Child Care for the Working Poor: The Milwaukee Experience

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Analysis of child care subsidy programs operating in Milwaukee County since 1995 finds that:

- **Waiting lists for subsidized child care have been eliminated in Milwaukee County and throughout Wisconsin.** State policies rewarded licensed providers for participating in the subsidy program by guaranteeing subsidy payments regardless of attendance, paying full-time rates for 30 or more hours of care, and lowering family co-payments to reduce financial risks for providers. Over $1 billion was committed to public child care expenditures in Wisconsin over the last five fiscal years.

- **Child care capacity in state licensed group and family centers more than doubled in the poorest central city Milwaukee neighborhoods.** A new class of child care providers servicing subsidized-only clients has accounted for much of the central city capacity increases. Child care rates are now highest in the poorest neighborhoods of Milwaukee where half of licensed providers are charging at the maximum allowable community rates.

- **Milwaukee County has engaged the welfare population of mothers with very young children and larger families in employment and welfare-related work activities, but at very high costs for child care.** Monthly child care subsidies for families with children under age 2 averaged $1,280 per family ($15,360 annualized) and for families with four or more children averaged $1,852 ($22,224 annualized).

- **Nearly all families receiving child care subsidies are from the current or former welfare population.** In spite of promises to serve the non-welfare "working poor," less than 5 percent of subsidized families have no recent history of welfare receipt and only 200 two-parent families receive subsidies.

- **The costs of government subsidies for child care are often higher than the earnings of participants.** In May 2001, 42 percent of families receiving child care subsidies had government subsidies that exceeded their total earnings and 71 percent had subsidies that exceeded half of their income.

- **The spatial and skill mismatches between available jobs in the metropolitan area and the residence and education of mothers seeking work raise transportation and training concerns.** Most of the subsidized mothers with earnings of at least $1,500 a month (equivalent to full-time employment at $9 an hour) have a high school diploma, valid driver's license, or both.

I. Introduction

Legislation passed in Wisconsin in 1995 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. From Fiscal Year 1997-98 through the current FY 2001-02, Wisconsin expects to spend over $1 billion on child care expenditures, with much of the money going to Milwaukee County.[2]

In Wisconsin the state government administers the child care subsidy program and allocates federal funds to improve the quality and availability of child care services. The county government is charged with determining eligibility of families for the subsidy program, conducting local private market surveys, and administering payments to providers. Portions of this research study were conducted to assist Milwaukee County in administering the subsidy program and to provide data on rate increases and vendor charges. The Milwaukee experience offers an important urban case study in the implementation of policies now guiding child care support under the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Fund (CCDF).

II. Methodology

This report analyzes the operation of the state's subsidized child care program in Milwaukee County, utilizing welfare administrative files since 1995, county historical records of day care subsidy payments to providers, state data bases on licensed child care providers, county records on certified child care providers, and summaries of private market rate surveys of providers. 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, and state driver's license files were merged with welfare files to assess current driver's license status. Nine central city zipcode areas, where 75 percent of the families using TANF/CCDF child care subsidies reside, were analyzed separately. These inner city areas include the poorest neighborhoods targeted for federal Community Development Block Grant programs and represented the greatest challenge for child care capacity building.

The study examines the impact of changes in welfare work requirements and funding allocations on participation of Milwaukee County families in the subsidy program and the capacity of the child care system in the context of the urban labor market.[3] Policy options and trade-offs are explored in light of escalating costs and the likelihood of movement of families toward economic self-sufficiency.

III. Findings

A. Waiting lists for subsidized child care have been eliminated in Milwaukee County and throughout Wisconsin.

Cities with high concentrations of welfare recipients face unique child care challenges since expansion of child care capacity is essential for implementation of the national welfare work initiative begun in 1996. Wisconsin made substantial changes to its provider payment policies to help attract and retain state licensed child care vendors for the subsidy program's "high risk" welfare population.

1. Differing rate schedules for higher-quality care

To promote higher quality day care, rate schedules were developed for four classes of care. The highest payments are allowed for group centers licensed by the state to serve 9 or more children. The second highest rates support family providers licensed by the state to serve 4 to 8 children. These family 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.

Wisconsin uses local child care rate surveys annually to determine the going rates for the private paying day care market, the basis for setting maximum allowable community rates (MCR). So that participants in the subsidy program will have access to most providers of day care services, the maximum allowable rates are currently set, as recommended by the federal government, at a level where 75 percent of licensed child care slots are affordable at this rate or below. Providers with fees above the maximum allowable rate may, at their discretion, bill the families for additional costs.

Under this approach, allowable weekly MCR rates in Milwaukee County have escalated since 1995. The allowable charge for care of preschool children in state licensed group centers rose 73 percent from $105 a week in 1995 to $182 a week in 2002, compared to an inflation increase of 11.7 percent. Allowable weekly rate charges for state licensed family homes rose 67 percent from $105 to $175 and for county certified care increased 84 percent from $99.75 to $164. For accredited providers, the rate increases are even higher: providers may charge $231 per week ($12,012 a year) for full-time care of an infant or toddler and $200 a week ($10,400 a year) for full-time care of each child aged 2 and above.

