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# The Child Care Costs of Engaging the Welfare Population in Work: The Milwaukee Experience

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# **The Child Care Costs of Engaging the Welfare Population in Work: The Milwaukee Experience**

by John Pawasarat and Lois M. Quinn, University of Wisconsin-Milwaukee Employment and Training Institute, 2002.

## **I. Summary of Findings**

The County of Milwaukee is perhaps the only major metropolitan area to have reached the levels of engagement for public assistance cases that have been proposed as a federal model for the nation. Beginning in 1996 Wisconsin initiated a strict work test program in Milwaukee County, which was designed to engage the AFDC population, including mothers with very young children, in employment or work-related activities. The initiative required substantial day care capacity building in the City of Milwaukee and made use of record levels of federal and state appropriations for child care subsidies. Wisconsin has now had over five years experience requiring work activities for mothers of preschoolers and utilizing federal Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) monies for child care support for TANF participants and other “working poor” families. This study examines the growth of the child care subsidy program in Milwaukee and explores policy challenges for cities with high concentrations of welfare recipients and uneven labor market opportunities.<sup>1</sup>

### **Findings**

- **Wisconsin welfare-to-work initiatives have reduced caseloads and have engaged the remaining population at very high levels, particularly the population of mothers with young children.** Overall engagement levels of the welfare population rose from 25 percent in January 1996 to 65 percent in June 2001. For mothers with children under 2 years of age, the percent engaged in work-related activities or employment rose from 17 percent to 73 percent.
- **Key to the implementation of an almost universal work requirement for welfare caseheads was the expansion of child care capacity and funding at unprecedented levels.** The enrollment of families in subsidized day care more than tripled from 3,011 in January 1996 to 11,576 in June 2002 while monthly expenditures rose tenfold from \$1.5 million to \$15.4 million, due to more younger children in care, more full-time care, larger families served, and escalating costs.
- **Capacity building investments and policy changes removed much of the financial risk in serving children of welfare recipients** and resulted in a doubling of state licensed group care and quadrupling of licensed family day care capacity in lower-income central city neighborhoods. Growth in employment and businesses related to day care flourished as subsidies were spent primarily in central city neighborhoods.
- **Policies adopted for the child care effort met or exceeded federal recommendations.** Children were moved into licensed care, family co-payments are very low or non-existent, most care is supported at the maximum rates (i.e., set to support 75 percent of private market care slots), and waiting lists for subsidized care have been eliminated

statewide. These policies have resulted in a situation, however, in which present federal and state funding is no longer adequate.

- **Absent a substantial increase in federal day care funds, the state is now considering measures to limit further increases in day care expenditures.** These include reinstatement of waiting lists for the non-welfare population seeking subsidies, capping vendor payments, enforcing the collection of family co-payments, and encouraging more use of lower-cost relative and part-time day care.
- **The Wisconsin child care program was designed to meet the demand of families facing welfare-to-work requirements, and this population makes up most of the enrollment in subsidized child care.** These one-parent low-income families are increasingly expensive to serve, and this population will remain the priority for the day care subsidy program. Consequently, very few families entering the program have income levels at 150-200 percent of poverty, and 98 percent of expenditures are for families from the current or former public assistance rolls required to participate in work activities. Despite a relatively low monthly co-payment when family income is at 150-200 percent of the federal poverty level, few welfare families in the subsidy program reach this level of earnings and few eligible non-welfare working families use the subsidy program.
- **Large families pose the greatest child care subsidy costs in Milwaukee County, accounting for 54 percent of subsidy enrollments and suggesting a probable long-haul liability for public child care subsidies.** Two-thirds of welfare families with four or more children were engaged in employment or TANF work-preparation activities, with monthly child care subsidies averaging \$1,852 per family (\$22,220 annualized). Given the high eligibility ceiling for large families, it is unlikely that most single parents in the program have the earnings potential necessary to earn their way out of the subsidy program.
- **Despite the increased capacity, availability of affordable quality child care remains a serious problem.** Day care costs have risen much faster in Milwaukee County than in smaller urban counties and rural areas of Wisconsin. As of 2002, accredited licensed group care centers in Milwaukee may charge up to \$12,012 per year to serve one child under age 2, compared to an average entry level job which currently pays \$16,120 in the Milwaukee metro area.
- **Milwaukee County with 18 percent of the state's population has received 55 percent of child care subsidies.** Day care costs are higher in Milwaukee, families often have more children in care, and families are more often headed by single parents with lower incomes.
- **The mismatch between jobs available in the metropolitan area and the skills and geographic location of mothers seeking work continues to raise transportation and training concerns.** Few mothers with preschoolers manage the daycare-to-work-to-daycare-to-home routine and remain employed full-time. Those who do usually have

completed high school and/or have a valid driver's license. The majority of mothers receiving child care subsidies and having income greater or equal to \$1,500 a month (the equivalent of full-time employment at prevailing entry-level wage rates in Milwaukee) have a high school diploma (79 percent), a valid driver's license (52 percent), or both (44 percent).

- **Local job vacancy surveys show a ratio of 11 job seekers to every 1 full-time job openings in the poorest central city neighborhoods.** The majority of entry-level job openings are available in the outlying counties of the metropolitan area or in suburban parts of Milwaukee County, often beyond the areas served by public transportation.
- **Many urban day care vendors now offer pickup and delivery transportation services as part of the cost of providing care.** In the City of Milwaukee, 54 percent of licensed family providers and 30 percent of licensed group providers offer door-to-door transportation delivery services for subsidized children.

## **II. Background on the Wisconsin System**

The cost of child care had long been recognized as a primary obstacle to requiring AFDC mothers to find full-time or even part-time employment, particularly in cities where the majority of welfare recipients reside. For over twenty-five years, federal welfare regulations exempted mothers with pre-school children from work requirements or participation in welfare employment programs because of the high costs of child care, low employment success rates of mothers with pre-school children, and the societal value placed on mothers caring for their young children. Welfare employment programs usually focused their limited dollars on parents without pre-school children, a target population that was found to be more cost effective to serve and more likely to result in placements in unsubsidized employment.

Legislation passed in Wisconsin in 1995 and adopted nationally in 1996 now requires parents on welfare to enter the labor force shortly after their children are born or to participate in time-limited employment-related activities. With financial savings from plummeting welfare rolls during the 1990s and an infusion of federal funds for child care, large pockets of new money were made available for child care support in Wisconsin. The Milwaukee experience offers an important urban case study in implementing policies now guiding child care support under the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Fund (CCDF).

In the last five fiscal years, the State of Wisconsin invested over \$1 billion on child care expenditures.<sup>2</sup> The mix of federal funds utilized for child care, TANF and other state programs has varied from year to year as the state has worked to maximize available federal funds while providing required maintenance of effort (MOE) state funds. The FY 2002-03 child care budget called for utilizing \$91.8 million in federal CCDF monies, \$221.4 million in TANF dollars, and \$25.1 million in state tax revenues. The greatest day care needs have emerged in the urban areas, and particularly in Milwaukee. While Milwaukee County has 18 percent of the state's total population, it has received 55 percent of the day care subsidy funds, given its high concentration of lower-income and single-parent families.<sup>3</sup>

The rules and regulations for the Wisconsin child care subsidy program were developed by state legislation and the state Department of Workforce Development administration, consistent with federal requirements. The state administers the subsidy program and allocates additional funds to improve the quality and availability of child care services. Generally, the Wisconsin approach followed federal guidelines on income eligibility, co-payment policies, and use of market rate surveys to determine payment levels. Child care subsidies are available for children under age 13 (or under age 19 if the child has special needs) for families with income (excluding child and family support payments) at or below 185 percent of the federal poverty level. Once enrolled in the program, families retain eligibility until their income exceeds 200 percent of poverty. There is no asset test for child care eligibility.

Surveys are conducted annually in each county to determine the market rates for family and group licensed child care. The rate survey is then used to set maximum allowable community rates for subsidized licensed providers so that participants in the subsidy program will have access to most providers of day care services. The maximum allowable rate is currently set, as recommended

by the federal government, at a rate where 75 percent of licensed child care slots are available at this rate level or lower. To promote higher quality day care, differing rate schedules are developed for four classes of licensed and certified care. The highest rate payments are allowed for group day care centers licensed by the state Department of Health and Family Services to serve 9 or more children. The second highest rates support family providers who are licensed by the state to serve 4 to 8 children. These providers must attend 40 hours of training, meet building and safety standards, develop program activities and submit to regular inspections. The third level of rates pay family providers who are certified by the county (“regularly certified”) after attending 15 hours of training, meeting health and safety standards and passing criminal background checks. Finally, the lowest level of rates are paid to “provisionally certified” providers who meet health and safety standards and criminal background checks but have not attended 15 hours of training or are caring only for children of relatives. Child care providers who are not state licensed or county certified are ineligible to receive subsidies; and in most cases, subsidies do not pay for care of children in their own homes.

A family co-payment system was developed to allow families to select higher cost care and to reduce the risk to providers of substantial collection problems by keeping government subsidies high. The Wisconsin family co-payment schedule is designed so that no family’s weekly co-payment could exceed 12 percent of the family income, and it is tied to poverty levels so that larger families pay a smaller portion of their child care costs. For families with little or no employment, the government subsidy alone covers up to 98 percent of the rates charged by the most expensive vendors. For employed families with income at the poverty level, the government subsidy still typically covers 92 to 95 percent of the rate charged by the highest cost vendors, leaving only a small portion of total costs for the family co-payment. When a family’s income reaches 200 percent of poverty, the government subsidy covers 72 to 90 percent of the rates of the highest priced providers.

