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Longitudinal Analysis of the Milwaukee County Child Care Subsidy Program: 1996-2001

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Longitudinal Analysis of the Milwaukee County Child Care Subsidy Program, 1996-2001

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

Milwaukee County requested that the University of Wisconsin-Milwaukee Employment and Training Institute for administrative purposes report on patterns of use for families participating in child care subsidy programs to assist the county in its long-term efforts to build an effective child care delivery system for employed families. Expenditures and participation levels are detailed by a variety of demographic characteristics including age and number of children, income levels, transportation status, type of care, length of time during which subsidized care was provided, and public assistance participation status.

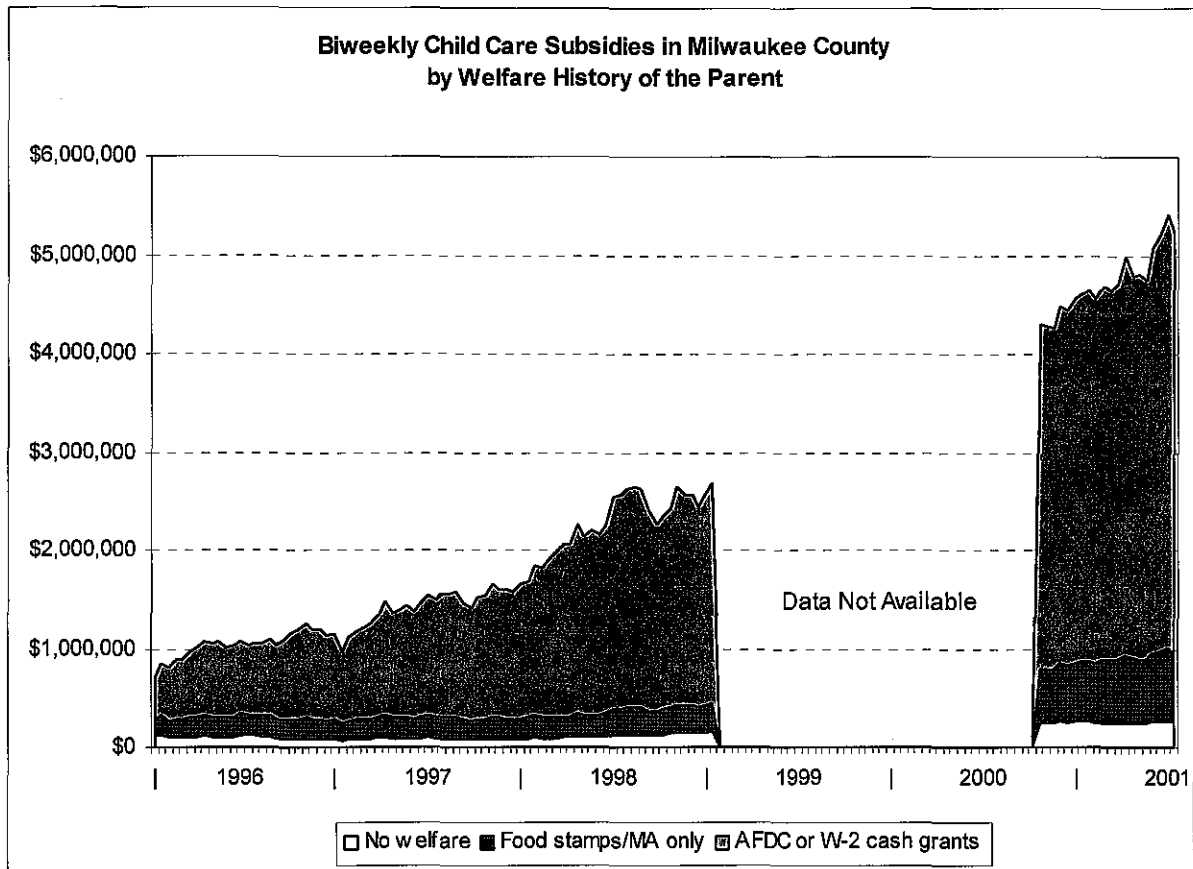
I. Methodology

Existing administrative records from the CARES system were merged with child care transactions for selected months during Calendar Years 1999, 2000 and 2001 to detail family demographics, public assistance status, type of care, payment status, participation over time, and costs per child and family. In addition, the driver's license status of parents was analyzed using Wisconsin Department of Transportation records, and records were geocoded to examine the location of participants. Licensed child care data from the State of Wisconsin were also merged with extract data on providers.

II. Who Receives Child Care Subsidies

To examine the links between the former welfare system and the present child care subsidy program, biweekly payments for child care subsidies were analyzed along with historical income maintenance file records to track expenditures by the welfare status of parents. Records of parents receiving child care subsidies were matched with parent involvement in four welfare programs since December 1995: AFDC and W-2 cash grant programs, food stamps, and medical assistance.

