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February 4, 2009

To: Members of the Senate Children and Families and Workforce Development Committee and the Assembly Children and Families Committee

From: Charity Eleson, Executive Director

Re: Testimony on The State of Wisconsin Children and Families: Needs and Challenges in an Economic Crisis

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Thank you for the opportunity to participate in this important public discussion on the needs and challenges children and families face in our state as a result of this economic crisis. My name is Charity Eleson, and I am the executive director for the Wisconsin Council on Children and Families. For those of you not familiar with us, we are a private, non-profit, non-partisan organization focused on bringing about improvements in the lives of children and families through state and federal public policy change.

I've been asked to address the question of the challenges families face obtaining affordable child care in times of economic crisis. Before I share some specifics about that topic, however, I want to provide a framework on what we know about the families in economic stress in Wisconsin.

Every year, the Council examines household income trends for families with children. While it is rare to open a newspaper now without reading about another casualty of the economic crisis, our research over the course of the past 7 years has shown that the number of poor children and the number of poor families had been growing at a steady pace before the more dramatic turn down in the state's economy. Put another way, the poor and near poor in our state did not benefit from the relative prosperity we saw here between 2000 and 2007. This followed a downward trend in poverty from the previous decade.

By 2007, the percentage of Wisconsin children living in poverty had reached 18 percent. The number of families with dependent children living in poverty grew from 8.8 percent to 12 percent in the same period. While there has been a particular emphasis on the growing poverty in Milwaukee County, we know that the rest of the state has not been immune. Some of the sharpest growth in childhood poverty in the period we've examined occurred in Kenosha, Dane, Brown, LaCrosse and Manitowoc counties.

Children are more likely to be poor than are adults. Young children, those birth to five, are also more likely to live in poor families, which, from a developmental perspective, puts them at greater risk for poor outcomes in health, development, safety and education. These factors affect children over a life time, and reduce their chances of longer-term economic security as they move into adulthood.

In Wisconsin, we are fortunate to have a number of economic assistance programs that are responsive to the growing economic struggles that families have. These programs are important because they can mitigate some of the more damaging effects of poverty on children. Our Medicaid, BadgerCare, foodshare and Wisconsin child care tuition assistance programs have all grown as greater economic displacement has occurred. The one program that did not grow at a pace that reflects the growing economic needs families face is the Wisconsin Works program. I understand you're going to hear more about that later this morning, but it's worth noting here that in 2007 there were 187,000 children living at or below poverty, a level of economic struggle that we would wish on no one. Yet, only a fraction of those were in households where families were receiving a cash payment from W-2.

Another thing we know about the trends of the past 7 years is that many families classified as poor and near poor were working. For parents with young children, work was made possible with the benefit of the Wisconsin Shares Program that helped them pay for child care tuition assistance while they were at work. Half of the families receiving Wisconsin Shares have income at or below poverty, which is \$17,604 for a family of 3. Eighty-nine percent of the families on Wisconsin Shares have incomes at 165 percent or below of poverty, or \$29,040 for a family of three). We also know that most—90 percent—of the families receiving Wisconsin Shares benefits are single parent families, which means that their options for other child care arrangements, for example working flexible shifts so that one parent stays home with the kids while the other works—are non-existent.

Child care expenses claim a significant portion of any family's income, something that I know those of you who have young children can easily attest to. In Wisconsin, licensed child care averages about \$8,500 per child, per year. The cost of licensed care is higher in urban areas, averaging about \$10,000 per child per year. These costs fluctuate depending on the age of the child and the type of child care setting. Costs are also significantly higher for high quality child care providers, which is a function of

more highly qualified child care staff, lower child to teacher ratios and other factors. A topic for another day is the extremely important role that high quality early care programs can play in helping low-income children develop on pace and succeed in life. The majority of children receiving Wisconsin Shares are in programs that are not high quality, and we have an opportunity to produce better outcomes for low-income children by dramatically improving the quality of those programs statewide.

National research has documented that child care expense for working parents with young children is one of the two most significant household expenses along with housing. Low-income families in Wisconsin would simply not be able to afford child care for their children without help from the Wisconsin Shares program. Child care expenses for one child would eat up half of the income of a family of 3 living at poverty level; for those with slightly higher incomes—165 percent of poverty—child care expenses for one child would claim between 25 percent and 30 percent of household income each month.

The Wisconsin Shares program has received increased scrutiny of late, and it's appropriate for policy makers to ensure that it is a program that is effectively managed and administered, given the extremely important role that it plays in helping poor families manage the challenges that go with living on very low incomes.

In these times, we are likely to see, a shift in the population of those eligible for Wisconsin Shares. If a parent loses employment, they would also lose their eligibility for Shares. Additionally, if a parent has reduced income, from a cut in hours or as a result of having to replace a higher paying job that he or she lost with a lower paying job, they may become eligible for Shares.

All signs are that this economic crisis is deepening. The Census Bureau data on poverty and income changes for 2008 will be released in August of this year, and we anticipate that the number of children and families living in poverty will have grown. What will be important for you as policy makers will be to ensure that programs that exist to help lessen the effect of families' economic insecurity are maintained and crafted to be responsive tools for families in need. This means that programs that have co-payments—such as Wisconsin Shares—need to maintain those at a level that's affordable. It means that benefits need to be accurate and efficiently determined, which will be dependent on adequate staffing levels to meet the growing demand at the local level. And it will mean that programs will need to be funded at a level that realistically reflects the increase in the economic need of the population.

Again, I want to thank you for hosting this important public discussion and to tell you that we at the Council are committed to working with you in developing effective solutions to address these very difficult times families face. Thank you.