Table 1: Maximum Allowable Weekly Payments for Full-Time Care by Class of Provider

For a child under 2 years of age	1995	1999	2001	2002	% Increase 1995-2002
Group licensed	$142	$182	$200	$210	48%
Group accredited		$201	$220	$231	63%
Family licensed	$122	$155	$180	$190	56%
Family accredited		$170	$198	$209	71%
Certified (for 50 hours)	$116	$145	$169	$178	54%
Provisional (for 50 hours)		$97	$112	$119	
For a child 2-12 years of age	**1995**	**1999**	**2001**	**2002**	**% Increase 1995-2002**
Group licensed	$105	$153	$172	$182	73%
Group accredited		$168	$190	$200	91%
Family licensed	$105	$140	$165	$175	67%
Family accredited		$154	$181	$192	83%
Certified (for 50 hours)	$100	$131	$154	$164	84%
Provisional (for 50 hours)		$87	$103	$109	

Note: Licensed providers receive weekly full-time payments if they care for a child for 30 hours or more, and providers who are accredited may charge 10 percent above the maximum rate for licensed providers. County certified providers are only paid by the hour. Payments are rounded to the nearest dollar.

In Milwaukee County the maximum allowable hourly rates for after-school and part-time care in licensed centers are derived by dividing the weekly MCR rates by 30. Under this approach, the hourly rates allowed for part-time care have reached $6.07 per school age child for licensed group care and $6.67 for accredited licensed group care. Licensed family providers caring for children in their homes may charge up to $5.83 an hour per school age child, or $6.42 an hour if accredited.

The rate structure for non-licensed providers is set lower to spur family providers to seek training and greater regulation as a means to improve quality of care. Non-licensed family providers in the subsidy program may charge up to $3.28 an hour if they are regularly certified and up to $2.19 an hour if they are provisionally certified or are caring only for relatives. Non-licensed providers must bill by the hour and cannot charge for more than 50 hours of care a week.

Table 2: Maximum Allowable Hourly Rates for Part-Time Care of School Age Children

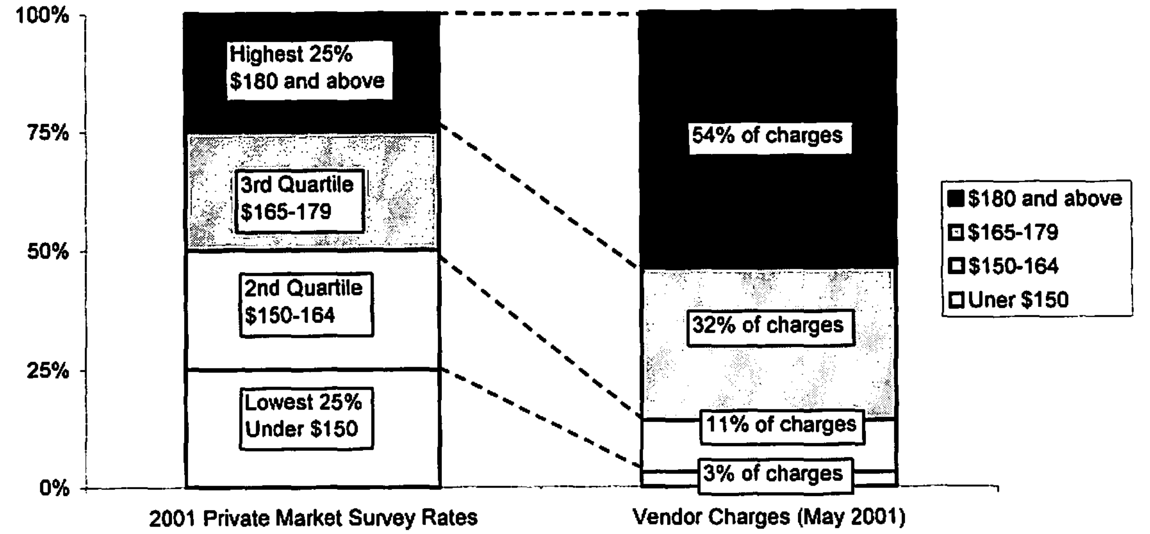
	Licensed Accredited Group	Licensed Group	Licensed Accredited Family	Licensed Family	Regularly Certified	Provisionally Certified
1995	$2.93	$2.93	$2.93	$2.93	$2.66	na
New Law						
1997	$5.00	$4.34	$4.00	$4.00	$2.25	$1.50
1998	$4.99	$4.53	$4.77	$4.33	$2.44	$1.63
1999	$5.61	$5.10	$5.13	$4.67	$2.63	$1.75
2000	$6.01	$5.47	$5.50	$5.00	$2.81	$1.88
2001	$6.33	$5.75	$6.05	$5.50	$3.09	$2.06
2002	$6.67	$6.07	$6.42	$5.83	$3.28	$2.19

Over time the local market rate survey has been closely associated with the MCR rate setting process that determines the highest payments respondents may receive from the child care subsidy program. Under these circumstances, there is some question as to whether the market survey rate setting process influences survey responses and whether providers with few private-paying clients raise their rates to capture the maximum allowable fees. In the Fall 2000 survey – the last survey report with rates published by vendor -- 92 licensed group centers in the subsidy program with a capacity of 5,614 slots excluded themselves from the survey because they had had fewer than 3 private-paying clients within the last six months, and 58 percent reported rates at or above the maximum allowable rate. Additionally, 162 licensed family providers with a capacity of 1,296 slots excluded themselves from the survey as having had no private-paying clients within the last six months, and 41 percent of these providers proceeded to charge the maximum allowable rates.