- Biweekly child care subsidies for welfare cash grant recipients (former and current) increased from \$0.5 million at the beginning of 1996 to \$4.3 million by mid-2001.
- In the first half of 2001, 95 percent of child care subsidies went to the welfare population (receiving income support, food stamps or medical assistance).
- Subsidies for parents with no recent welfare history totaled about \$100,000 per two week period in 1996 and increased to only \$250,000 per two week period by mid-2001.
- More welfare families remain in the child care subsidy program. At the same time, most of the new entrants to the subsidy program (93 percent) are on or were previously on public assistance.

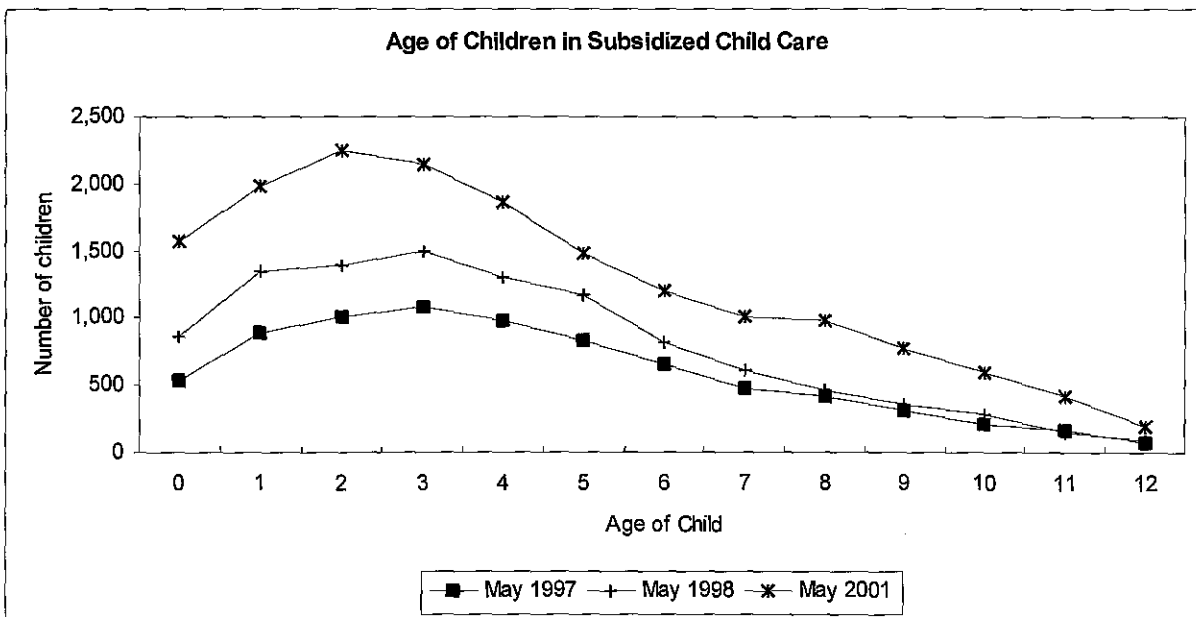


- Most of the families in the child care subsidy program were also in the welfare system. About a third (36 percent) of families receiving child care subsidies the week of May 20, 2001, were receiving welfare cash grants under the “W-2” program and over two-thirds (68 percent) were current cash grant or food stamp participants.

Milwaukee County Families Receiving Child Care Subsidies the Week of May 20, 2001

Families with Child Care Subsidy	Number of Persons in Family					
	2	3	4	5	6+	ALL
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
% of Subsidized Families Where:						
Parent received welfare cash 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 W-2.
- Expansion of the child care program has focused primarily on mothers with preschool children and/or large families. 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 has been increasingly dominated by younger children.



In Wisconsin families with income up to 185 percent of the federal poverty level for their family size are eligible to receive child care subsidies. Once in the program, families can continue to receive subsidies until their income passes 200 percent of poverty. Family income does not include cash welfare payments or food stamps.

- The population on welfare with no earned income made up 17 percent of families with a child care subsidy, and over half of the subsidized families had income below 100 percent of poverty.
- The distribution of family income of the May 2001 subsidized population showed that very few families were approaching the 200 percent cut-off or even 150 percent of poverty.
- Few large families in the subsidy program were even at 100 percent of poverty. As former and current welfare recipients they appear least likely to be able to earn an hourly wage approaching the program income limits, and as a result are most likely to be long-term welfare and child care subsidy recipients.
- Most single-parent mothers, and particularly those with larger families, appear unlikely to generate wages to move out of the child care subsidy program as income limits (at 200 percent of poverty) require full-time wages of \$11 per hour for a two-person family, \$14 per hour for a three-person family, and \$20 per hour for a four-person family. Entry-level full-time wages for W-2 participants are typically \$8 an hour.