### **III. Expanding Child Care Capacity in Milwaukee County**

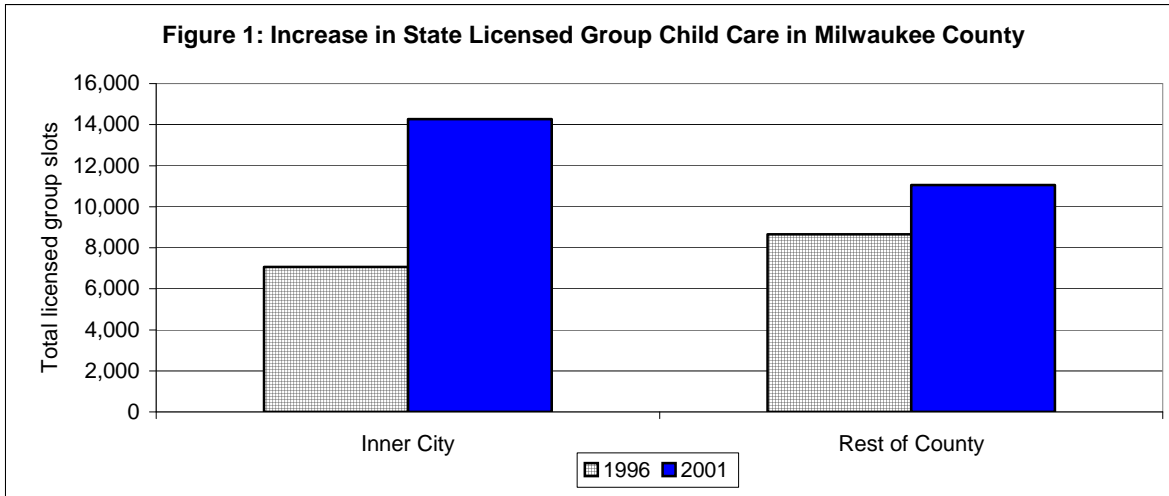
Cities with high concentrations of welfare recipients face unique child care challenges. Expansion of child care capacity is essential for implementation of the national welfare work initiative, as mothers without adequate child care are exempt from work requirements. In Milwaukee County the demand for child care tripled and required a doubling of capacity in central city neighborhoods where the population on public assistance was most concentrated and where the majority of families with children were headed by single parents.

Prior to implementation of the stricter welfare work requirements, most of the Wisconsin families receiving direct child care subsidies consisted of “voluntary” participants enrolled in education and training programs. Expanding the program to include “mandatory” participants with high sanction rates and poor work attendance made child care for this population a risky venture in the eyes of many providers. In response, Wisconsin made substantial changes to the provider payment policies to further its day care capacity building efforts. These policy changes included guaranteeing child care payments regardless of children’s attendance, paying full-time rates for 30 hours or more of care a week, and allowing vendors the discretion of whether or not to collect a family co-payment.

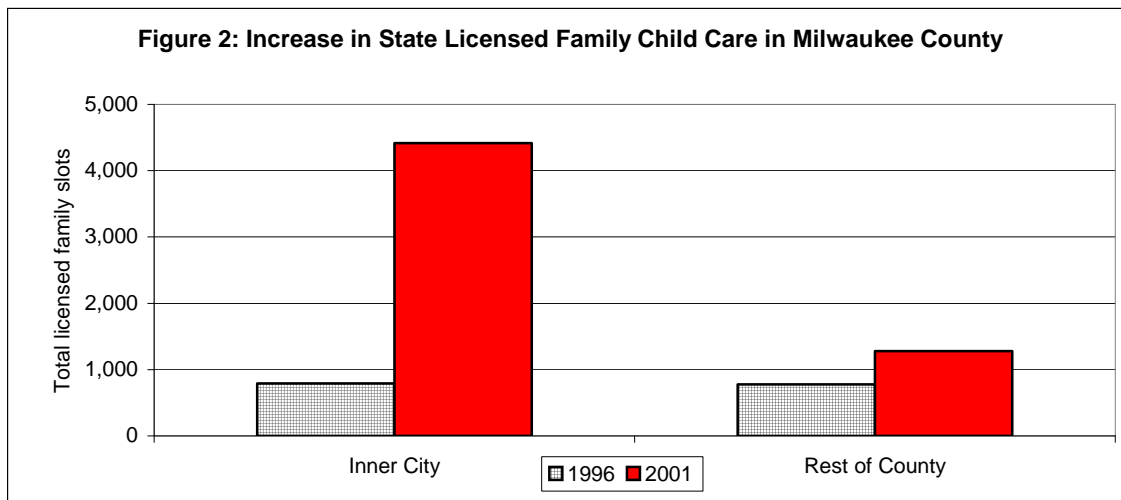
#### **A. Increase in State Licensed Capacity in Central City Neighborhoods**

The child care payment incentives together with federally funded capacity building efforts and child care subsidies resulted in expanded child care capacity in central city Milwaukee neighborhoods and a shift toward state licensed group and family care.

- In Milwaukee County the number of state licensed group centers increased from 229 in March 1996 to 368 sites in August 2001, and their capacity rose from 15,721 to 25,331 slots.
- In Milwaukee’s poorest neighborhoods the capacity of state licensed group day care centers more than doubled over the five year period. Capacity also increased 28 percent in the rest of the county.



- State licensed group providers remained the primary provider of subsidized care, accounting for 62 percent of subsidy expenditures (but down from a 75 percent market share in 1997).
- The number of state licensed family providers in Milwaukee County increased from 196 in March 1996 to 713 by August 2001, and their capacity rose from 1,565 to 5,697 slots. In the poorest central city neighborhoods, the capacity of care with licensed family providers increased from 790 slots in 1996 to 4,417 slots by 2001.





## B. Subsidy Payments by Type of Provider

Payments made to all Milwaukee County subsidized providers were examined to determine the types of providers participating in the subsidy program and shifts over time in the type of child care usage among subsidized families. The 2001 totals are annualized estimates, based on checks issued during the first six months. (Actual 2001 payments will be higher due to higher child care costs during the summer months of July and August.) Payments include subsidy totals for day care for “W-2” cases, low-income employed families, kinship care and foster care cases. The totals do not include family co-payments, which when made are paid directly to the provider and are not reported to the county.

**Table 1: Payments to Milwaukee County Day Care Providers, 1996-2001**

	<b>State Licensed Group Centers</b>	<b>State Licensed Family Centers</b>	<b>County Certified Family Care</b>	<b>Provisionally Certified Family Care</b>	<b>Total Payments</b>
1996	\$22.4 million	\$1.0 million	\$5.5 million	\$2.2 million	\$31.1 million
1998	\$49.3 million	\$5.1 million	\$9.5 million	\$1.7 million	\$65.6 million
2001 est.	\$77.2 million	\$25.7 million	\$18.6 million	\$1.9 million	\$123.4 million

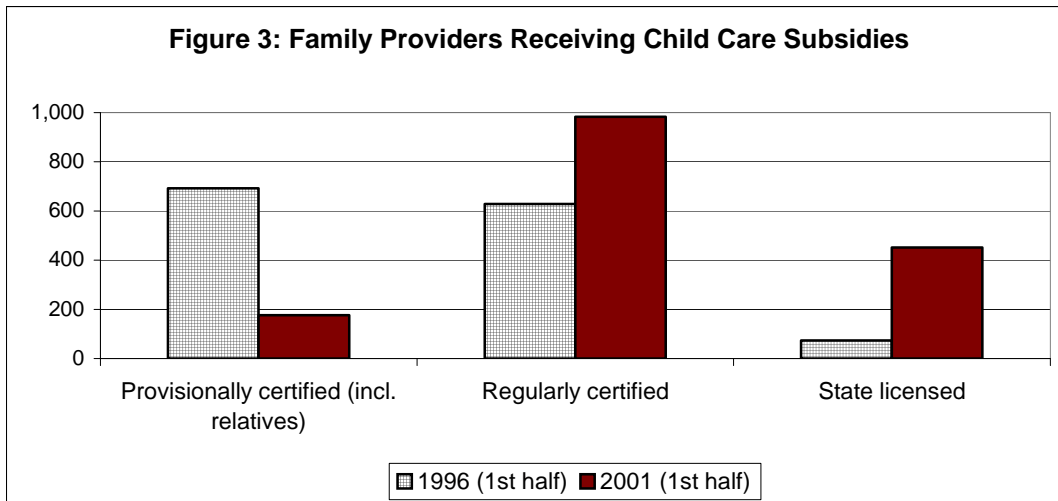
The largest increases in subsidies were for child care in state licensed group and family centers, which received over 80 percent of subsidies in the first half of 2001. Provisional care with relatives or persons who have not received training has declined, and made up less than 2 percent of subsidies in the first half of 2001.

## C. Day Care As an Employment/Business Opportunity

Child care subsidy payments to Milwaukee County family day care providers indicate that many family providers are finding successful employment opportunities, particularly in the central city.

- In the first six months of 1996, Milwaukee County contracted with 1,394 individuals for family child care. Of these, 73 individuals were state licensed providers, 629 were regularly certified providers, and 692 were in the provisional class of care pending regular certification or caring only for relatives.

By the first six months of 2001, the number of individuals providing family-based subsidized child care in Milwaukee County had risen to 1,610 providers. This included 451 state licensed family providers, 983 regularly certified providers, and 176 provisionally certified providers.



- The increased capacity in central city neighborhoods took place in large part through the creation of a new class of licensed providers serving only government subsidy participants and paid rates at the maximum allowable subsidy rate. Over half (52 percent) of the capacity of licensed group centers in central city neighborhoods are now in public subsidy-only centers, and 58 percent of the capacity in licensed family homes in the central city are with public-subsidy-only providers.
- By 2001, the majority of licensed family providers received subsidy payments at a rate of \$50,000 or above a year.
- One-half of certified providers received subsidies at a rate of \$20,000 or more a year.
- One-half of the provisionally certified providers received subsidies at a rate of \$10,000 or more a year.

Expansion of child care capacity generated employment in licensed group child care centers as well as among self-employed family providers. Employer reports filed with the state Department of Workforce Development showed an increase in the number of day care establishments and day care employees in Milwaukee County.

- The average monthly employment in day care businesses in Milwaukee County jumped from 2,952 workers in 1995 to 3,990 in 2000.
- Much of the increase in business activity was in the central city where the number of day care establishments increased from 57 to 162.
- By 2000, wages of day care establishments in Milwaukee County totaled \$60 million, more than double the \$28 million level in 1995. Wages (for full-time and part-time workers) averaged \$939 a month in 1995 and rose to \$1,244 a month in 2000.

#### **IV. Co-Payment Policies Key to Expansion**

One of the challenges faced in devising a child care subsidy program is establishment of payment schedules for families. Any co-payment schedule must balance competing agendas: financing higher quality day care, recognizing families' limited ability to pay for care, attracting enough child care providers so that welfare parents can be required to seek employment, expecting families to contribute to the cost of their children's care, and encouraging parents to arrange cost-effective care options.<sup>4</sup> The Wisconsin subsidy program focuses on maximizing payments to licensed child care providers and using ability to pay (i.e., family income as a percent of the federal poverty level) to determine family co-payment levels. Family co-payments range from \$2 a week (for a two person family with little or no earnings and one child in certified care) to \$99 a week (for a family with income of \$48,500+ and 5 or more children in licensed care).

