JESSIE RODRIGUEZ
STATE REPRESENTATIVE ★ 21ST ASSEMBLY DISTRICT

AB 241: Mitigating the Benefit Drop-Off
Testimony of State Representative Jessie Rodriguez
Assembly Committee on Public Benefit Reform
April 18, 2017

Chairman Krug and committee member's thank you for the opportunity to testify on Assembly Bill 241, legislation that will bring needed changes to the Wisconsin Shares child care benefit program.

Over the last several years, we have passed bold reforms to public benefits in Wisconsin. These reforms have led to the lowest unemployment rate since 2000 and more people working than ever before in our state's history. Those are reforms we can all be proud of.

Now is the time to take the next step in reforming benefits by making changes to Wisconsin Shares, a program that provides child care subsidies to low-income working families in Wisconsin.

Wisconsin Shares provides child care assistance for working low-income families that allows participants to work or prepare for employment. Under the program, parents are required to meet a variety of criteria including work and education or training requirements. If a parent meets qualifications, the state provides a subsidy for child care. The parent is required to pay a portion of the cost, a copayment, based on their total income. To be eligible for the program income must not exceed 185 percent of the Federal Poverty Level, which is approximately, $37,296 for a family of three in 2016.

Under current law, if a participant's income exceeds 200 percent of the Federal Poverty Level, the participant is no longer eligible for the child care subsidy. At that point, they are cut off from the program entirely. This could be a very difficult decision for a parent to make, especially since a report released last year

State Capitol: P.O. Box 8953 ★ Madison, WI 53708 | (608) 266-0610 ★ Toll-Free: (888) 534-0021 ★ Fax: (608) 282-3621
Rep.Rodriguez@legis.wi.gov

showed that the average annual cost for infant childcare in Wisconsin is the 13th highest in the nation at $11,579. Compare this to the average tuition at the state's four-year universities which was $8,406 last year.

The current eligibility requirements create a benefit drop-off that leads to a disincentive, discouraging participants from working more hours, and accepting promotions and raises.

This bill will eliminate the disincentive by allowing a participant to continue receiving child care benefits by increasing their copayment by one dollar for every three dollars their income exceeds 200 percent of the Federal Poverty Level. This will allow a participant to continue seeking raises and promotions without fear of completely losing child care assistance.

Creating a change to the Wisconsin Shares program is the type of reform needed that will continue growing our workforce and helping families find independence and success through career achievement. I encourage your support for this legislation.

Thank you for your time.

State Capitol: P.O. Box 8953 ★ Madison, WI 53708 | (608) 266-0610 ★ Toll-Free: (888) 534-0021 ★ Fax: (608) 282-3621
Rep.Rodriguez@legis.wi.gov

Alberta Darling

Wisconsin State Senator

Co-Chair, Joint Committee on Finance

TESTIMONY BEFORE THE ASSEMBLY COMMITTEE ON PUBLIC BENEFIT REFORM
Senator Alberta Darling
Tuesday, April 18, 2017

Thank you Chairman Krug and committee members for holding a public hearing on Assembly Bill 241. The bill in front of you removes a disincentive to work by creating a sliding scale for child care benefits.

In Wisconsin, low income working parents are eligible for a child care subsidy through the Wisconsin Shares program. This program is part of Wisconsin Works (W-2) and provides benefits to individuals to ensure that they can participate in our workforce. Under this program, parents are eligible for child care benefits if their income is below 200% of the Federal Poverty Line (FPL).

Currently, there is a fiscal cliff inside this program. Once individuals are above 200% of the FPL, they are no longer eligible for any of the benefits of this program. Wisconsinites who utilize this program are faced with a tough choice when forced to choose between accepting a raise or promotion and losing their child care benefits.

Assembly Bill 241 eliminates the fiscal cliff in Wisconsin Shares by allowing participants to continue receiving benefits by increasing the copayment by $1 for every $3 their income exceeds 200% of the FPL.

This bill takes an important step to ensure there are no disincentives to success inside of our public benefit programs. This bill will reform Wisconsin Shares to provide opportunities for individuals to rise above the cycle of government dependence.

I would like to thank Representative Rodriguez for her leadership on Assembly Bill 241. Thank you again committee members for your time and consideration, and I hope I can count on your support for this important bill.