Many day care providers have raised their rates dramatically since the TANF/CCDF monies became available, while other providers appear to have kept their rates lower to continue to accommodate private paying clients. In 2001, licensed group centers reported weekly fees as high as $252 per child for infant and toddler care while other centers were charging $140 a child. Licensed family providers also reported widely varying rates even though all face the same state regulations as to the ages and number of children they can serve. In 2001, licensed family providers claimed weekly rates ranging from $65 to $350 for care of preschool and school age children.

An examination of subsidy payments found that half of all subsidy payments go to vendors who have rates at or above the maximum allowable community rate (MCR). Twenty-five percent of licensed family providers reported private weekly rates of $180 or above in 2001 for care of children under age 2, yet 54 percent of subsidized providers charged the government rates of $180 for care of this age child. Conversely, 25 percent of licensed family providers in the market survey reported private rates of under $150 a week for care of children under age 2. Yet only 3 percent of subsidized providers reported rates below $150 a week.

Figure 1: Private Market Survey Rates vs. Weekly Vendor Charges for Licensed Family Child Care for Children under Age 2



2. Guaranteeing high vendor payments through the family co-payment system

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: expecting families to contribute to the cost of their children's care, encouraging parents to chose cost-effective care options, recognizing families' limited ability-to-pay, financing higher quality day care, and attracting enough child care providers so that welfare parents can be required to seek employment.[4] The Wisconsin subsidy program focuses on maximizing payments to licensed child care providers and using ability to pay 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).

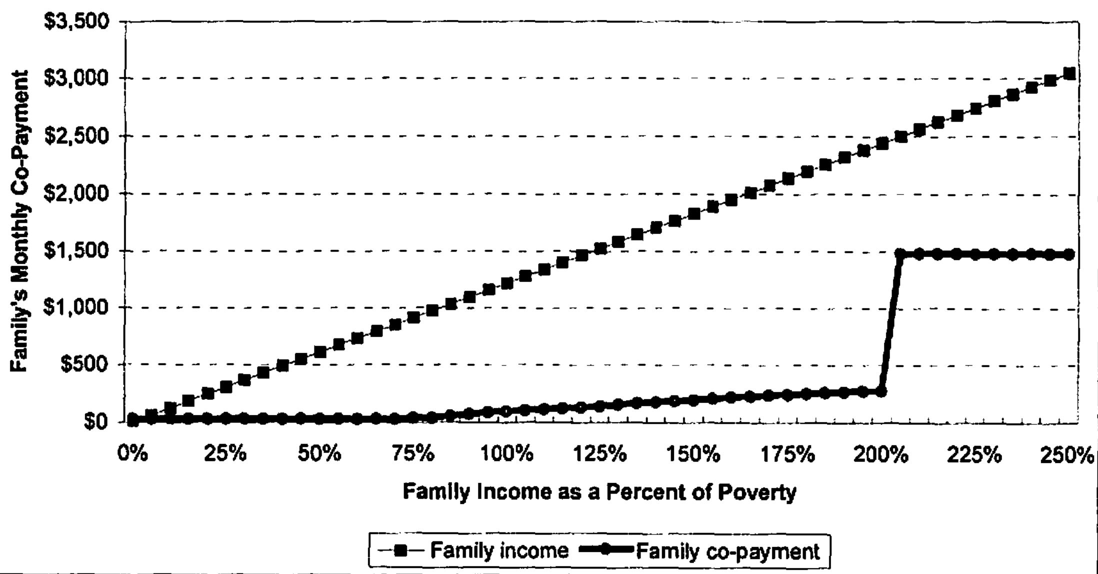
Early on, discussions regarding the family co-payments revolved around being able to attract, expand and keep licensed child care vendors in the subsidy system, vendors who might ordinarily see the TANF population as a risky one to serve due to co-payment liabilities, attendance problems and high turnover. 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 was important because it effectively raised the government subsidy paid directly to the vendor while 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 co-payment system reduces the risk of substantial collection problems by keeping government subsidies high. 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. Even 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.

Given the high rates charged by a majority of licensed providers in the subsidy program, it appears that the government subsidy covers rates at a level exceeding the average market rate, even without the family co-payment. (Under the Wisconsin approach basing co-payments on family income rather than the total cost of care, the lower the cost of care, the more dependent the provider is on the family co-payment.) High cost, larger families are further favored by having even lower co-payments the more children in care. At the same time the state prohibits subsidized families from obtaining discounts for having several children in care – a common practice among many day care providers serving private-paying families.

