

Wisconsin Budget Project

The Child Care Development Block Grant: Will Wisconsin Use Its Share of Federal Funding?

Time is running short on Wisconsin's opportunity to utilize its allocation of federal child care funds. About \$21 million from the Child Care Development Block Grant (CCDBG) will lapse to the federal treasury if it is not spent or obligated by September 30, 2000.

A plan to use that \$21 million, plus an additional \$27 million in other CCDBG funds, was developed by the Department of Workforce Development (DWD) and submitted on June 15, 2000, to the legislature's Joint Finance Committee. Highlights of the proposal include:

- \$2.5 million for a new scholarship and training program to help attract and retain qualified child care providers;
- \$16.3 million for higher-than-anticipated growth in the cost of the direct child care subsidy program; and
- a plan to allow local governments to use their own child care and early education expenditures to capture the remaining \$26 million of federal matching funds.

This paper summarizes the DWD proposal and the procedure for approving it, and it discusses some of the advantages and drawbacks of the plan, as well as the hurdles that remain for Wisconsin to succeed in utilizing its share of the federal child care funds.

I. The Child Care Development Block Grant

The largest source of public funding for child care is the federal Child Care Development Block Grant. Wisconsin's allocation of federal CCDBG funds is roughly \$60 million per year. About \$21 million of that amount has to be matched with state funds, at a ratio of approximately \$3 federal dollars for every \$2 of state funds (often referred to as a "60/40 match").

In the 1997-99 biennium, Wisconsin used all of its CCDBG funds. However, in the 1999-2001 biennial budget bill the Governor and Legislature chose not to appropriate the state funds needed to draw down the \$21 million (annually). This decision reduced the state's general fund commitment to child care by more than \$14 million per year, and it meant using about \$35 million more from TANF welfare-reform funds for child care each year (instead of the federal CCDBG funds and state match).

During budget deliberations, the Legislature directed DWD to try to identify existing state or local expenditures that could be claimed as state matching funds, in order to draw down federal CCDBG funding without actually appropriating state dollars for that purpose. Early this year DWD did identify \$11.4 million of the \$28 million state match needed during this biennium. Since then the department has developed a proposal to use approximately \$16.3 million in federal CCDBG funds that could be drawn down with the

identified match, as well as a plan for using local expenditures as match for the remainder of the federal funds.

II. Approving the Use of CCDBG Funds

The DWD plans for the federal CCDBG funds were submitted to the Department of Administration (DOA) on June 5, 2000 and forwarded to the Joint Finance Committee (JFC) on June 15th. The department made three separate requests for approval to use federal funds, outlined in parts A, B, and C below. The requests were made pursuant to sec. 16.54(2)(a) of the Wisconsin Statutes, which requires the Executive Branch to notify the JFC that the state will be receiving federal block grant funds and to describe the proposed use of those funds.

These spending requests are governed by the “passive review” procedure. They are deemed approved by JFC if the committee does not act to schedule a public meeting within 14 working days of receiving the notice of the proposed use of the funds (which in this instance means until July 6th). If the committee does schedule a meeting to consider one or more of the proposals, it can amend the proposed plan, though the Governor must subsequently approve any changes the committee makes.

The statutes do not set a deadline on how soon JFC must hold a meeting to review a sec. 16.54 request. However, once such a meeting has been scheduled, the block grant funds cannot be expended without the approval of the committee. The prospect of a significant delay in the plan’s approval is worrisome to child care advocates in light of the September 30, 2000 deadline. The DWD proposal to use local expenditures to match most of the federal funding will require a great deal of work by state and local officials between now and the end of September, so an expeditious review by the Finance Committee is critical. Advocates are also interested in prompt action on the \$2.5 million proposal for training and retention of qualified workers (see part A. below).

III. The DWD Expenditure Plan

The department’s plan proposes to use or obligate about \$48 million in CCDBG funds over the remainder of this biennium. Most of that funding (\$21.1 million in each federal fiscal year) is the matching component of the block grant. However, about \$5.7 million represents CCDBG funds that are earmarked for improving the quality of the child care system and do not require a state match.

A. Earmarked Federal Funds

The DWD plan includes \$1.2 million in SFY 2000 and \$4.5 million the following year in earmarked CCDBG funds. The SFY 2000 funds and almost \$1.2 million of the funding in the second fiscal year represent amounts that DWD is already contracting out, but which "due to an oversight in the course of implementing the federally earmarked programs", the department did not have explicit authority to spend or to obligate. The plan submitted by DWD is intended to correct that oversight and also to seek expenditure authority for an additional \$3,356,000 in earmarked federal funding.

The department's plan for the increased earmarked funding is to use those CCDBG funds in SFY 2001 as follows:

1. \$753,589 to expand the Infant/Toddler Scholarship and Bonus Program (described below);
2. \$2.5 million to fund a new scholarship and training program for local child care providers to attract and retain qualified staff; and
3. \$102,500 for the training of county, tribal and W-2 staff who administer the child care subsidy program.