Wisconsin Income Limits in 2001 for the Child Care Subsidy Program

	Number of Persons in Family				
	2	3	4	5	6+
Monthly income limit for initial eligibility for program (185% of poverty)	\$1,790	\$2,255	\$2,721	\$3,187	\$3,652 - \$5,515
Hourly pay required to reach 185% of poverty (for a 40 hour work week)	\$10/hr	\$13/hr	\$16/hr	\$18/hr	\$21-\$32/hr
Monthly income limit for ongoing eligibility in program (200% of poverty)	\$1,935	\$2,438	\$2,942	\$3,445	\$3,948 - \$5,962
Hourly pay required to reach 200% of poverty (for a 40 hour work week)	\$11/hr	\$14/hr	\$17/hr	\$20/hr	\$23 - \$34/hr

- If subsidized single parents were to continue child care at the cost levels typically supported by the government subsidies, four-person families would need to contribute \$7.69 an hour of a 40-hour-a-week wage to equal the current government subsidies. Five-person families, where government day care subsidies average \$1,602 a month, would need to contribute \$9.24 a hour of a 40-hour-a-week wage to equal the current government subsidies.
- Only in the cases 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 wage). Even here, many parents would likely seek out lower cost child care options with relatives or non-certified families.

Government Child Care Subsidies, Calculated as Costs per Hour for a 40-Hour-Work Week
(Average Subsidy Costs the Week of May 20, 2001)

Families with Child Care Subsidy	Number of Persons in Family					
	2	3	4	5	6+	ALL
Average monthly family subsidy	\$595	\$994	\$1,333	\$1,602	\$1,922	\$1,071
Average govt. subsidy, calculated as cost per hour based on a 40-hour-work-week	\$3.43 /hour	\$5.74 /hour	\$7.69 /hour	\$9.24 /hour	\$11.09 /hour	\$6.18 /hour

Child Care Subsidy Costs vs. Family Earnings

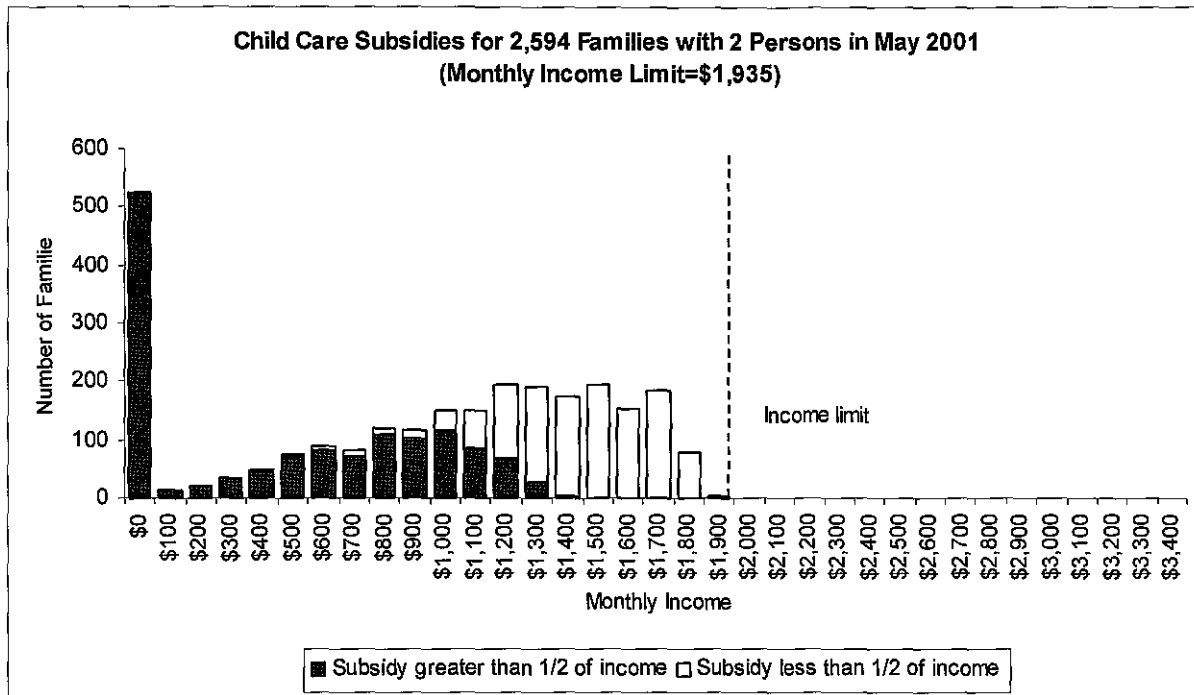
Child care subsidy payments were compared to family income for each Milwaukee County family in the subsidy program to gauge the extent to which subsidized families appeared likely to move into self-sufficiency where they would pay for their own child care expenses.