The current co-payment system maximizes government subsidy payments as long as possible in order to make licensed group and licensed family care more affordable, but it does not provide a smooth transition to economic self-sufficiency for families as their earnings increase. Once family income exceeds 200 percent of poverty, a wall is by design encountered in which families cannot usually afford to remain with their existing day care provider and instead must turn to a different type of care.

Figure 2: Co-Payment Schedule for 2 Preschool Children in Full-Time Licensed Care (Typical Charge for Subsidized Care=$1,484 Per Month)



If subsidized single parents were to continue child care at the cost levels typically supported by the government subsidies, a four-person family would need to contribute $7.59 an hour of a 40-hour-a-week job to equal the current government subsidy (averaging $1,333 a month). A five-person family, where government day care subsidies average $1,602 a month, would need to contribute $9.24 an hour of a 40-hour-a-week job to equal the current government subsidy. Only in the case of single parents with one child might it be feasible for the parent to take over the typical government subsidy costs of $595 a month (or $3.43 an hour based on a 40-hour-a-week job). Even here, many parents would likely seek out lower cost child care options.

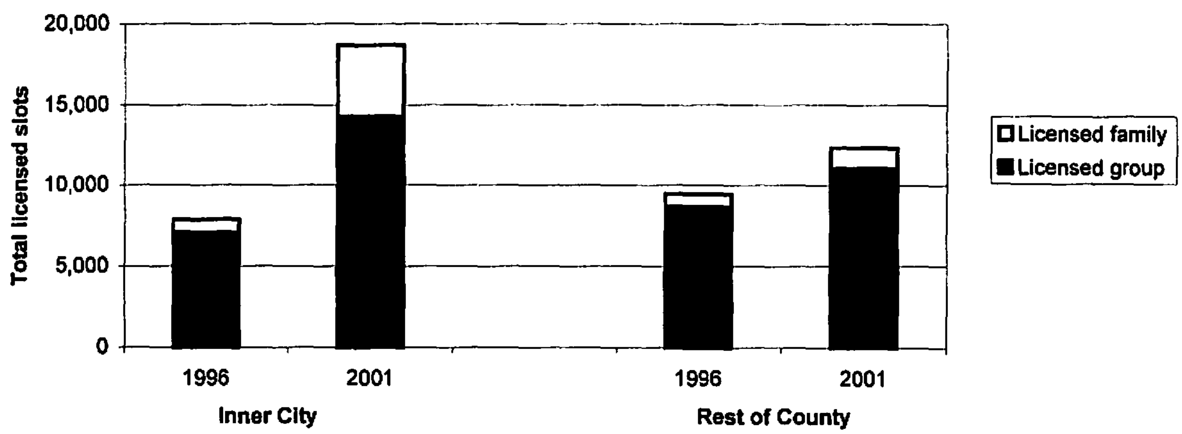
The schedule creates clear disincentives for employed families whose income passes 200 percent of poverty. It appears that the only realistic financial choice for families leaving the TANF/CCDF subsidy program is to abandon their higher cost vendor assignments/choices and to seek out care options usually favored by non-TANF low-income and working class families, i.e., use of relatives and other non-group settings.[5] At the same time, the schedule provides no incentives for limiting the size of the family or number of children in care.

B. Child care capacity in state licensed group and family centers more than doubled in the poorest central city Milwaukee neighborhoods.

Child care payment incentives together with federally funded capacity building efforts resulted in expanded child care capacity, particularly in central city Milwaukee neighborhoods, and a shift toward state licensed group and family care. State licensed group providers remain the primary provider of subsidized care, accounting for 60 percent of subsidy expenditures in 2001 (but down from a 75 percent share in 1997). 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 the inner city neighborhoods, licensed group capacity doubled from 7,061 to 14,273.

The number of state licensed family providers in Milwaukee County increased as well 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.

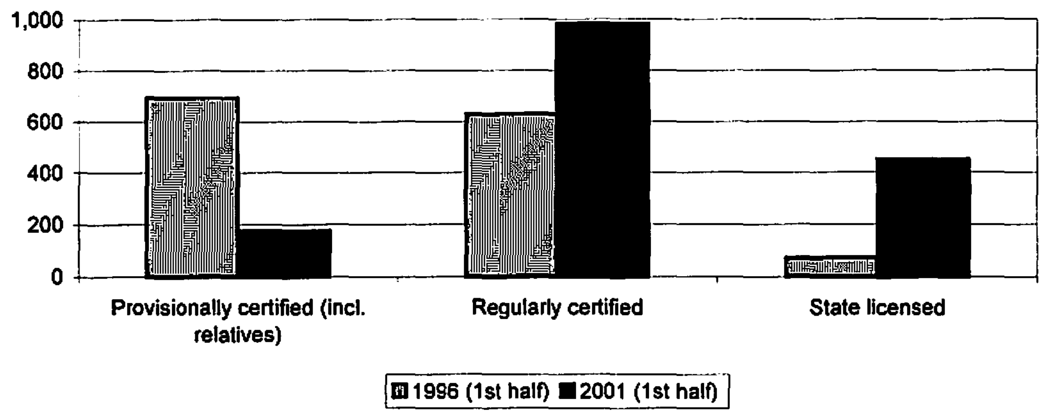
Figure 3: Increase in State Licensed Child Care Capacity in Milwaukee County



1. Day care as an employment/business opportunity

In the first half of 2001, 1,610 individuals were providing family-based subsidized child care in Milwaukee County. This included 451 state licensed family providers, 983 regularly certified providers, and 176 provisionally certified providers. Child care subsidy payments to Milwaukee County family day care providers indicate that many family providers are finding successful employment opportunities, particularly those who upgraded from county certification to state licensed family status. A decline in the number of provisionally certified providers receiving county subsidy is also resulting from providers upgrading to regular certification (after 15 hours training) and fewer providers receiving subsidies for relative-only care.