##### **A. Co-Payment Schedule Supports Higher Cost Care**

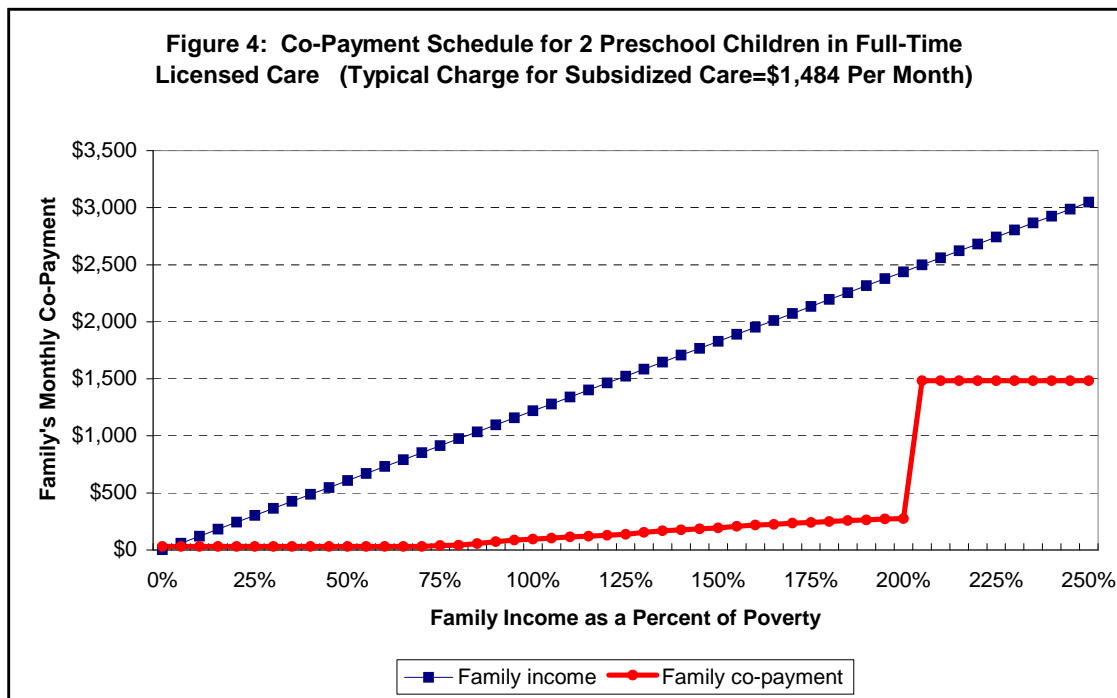
Early on, discussions in Wisconsin regarding the family co-payments revolved around being able to attract, expand and keep licensed child care vendors in the subsidy system, vendors who might ordinarily see the TANF population as a risky one to serve due to co-payment liabilities, attendance problems and high turnover. The Wisconsin family co-payment schedule is designed so that no family's weekly co-payment could exceed 12 percent of the family income, and it is tied to poverty levels so that larger families pay a smaller portion of their child care costs. (Prior to April 2001, the family co-payment was capped at 16 percent of income. The decrease to a 12 percent cap lowered the costs of child care for families and effectively raised the government subsidy paid directly to the vendor, leaving the decision in the vendor's hands as to whether or not to charge a family co-payment, or how much of a co-payment would be required.) The child care subsidy is paid directly to the day care provider, and the family co-payment is collected, if at all, by the provider rather than through the welfare department or a state agency.

The Wisconsin co-payment approach works most favorably for higher cost vendors serving preschool children, as the co-payment is tied to family income and not to the cost of care. For example, during the summer months a mother with income at 100 percent of the poverty level could place her three school age children in an accredited group day care center charging the maximum allowable rate (\$200 per week per child, or \$600 a week for 3 children). The government subsidy would pay the provider \$571 and the mother's weekly charge would be \$29. The Wisconsin rate structure offers only modest reductions in co-payments for families choosing certified rather than licensed care. If the mother chose a provisionally certified relative to care for her 3 school age children, the relative could charge up to \$327 (\$109 per week per child). In this case the mother's co-payment would be reduced by only \$8 (from \$29 to \$21) even though the government's subsidy costs for the family would drop by \$264 a week (from \$571 to \$307).

Tying family co-payments to income has also been shown to penalize families with school age children, where co-payments make up a much larger share of costs for part-time care. This limitation helps explain the low take-up rates for subsidized child care for the school age population.<sup>5</sup>

## B. The Subsidy Payment “Wall”

The current co-payment system is designed to keep co-payments as low as possible for families for as long as possible. It does not, however, provide a transition to economic self-sufficiency for families as their earnings increase. Once the family’s income exceeds 200 percent of poverty, a wall is by design encountered in which families cannot afford to remain with their existing day care provider, and instead families must turn to a different type of care. Take the case of a single mother with two preschool children. When her monthly income is \$1,878 (150 percent of poverty), she pays \$48 a week co-payment for licensed child care. If her monthly income rises to \$2,503 (200 percent of the poverty level), she still pays no more than 12 percent of her income for child care, or \$68 a week co-payment for licensed care. But when her income increases to \$2,505, she receives no government child care subsidy. If she would elect to keep her children in a licensed group center (where Milwaukee County vendors typically charge \$1,484 a month for two children), she would be paying the full \$1,484 monthly charge, or 59 percent of her income for child care. In some cases, an unsubsidized family might be charged even higher rates since many vendors report that their private rates are actually higher than the maximum allowable subsidized rates. If the mother switched to relative care at the average county subsidized rate of \$205 a week, she would pay 35 percent of her income for child care.



Given that few families are approaching the income limits or entering the subsidy program with higher incomes, however, the lack of an adequate transition to self-sufficiency does not appear to be an issue as it was once thought to be in Wisconsin.

### **C. An Alternative Approach: Linking Family Co-Payments to Cost of Care**

The conflict between supporting higher-cost day care versus the desire to have parents contribute an increasing share to the cost of their care can be seen by comparing Wisconsin's co-payment system with the welfare reform legislation initially developed by Governor Tommy G. Thompson's Administration. Thompson's original proposal tied family co-payments to the cost of care selected and featured a sliding fee scale that would have required an increasing share of child care costs be paid by the family as its income increased.

Under Thompson's original proposal families at the lowest income level (i.e., income below 75 percent of poverty for their family size) would pay only 7.5 percent of the total cost of child care, with the government picking up 92.5 percent of the costs. The family's share of child care costs would gradually increase: families with income at 76-95 percent of the poverty level would pay 10 percent of their child care costs (and the government would pay 90 percent of costs). For each 1 percent the family income was above 95 percent of poverty, the family's share of child care costs would increase in equal increments until reaching 100 percent for families with income at 165 percent of the federal poverty level. Families with income at 100 percent of poverty would pay 16.43 percent of their child care costs, families at 125 percent of poverty would pay 48.57 percent of their child care costs, and families at 150 percent of poverty would pay 80.71 percent of their costs. The formula phased out at 165 percent of poverty, when the family would have to pay all their costs (100 percent).

It was anticipated that this would encourage working families to make cost-conscious child care decisions (including the type of provider selected, hourly/weekly charges, and number of hours of care) with an eye toward the potential cost of the family's co-payment. The proposal was clearly intended to use the family co-payment to move an increasing share of child care choices from higher-cost group care to lower-cost relative care as the subsidized family's income and co-payment requirement increased.<sup>6</sup> The state legislature adopted this original proposal with modest modifications, but Thompson vetoed his own legislation and directed his administration to develop an alternative co-payment schedule, which is the one now in place. Rather than basing family co-payments on cost of care on a sliding fee scale, the current Wisconsin subsidy system instead does not require a family co-payment unless the vendor so chooses.

## **V. The Costs of Engaging Welfare Families with Younger Children**

The costs of engaging low-income single mothers with young children in an increasing level of work activity can be seen by examining the urban experience in Milwaukee County from 1995 to 2001 where high levels of TANF participation resulted in substantial caseload declines but much higher child care costs. This analysis examined the Milwaukee County food stamp populations for December 1995 and June 2001 in order to compare engagement levels in employment and required work programs and the extent to which families utilized child care subsidies in the pre- and post-TANF and “W-2” periods. The analysis focuses on single-parent families with children and with only one eligible adult in the food stamp case, as the population most likely to use subsidized child care supported by TANF and CCDF.

### **A. The Pre-TANF/Pre-W-2 Experience**

In December 1995, prior to implementation of the “Pay for Performance” and “W-2” (“Wisconsin Works”) welfare work requirements for mothers with preschool children, nearly all single parents on food stamps (91 percent) also received AFDC. Most families had preschoolers under age 5 (61 percent of the families) or children ages 5-12 (31 percent). Only 8 percent had youngest child age 13 or older. Only 20 percent of the mothers were employed, mostly at part-time jobs that allowed them to remain on AFDC under earned income disregard policies. Mothers with children under age 2 were the least likely to be employed (12 percent) or engaged in activities requiring child care subsidies (5 percent) due in large part to state policies exempting their participation in work programs.

Child care funding was very limited, and most of the child care subsidies (69 percent) were for non-employed families participating in education or training-related activities. Monthly child care subsidies paid directly to day care providers averaged \$629 per family in December 1995, with subsidy costs highest for families with infants and toddlers (averaging \$722 a month per family) and for the largest families with four or more children (averaging \$914 per family).