Child care advocates hope the new scholarship and training program will be approved relatively quickly by the Joint Finance Committee, to allow some workers to receive scholarships for the fall semester.

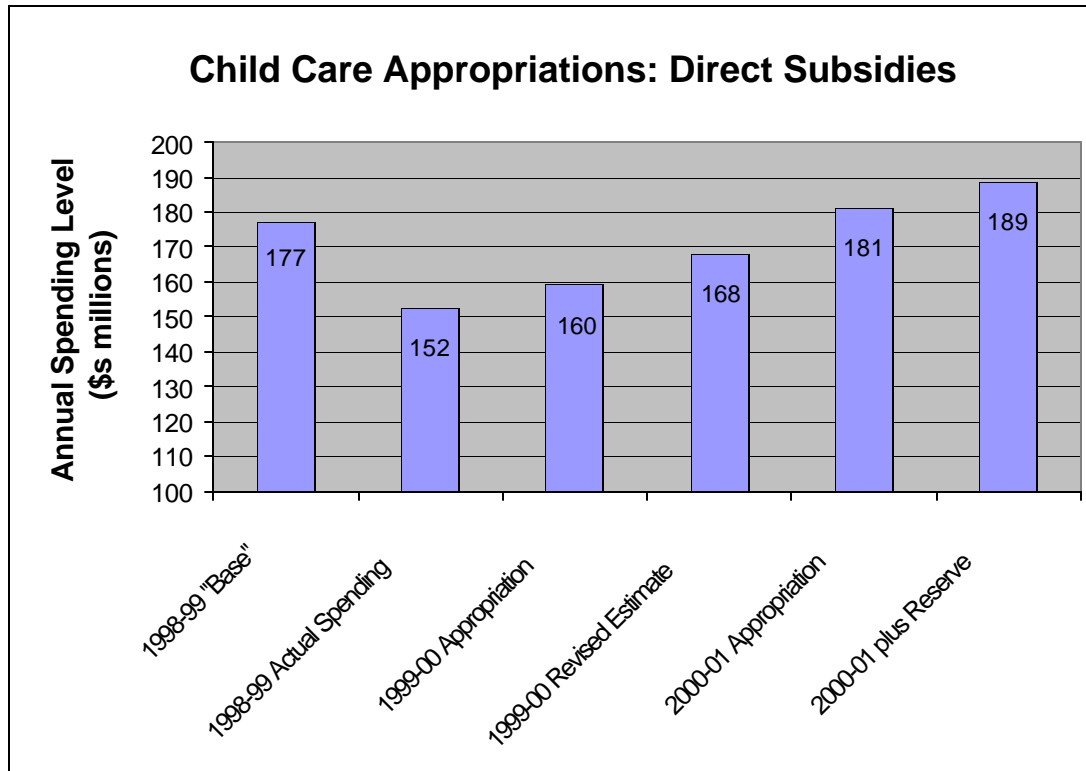
The \$1.2 million per year that DWD is already contracting out (and is now seeking to get express approval for) is being used for two purposes:

1. Infant/Toddler Scholarship and Bonus Program -- DWD has contracted with the Wisconsin Early Childhood Association (WECA) to operate a scholarship and bonus program for child care staff working with infants and toddlers. The program created a new Infant Toddler Credential -- "a series of courses to achieve a high level of competency in infant toddler services." The current contract with WECA is for about \$1.5 million: \$641,811 in SFY 2000 and \$873,630 for SFY 2001. As previously noted, DWD has proposed expanding the program by \$753,589 in SFY 2001
2. School-Age Child Care and Child Care Resource and Referral -- The state made a grant of \$842,333 (\$559,953 in SFY 2000 and \$282,000 in SFY 2001) with funding that is federally earmarked for technical assistance to school-age children and for strengthening Child Care Resource and Referral services.

B. Direct Child Care Subsidies

As noted above, DWD has identified about \$11.4 million of spending during the current biennium to draw down nearly \$16.3 million in federal matching funds. The state/local matching funds are primarily state expenditures for pre-kindergarten programs, but also include \$412,800 per year in tribal child care expenditures and \$1.7 million of state GPR spending this year for a time study.

DWD proposes using all of the \$16.3 million in federal CCDBG funds to cover new, higher projections for the costs of the direct child care subsidy program, known as "Wisconsin Shares". This program would be increased by \$8.5 million in SFY 2000, to a total of \$168.1 million. The chart below illustrates that the increased cost estimate is still less than the \$177.4 million "base level" that had been appropriated in 1998-99 (although only about \$152 million was spent that year). DWD proposes placing the remainder of the drawn-down CCDBG funds, nearly \$7.8 million, in Unallotted Reserve, to be available in the event that the use of direct child care subsidies exceeds the \$181 million (TANF) appropriation for SFY 2001.