Figure 4: Family Providers Receiving Child Care Subsidies



By 2001, the majority of state licensed family providers received subsidy payments at a rate that exceeds $50,000 a year. One-half of certified providers received subsidies at a rate exceeding $20,000 a year, and one-half of the provisionally certified providers received subsidies at a rate exceeding $10,000 a year.

Expansion of child care capacity generated employment in group child care centers as well as among self-employed family providers. According to employer reports filed with the state Department of Workforce Development, wages of day care establishments in the county totaled $60 million for 3,990 full-time and part-time workers in 2000, compared to a $28 million total for 2,952 workers in 1995.

2. New class of subsidy-only providers

The increased child care capacity in poorer 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.

Child care rates were compared for the poorest neighborhoods on Milwaukee's near northside and near southside neighborhoods targeted for federal Community Development Block Grant (CDBG) programs to rates charged in other parts of the county. When analyzed by neighborhood, licensed day care providers in the poorest neighborhoods reported the highest market rates in the private market survey, in sharp contrast to providers from the non-CDBG areas of the working class southside, who reported much lower rates. A majority (58 percent) of slots with licensed group providers in the CDBG areas reported private rates at or above the maximum allowable community rate (MCR) for children ages 2-12. By contrast, in the southside outside the CDBG, only 12 percent of subsidized slots were with providers with private rates at or above the MCR.

For parents with school age children needing day care, the chances of finding reasonably priced care in the central city for less than $150 a week were even limited with licensed family providers. While 49 percent of the licensed family slots for children ages 2-12 in non-CDBG areas of the southside were priced below $150 per week, only 8 percent of the licensed family slots for children aged 2-12 in the central city were priced below $150.

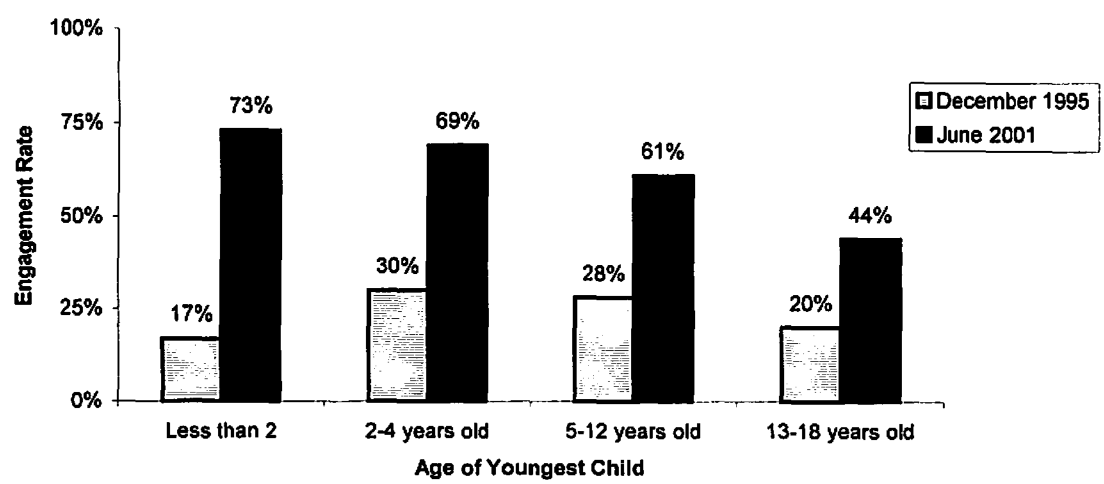
The gap between what subsidized child care vendors charge compared to what the private unsubsidized market will bear may have resulted in a decline in affordable child care in the central city for parents actually required to pay co-payments or to purchase child care on their own. The increases in child care rates in central city Milwaukee neighborhoods have helped drive Milwaukee County child care rates well above those in other urban and rural areas of Wisconsin. 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).

C. Milwaukee County has engaged the welfare population of mothers with very young children and larger families in employment and welfare-related work activities, but at very high costs for child care.

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 high child care costs. The food stamp populations were analyzed 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 periods. The analysis focused on single-parent families with children and with only one eligible adult in the food stamp case, as the population most likely to need subsidized child care supported by TANF and CCDF dollars.