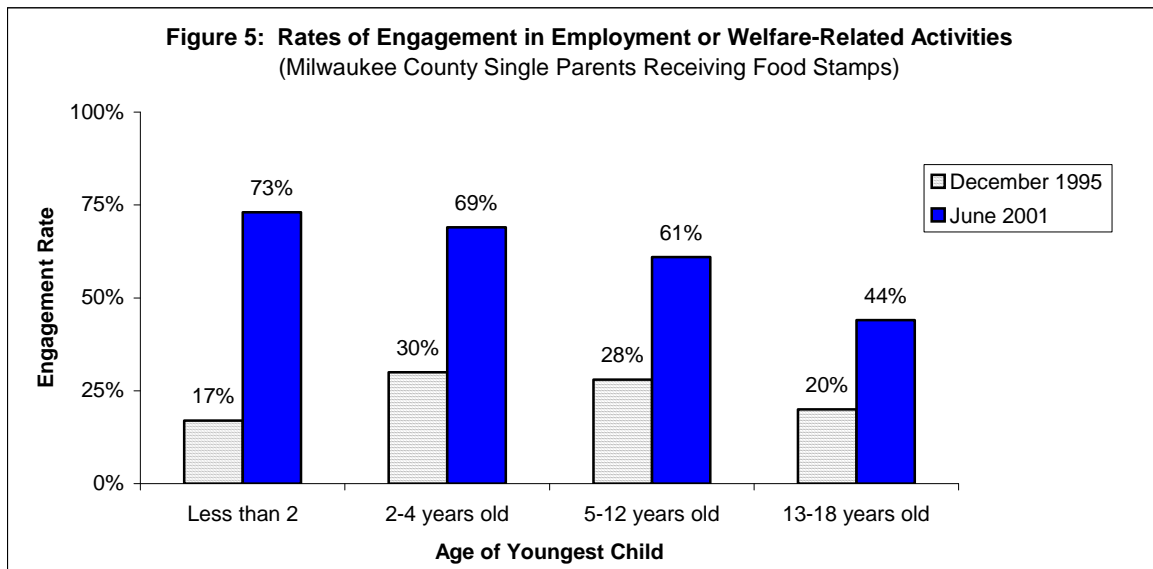
While the number of families receiving direct child care subsidies was low in 1995, use of the dependent care deduction for AFDC and food stamps grant calculations was more common, for care of school age and preschool children.<sup>7</sup> Almost half (46 percent) of employed mothers with preschoolers claimed deductions for out-of-pocket child care costs compared to only 14 percent receiving the direct child care subsidy.

### **B. Expansion of Child Care Subsidies under W-2/TANF Policies**

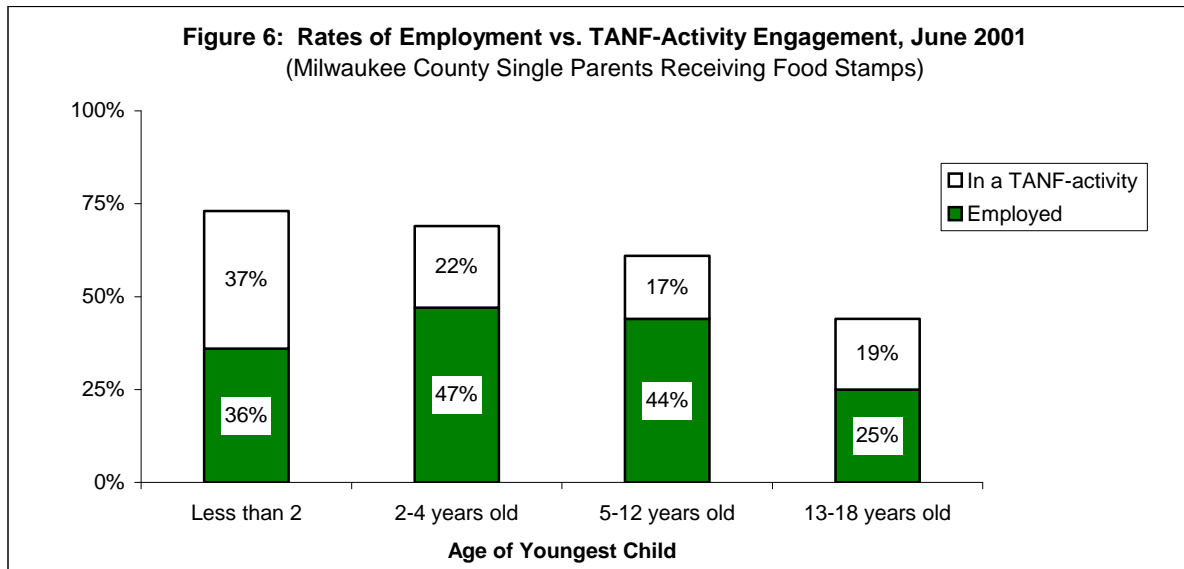
The costs of requiring increasing numbers of welfare recipients to be engaged in employment or work-related activity are in large part long-term child care expenditures. This is particularly true when mothers with very young children and/or larger families are required to participate in activities. The well-documented caseload reductions in Milwaukee County during the period of welfare reform after 1995 were accompanied by increases in child care funding to assist families remaining in the welfare system on “W-2” or food stamps. From December 1995 to June 2001 the population of single-parent one-adult families on food stamps declined by 38 percent from 30,358 to 18,678 families, while the number employed rose from 6,126 to 7,509.

Higher engagement levels of mothers with preschool children increased the costs of day care subsidies per family.

- By June 2001, 65 percent of the single-parent population were engaged in employment or TANF activities. Fully, 73 percent of single parents with children under age 2 were engaged, as were 69 percent of single parents whose youngest children were ages 2-4, 61 percent of parents whose youngest children were ages 5-12, and 44 percent of parents whose youngest children were 13 or older.

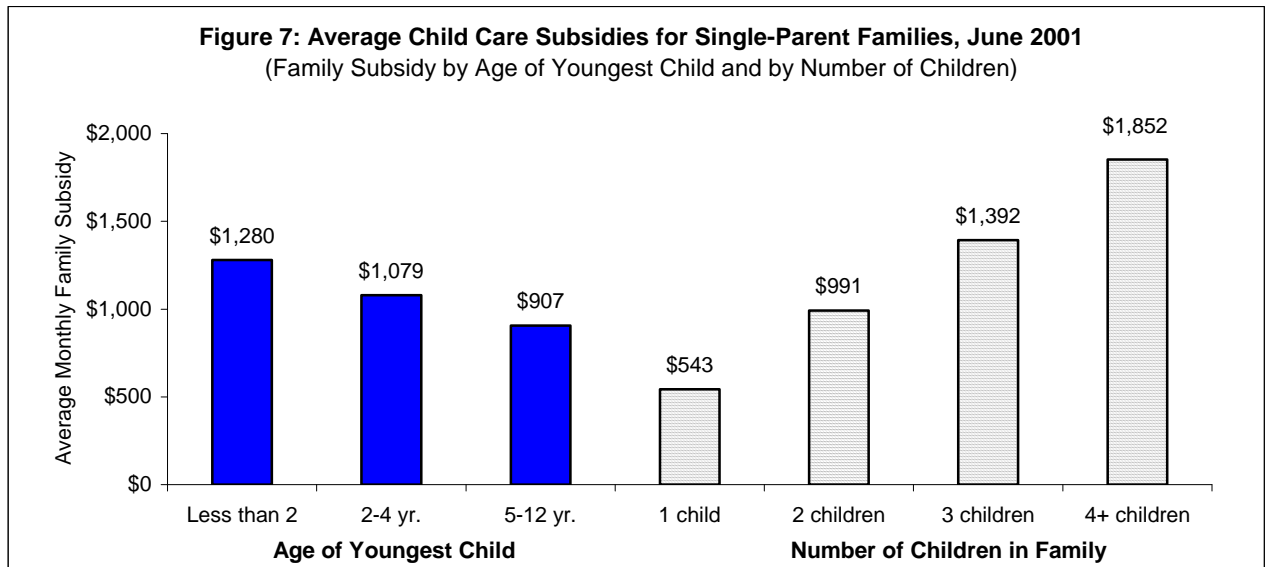


- Total employment levels for the population of single parents remaining on food stamps doubled (from 20 percent to 40 percent). The employment rate for parents of infants and toddlers tripled from 12 percent in 1995 to 36 percent in 2001. Another 37 percent of parents of infants and toddlers were engaged in TANF activities.



- Even though the actual number of employed families among the single-parent food stamp population increased by less than 1,400 families, monthly costs for child care subsidies rose by more than \$4 million as direct child care subsidies replaced the dependent care disregard method of reimbursing child care expenditures and as subsidies for the most expensive populations to serve increased at high rates.
- Child care subsidy costs had increased to such an extent that by June 2001 the total child care subsidies for employed families (\$4.5 million) were higher than these families' aggregate earnings (\$4.4 million).
- Families with preschool children accounted for 85 percent of child care expenditures for the single-parent food stamp population in June 2001. Direct subsidy child care costs rose substantially for families with infants and toddlers (averaging \$1,280 a month per family) and for families with children ages 2-4 (averaging \$1,079 a month per family).





Larger families present a problem not only of having more children requiring child care but they are also more likely to have younger children in care as well.

- Larger families required a disproportionate share of the child care subsidies. By June 2001 mothers with 4 or more children made up 18 percent of the single-parent food stamp population but they received 32 percent of total expenditures for direct child care subsidies.
- Much of the increase in child care subsidy costs in Milwaukee County is the result of engaging larger families with high child care usage and costs. In December 1995, 219 families with 4 or more children received the direct subsidy at an average cost of \$914 per month. By June 2001, 1,080 families with 4 or more children were receiving average subsidies of \$1,852 per family. The five-fold increase in families coupled with a doubling in government child care subsidy payments per family resulted in a ten-fold increase in monthly direct subsidy costs for large families.
- The long-term public liability for child care subsidies for larger families under TANF can be substantial. Notably, 67 percent of single-parent food stamp families with 4 or more children who received child care subsidies in June 2001 (721 out of the 1,080 subsidized families) had also been on food stamps and received child care subsidies during 1996-1998. Child care subsidies to this group of 721 families in the 1996-1998 period had already totaled \$10.2 million.