- 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.

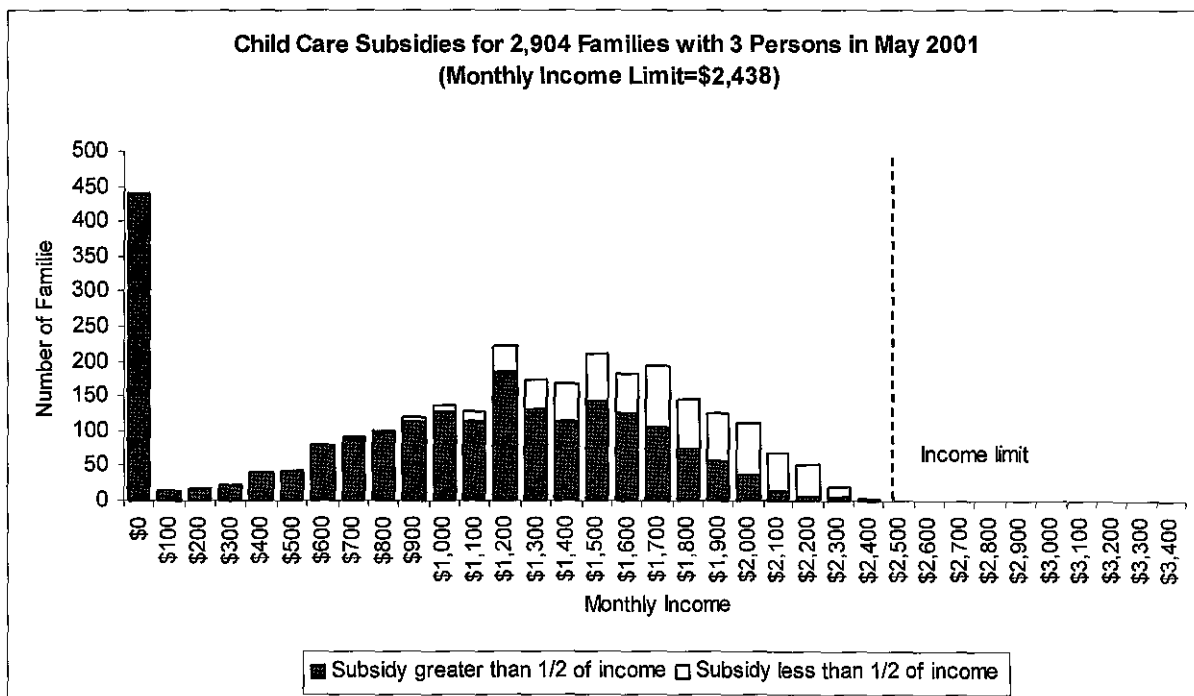
Government Child Care Subsidies Compared to Family Income, May 2001

% 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%

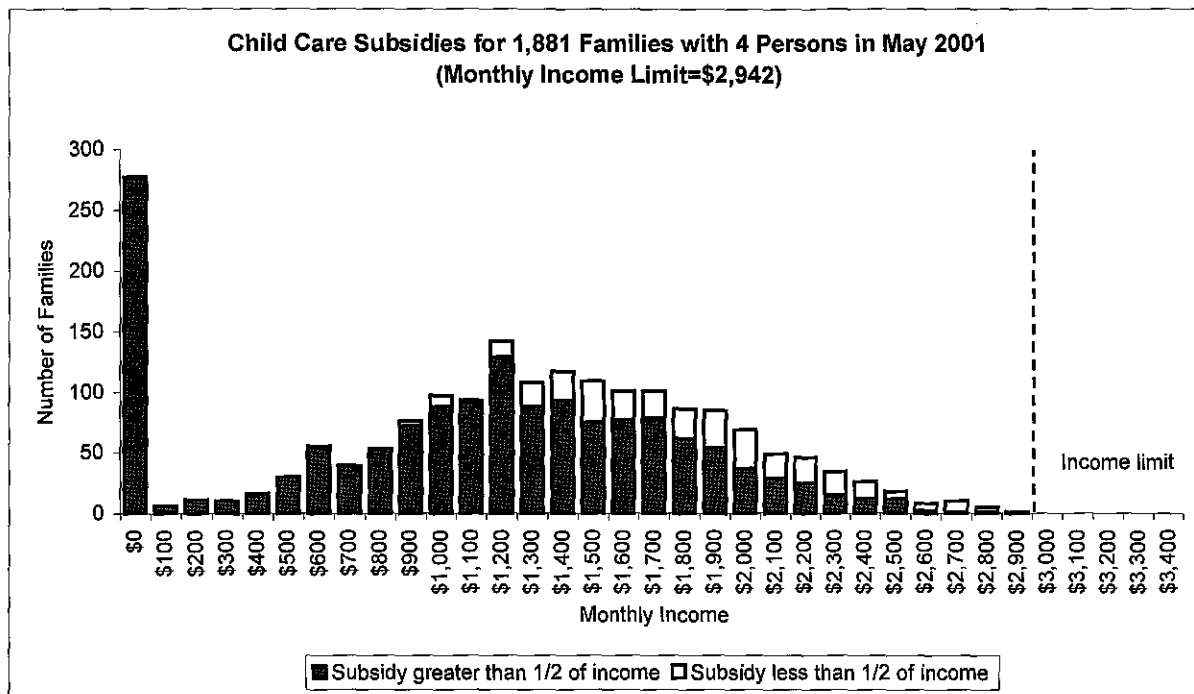
- Even small families showed a substantial number of cases where the child care subsidy was greater than the family income. A majority (53 percent) of single parents with only one child had subsidies exceeding half of their income and 29 percent had subsidies exceeding their total income.