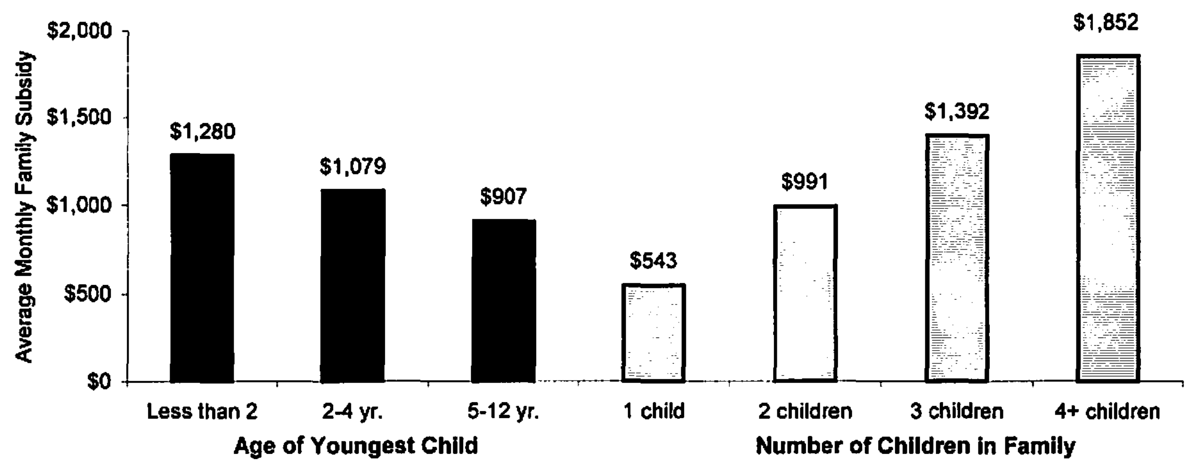
From December 1995 to June 2001 the population of single-parent one-adult families on food stamps in Milwaukee County declined from 30,358 to 18,678 families, while the percentage employed rose from 20 percent (6,126 families in December 1995) to 40 percent (7,509 families in 2001). By June 2001, 65 percent of the single-parent population was 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.

Figure 5: Rates of Engagement in Employment or Welfare-Related Activities
(Milwaukee County Single Parents Receiving Food Stamps)



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. 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. 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).

Figure 6: Average Child Care Subsidies for Single-Parent Families, June 2001
(Family Subsidy by Age of Youngest Child and by Number of Children)



Much of the increase in child care subsidy costs in Milwaukee County was the result of engaging larger families with high child care usage and costs. 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. 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.

In December 1995, 219 families with 4 or more children received direct child care subsidies 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.

Table 3: Child Care Subsidies for Milwaukee County Single-Parent One-Adult Families Receiving Food Stamps, December 1995 vs. June 2001

	December 1995			June 2001		
Number of Children	**No. of Families**	**% with Subsidies**	**Average Subsidy**	**No. of Families**	**% with Subsidies**	**Average Subsidy**
1	10,775	7%	$423	5,969	26%	$543
2	9,002	7%	$653	5,397	31%	$991
3	5,772	6%	$814	3,874	34%	$1,392
4 or more	4,809	5%	$914	3,438	31%	$1,852
TOTAL	30,358	6%	$629	18,678	30%	$1,126
Age of Youngest Child						
Less than 24 months	9,321	7%	$722	5,585	40%	$1,280
2-4 years old	8,269	11%	$604	5,266	45%	$1,079
5-12 years old	9,325	3%	$467	5,772	18%	$907
13-18 years old	2,443	0%	$0	2,055	0%	$368
TOTAL	30,358	6%	$629	18,678	30%	$1,126

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 preschool children showed a 73 percent subsidy use rate among women earning $750 a month or more (about half-time employment at prevailing entry-level wage rates) and a 43 percent subsidy use rate among women earning less than $750 a month. Single parents with preschoolers and in a W-2/TANF program activity requirement (rather than employment) had a 43 percent child care subsidy use rate.