WISCONSIN COUNCIL ON
children
&families
Raising Voices to Make Every Kid Count

555 West Washington Ave, Suite 200
Madison, WI 53703

www.wccf.org
608-284-0580
608-284-0583

Testimony on Assembly Bill 241 to Committee on Public Benefit Reform
Mitigating the Benefit Drop-Off in Wisconsin Shares

April 18, 2017

I am testifying **in support** of Assembly Bill 241 on behalf of the Wisconsin Council on Children and Families.

We believe the bill will ease the "cliff effect" in the current Wisconsin Shares child care subsidy program by allowing working families to phase off the program when their income reaches 200% of poverty, the current income threshold for Wisconsin Shares. Instead of families suddenly dropping off of the subsidy program, the bill allows them to gradually phase off the program via a sliding scale. This bill would avoid families from losing far more in subsidies than what they could gain from more work hours or taking a raise. The bill promotes stable working families while also assuring continuity of care for the young children in child care.

Dave Edie
Early Education Policy Analyst
Wisconsin Council on Children and Families

FIXING THE WORKFORCE SUPERHIGHWAY

The Child Care Cliff and Off Market Rates

By George Hagenauer 4-C Data Coordinator george.hagenauer@4-C.org

I have worked at 4-C on child care economic issues for 26 years - for about the last 10 years I have heard about the child care cliff effect from child care providers. The past year as the workforce shortage has hit, I am beginning to hear from businesses who have realized that they are losing staff on Wisconsin Shares due to the child care cliff.

As a result I requested data related to the federal poverty level of families utilizing shares in our 8 county service region in order to estimate how many families are affected by the cliff. I used April 2016 data to determine the numbers of families that actually went over the cliff at 200% and families with incomes below that but nearing the cliff

The below chart shows the percent of families at under 100% of poverty and compares it to the percent of families In April 2016 affected by the child care cliff. Further analysis showed that a significant number of the under 100% FPL seemed to be underemployed based on their attended hours under Wisconsin Shares.

Counties	Dane	Jefferson	Rock	Walworth	Columbia	Dodge	Sauk	Green
below 100% FPL	39.10%	37.44%	47.74%	51.46%	41.67%	45.31%	40.65%	41.77%
affected by Cliff								
a or near 200% FPL	12.00%	12.32%	6.77%	4.68%	13.89%	8.59%	4.88%	6.33%

I included the under 100% numbers because there are indications that underemployment may be as serious a problem as the cliff in transitioning families successfully to self-sufficiency. In some markets the additional out of pocket costs caused by off market Wisconsin Shares maximum reimbursement rates may be creating other child care cliffs or disincentives to work full time before the worker reaches 200% of the federal poverty level and Shares eligibility ends.

Which brings up a serious problem and that is that the cliff effect (as well as the underemployment) is aggravated by the fact that the reimbursement rates **for families receiving Wisconsin Shares subsidies are still significantly below market**.

County	Group Centers Programs Affected by 2 Star Penalty	Weekly cost at Age 2 Difference between current and actual 75th Percentiles	% Group Centers With Maximum Rates off market	**These should be 75%** Average amount of Group Center market accessible under current maximum	Average amount of Family CC market accessible under current maximum
Dane	34%	$55	100%	19%	36%
Columbia	56%	$46	100%	24%	17%
Dodge	45%	$15	100%	38%	45%
Jefferson	48%	$45	100%	26%	22.5%
Green	37%	$77	100%	38.5%	45%
Rock	38%	$17	87%	54%	45%
Sauk	50%	$41	100%	33%	41%
Walworth	45%	$35	100%	27%	37%

The goal of Wisconsin Shares under federal guidelines should be that the maximum reimbursement rates paid by Wisconsin Shares should be high enough that participants can buy care at 75% of the programs in a given county. This is called the "75th percentile" of market rate. Using rate data collected in 2016 almost all of the maximum market rates in our 8 counties are below the real 75th percentile. Families using Wisconsin shares also pay a family parent share or co-pay set by income and family size. **Since programs can charge the parent for the difference between Wisconsin Shares subsidies and whatever costs are charged to full fee paying families, families on subsidies are often forced to pay costs that are higher than the state calculated co-pays.** I ran the formulas that determine the 75th percentile of market rate that should be used to determine the maximum reimbursement rate and then compared that to the current maximum rate. Here is what I found. The first column shows how many group centers are affected by the 5% YoungStar penalty for 2 Star centers. At these centers that cost too can be passed on as well any extra cost charged for rates being off market. **This is also a major barrier for these programs improving their centers as they are losing money at the same time they need to invest in staff and materials to attain a higher level of quality and Star rating.**

The second column is the weekly rate difference between where the maximum rate is currently set and where my calculations estimate it should be set. (Note: The results in the second column showing the weekly difference between the current maximum rate and what it should be- note this comparison excludes the highest rates in each county's market because they are over the 75th percentile.)