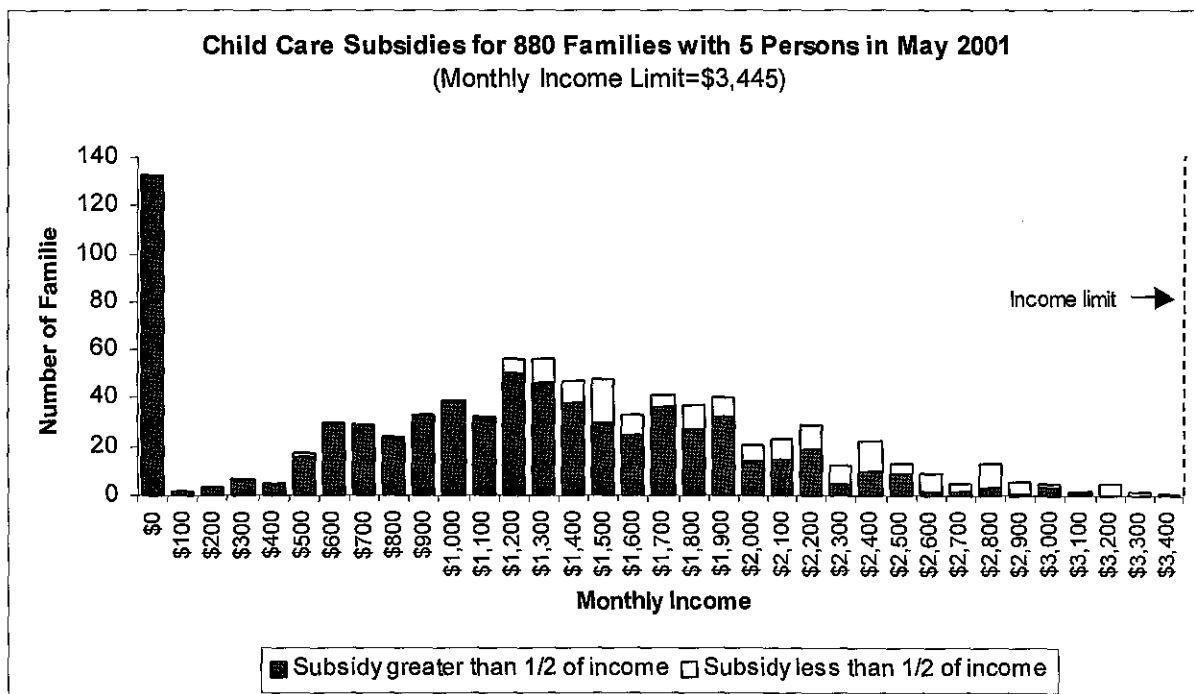
- Three-fourths of subsidized three-person families had child care subsidy payments which exceeded over half of their income and 37 percent had subsidies that exceeded half of their income. Less than a fifth (17 percent) of the subsidized three-person families had income above 150 percent of poverty.

