the overpayments would save costs associated with audits, legal proceedings, and collection actions. DCF estimates these savings to total \$2.6 million annually.

#### **AB 40**

48. The bill would provide \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 to implement an EBT system that issues Wisconsin Shares benefits directly to individuals who are participating in the program. DCF provided preliminary estimates of what the funds would be used for: (a) \$300,000 in 2013-14 and \$1,100,000 in 2014-15 for programming costs; (b) \$700,000 in 2014-15 for the vendor contract; and (c) \$200,000 in 2014-15 for training costs.

49. It should be noted that the administration has requested that "reimbursement" be changed to "payment" under section 938 of AB 40 to be consistent with other sections that have made similar changes.

50. The Committee could approve the proposal to provide \$300,000 in 2013-14 and \$2,000,000 in 2014-15 to implement the EBT system for Wisconsin Shares as modified (Alternative 1). An EBT system would streamline and simplify the Wisconsin Shares program, reduce the burden on child care providers, and provide parents with more responsibility for their child care expenditures.

51. However, there may be some unanswered questions about how the system would be implemented in a way to minimize cost, address potential fraud issues, and address potential inequities in the payment of child care providers based on the quality of care they provide. The Committee could place \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 in its federal funds general program supplementation appropriation and require DCF to submit a plan for implementation of an EBT system for W-2 benefits and for Wisconsin Shares subsidies under a 14-day passive review process before DCF could access these funds for that purpose (Alternative 2). The Committee could require the plan to include specifics on total costs, how issues of fraud will be addressed, and how the EBT system would address the payment for lower quality child care providers under YoungStar such that parents would not pay more for lower quality child care providers. The Committee could also include the requested modification changing "reimbursement"

to "payment."

52. Alternatively, the Committee could place \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 in its federal funds general program supplementation appropriation and require DCF to submit a plan for implementation of an EBT system solely for W-2 benefits under a 14-day passive review process before DCF could access the funds for that purpose (Alternative 3). The Committee could require the plan to include the vendor selected, the total anticipated start-up costs, the total ongoing costs, and details regarding fraud prevention and program integrity. Because the EBT system would not be implemented for the Wisconsin Shares program until the 2015-17 biennium, the administration could include a separate plan to expand the EBT system created for W-2 benefits to Wisconsin Shares during the 2015-17 biennial budget process. If the Committee chooses this alternative, the Committee would have a better idea of how the EBT system would work with W-2 benefits before committing to expanding the system to Wisconsin Shares.

53. On the other hand, the Committee could deny the proposal (Alternative 4). Recent enacted legislation has strengthened protections against fraud and improved program integrity. The Committee could decide that an EBT system is not the right direction for the Wisconsin Shares program. The Committee could also decide that it needs more details regarding the proposal to know how it would be implemented, how much it would cost, how it would protect against fraud, and how it would address other unanswered questions before feeling comfortable providing the funding for such a proposal. By denying the proposal, the administration could return with more detailed plans unique to the Wisconsin Shares program for the 2015-17 biennium.

## ALTERNATIVES

1. Approve the Governor's proposal to provide \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 to implement an EBT system for Wisconsin Shares. Modify section 938 of AB 40 to change "reimbursement" to "payment."

2. Modify the Governor's proposal to place \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 in TANF funds in the Committee's federal funds general program supplementation appropriation and require DCF to submit a plan for implementation of an EBT system for W-2 benefits and for Wisconsin Shares subsidies under a 14-day passive review process before DCF could access these funds for that purpose. Require the plan to include specifics on total costs, how issues of fraud will be addressed, and how the EBT system would address the payment for lower quality child care providers under YoungStar such that parents would not pay more for lower quality child care providers. Modify section 938 of AB 40 to change "reimbursement" to "payment."

<b>ALT 2</b>	<b>Change to Bill</b>
<b>DCF</b>	Funding
FED	- \$2,300,000

<b>ALT 2</b>	<b>Change to Bill</b>
<b>JFC</b>	Funding
FED	\$2,300,000

3. Modify the Governor's proposal to place \$300,000 FED in 2013-14 and \$2,000,000 FED in 2014-15 in TANF funds in the Committee's federal funds general program supplementation appropriation and require DCF to submit a plan for implementation of an EBT system for W-2 benefits under a 14-day passive review process before DCF could access these funds for that purpose. Require the plan to include the vendor selected, the total anticipated start-up costs, the total ongoing costs, and details regarding fraud prevention and program integrity.

