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## Research Brief on ETI Child Care Studies

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## Research Brief on ETI Child Care Studies

University of Wisconsin-Milwaukee Employment and Training Institute, 2016

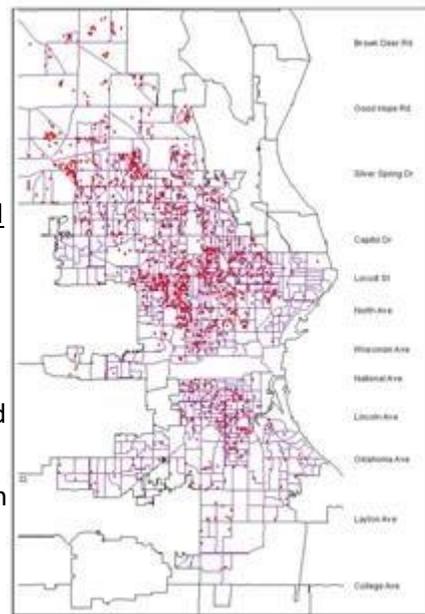
Employment and Training Institute surveys of central city Milwaukee workers consistently identified two areas as barriers to employment: child care and transportation to jobs. The Institute studied child care issues in-depth over 20 years to assist Milwaukee County in effectively addressing employment needs of unemployed and underutilized workers. **ETI publications on these barriers to employment are archived in the University of Wisconsin-Milwaukee Digital Commons collection at [http://dc.uwm.edu/eti\\_pubs/](http://dc.uwm.edu/eti_pubs/).**

When Aid to Families with Dependent Children (AFDC) was eliminated for most impoverished families, the federal government invested in large-scale infusions of support for child care subsidies for low-income employed parents. Federal TANF (Temporary Assistance for Needy Families) and CCDB (Child Care and Development Block Grant) funding was used to finance the Wisconsin "Shares" child care subsidy program. In 2014 the Shares program provided \$130 million in subsidies to approximately 13,000 Milwaukee County families with 23,000 children in monthly care. Shares is the largest government jobs programs (i.e., for child care workers) in the metro area. However, according to state income tax returns there were likely at least 51,600 employed single parents raising children on annual income earnings below \$30,000 in 2014. Issues of child care availability for the working-poor, costs, quality of care, and employment patterns of subsidized parents are critical to the integrity of the Wisconsin Shares program.

### Child Care Selected by Families in the Wisconsin Shares Child Care Subsidy Program (2006)

In the week of April 23, 2006 (a typical week during the school year when no school holidays were scheduled), 23,033 Milwaukee County children were receiving subsidized child care. The vast majority of children were in state-licensed child care (58% in licensed group centers and 29% in licensed family centers), 4% were in Milwaukee Public Schools school-age programs, and 9% were in family home care certified by the county.

Milwaukee 5-Year Olds in Subsidized Child Care



Analysis of Child Care Survey and Vendor Participation Patterns in the Wisconsin Shares Child Care Subsidy Program Operating in Southeastern Wisconsin Counties (2003)

Given the dominance of the Shares program and higher rates available, most **licensed group providers** in Milwaukee County's low-income neighborhoods no longer care for private pay families. Participation in the Shares program appears to have adversely impacted the existence of a private market as Shares pricing reimbursement policies permit fee schedules which are much higher than the private market, particularly in the poorest neighborhoods in Milwaukee County where almost all providers charge at or above the state's Maximum Community Rate (MCR) and almost none report private pay clients. In Milwaukee County only 36 of the 721 **licensed family providers** receiving Wisconsin Shares subsidies reported having a single private pay client. None of the 122 licensed group providers in Milwaukee's poorest neighborhoods reported any private pay clients and only 11% of the 193 providers in the second poorest neighborhoods reported one or more private pay families. Recommendations for improving the rate setting process were included in the report, at the request of Milwaukee County staff.

The Child Care Costs of Engaging the Welfare Population in Work: The Milwaukee Experience (2002)

As of 2002 policies adopted for the child care effort met or exceeded federal recommendations. Children were moved into licensed care, family co-payments were very low or nonexistent, most care was supported at the maximum rates (i.e., set to support 75 percent of private market care slots), and waiting lists for subsidized care had been eliminated statewide. Capacity building investments and policy changes removed much of the financial risk in serving children of welfare recipients. Inner city Milwaukee neighborhoods saw a doubling of state licensed group care and quadrupling of state licensed family day care capacity. Several concerns emerged from the design of the Wisconsin program:

- The majority of licensed **family** providers received subsidy payments of \$50,000 or more a year.
- Many urban day care vendors offered pickup and delivery transportation services as part of their subsidized care, with traffic safety a major concern.
- The Wisconsin child care program was designed to meet the demand of families facing welfare-to-work requirements, with 98% of those served former AFDC recipients. Almost **no** "working poor" families from the non-welfare population were served.
- For 71% of the Shares cases subsidy costs exceeded one-half of the family income. In 42% of cases the subsidy exceeded their total family income, due in large part to work program participants with little or no income.