**Table 3: Child Care Subsidies for Milwaukee County Single-Parent One-Adult Families  
Receiving Food Stamps in December 1995**

<b>Number of Children</b>	<b>No. of Families</b>	<b>No. with subsidies</b>	<b>% with Subsidies</b>	<b>Average Subsidy</b>	<b>% Engaged</b>	<b>% Employed</b>
1	10,775	723	7%	\$423	24%	19%
2	9,002	660	7%	\$653	26%	22%
3	5,772	368	6%	\$814	27%	23%
4 or more	<u>4,809</u>	<u>219</u>	5%	\$914	21%	18%
<b>TOTAL</b>	<b>30,358</b>	<b>1,970</b>	<b>6%</b>	<b>\$629</b>	<b>25%</b>	<b>20%</b>
<b>Age of Youngest Child</b>						
Less than 24 months	9,321	696	7%	\$722	17%	12%
2 - 4 years old	9,269	1,039	11%	\$604	30%	23%
5 - 12 years old	9,325	235	3%	\$467	28%	26%
13 - 18 years old	<u>2,443</u>	<u>0</u>	0%	\$0	20%	20%
<b>TOTAL</b>	<b>30,358</b>	<b>1,970</b>	<b>6%</b>	<b>\$629</b>	<b>25%</b>	<b>20%</b>

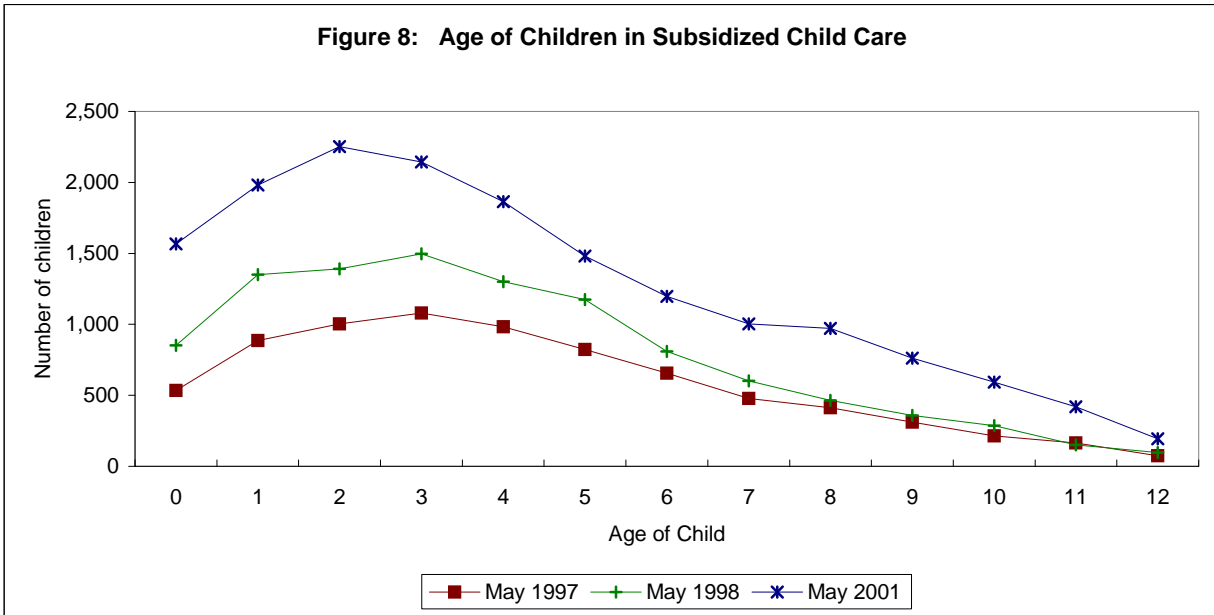
**Table 4: Child Care Subsidies for Milwaukee County Single-Parent One-Adult Families  
Receiving Food Stamps in June 2001**

<b>Number of Children</b>	<b>No. of Families</b>	<b>No. with subsidies</b>	<b>% with Subsidies</b>	<b>Average Subsidy</b>	<b>% Engaged</b>	<b>% Employed</b>
1	5,969	1,544	26%	\$543	60%	33%
2	5,397	1,690	31%	\$991	65%	40%
3	3,874	1,320	34%	\$1,392	69%	47%
4 or more	<u>3,438</u>	<u>1,080</u>	31%	\$1,852	67%	46%
<b>TOTAL</b>	<b>18,678</b>	<b>5,644</b>	<b>30%</b>	<b>\$1,126</b>	<b>65%</b>	<b>40%</b>
<b>Age of Youngest Child</b>						
Less than 24 months	5,585	2,240	40%	\$1,280	73%	36%
2 - 4 years old	5,266	2,359	45%	\$1,079	69%	47%
5 - 12 years old	5,772	1,034	18%	\$907	61%	44%
13 - 18 years old	<u>2,055</u>	<u>11</u>	0%	\$368	44%	25%
<b>TOTAL</b>	<b>18,678</b>	<b>5,644</b>	<b>30%</b>	<b>\$1,126</b>	<b>65%</b>	<b>40%</b>

### **C. Age of Children Served**

Engagement of mothers with young children in work programs has caused most of the increase in child care subsidy enrollments. Expansion of the child care program has been primarily concentrated on mothers with preschool children and large families, which are also very likely to have more children in care and younger children.

- Large families with three or more children account for 54 percent of enrollments.
- As the number of children in subsidized care has risen, the program remains dominated by younger children, with 59 percent of children under five years of age in May 2001.



- The number of school age children in subsidized care has increased as well. However, this is because many older children had been in subsidized care at a younger age and remain in care. For the children 6 or more years of age and in care in May 2001, 72 percent had also been in care during the period from January 1996-February 1999, and 56 percent in 1996 or 1997.
- School age children in subsidized day care are most likely to be found in families with more than one child in care and/or with younger children in care. As discussed previously, the family co-payment schedule is based on family income and in the case of the lower-cost part-time care for school age youth, co-payments often exceed the actual cost of care.

**Table 5: Number of Children in Care by Size of Family, May 20, 2001**

<u>All Children in Care</u>	<u>Persons in Family:</u>			
	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>
1	2,622	814	395	172
2		4,182	880	332
3			3,165	543
4				<u>1,424</u>
Total	2,622	4,996	4,440	2,471

<u>Children in Care Ages 6 and Above</u>	<u>Persons in Family:</u>			
	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>
1	267	124	55	21
2		1,185	281	96
3			1,235	243
4				<u>645</u>
Total	267	1,319	1,571	1,005

## VI. Who Receives Child Care Subsidies

The degree to which the child care program has been and remains designed to meet the needs of the “W-2” program can be seen in the following analysis. Weekly payments for child care subsidies were analyzed among with historical income maintenance file records to track expenditures by the income and welfare status of parents. A detailed examination of expenditures the week of May 20, 2001 showed the characteristics of families in the subsidy program and the extent to which Wisconsin’s relatively high income eligibility limits have created possible long-term public liabilities for child care costs.

### A. Public Assistance and Food Stamp Participants

The impact of continued engagement of the welfare population in TANF work programs is reflected in the characteristics of the 8,839 families (and 16,560 children) receiving child care subsidies the week of May 20, 2001, and the cost of subsidies, which had reached a weekly cost of \$2.2 million.

- A third (36 percent) of families in the child care subsidy program were receiving welfare cash grants under the “W-2” program.
- Another third (32 percent) were food stamp participants but not on cash assistance.

**Table 6: Milwaukee County Families Receiving Child Care Subsidies the Week of May 20, 2001**

<b>Families with Child Care Subsidy</b>	<b>Number of Persons in Family</b>					<b>ALL</b>
	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>	
Number of families with a child care subsidy	2,594	2,904	1,881	880	580	8,839
Average number of subsidized children in family	1	1.7	2.4	2.8	3.4	1.9
Average monthly family subsidy	\$595	\$994	\$1,333	\$1,602	\$1,922	\$1,071
Total monthly subsidy payments (in millions)	\$1.5	\$2.9	\$2.5	\$1.4	\$1.1	\$9.5
<b>% of Subsidized Families Where:</b>						
Parent received cash assistance grants in 2001	36%	35%	36%	41%	38%	36%
Parent receives welfare or food stamps currently	58%	65%	76%	81%	85%	68%
Parent received AFDC in December 1995	10%	35%	53%	65%	70%	37%
Parent received child care subsidy in 1996-1998	24%	51%	62%	66%	63%	48%
Family income is below 100% of poverty	41%	44%	58%	68%	79%	51%
Family income is above 150% of poverty	27%	17%	8%	6%	5%	16%
Subsidy costs exceed ½ of family income	53%	75%	82%	81%	84%	71%
Subsidy costs exceed total family income	29%	37%	51%	57%	64%	42%

- Many of the families receiving child care subsidies were long-term welfare recipients. Over half of the subsidized families with 4 or more persons had been on AFDC in December 1995, five and a half years earlier, and many parents in smaller families were previously on AFDC as dependents.

- Many families had already received child care subsidies for several years. Almost half had received child care subsidies in 1996, 1997 and/or 1998 and costs of that care totaled \$10.2 million in government subsidies.
- Of younger parents (under 22 years of age) who are receiving child care subsidies, 62 percent were welfare recipients as children in the three years prior to implementation of “W-2.”

## **B. Earnings of Families Receiving Subsidies**

The long-term liabilities of engaging families with small children and limited earnings can be seen in the following graphs. Child care subsidy payments were compared to family income for each Milwaukee County family in the subsidy program to gauge the extent to which subsidized families appeared likely to move into self-sufficiency where they would pay for their own child care expenses. (Note: TANF cash assistance payments are not included in the income totals.)

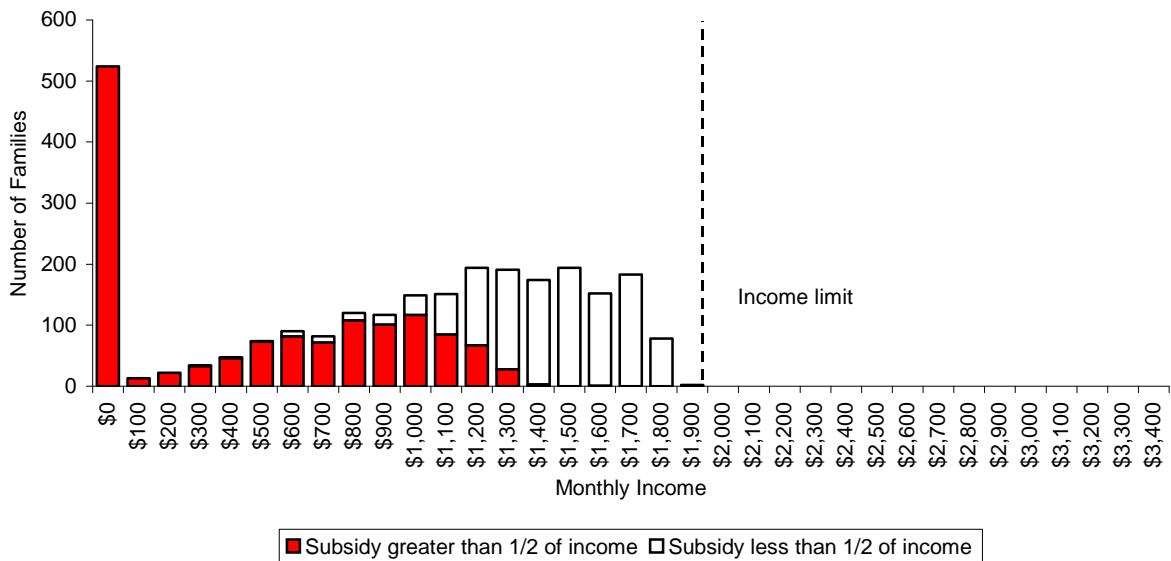
- For most families (71 percent) subsidy costs exceeded one-half of family income and in 42 percent of cases the subsidy exceeded their total family income, due in large part to work program participants with little or no income.