<b>ALT 3</b>	<b>Change to Bill</b>
<b>DCF</b>	Funding
FED	- \$2,300,000

<b>ALT 3</b>	<b>Change to Bill</b>
<b>JFC</b>	Funding
FED	\$2,300,000

4. Delete the Governor's proposal.

<b>ALT 4</b>	<b>Change to Bill</b>
	Funding
FED	- \$2,300,000

Prepared by: Kim Swissdorf  
Attachment



## ATTACHMENT 1

### Urban Rate Zones for Child Care Provider Reimbursement Rates

<u>Zone</u>	<u>County/Tribe</u>
0-24%	Adams, Bayfield, Buffalo, Burnett, Clark, Florence, Forest, Iowa, Juneau, Kewaunee, Lafayette, Marquette, Menominee, Oconto, Pepin, Polk, Price, Sawyer, Shawano, Taylor, Trempealeau, Vernon, Vilas, Washburn, Waushara, Red Cliff, Sokaogon, La Courte Oreilles, Lac du Flambeau, and Stockbridge-Munsee
25-49%	Ashland, Barron, Chippewa, Columbia, Crawford, Dodge, Door, Dunn, Grant, Green, Green Lake, Iron, Jackson, Langlade, Lincoln, Marinette, Monroe, Oneida, Pierce, Richland, Rusk, St. Croix, Waupaca, and Bad River
50-74%	Calumet, Douglas, Fond du Lac, Manitowoc, Marathon, Jefferson, Outagamie, Ozaukee, Portage, Sauk, Sheboygan, Walworth, Washington, and Wood
75-100%	Brown, Dane, Eau Claire, Kenosha, La Crosse, Milwaukee, Racine, Rock, Waukesha, Winnebago, and Oneida Tribe









## ATTACHMENT 3

### 2013 Copayment Schedule

FPL	Family Income Family Size									Weekly Copay Amount Number of Children in Care				
	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10 or more</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5 or more</u>
70%	\$905	\$1,139	\$1,374	\$1,608	\$1,843	\$2,077	\$2,312	\$2,546	\$2,781	6	10	16	21	27
75%	969	1,221	1,472	1,723	1,974	2,226	2,477	2,728	2,979	6	13	19	25	31
80%	1,034	1,302	1,570	1,838	2,106	2,374	2,642	2,910	3,178	9	15	21	28	34
85%	1,099	1,383	1,668	1,953	2,238	2,522	2,807	3,092	3,377	13	19	25	31	40
90%	1,163	1,465	1,766	2,068	2,369	2,671	2,972	3,274	3,575	15	24	31	39	46
95%	1,228	1,546	1,864	2,183	2,501	2,819	3,137	3,456	3,774	19	28	37	46	53
100%	1,293	1,628	1,963	2,298	2,633	2,968	3,303	3,638	3,973	21	31	40	51	59
105%	1,357	1,709	2,061	2,412	2,764	3,116	3,468	3,819	4,171	25	34	45	53	63
110%	1,422	1,790	2,159	2,527	2,896	3,264	3,633	4,001	4,370	28	38	46	57	66
115%	1,486	1,872	2,257	2,642	3,027	3,413	3,798	4,183	4,568	31	40	51	60	69
120%	1,551	1,953	2,355	2,757	3,159	3,561	3,963	4,365	4,767	34	45	53	62	73
125%	1,616	2,034	2,453	2,872	3,291	3,709	4,128	4,547	4,966	38	48	57	67	78
130%	1,680	2,116	2,551	2,987	3,422	3,858	4,293	4,729	5,164	40	52	63	74	85
135%	1,745	2,197	2,649	3,102	3,554	4,006	4,458	4,911	5,363	44	56	68	81	93
140%	1,810	2,279	2,748	3,217	3,686	4,155	4,624	5,093	5,562	46	59	73	85	99
145%	1,874	2,360	2,846	3,331	3,817	4,303	4,789	5,274	5,760	50	62	74	88	101
150%	1,939	2,441	2,944	3,446	3,949	4,451	4,954	5,456	5,959	53	65	79	91	105
155%	2,003	2,523	3,042	3,561	4,080	4,600	5,119	5,638	6,157	56	68	81	94	107
160%	2,068	2,604	3,140	3,676	4,212	4,748	5,284	5,820	6,356	59	73	85	98	111
165%	2,133	2,685	3,238	3,791	4,344	4,896	5,449	6,002	6,555	60	74	87	100	113
170%	2,197	2,767	3,336	3,906	4,475	5,045	5,614	6,184	6,753	62	79	91	105	117
175%	2,262	2,848	3,434	4,021	4,607	5,193	5,779	6,366	6,952	64	80	94	108	119
180%	2,327	2,930	3,533	4,136	4,739	5,342	5,945	6,548	7,151	66	83	98	111	122
185%	2,391	3,011	3,631	4,250	4,870	5,490	6,110	6,729	7,349	68	86	101	113	126
190%	2,456	3,092	3,729	4,365	5,002	5,638	6,275	6,911	7,548	69	87	104	116	128
195%	2,520	3,174	3,827	4,480	5,133	5,787	6,440	7,093	7,746	72	90	107	119	133
200%	2,585	3,255	3,925	4,595	5,265	5,935	6,605	7,275	7,945	74	92	110	122	135