D. Nearly all families receiving child care subsidies are from the current or former welfare population.

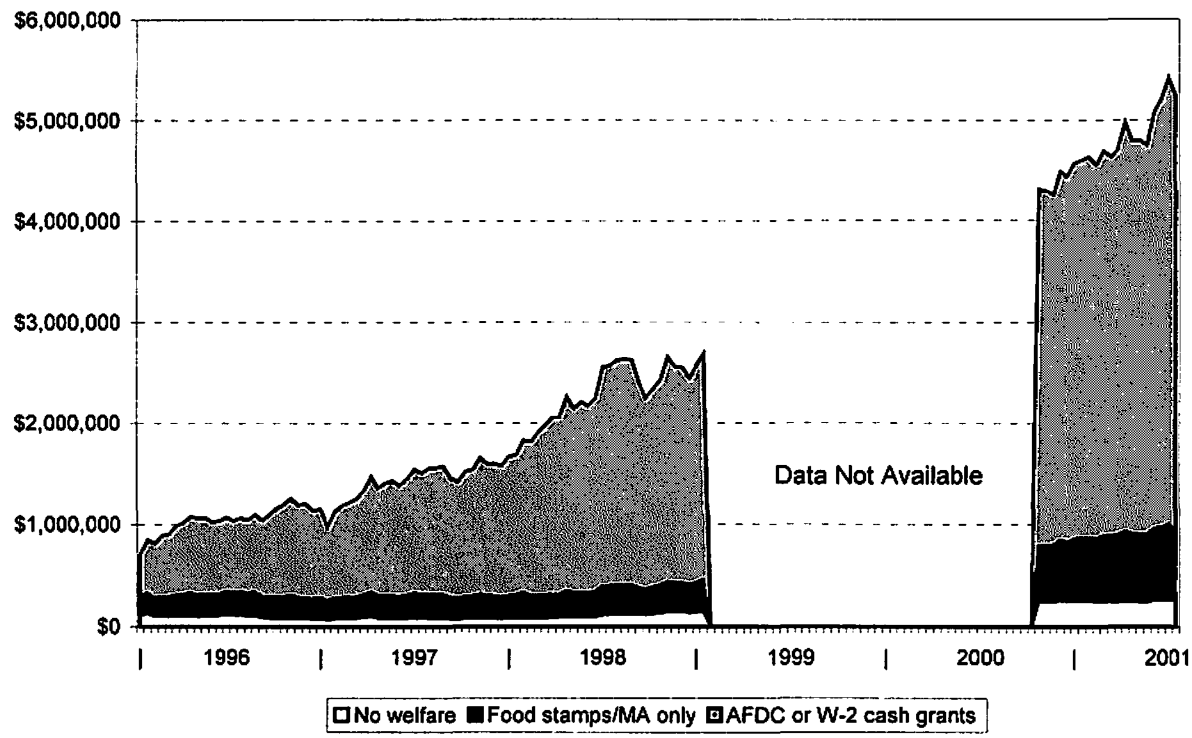
Just as the family co-payment system was quickly modified to attract child care providers and to encourage expanded capacity of licensed care, so too was the target population for services shifted to the welfare population and away from the non-welfare "working poor." When the subsidy program was created, the state promised to serve working families who had not been in the welfare system. The state's child care subsidy manual states: "Preference no longer goes to families due to welfare status. Families who have worked hard to avoid welfare dependence receive equal treatment with working families who have been on welfare. The program rewards work and efforts to achieve or maintain self-sufficiency."[6] In spite of these intentions, few Milwaukee County families outside the welfare system receive 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 files. Records of parents receiving child care subsidies were matched with parent involvement in four welfare programs since December 1995: AFDC cash grant programs, W-2 cash grant programs, food stamps, and medical assistance/BadgerCare health insurance.

1. Welfare population the primary target

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.

Figure 7: Biweekly Child Care Subsidies in Milwaukee County by Welfare History of the Parent



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. Of younger parents (under 22 years of age) receiving child care subsidies, 62 percent were welfare recipients as children in the three years prior to W-2.

Table 4: Milwaukee County Families Receiving Child Care Subsidies the Week of May 20, 2001

	Number of Persons in Family					
Families with Child Care Subsidy	**2**	**3**	**4**	**5**	**6+**	**ALL**
Number of families with a child care subsidy	2,594	2,904	1,881	880	580	8,839
% of Subsidized Families Where:						
Parent received AFDC in December 1995	10%	35%	53%	65%	70%	37%
Parent receives welfare or food stamps currently	58%	65%	76%	81%	85%	68%
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%

Note: Family income does not include cash welfare grants or food stamps.

2. Few non-welfare working families in program

The limited number of families with income above 150 percent of poverty suggests that many non-welfare working families are either not seeking out subsidized child care, are unwilling to pay the higher 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 process they and their current provider are required to follow to receive subsidies.

Two-parent families comprised less than 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 in May 2001. 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. Take-up rates for the earned income tax credit were much higher than the numbers of families seeking and receiving child care subsidies. When single-parent families receiving child care subsidies with income at 150-200 percent of poverty are compared to single-parent working families filing state tax returns with income at that level, the child care subsidized numbers made up 14 percent of the number of single-parent tax filers with one dependent, 13 percent of the number of single-parent filers with 2 dependents, and 24 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 employed families were enrolled, but it appears that large numbers of income-eligible single-parents in Milwaukee County are not in the child care subsidy program. By contrast, take-up rates for the earned income tax credit by Milwaukee County single-parent tax filers with dependents range from about 85 to 90 percent for the income ranges eligible for the credit.