The cost of child care subsidies is increasing because of increased utilization and higher expenditures per participating child. Although use of the direct subsidy program got off to a much slower-than-expected start when the W-2 program was initiated almost three years ago, demand for the program has been growing fairly steadily. That growth accelerated this year after the eligibility criteria were expanded and copayment requirements were reduced, beginning on March 1, 2000. Based on figures through April 30, 2000, the average participation each month during SFY 2000 was 31,002 children and 17,453 families.

The cost per child has gone up in part because of what DWD refers to as “a noticeable shift toward increased use of licensed care”, which is reimbursed at a higher rate than certified care. Costs are also increasing because of market forces that are pushing average rates higher.

The department’s statistics for the period July 1999 through April 2000 show a 21.6 percent increase in the average monthly cost of subsidies compared to SFY 1999. That increase represents the cumulative impact of the following changes:

- The average number of children served per month was up 11.7 percent;
- The average number of families each month rose 13.2 percent;
- The average monthly subsidy paid per child was up 8.9 percent; and
- The average monthly subsidy per family increased 7.4 percent.

C. Local Pass-Through Plan

The matching funds that the state has identified will draw down about 46 percent of the matching component of the block grant funding this year and just 31 percent in federal fiscal year (FFY) 2001. (The latter figure assumes that the federal CCDBG appropriation will be the same next year; however, current versions of the federal budget would increase it substantially for at least FFY 2001.)

DWD proposes to draw down the remaining \$26 million over the rest of the biennium by establishing a local pass-through grant program. This program would provide grants to local governments across the state, for use in a wide variety of child care purposes (e.g., sick-child care, "inclusive" child care, collaborative planning and quality care).

The department anticipates setting an application deadline of about August 1, 2000. Local governments applying for grants will have to identify the source of local matching funds and the proposed use of the money. The DWD proposal cites local overmatch for Birth-to-Three programs as an example of a local match. Other possibilities include school property tax expenditures for pre-kindergarten programs, and technical college expenditures of local funds for the training of child care professionals.

Although all local governments can potentially apply for grants, the amount of funds for government bodies in any county could be limited to a "fair share" allocation. Interested government bodies within a county might want to cooperate in developing a grant application, to avoid competition. The "fair share" amount would be determined by a two-part formula -- weighted primarily on the number of low-income children in the county, and secondarily on each county's proportion of births. In counties that do not have any applicants, or where the applicants do not have enough local match to fully use their county's allocation, unclaimed grant funds could be reallocated to applicants in other counties with sufficient matching funds.

One disadvantage of the pass-through plan is that the \$26 million may be a one-time source of funds. Consequently, local officials need to carefully consider effective ways to use the money in 2000 and 2001 without becoming dependent on future grants. This challenge could deter many local governments from applying for a grant. In addition, some advocates are disappointed that the pass-through plan represents a piecemeal approach, when what is needed is a comprehensive statewide plan to tackle the intertwined issues of staff compensation, retention and quality.

Despite the drawbacks of the local grant program, it does offer the potential for utilizing the nearly \$26 million in federal matching funds that the state expects to be eligible for over the remainder of this biennium. Earlier this year, it appeared that much of Wisconsin's block grant allocation would be lost.

Although the pass-through proposal can be commended for giving Wisconsin an opportunity to tap all of its block grant allocation, the success of the proposed approach is by no means guaranteed. It will require fairly prompt action by Joint Finance Committee to get the plan approved, if DWD is going to be able to meet its goal of having a due date of about August 1 for grant applications. Local governments will also have to work very quickly to collect information on expenditures that can count as local match and to put together plans for using the money. And DWD will have its hands full to review those

applications, ensure that the local expenditures are indeed acceptable sources of matching funds, reallocate money from counties where there are no applicants, and get the funding obligated by September 30.

IV. Conclusion

Wisconsin's options for using the unappropriated \$48 million in federal CCDBG funds are limited by two significant factors: the decision in the state budget process not to appropriate state matching funds, and the overriding importance of funding the shortfall for direct child care subsidies. That shortfall consumes all of the \$16.3 million in federal matching funds that the state can draw down using the identified state match.

A number of child care groups had hoped that a very substantial portion of the new block grant funding would be used to develop a major initiative to address the critical shortage of qualified staff. The \$3.2 million DWD has proposed for scholarships and bonuses for trained personnel is a welcome initiative, but does not go as far as some would have hoped to tackle the issues of worker retention and quality.

The proposal to give local governments an opportunity to apply for grant funds is likely to be politically popular, in light of the general sentiment in favor of "local control". But it could be argued that this will be a piecemeal approach, which squanders an opportunity to develop a comprehensive statewide plan to tackle the intertwined issues of staff compensation, retention and quality. Nevertheless, given the fiscal and political realities, the department's options were limited. In light of those constraints, advocates generally seem to support the DWD plan, particularly since it potentially allows Wisconsin to use all of the state's CCDBG allocation.

Prompt action will need to be taken in the Joint Finance Committee, within DWD, and at the local level to succeed in obligating Wisconsin's allocation of federal child care funds and to ensure that a large portion of that funding does not lapse to the federal treasury on September 30.

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June 21, 2000