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Wisconsin Shares Asset Limit
(Children and Families -- Economic Support and Child Care)

[LFB 2017-19 Budget Summary: Page 103, #8]

CURRENT LAW

Wisconsin's child care subsidy program, known as "Wisconsin Shares," provides child care assistance for low-income families to enable eligible persons to work or to prepare for employment through work and education or training. Under the program, the state subsidizes the cost of child care charged by providers chosen by the parent.

Pursuant to the Child Care Development Block Grant (CCDBG) Act of 2014, federal law restricts the use of federal child care funding to families having assets less than $1,000,000. Pursuant to federal regulations, the federal asset limit may be satisfied through self-certification of the applicant, without further verification of assets. State law does not set an asset limit on eligibility for Wisconsin Shares.

GOVERNOR

The bill would create an asset limit of $25,000 for eligibility in Wisconsin Shares. Assets would be defined as including an individual's financial resources that are cash or can be quickly converted to cash without incurring penalties, such as checking and savings accounts, except that DCF would be authorized to designate by rule any financial resources as excluded for purposes of the asset limit. The asset limit would not apply to foster parents, subsidized guardians, interim caretakers, or kinship care relatives. The asset limit would first apply to individuals whose eligibility for Wisconsin Shares is determined or redetermined after the date of publication of the bill.

DISCUSSION POINTS

1. According to the federal Administration for Children and Families (ACF), the federal $1,000,000 asset limit is not meant to indicate that families far above poverty should be served, but rather provide a mechanism to ensure that funding does not inadvertently go to families with high asset levels that are not reflected in their income calculations.

2. Federal law does not prevent states from setting a lower asset limit or otherwise determining what assets may be included in limiting eligibility.

3. According to ACF's report, CCDF Policies Database Book of Tables: Key Cross-State Variations in CCDF Policies as of October 1, 2015, only three states used an asset test to determine eligibility for CCDF funded child care benefits. Kansas sets an asset limit equal to the federal limit of $1 million, including both liquid assets and some non-liquid assets (but excludes the entire value of one car). Nebraska sets an asset limit of $6,000, including both liquid assets and the portion of some non-liquid assets (but excludes up to $12,000 of the value of a car). Rhode Island uses a liquid asset limit of $10,000. All three states exclude the value of homes, real property, household goods, and personal effects.

4. The administration indicates that the purpose of the $25,000 asset limit is to focus the availability of child care subsidies to the families most in need. The asset limit would include only liquid assets (such as cash or checking and savings accounts).

5. For comparison, the Wisconsin Works program employs a $2,500 gross assets limit, excluding the equity value of the family's home and of vehicles up to a total value of $10,000.

6. It is estimated that the asset limit would not reduce costs in the Wisconsin Shares program because it is likely that the great majority of eligible families would not have liquid assets exceeding $25,000. Because the bill does not specify the method for verifying an applicant's assets, it is not clear what administrative costs local agencies or DCF would incur. Assuming that applicants would self-verify their assets (like under federal law), then costs would be minimal.

7. Because the asset limit would prevent families with substantial liquid monetary resources from qualifying for child care subsidies, the Committee could approve the Governor's recommendation (Alternative 1). This would ensure that funding is limited to families who lack the resources to pay for their own child care.

8. Alternatively, the Committee could modify the governor's recommendation to decrease the asset limit to $10,000 (Alternative 2). This would set the asset limit to the same level used in Rhode Island. The asset limit would include only liquid assets (such as cash or checking and savings accounts).

9. On the other hand, the asset limit could serve as a barrier to savings and economic security. For families above the asset limit, the bill would effectively require them to spend down their liquid assets below $25,000 in order to qualify to receive subsidies. Further, for those participating in Wisconsin Shares the asset limit could discourage families from saving their income

or building assets in a bank account.

10. Thus, in order to prevent the asset limit from discouraging participants from saving their incomes, the Committee could choose to modify the bill to increase the asset limit to the federal $1,000,000 limit (Alternative 3) or retain current law (Alternative 4).

ALTERNATIVES

1. Approve the Governor's recommendation to create an asset limit of $25,000 for eligibility in Wisconsin Shares. Assets would be defined as including an individual's financial resources that are cash or can be quickly converted to cash without incurring penalties, such as checking and savings accounts, except that DCF would be authorized to designate by rule any financial resources as excluded for purposes of the asset limit.

2. Modify the Governor's recommendation to lower the asset limit to $10,000.

3. Modify the Governor's recommendation to increase the asset limit to $1,000,000.

4. Delete the Governor's recommendation.

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