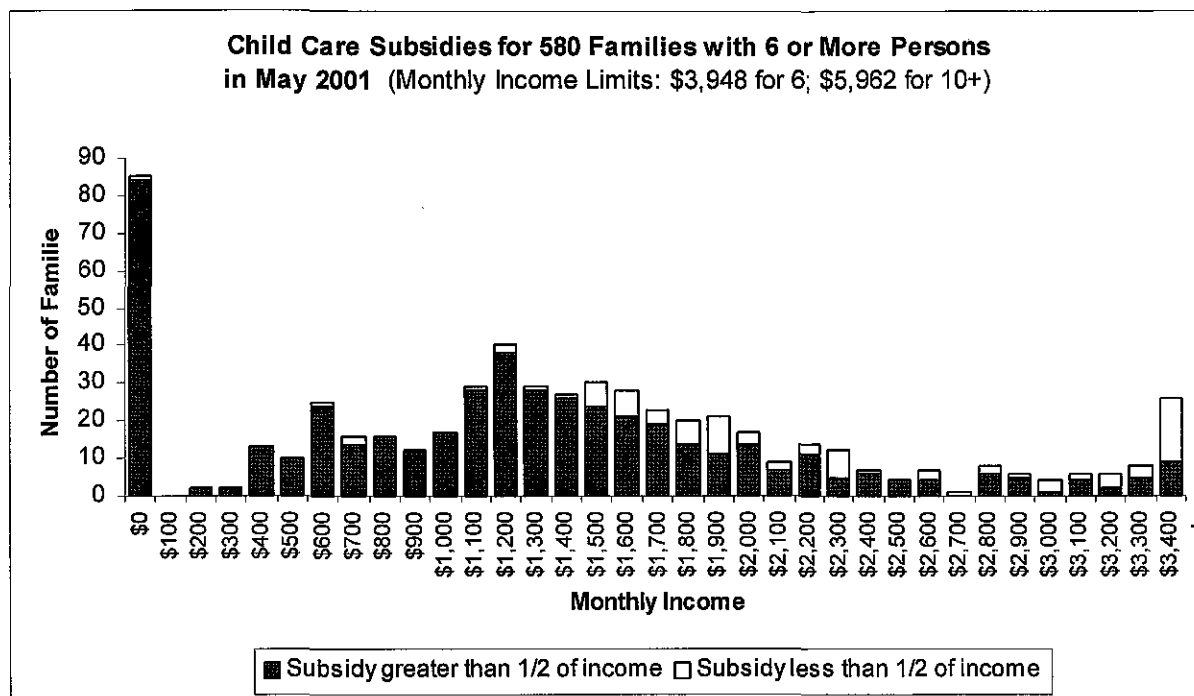


- Very few four-person families in the subsidy program had income above 150 percent of the poverty level, and over half received subsidies that exceeded their total income.



- 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 which exceeded their income.





III. Transportation Issues: 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.

Spatial and Skill Mismatches in the Labor Market

One-parent working mothers with young children may 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. Milwaukee area 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 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 1.¹

¹ 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.

- 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.

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.

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).
- 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 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 cash grants has a valid driver's license.

IV. 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 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 welfare work programs and the extent to which welfare 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.

The 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) 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

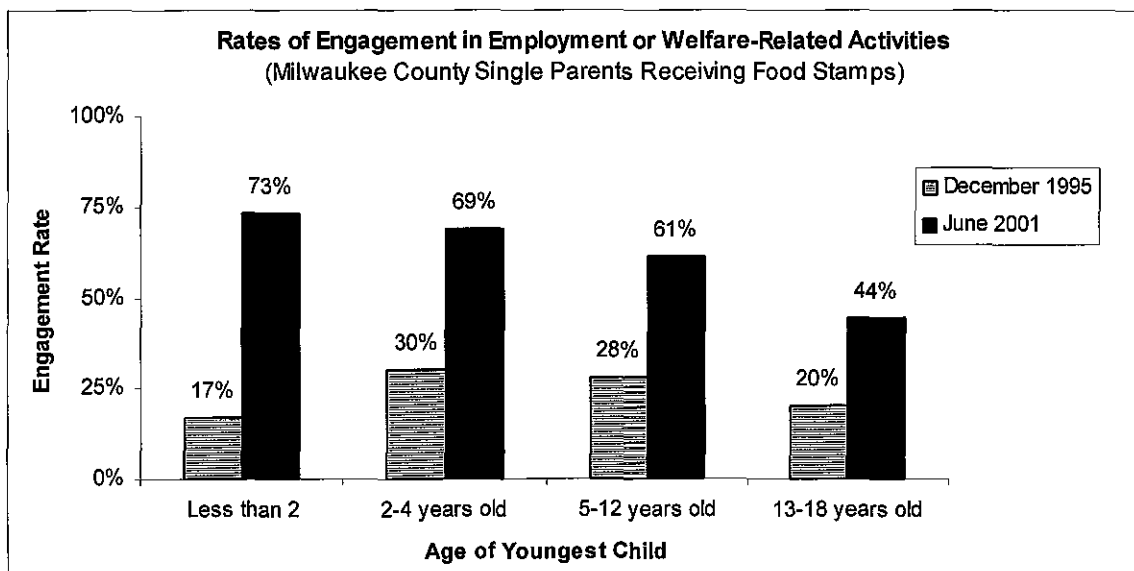
subsidy costs highest for families with infants and toddlers (averaging \$722 a month per family) and for the largest families with four or more children (averaging \$914 per family).

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. 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.