**Table 7: Government Child Care Subsidies Compared to Family Income, May 2001**

% of Subsidized Families Whose:	Number of Persons in Family					
	2	3	4	5	6+	ALL
Subsidy costs exceed ½ of family income	53%	75%	82%	81%	84%	71%
Subsidy costs exceed total family income	29%	37%	51%	57%	64%	42%

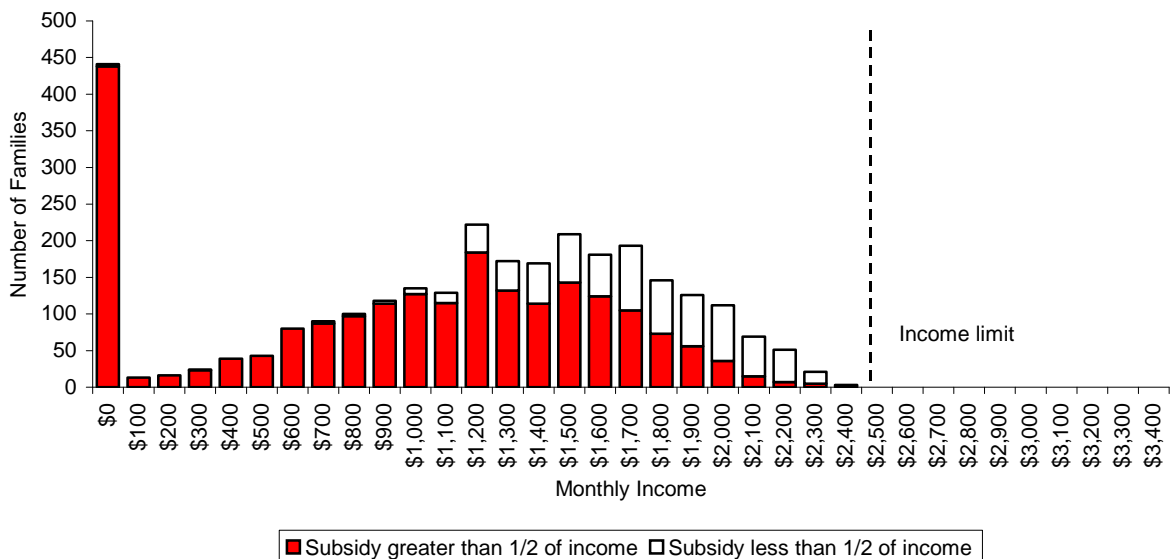
- Even small families showed a substantial number of cases where the child care subsidy was greater than the family income. A majority (53 percent) of single parents with only one child had subsidies exceeding half of their income and 29 percent had subsidies exceeding their total income.

**Figure 9: Child Care Subsidies for 2,594 Families with 2 Persons in May 2001  
(Monthly Income Limit=\$1,935)**

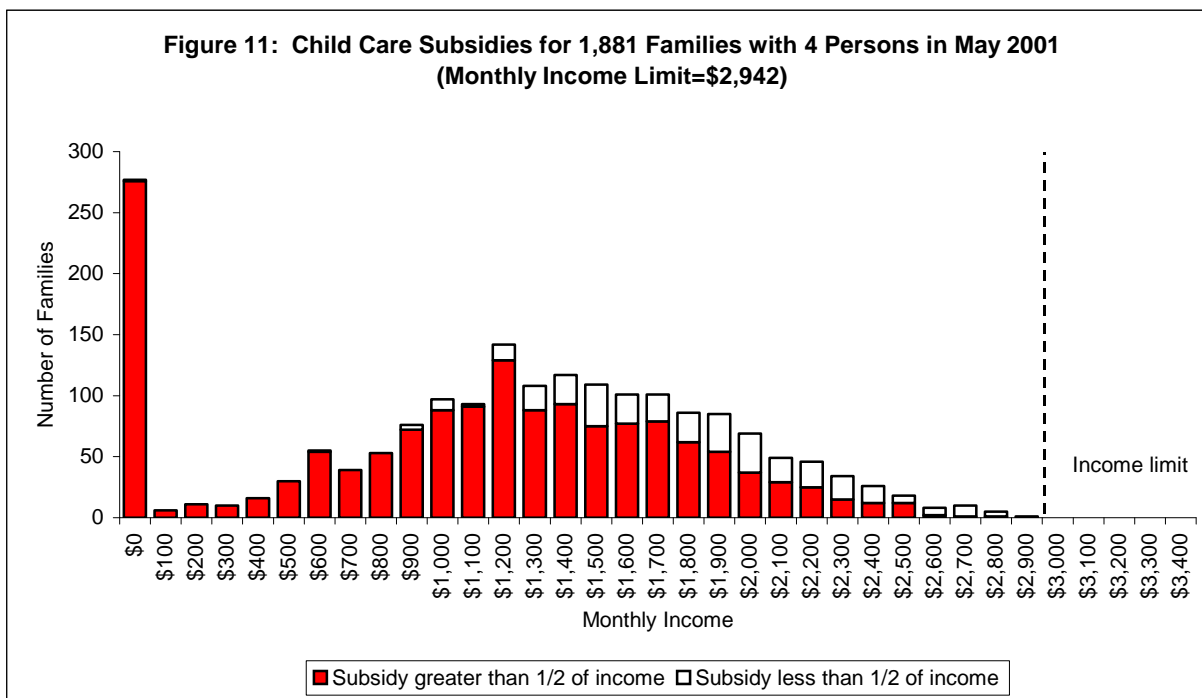


- Three-fourths of subsidized three-person families had child care subsidy payments which exceeded over half of their income and 37 percent had subsidies that exceeded half of their income. Less than a fifth (17 percent) of the subsidized three-person families had income above 150 percent of poverty.

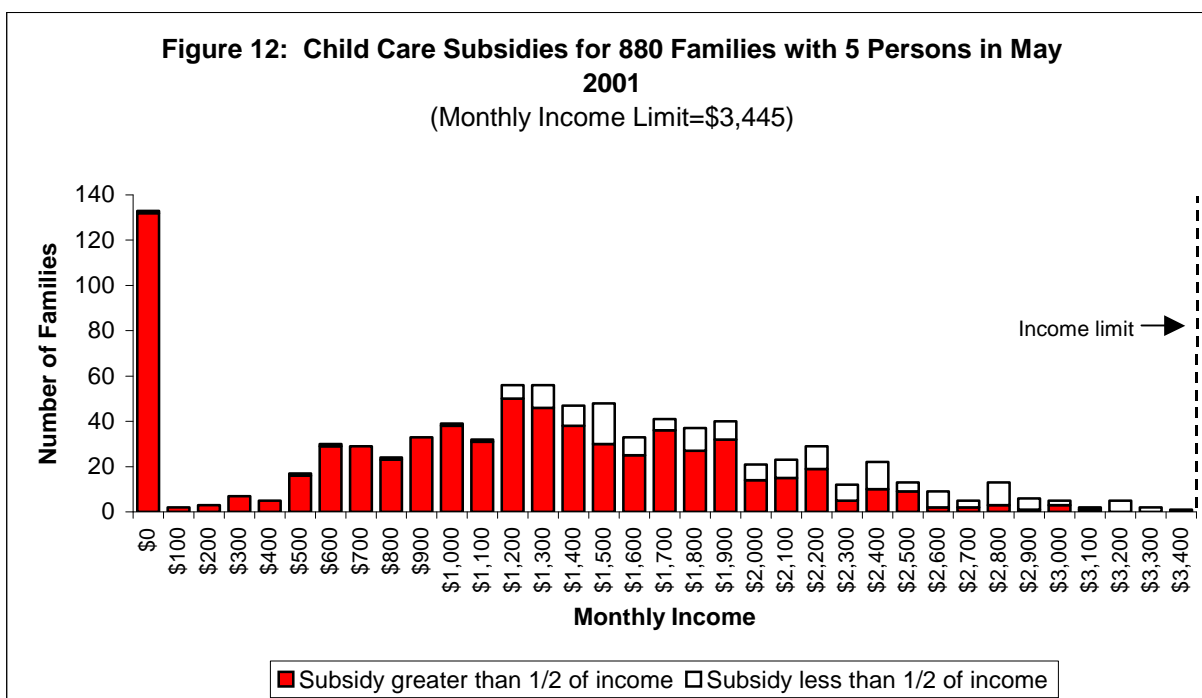
**Figure 10: Child Care Subsidies for 2,904 Families with 3 Persons in May 2001  
(Monthly Income Limit=\$2,438)**

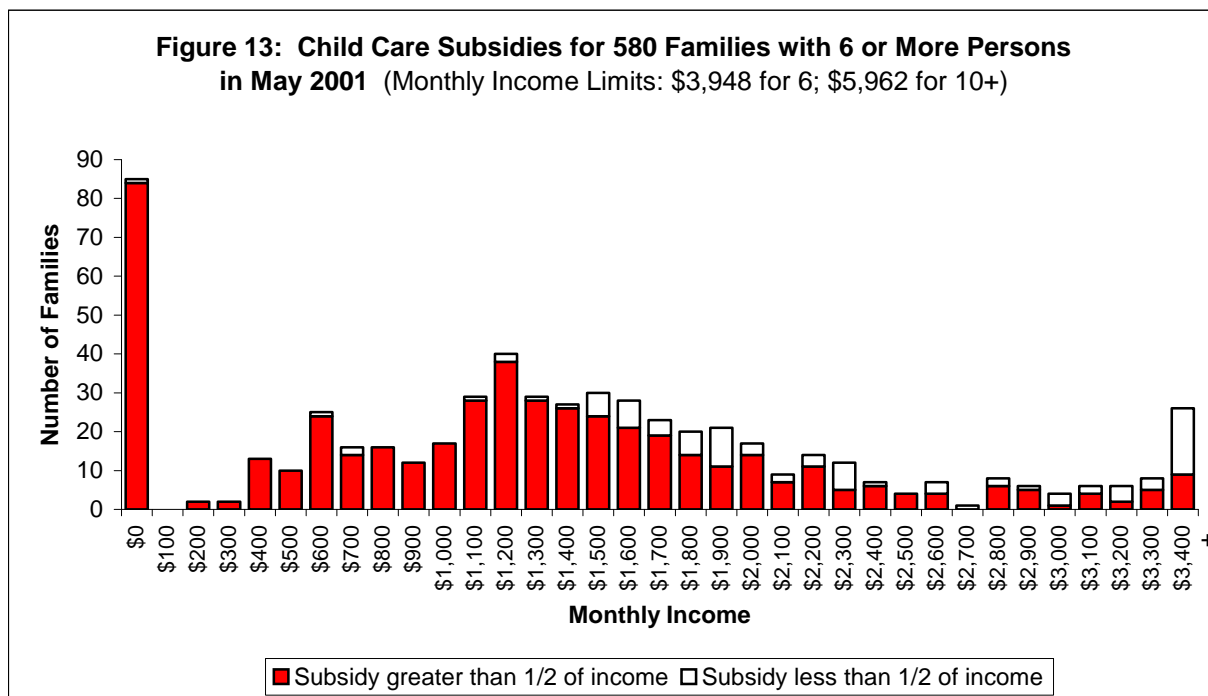


- Very few four-person families in the subsidy program had income above 150 percent of the poverty level, and over half received subsidies that exceeded their total income.