The third column is how many maximum rates set by the state are currently off market.

The last two columns look at how much of the child care market in each county can be accessed at the current maximum market rate. As can be seen there is no county in our service region where families using Wisconsin Shares vouchers can access 75% of the market. Further, many of the lower cost programs are 2 stars which means that the family is hit with the additional 5% penalty. Remember in many counties there are often only one or two centers in any community. When most of the programs in a county are above the maximum reimbursement rate it is very likely the family will not have a program to choose which has rates that would not require additional costs. Parental choice for using the Wisconsin Shares voucher is greatly limited by rates being off market.

The next chart estimates the potential additional monthly and annual costs to families. Note these are averages of all the off market rates between the current 75th percentile and what it should be.

Average monthy potential increase to Wisconin Shares families due to off market rates						
(Based on full time care and one child)				Annual Additional Cost to Family		
	Infant tod(	Age 2-3	Age 3-4	Infant tod(	Age 2-3	Age 3-4
Columbia	$ 105.00	$ 105.00	$ 79.00	$1,260	$1,260	$948
Dane	$141.50	$112.50	$ 118.00	$1,698	$1,350	$1,416
Dodge	$ 90.00	$ 54.00	$ 52.00	$1,080	$648	$624
Green	$ 4.00	$ 156.00	$ 165.00	$48	$1,872	$1,980
Jefferson	$ 88.00	$ 120.00	$ 108.00	$1,056	$1,440	$1,296
Rock	$ 78.00	$ 40.00	$ -	$936	$480	$0
Walworth	$ 108.00	$ 122.00	$ 51.00	$1,296	$1,464	$612
The market rate gap is not tied to income. A Parent can be at a low level say 100% of FPL and still need full time care						

Some programs charge this additional cost to families; some take all or part of it as a loss and just increase rates for all families using the program. **Note that the copays as designed by the state vary by family size and income. The additional cost due to off market rates do not- they depend on the program's rates**. 100% of the federal poverty level can be full time work at minimum wage and there are people in 4-C's service region who have fulltime attendance hours at that income level. **In that case at an average center in Columbia County they could be paying twice the normal copay level in order to work full time. This is not uncommon.**

The end result is that many families nearing or going over the child care cliff are also already carrying a significant amount of extra payment because the reimbursement rates are off market. **As such to effectively address the child care cliff effect you need to also insure that enough funds exist to pay a reimbursement rate based on real market costs of care.** Please not only address the Cliff effect but also the problem of off market rates.

Also given the role of childhood sexual abuse in creating Adult Poverty I would strongly suggest you insure that the Pyramid Model Program currently funded through federal funds continues in 2018 and beyond.

<u>Wisconsin Share's Effect on the Larger Child Care Economy</u>:

4-C's service area includes Dane County, one of the fastest growing economies in the state and with a major city, but also seven other counties mostly rural but including Janesville and Beloit which in the past were major manufacturing centers. Until recently, our food program included Grant and Lafayette Counties two of the most rural economies in the state. As such our service region provides some insight as to how state policies related to child care work within a number of different economic contexts.

Child care as a business sector addresses four workforce strategies:

1. *It provides a critical support service for young families when all parents are in the workforce.*
2. *It helps low income families re-enter the workforce.*
3. *It helps young families relocate for work in areas where they have no extended family.*
4. *High quality child care programs have early childhood education components that aid in children's early brain development building the workforce of the future.*

<u>While we mainly think of the Wisconsin Shares child care subsidy as addressing strategy 2- it actually addresses all four.</u>

WISCONSIN SHARES BUILDS A CHILD CARE MARKET USED BY ALL FAMILIES:

Wisconsin shares is as a poverty program but it operates by buying child care on the open market. As such it has effects beyond just helping the target families. Since it was introduced at the federal level, the child care subsidy systems like Wisconsin Shares were also intended to grow child care markets. In the years after the advent of Wisconsin Shares 4-C saw the growth of group centers in areas which never had centers before. This was most noticeable in the rural areas we served. Even today a significant percentage of the group centers in our most rural counties have 20% or more of their enrollment receiving Wisconsin Shares subsidies.