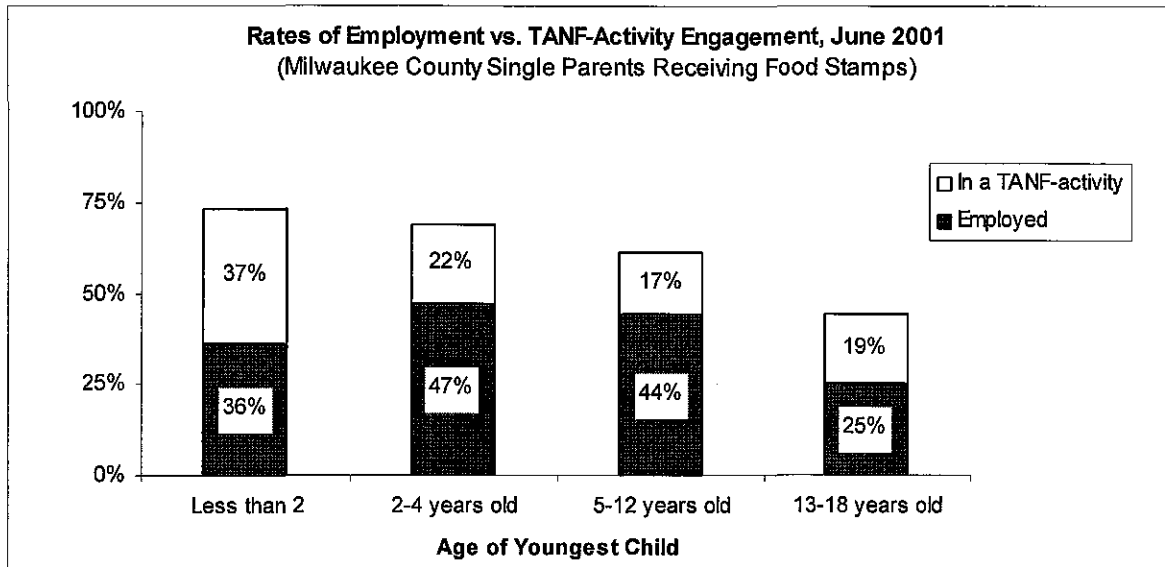
Expansion of Child Care Subsidies under W-2/TANF Policies

The costs of requiring increasing numbers of welfare recipients to be engaged in work or employment-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.

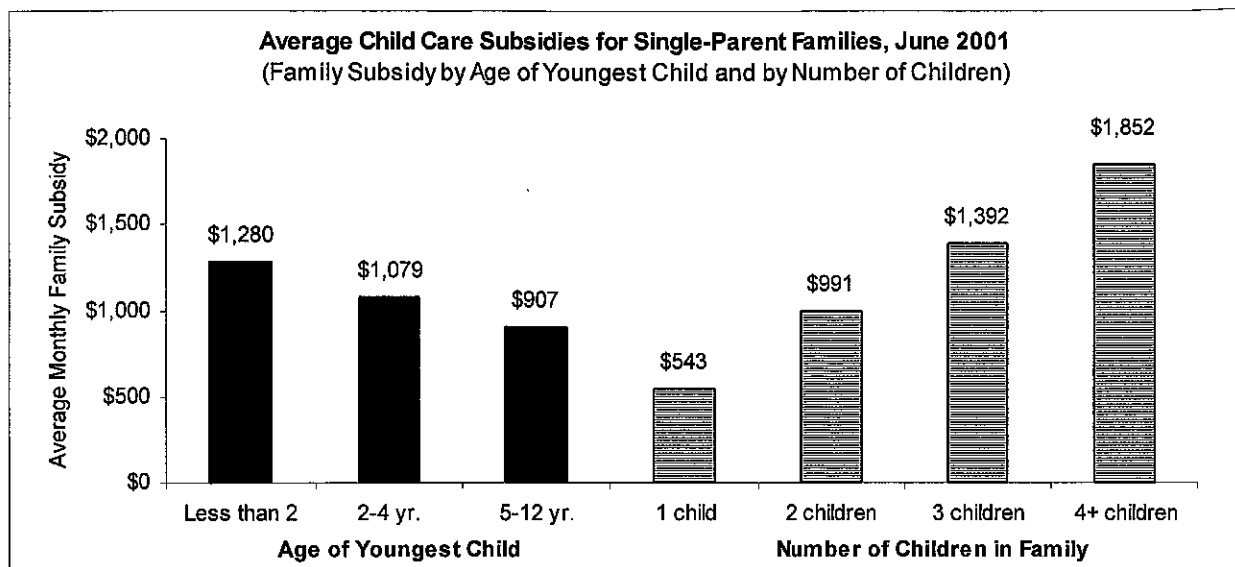
- By June 2001, 65 percent of the single-parent population were engaged in employment or W-2 activities. Fully, 73 percent of single parents with children under age 2 were engaged, as were 69 percent of single parents whose youngest children were ages 2-4, 61 percent of parents whose youngest children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