Addressing Barriers to Employment: Increasing Child Care Rates and the Rate Setting Process Under the Wisconsin Shares Program (2002).

Besides the rise in enrollment, the child care subsidy expenditures in the county have increased for the several reasons:

1. Shifts in the characteristics of the families in the subsidy program have occurred that increased costs, including more infants placed in care, more hours of care contracted per child, and larger families served with more children in care and lower co-payment requirements.
2. Subsidy costs increased in part due to improvements in standards of care and changes in the license status of providers. The number of state-licensed family providers has grown dramatically and the number of accredited providers increased at both the group and family level, while the number of lower-cost county-certified providers has not grown.
3. Increasingly, vendors without private-paying customers charged at the highest rates allowable, while many lower-cost vendors with market driven rates are subsidized at far lower rates. Basically, a new class of publicly-supported providers has been created that can take advantage of the maximum allowable community rates of the government subsidy program without experiencing the restraints of the private market. By 2000, 96 licensed group providers with 5,654 slots reported that they had not had three regular paying clients within the past six months.
4. Costs increased because the subsidy program was reimbursing vendors who bill at the highest rates while paying few vendors who bill at the lowest rates.

Child Care for the Working Poor: The Milwaukee Experience (2002)

In spite of promises to serve the non-welfare "working poor," less than 5% of subsidized families had no recent history of welfare receipt and only 200 two-parent families received subsidies. If subsidized single families were to continue child care at the cost levels typically supported by the Wisconsin Shares subsidies in 2002, a four-person family would need to contribute \$7.59 an hour of a 40-hour-a-week job to equal the current government subsidy (averaging \$1,333 a month). A 5-person family, where government day care subsidies are averaging \$1,602 a month, would need to contribute \$9.24 an hour at a 40-hour-a-week job. Only in the case of single parents with one child might it be feasible for the parent to take over the typical government subsidy costs of \$595 a month (or \$3.43 an hour based on a 40-hour-a-week job). Even here, many parents would likely seek out lower cost child care options.

Barriers to Employment: Findings from the National Survey of America's Families for Milwaukee County Families with Preschool Children, 1997 and 1999 (May 2002).

The National Survey of America's Families, conducted in 1997 and in 1999, provided a unique opportunity to examine the child care arrangements and employment patterns of mothers with preschool children in Milwaukee County. The survey was designed to be representative for the nation as a whole and for 13 states, including Wisconsin. Milwaukee County was the only county in the U.S. to be separately surveyed. This technical assistance paper was prepared at the request of Milwaukee County to use the NSAF survey to help estimate the number of families needing Wisconsin child care subsidies for low-income families and to analyze the type of care selected by employed parents in Milwaukee County.

The majority of Milwaukee County mothers of preschool children did not work full-time. In 1999, just 28 percent of preschool children in lower-income families had a mother employed full-time (40 hours or more a week), as did 36 percent of children in families with mid-range income and 49 percent of children in families with upper-range incomes.

Barriers to Employment: NSAF Findings on Preschool Children, Mothers' Employment Status and Child Care Choices (May 2002).

National data from the 1997 and 1999 National Survey of America's Families on the employment patterns and child care choices of mothers with preschool children were analyzed for families by income levels. Nationally, the majorities (57 percent) of low-income preschoolers with employed mothers were not in full-time child care, and those in full-time care were more often in low-cost relative care. Women with preschoolers remain a difficult population to engage in full-time employment. Nationally, almost two-thirds of mothers of low-income preschoolers were not employed at all -- full-time or part-time.

Impact of Welfare Reform on Child Care Subsidies in Milwaukee County, 1996-1999 (October 1999).

The number of Milwaukee County families receiving low-income day care support more than doubled over the last three years, from 3,011 in January 1996 to 6,876 in January 1999. For over half (56 percent) of the "W-2" families the day care provider received a subsidy payment which was higher than the family's combined earnings and their "W-2" payment.

Removing Barriers to Employment: The Child Care-Jobs Equation (May 1998).

This study examined the utilization of child care subsidies by low-income parents in Milwaukee County over a 21-month period from January 1996 through September 1997, analyzed payments to 2,826 providers of care and 31,863 child care placements, and reviewed AFDC, food stamp and medical assistance records in December 1995, September 1996 and June 1997 in order to assess use and type of child care subsidized in the county.

The majority of families financially eligible for subsidized child care did not receive it. Subsidized child care take-up rates for Milwaukee County families in 1997 were:

- Only 1 of 15 of the 25,125 single parent families on AFDC in December 1995
- Only 1 out of 9 of the 5,629 single parent families receiving food stamps or medical assistance (but not AFDC)
- Only 1 out of 30 of the 22,000 Milwaukee County low-income "working poor" families not on public assistance.

Child Care Needs of Low-Income Employed Parents in Milwaukee County Under W-2 (July 1996)

After this ETI report was issued, the state changed the co-payment schedule for **part-time care** so that parents pay only half of the co-payment amount calculated under the previous income rule.