

# State of Wisconsin Department of Workforce Development

## Child Care Local Pass-Through Program

### Chapter DWD 59

The Wisconsin Department of Workforce Development proposes an order to repeal DWD 59.07(2)(b) and 59.07(2)(e)1.; to amend DWD 59.05(intro), 59.08(intro), and 59.07(2)(d)2.; and to create DWD 59.07(1)(f), relating to the child care local pass-through program.

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#### Analysis Prepared by the Department of Workforce Development

**Statutory authority:** Sections 49.137 (4m) and 227.11, Stats.

**Statutes interpreted:** Section 49.137 (4m), Stats.

**Relevant federal law:** 42 USC 9858 to 9858q; 45 CFR Part 98

The federal Child Care and Development Fund (CCDF), a federal block grant, makes federal child care funding available to states that can contribute the required match at the state's federal medical assistance percentage (FMAP) rate. Wisconsin's current FMAP rate is approximately 42%. The state child care local pass-through program began in 1999 to bring federal CCDF funds into the state that had been left unmatched in the state budget. Through the child care pass-through program, the department awards grants to all local governments and tribes that supply the match required to bring the funds into the state. In the three grant cycles that have occurred thus far, \$11.4 million, \$14 million, and \$17.25 million have been awarded for services in approximately 66 counties to fund activities such as accommodation of children with disabilities, education of providers, and staff retention strategies.

**Increased match rate.** 2003 Wisconsin Act 33 allocated the state's CCDF funds in a manner that assumes an increase in the match rate that local governments and tribes must contribute to receive pass-through funds. Federal law requires that federal CCDF funds received by the state as a whole be matched at the state's FMAP rate. 2003 Wisconsin Act 33 allocated some of the state's CCDF funds to the direct child care subsidy program under s. 49.155, Stats., with match through general purpose revenue at less than the state's FMAP rate. Budget documents indicate that the legislature intended that local governments contribute a higher match under the pass-through program to cover the state match shortfall in the direct subsidy program and ensure that Wisconsin does not lose valuable federal child care dollars available under CCDF. The Legislative Fiscal Bureau document entitled *Comparative Summary of Budget Recommendations--Governor and Joint Committee on Finance, June 2003* specifies that the Joint Finance option for funding the pass-through program, which was eventually adopted, would require local agencies to contribute 52% matching funds in 2003-2004 and slightly more in 2004-2005. This document is available at <http://www.legis.state.wi.us/lfb/2003-05budget/JFC/dwd.pdf>. The pass-through program is discussed at page 35 of the Workforce

Development paper and page 731 of the comprehensive document. The current Chapter DWD 59 requires that local governments and tribes contribute matching funds at the FMAP rate to be eligible for pass-through funds. This order amends the rule so that the match rate for a given year will be dependent on legislative allocation of federal CCDF funds and the level of match for these funds in other eligible child care programs. The department will determine the match rate to be either the FMAP rate or a higher percentage rate needed to meet the state's match requirements under federal CCDF law and state budget appropriations affecting the CCDF funds.

**Administrative process.** 2003 Wisconsin Act 33 also reduced funding to the child care local pass-through program by 86%. This dramatically reduced funding necessitates a change in the process for awarding grants. Chapter DWD 59 currently requires a 2-step grant process wherein a statewide request for continuation plans is issued and grants awarded for continuing grants, with funds set aside for a second statewide request for proposals for initial grants. Current grantees receive up to 75% of the funds under a noncompetitive process for 2 years following the receipt of the initial grant, and can compete, along with any eligible jurisdiction in the state, for the remaining 25% or more as initial grantees under the same matching terms.

This rulemaking order changes that process to allow all funds to be committed to continuing grants if there is insufficient funding to provide continuing grants of at least 50% of the eligible grantees' initial grant levels from the previous two grant cycles. Jurisdictions receiving continuing grants generally provide more service for the program dollar because they have already done the start-up work and are building the sustainability of programs that are filling a community need. There are currently 63 initial grantees representing approximately 130 jurisdictions in over 60 counties. If grants were awarded to new grantees, the amount of initial grants that could be awarded would be quite small, given the limited funding for the pass-through program. An inordinate amount of these small grants would be spent on start-up costs and some grantees may reject the grant once it is awarded.

Even if the grant process is not changed to allow all funds to be committed to continuing grants, it is likely that current grantees would still receive most of the funds available under the open initial grant process. While the initial grants process is open and awards funds to all eligible applicants, current grantees are likely to claim most, if not all, of the funds available under any new initial grants process. They were the only jurisdictions submitting eligible applications in 2002, have demonstrated interest in the pass-through program, have services in progress that are facing significant budget shortfalls, have experience with the grant application process, and have the matching funds in hand. A two-step grant award process with such limited funds available to distribute is unwieldy and wasteful. The same people at the local level are likely to be filling out 2 applications to receive both a continuing and initial grant, while department staff would have the workload of preparing, distributing, reviewing, and calculating 2 sets of grant awards. This would not only waste state and local staff resources on low-value administrative processes, it would waste state and local public funds at a time when they are in short supply. This could further undermine state and local efforts to ensure a reasonable supply of reliable and quality child care for families who depend on this service in order to work.

This order also amends the rule to provide that if initial grants are awarded, no initial grant will be awarded if the amount would be less than \$500.

**SECTION 1. DWD 59.05 (intro.) is amended to read:**

**DWD 59.05 (intro.)** A local government or tribe that applies for funds under this chapter shall certify that matching expenditures represent expenditures eligible for federal match as required under ~~42 USC 618~~, 42 USC 9858-9858q, 45 CFR Parts 98 and 99; this chapter; and the RFP. The department shall determine the minimum match expenditure required under 42 USC 618 is to be either the federal medical assistance percentage for Wisconsin for the federal fiscal year in which the match expenditure occurs or a higher percentage rate needed to meet the state's match requirements under 45 CFR 98.53 and 45 CFR 98.63 as affected by ss. 20.445 (3)(cm), 20.445 (3)(md), and 49.175 (1)(qm), Stats. The department may round this percentage of required match to the nearest higher full percentage point. A match expenditure shall comply with the following criteria:

**SECTION 2. DWD 59.08 (1)(intro.) is amended to read:**

**DWD 59.08 (1) (intro.)** No initial grant may be awarded if there is insufficient funding appropriation under s. 49.175 (1)(qm), Stats, to provide continuing grants under sub. (2) of at least 50% of the eligible grantees' initial grant levels from the previous two grant cycles. The If initial grants are awarded, the amount of an initial grant shall be based on the following:

**SECTION 3. DWD 59.07 (1)(f) is created to read:**

**DWD 59.07 (1)(f)** No initial grant may be awarded if the amount of the grant would be less than \$500.

**SECTION 4. DWD 59.07 (2)(b) is repealed.**

**SECTION 5. DWD 59.07 (2)(d)2. is amended to read:**

**DWD 59.07 (2)(d)2.** At a level of up to 75% of the initial grant if match requirements are met. Additional funds may be provided if the applicant identifies sufficient match and funds are available under initial grant rules.

**SECTION 6. DWD 59.07 (2)(e)1. is repealed.**

**SECTION 7. EFFECTIVE DATE.** . This rule shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22 (2)(intro.), Stats.