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

Number of Children	No. of Families	No. with subsidies	% with Subsidies	Average Subsidy	% Engaged	% Employed
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%
TOTAL	30,358	1,970	6%	\$629	25%	20%
Age of Youngest Child						
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%
TOTAL	30,358	1,970	6%	\$629	25%	20%

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

Number of Children	No. of Families	No. with subsidies	% with Subsidies	Average Subsidy	% Engaged	% Employed
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%
TOTAL	18,678	5,644	30%	\$1,126	65%	40%
Age of Youngest Child						
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%
TOTAL	18,678	5,644	30%	\$1,126	65%	40%

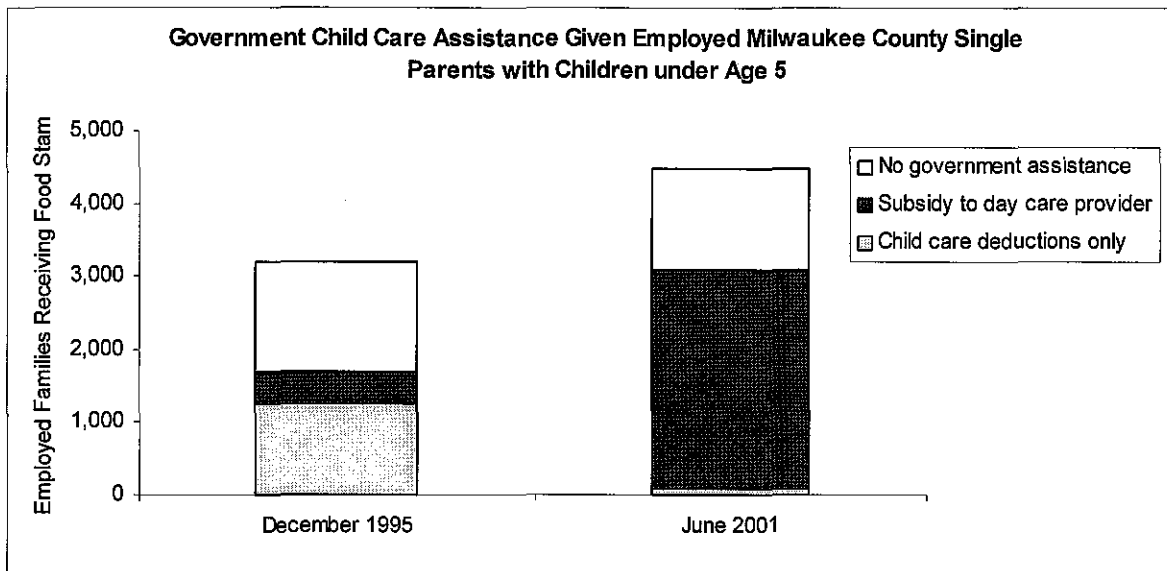
Child Care Subsidy Usage Rates for Families with Preschool Children

Under the current operation of the child subsidy program in Milwaukee County, those mothers with children under age 5 were the most likely to receive child care subsidies either as employed mothers or welfare program participants. Given the level of operation in the child care subsidy program, it appears that most children whose mothers are engaged in employment or "W-2" receive child care support if they so choose.

- Single parents with preschoolers and in a W-2 program activity requirement (rather than in employment) had a 43 percent child care subsidy use rate. Unsubsidized single mothers with preschoolers may choose to use other day care arrangements, or in the case of the W-2 program may not participate fully in required activities.
- The number of employed single parents with preschool children rose from 3,190 to 4,472, with most of the increases for mothers with children under age 2. Mothers with

preschoolers and in employment earning \$750 a month or more had a child care subsidy use rate of 73 percent while those employed less than \$750 a month had a 43 percent child care subsidy use rate for families with preschoolers.

- Few families used the child care deduction for food stamps, which allows some limited compensation for informal child care arrangements or for family co-payments made under subsidized care. As of June 2001, 69 percent of employed parents with preschool children received child care assistance, and nearly all (97 percent) received direct child care subsidies.



- The number of employed families receiving direct child care subsidies to providers rose from 453 in December 1995 to 3,003 in June 2001, while the number of families taking the food stamps child care deduction dropped.

**Usage of Child Care by Single-Parent One-Adult Employed Families Receiving Food Stamps
(with Children under Age 5)**

	Month of <u>December 1995</u>	Month of <u>June 2001</u>
Total families with children under 5	18,590	10,851
Families with earnings	3,190	4,472
Average monthly earnings	\$624	\$1,062
Avg. income (incl. earnings, food stamps, AFDC/W-2 grants)	\$1,117	\$1,363
Families receiving direct child care subsidies to provider	453	3,003
Families taking child care deductions (on food stamps/AFDC)	1,469	795
Unduplicated count of families receiving child care support	1,702	3,096
Sum of direct child care subsidies	\$274,970	\$3.7 million
Average monthly (4.3 weeks) subsidy per family	\$607	\$1,242