- As family size increased, single parents receiving child care subsidies were increasingly poor, dependent on welfare/food stamps, and most likely to have child care subsidies that exceeded their income.





### C. Limited Subsidies for Employed Families with Income Above 150 Percent of Poverty

Since the child care subsidy program was developed primarily to meet the work requirements of Wisconsin's "W-2" welfare program, the subsidy program looks and operates like a welfare program. This likely explains in large part the limited day care subsidies for families with income above 150 percent of poverty. Many working families are either not seeking out subsidized child care, are unwilling to pay the family co-payments for government-authorized vendors, are unwilling to switch to a subsidy-approved provider, or find access to subsidized child care a problem due to the processes they and their current provider are required to follow to receive subsidies.

- Two-parent families comprised only 2 percent of the families receiving child care subsidies in May 2001. Most two-parent families do not have both parents working full-time – and if they do, they usually have combined incomes which exceed the eligibility limits for the subsidy program.
- Less than 200 Milwaukee County two-parent families received child care subsidies. By contrast, 6,152 low-income married families with children received state and federal earned income tax credits in 2000.

Year 2000 state income tax data on single-parent families claiming the earned income tax credit were compared to the number of families using the child care subsidies. For this analysis, families with income at or above \$15,000 were considered working full-time and therefore



eligible for the child care subsidies. Take-up rates for the earned income tax credit were much higher than numbers of families seeking and receiving child care subsidies.

When single-parent families receiving child care subsidies with income at or above \$15,000 were compared to single-parent working families filing state tax returns with income at that level (and below 200 percent of poverty), the child care subsidized numbers made up 9 percent of the number of single-parent tax filers with one dependent, 20 percent of the number of single-parent filers with 2 dependents, and 44 percent of the number of single-parent filers with 3 or more dependents. Absent data on the age of dependents, it is difficult to estimate what levels of participation in the child care subsidy program could be expected if all eligible families were enrolled. It appears that a number of income-eligible single-parents in Milwaukee County are not in the child care subsidy program.

**Table 8: One-Parent Families with at Least \$15,000 Income and Less than 200% of Poverty**

<b>Milwaukee County Families</b>	<b>Total</b>	<b>Size of Family:</b>		
		<b>1 child</b>	<b>2 children</b>	<b>3 or more children</b>
Single-Parent Income Tax Filers	21,130	7,567	8,124	5,439
Families in day care subsidy program	4,670	676	1,588	2,406
	22%	9%	20%	44%

Source: Wisconsin Department of Revenue income tax returns for 2000 and number of dependents claimed by single tax filers; Milwaukee County child care subsidy payments for November 2000.

Data from the 1997 and 1999 National Survey of America's Families indicate that much of the Milwaukee County preschool population in families with income levels at 150 percent of the poverty level or below and eligible for the Wisconsin subsidy program may be receiving support or using relatives for care. The survey found that a majority of Milwaukee County mothers of preschool children did not work full-time and almost none of the low-income two-parent families had both parents employed at the required levels for day care subsidies.<sup>8</sup>

## VII. Day Care and Employment in the Urban Context

The operation of child care subsidy programs in urban areas have place-based implications, particularly given differences in metropolitan labor markets, availability of day care and high concentrations of families in or near poverty. The Milwaukee County experience was used to identify emerging day care transportation issues of concern to urban policy makers.

### A. Milwaukee Costs Higher Than in the Rest of Wisconsin

When child care rates in Milwaukee County are compared to rates in other areas of the state, increases in the county are higher than in rural areas and other urban counties. This is most striking for the 2-12 year old population where maximum rates were fairly comparable throughout the state in 1995: \$105 maximum allowable weekly rate in Milwaukee County, \$96.50 allowable weekly rate (median) in other urban counties, and \$83 allowable weekly rate (median) in non-urban counties. By 2002, Milwaukee County rates had increased at a much higher percent (73 percent) than the other Wisconsin urban counties (56 percent) or rural counties (39 percent).<sup>9</sup>

**Table 9: Maximum Payment Rates for Full-Time Licensed Care in the State of Wisconsin**

Maximum Payment Rates for Licensed Centers*	Milwaukee County	Other Urban Counties (median)	Non-Urban Counties (median)
Group centers for children under 2 yr.			
1995	\$142	\$126	\$90
2002	\$210	\$173	\$130
% Increase	+48%	+37%	+44%
Family centers for children under 2 yr.			
1995	\$122	\$101.50	\$90
2002	\$190	\$147.50	\$125
% Increase	+56%	+45%	+39%
Group centers for children 2-12 yr.			
1995 (ages 2-5)	\$105	\$96.50	\$83
2002 (ages 2-12)	\$182	\$151	\$115
% Increase	+73%	+56%	+39%
Family centers for children 2-12 yr.			
1995 (ages 2-5)	\$105	\$90	\$80
2002 (ages 2-12)	\$175	\$136	\$115
% Increase	+67%	+51%	+44%

\*Maximum rates and percent increases do not include the 10 percent bonus payment for accredited centers.

When analyzed by neighborhood, licensed day care providers in the poorer neighborhoods of Milwaukee now report the highest market rates in the local market surveys, in sharp contrast to providers from the working class neighborhoods on the city's southside, where lower rates are reported. A majority (58 percent) of slots with licensed group providers in the poorer central city neighborhoods reported private rates at or above the maximum allowable community rate (MCR) for children ages 2-12. By contrast, in the southside areas outside the poorer neighborhoods, only 12 percent of subsidized slots were with providers with private rates at or above the MCR.<sup>10</sup>

## **B. Spatial and Skill Mismatches in the Labor Market**

One-parent working mothers with young children face difficult challenges managing employment, child care, and transportation logistics. In the Milwaukee metropolitan labor market this most often requires transportation to outlying areas where the most entry-level jobs are located.

- Welfare recipients are concentrated in central city Milwaukee neighborhoods, which offer few opportunities for entry-level employment. Local job vacancy surveys have consistently shown that few full-time or part-time openings exist in the central city Milwaukee neighborhoods where 75 percent of the families using TANF/CCDF child care subsidies reside. As of October 2001, the ratio of job seekers to full-time job openings in these neighborhoods was nearly 11 to 1.<sup>11</sup>
- Additionally, over three-fourths of employment opportunities in the Milwaukee area require some training, postsecondary education or prior work experience, thus limiting most of the eligible child care population families to entry-level jobs.
- Almost half (49 percent) of the **entry-level** full-time job openings for the Milwaukee area were located in the three outlying counties (Waukesha, Ozaukee and Washington) where there is little public transportation and another 21 percent were in the suburbs of Milwaukee County (21 percent) where bus transportation takes a considerable time.
- On the positive side, despite a recent economic downturn, wages for entry-level jobs continue to increase. Job openings for entry-level work averaged \$8.08 for full-time jobs and \$7.37 for part-time jobs in October 2001.

## **C. The Importance of Having a Car and Driver's License**

The realities of labor market conditions in the metropolitan area require most central city job seekers to travel outside their neighborhoods for employment. The current infusion of federal transportation funding under TANF has focused primarily on van pooling and busing rather than automobile ownership in addressing transportation barriers to employment for single parents with young children. Little attention has been placed on the value of having an automobile to access both employment and child care.

- Public transit services in the metropolitan area are limited mainly to arterials in Milwaukee County, which in many cases are a considerable distance from industrial parks. Even when located on a bus line, jobs in remote areas of the county may require several transfers and considerable travel time.
- According to the U.S. Census, most Milwaukee area workers rely heavily on cars to get to work. In 1990 less than 1 percent of workers living in outlying counties used the bus and only 3-4 percent of Milwaukee County suburbanites used the bus, while

23 percent of central city workers used public transportation. (Another 12 percent of central city workers walked to work, while 62 reached their jobs by car.)

- Access to a car appeared to be an important asset for sustained employment. Among single-parent women with preschool children in Milwaukee County, the Census showed 42 percent of those with a car as employed full-time while only 12 percent of those with no car were employed full-time.
- Additionally, many of the entry-level jobs obtained by the welfare population in Milwaukee County were with temp agencies, eating/drinking establishments, nursing homes, and department stores – where changing shifts and night work further complicate transportation to work for those dependent on mass transit.<sup>12</sup>

Along with lack of a car, surveyed residents of Milwaukee central city neighborhoods consistently identify lack of a valid driver's license as a primary barrier to employment.

- Many central city Milwaukee drivers who have no record of serious traffic offenses have lost their driving privileges for failure to pay fines and forfeitures. In Milwaukee County almost as many mothers on public assistance had suspended or revoked driver's licenses (22 percent), mostly for failure to pay fines and forfeitures, as had valid licenses (25 percent).<sup>13</sup>
- Those employed mothers who successfully manage the daycare-to-work-to-daycare-to home routine and are working full-time have usually completed high school or have a driver's license. Eighty-seven percent of those receiving a TANF/CCDF child care subsidy and having income greater or equal to \$1,500 a month (the equivalent of full-time employment at prevailing entry-level wages in the Milwaukee area) have either a high school diploma (79 percent) or a valid driver's license (52 percent), or both (44 percent).
- By contrast, only 1 of 5 unemployed single parents receiving W-2/TANF cash grants has a valid driver's license.

#### **D. Unique Wisconsin Child Care Transportation Services**

The complexity of the child care/employment equation has generated a layer of publicly-supported transportation services in Milwaukee County, which offer mothers door-to-door delivery services for their children.