<u>Percentage of Group Centers with 20% or More Children on Wisconsin Shares by County</u>

Columbia	Dodge	Green	Jefferson	Sauk	Walworth	Dane	Rock
20%	50%	50%	56%	42%	42%	24%	56%

A skilled worker relocating to these communities often does not have the extended family networks that many local families use for child care. From our experience as a referral agency, families often check out child care before they relocate for a job. In smaller rural communities the child care they use is often significantly supported and may only exist due to Wisconsin Shares. **Wisconsin Shares helps create the child care infrastructure needed for relocating skilled workers into especially rural communities. YoungStar, by improving the quality of child care for low income families, also improves the quality for all families using those programs- making the state more competitive for attracting younger families from other states.**

There are weaknesses however in Wisconsin Shares that need to be strengthened for child care to improve in the state and for Wisconsin Shares to meet its goal of transitioning low income families to self-sufficiency.

CHILD CARE SHORTAGES IN 4C'S SERVICE DELIVERY AREA

As the below chart shows there are still places throughout 4-C's counties that either lack child care/early childhood education opportunities altogether, or have shortages. While many of these areas are in rural portions of our counties, there are reasonably large rural villages with no care as well as shortages in places like downtown Madison. Changes to Wisconsin Shares can help solve some of these shortages by strengthening local markets. Off Market rates within Wisconsin Shares shrink markets for not just families using Wisconsin Shares but in most cases, all families in an area.

	Columbia		Dane		Dodge		Green	
	Number of Zips	%	Number of Zips	%	Number of Zips	%	Number of Zips	%
Total	13	100%	39	100%	22	100%	8	100%
no providers	3	23%	3	8%	10	45%	2	25%
One provider	4	31%	7	18%	3	14%	0	0%
No group center	4	31%	7	18%	13	59%	3	38%
One group center	5	38%	7	18%	4	18%	3	38%

	Jefferson		Rock		Sauk		Walworth	
	Number of Zips	%	Number of Zips	%	Number of Zips	%	Number of Zips	%
Total	10	100%	12	100%	13	100%	12	100%
no providers	2	25%	2	17%	4	31%	3	25%
One provider	1	13%	2	17%	4	31%	1	8%
No group center	4	50%	3	25%	8	62%	4	33%
One group center	1	13%	2	17%	3	23%	3	25%

Contributing to market gaps and other issues are off-market rates within the Shares system. Another factor is that centers too are facing workforce shortages. **A study we did early in 2016 showed severe difficulty in hiring child care staff across our 8 counties and in many counties empty classrooms as a result- hundreds of slots not available to be filled by the children of people wanting to go to work.** Programs need additional income to pay higher wages- market rates could provide part of that income to programs serving low income families.

THE CHILD CARE CLIFF AND WISCONSIN SHARES:

The Governor's budget recognizes what is known as the cliff effect. The child care subsidy has a copay system that starts around 70% of poverty with a co-pay at about 3% of income and rises to a 12% of income co-pay at 200% of poverty when the subsidy ends. The problem is that at the point where families lose their subsidies they are not paying anywhere near the full cost of care and often do not have the funds to pay for the full cost of child care.

The end result can be people losing their jobs. 4-C had a call from a company that had hired 25 people on various welfare to work programs and slowly watched them disappear as they gained raises until only 5 remained and succeeded into self-sufficiency. In the process, 20 families probably went through a major financial crisis, with some crashing into homelessness and their children again experiencing trauma. The parent again felt a sense of failure and a knowledge that working does not work as a means out of poverty – the opposite message from what we want them to learn.

For the company, they invested time hiring and training 20 people only to find it all wasted. In many areas the workforce scarcity has made businesses willing to invest more in training employees who they would not have hired during the recession. **Both the companies and their newly hired low income staff need a system that supports their efforts to transition workers out of poverty.**

And remember Wisconsin Shares is not an isolated program, it works within the existing child care market. Under market rates just increase the cost of care to all families .