- Early on, agencies administering the "Wisconsin Works" grant and services programs recognized the transportation problems faced by mothers with young children when required to work. The "W-2" agencies in Milwaukee County pooled their funds to create a transportation service that currently transports almost 10 percent of the subsidized day care population of children to and from the mother's home -- and to and from the child care providers and school where necessary.

- Day care providers have also recognized the spatial problem and have responded with similar door-to-door delivery services financed as part of their subsidized child care rate or at additional costs. Day care vendors in Milwaukee County increasingly offer pick-up and delivery as part of the cost of providing care. In the City of Milwaukee, 54 percent of licensed family providers and 30 percent of licensed group providers now offer pick-up and delivery transportation services for subsidized children.

This array of transportation services has resulted in a wider range of day care location choices but ones in which most children do not attend a child care center near their home. In addition to delivery services by subsidized providers, mothers may also choose to drop their children at centers on the way to work or near their place of employment.

- Three-fourths of central city children receive day care in central city neighborhoods, rather than in suburban, exurban or other city neighborhoods.
- Most child care settings for subsidized care are not within walking distance of the mother's home. In 69 percent of cases, the choice or assignment of a care location is outside the child's residential zipcode.
- Despite an expansion of child care capacity in the central city neighborhoods, most central city day care vendors (78 percent) are drawing their subsidized clients from the central city but from outside the zipcode of their business.

## **VIII. Conclusion**

Milwaukee provides a valuable case study of the government child care subsidies required for large-scale welfare reform in a metropolitan setting, particularly given the ongoing national debate on child care policies needed to advance welfare reform. Most of the welfare goals of the Wisconsin child care subsidy program were achieved. Licensed day care capacity was successfully expanded to accommodate welfare mothers, including those with infants and with larger families, who have been engaged at high rates in employment and work-related activities. Waiting lists for child care subsidies were eliminated, the capacity of day care group centers increased in the neighborhoods with greatest need, and the majority of children received care in state licensed group and family centers.

As Wisconsin and the nation move into the second stage of welfare reform, concerns have emerged in Milwaukee, which may signal problems for other urban areas. The large infusion of federal and state day care monies necessary for high engagement levels has stimulated expansion of licensed child care facilities and also costs. The increasing number of families receiving subsidies and the rising subsidy costs per family in Milwaukee County will require larger levels of funding to meet current and future demand. Without more federal funds, the state appears unlikely to substantially increase appropriations for child care and policy makers are instead considering reinstatement of waiting lists for the non-welfare population seeking subsidies. The state may also consider policies to control costs, including capping vendor payments, enforcing the collection of family co-payments, and encouraging more use of lower-cost relative and part-time paid care. Without additional child care funding or cost control measures, prospects appear limited for continued state child care support for the non-welfare “working poor” or for the currently subsidized welfare-to-work mothers to successfully transition to economic self-sufficiency.

## Research Methodology

This report analyzed the operation of the state's subsidized child care program in Milwaukee County, utilizing welfare administrative files, historical records of day care subsidy payments to providers, state reports on licensed child care providers, county records on certified child care providers, and summaries of private market rate surveys of providers. Institutional records on child care expenditures and welfare income maintenance files were used to construct a longitudinal database of families, children and provider child care usage patterns, which also merged the welfare status since 1995 and demographic characteristics of families. State child care licensing data bases were used to track day care capacity by neighborhood and type of licensed vendor along with participation in the subsidy program. The food stamp database was analyzed for single parents who were the only eligible adult in their case in order to compare changes in engagement in work and welfare-required activities and child care subsidy usage in December 1995, prior to TANF implementation, and in June 2001.

To explore operation of the child care subsidy program in the larger urban context, data from state Department of Revenue special runs on income tax filers were used to estimate the working poor population of one-parent and two-parent families in Milwaukee County. Wisconsin Department of Transportation driver's license files were also merged to assess current driver's license status. The University of Wisconsin-Milwaukee Employment and Training Institute regularly conducts job vacancy surveys in the Milwaukee metropolitan area, which detail the zipcode locations of jobs, level of education required, wages and full-time or part-time job status of openings. Analysis of these survey data then incorporates data on the unemployed and public assistance population to assess spatial and skill mismatches for central city neighborhoods where most of the low-income population is concentrated.

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<sup>1</sup> See Paul Leonard and Maureen Kennedy, "What Cities Need from Welfare Reform Reauthorization" (The Brookings Institution, 2001), available at [www.brook.edu/es/urban/publications/leondencieswelfareexsum.htm](http://www.brook.edu/es/urban/publications/leondencieswelfareexsum.htm).

<sup>2</sup> The FY 2002-03 appropriations include \$305.5 million for direct child care payments to providers and \$32.7 million for costs of administration and programs to improve the quality and availability of child care. See Wisconsin Legislative Fiscal Bureau, "Joint Committee on Finance Paper #1045 Direct Child Care Program (DWD – Economic Support and Child Care)," May 21, 2001; Victoria Carreón and Yvonne M. Arsenault, **Wisconsin Works (W-2) and Other Economic Support Programs** (Wisconsin Legislative Fiscal Bureau, January 2001); State of Wisconsin Legislative Audit Bureau, **An Evaluation of Wisconsin Shares Child Care Subsidy Program, Department of Workforce Development** (January 2001).

<sup>3</sup> "Wisconsin Shares Child Care Expenditures by Quarter, 4<sup>th</sup> Quarter 1997 through 2<sup>nd</sup> Quarter 2002" (Wisconsin Department of Workforce Development) at [www.dwd.state.wi.us/dws/programs/childcare/wishares/cceq.htm](http://www.dwd.state.wi.us/dws/programs/childcare/wishares/cceq.htm).

<sup>4</sup> For example, child care policies and funding under TANF and the CCDF has been described as a possible "twofer" package, simultaneously addressing the goals of welfare reform (i.e., moving parents from welfare to work) and promoting child well-being and development (by financing care of children in higher quality day care centers). "Comment" by Kristin Anderson Moore, Martha Zalow, Sharon McGroder, and Kathryn Trout in Rebecca M. Blanks and Ron Haskin (eds.), **The New World of Welfare** (Washington, D.C.: Brookings Institution Press, 2001), pp. 476-481.

<sup>5</sup> See John Pawasarat and Lois M. Quinn, **Impact of Welfare Reform on Child Care Subsidies in Milwaukee County: 1996-1999** (University of Wisconsin-Milwaukee Employment and Training Institute, 1999). After this report was issued the state changed the co-payment schedule for part-time care so that parents pay only half of the amount calculated under the 12 percent of income rule.

<sup>6</sup> The Thompson Administration projected that for children under age 2, 40 percent of the lowest income range families (with income below 75 percent of poverty) would chose licensed group care and fewer (30 percent) would use relatives, given that these families were bearing less of their total costs of child care. But, as the family income increased to 150-200 percent of poverty (where family co-payments would be substantially higher), the Administration expected usage of the more expensive group care to decrease to 22 percent of children in care and reliance on relative care to increase to 39 percent of children in care. Wisconsin Legislative Fiscal Bureau, **Assembly Substitute Amendment 2 to Assembly Bill 591: Summary of Wisconsin Works Proposal** (December 22, 1995), 68-70.

<sup>7</sup> Under AFDC families could deduct actual child care expenses of up to \$200 a month for each child under age 2 and up to \$175 for each child aged 2 and over. This system had several administrative advantages. The family paid

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the provider directly, eliminating the cumbersome payment system and the regulatory function for the county; employment and provider payments were regularly monitored; and the flexibility of provider choice matched the part-time nature of most employment, where 90 percent of employed AFDC single parents earned under \$1,000 a month. The disadvantages included the low level of financial support, the need for the family to pay child care costs prior to reimbursement and the lack of government regulation of providers chosen. For usage rates see John Pawasarat and Lois M. Quinn, **Removing Barriers to Employment: The Child Care-Jobs Equation** (University of Wisconsin-Milwaukee Employment and Training Institute, May 1998).

<sup>8</sup> According to the National Survey of America's Families, of 5,500 preschoolers in Milwaukee County families with a mother employed full-time (40 hours a week or more) and income below 150 percent of poverty, 2,500 received a child care subsidy, 1,600 were in unsubsidized care with relatives, and the rest were in a combination of unsubsidized care settings. Another 3,500 low-income children had employed mothers working 20-39 hours a week, of which about 1,000 were in subsidized care (mostly in group centers), 1,200 had unsubsidized care (mostly with relatives), and 1,200 were not in a care setting. John Pawasarat, **Findings from the National Survey of America's Families: Milwaukee County Results for Families with Preschool Children, 1997 and 1999** (University of Wisconsin-Milwaukee Employment and Training Institute, May 2002), online at [www.uwm.edu/Dept/ETI/daycare/nsafmilw.htm](http://www.uwm.edu/Dept/ETI/daycare/nsafmilw.htm).

<sup>9</sup> Only Dane County has higher allowable rates for some categories of care.

<sup>10</sup> John Pawasarat and Lois M. Quinn, **Increasing Child Care Rates and the Rate Setting Process Under the Wisconsin Shares Program** (University of Wisconsin-Milwaukee Employment and Training Institute, 2002), online at [www.uwm.edu/Dept/ETI/daycare/rates.htm](http://www.uwm.edu/Dept/ETI/daycare/rates.htm).

<sup>11</sup> John Pawasarat and Lois M. Quinn, **Private Industry Council of Milwaukee County Survey of Job Openings in the Milwaukee Metropolitan Area: Week of October 15, 2001** (University of Wisconsin-Milwaukee Employment and Training Institute, 2001), summary at [www.uwm.edu/Dept/ETI/openings/jobs2001.htm](http://www.uwm.edu/Dept/ETI/openings/jobs2001.htm).

<sup>12</sup> John Pawasarat, **The Employer Perspective: Jobs Held by the Milwaukee County AFDC Single Parent Population (January 1996-March 1997)** (University of Wisconsin-Milwaukee Employment and Training Institute, 1997), summary at [www.uwm.edu/Dept/ETI/employer.htm](http://www.uwm.edu/Dept/ETI/employer.htm).

<sup>13</sup> John Pawasarat and Frank Stetzer, **Removing Transportation Barriers to Employment: Assessing Driver's License and Vehicle Ownership Patterns of Low-Income Populations** (University of Wisconsin-Milwaukee Employment and Training Institute, July 1998), summary at [www.uwm.edu/Dept/ETI/dot.htm](http://www.uwm.edu/Dept/ETI/dot.htm).