E. The costs of government subsidies for child care often exceed the earnings of participants.

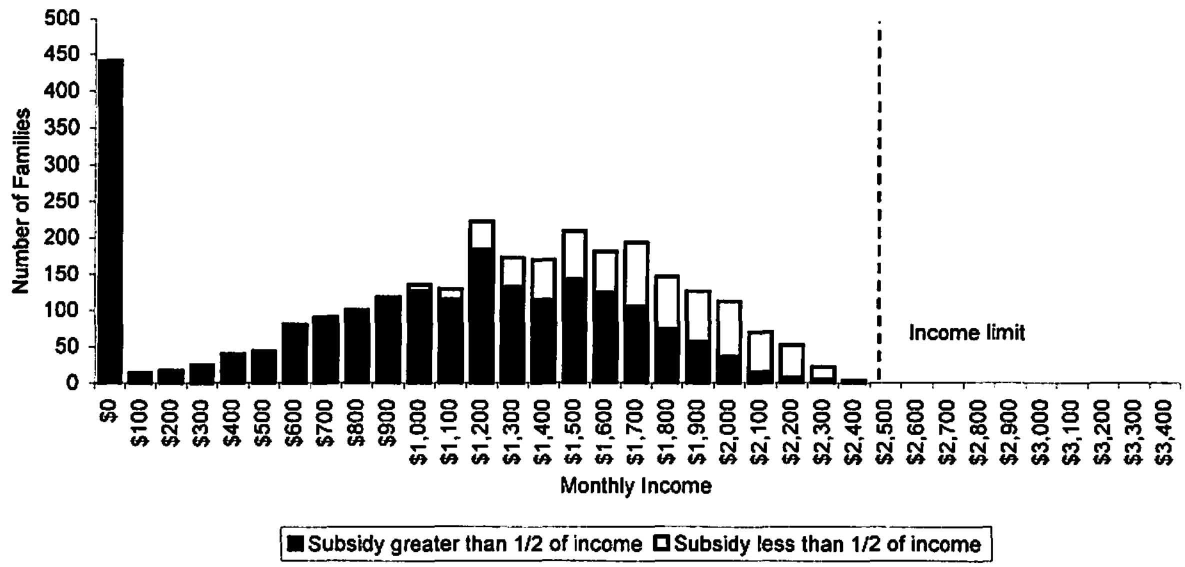
Child care subsidy payments were compared to family income for each Milwaukee County family in the subsidy program to gauge the extent to which subsidized families appeared likely to move into self-sufficiency where they would pay for their own child care expenses. (Family income in this file does not include cash welfare payments or food stamps.) 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.

Table 5: Government Child Care Subsidies Compared to Family Income, May 2001

	Number of Persons in Family					
	2	3	4	5	6+	ALL
% of Subsidized Families Whose:						
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.

Figure 8: Child Care Subsidies for 2,904 Families with 3 Persons in May 2001
(Monthly Income Limit=$2,438)



Analysis of the child care subsidy population by income ranges showed a concentration of families well below the income limit for assistance, in addition to a large number of subsidized families with no earned income. As family size increased, single parents receiving child care subsidies were increasingly dependent on welfare/food stamps and most likely to have child care subsidies which exceed their income.

F. The spatial and skill mismatches between available jobs in the metropolitan area and the residence and education of mothers seeking work raises transportation and training concerns.

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.

1. Spatial and skill mismatches in the labor market

Single-parent employed mothers with young children face difficult challenges managing employment, child care, and transportation logistics. 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.[7] 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. Another 21 percent were in the suburbs of Milwaukee County, 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.

2. The importance of having a car and driver's license

The realities of labor market conditions in the Milwaukee metro area require that most central city job seekers 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.

Access to a car appears to be an important asset for sustained employment among welfare recipients. 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. Additionally, many of the entry-level jobs obtained by the welfare population in Milwaukee County are 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.[8]

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, a problem most severe among central city drivers.[9]

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 $9 an hour) 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.

3. 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. Recognizing the transportation problems faced by mothers with young children when required to work, early on 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 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, but most subsidized child care settings 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.

IV. Urban Policy Concerns

Analysis of the administration of the child care subsidy program in Milwaukee County reveals a complex interplay among policies designed to insure availability of child care, foster higher-quality child care services, and further the goals of economic self-sufficiency for the welfare population. Two critical concerns have emerged in Milwaukee, which may develop as issues for other urban communities as well.

A. Cost controls may be required if eligible families are to receive subsidies.

Public expenditures for income support and day care combined are rapidly approaching the payment levels of the pre-TANF AFDC program in Milwaukee County while serving only a fraction of the families previously on welfare. The family child care co-payment policies adopted to accommodate the welfare population and day care providers have successfully reduced immediate day care costs to families. There are few rewards, however, for families who seek out lower-cost care with relatives and more affordable providers, and there are severe financial penalties for families whose income rises above 200 percent of poverty. With or without increases in funding, the state may need to consider policies to control costs, including capping vendor rate charges, enforcing the collection of family co-payments, and encouraging more use of lower-cost relative and part-time paid care.

B. Issues of fairness are arising between welfare families receiving subsidies and other urban working families.

To meet the state's priority of reducing welfare caseloads by enforcing work requirement for parents, the emphasis of the Wisconsin child care subsidy program has been to increase subsidies for families from the public assistance rolls by offering enticements for licensed day care providers to accept the harder-to-serve welfare population. Government subsidies for child care are now being provided to the welfare population at rates which few working class families appear able to afford, and in the inner city neighborhoods a growing number of licensed providers appear to be targeting their services to a government-subsidized only clientele.

V. 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 child care monies has stimulated not only expansion of licensed child care facilities but an escalation of day care rates, particularly in inner city neighborhoods. Given the number of families potentially eligible for subsidies and the rising costs of the program in Milwaukee County, the state appears unlikely to substantially increase appropriations for child care, and policy makers are instead considering waiting lists for the non-welfare population seeking subsidies. Without cost control measures addressing the high-cost child care subsidy incentive program currently in place in Milwaukee County, prospects appear limited for continued state child care support for the non-welfare "working poor" or for currently subsidized welfare mothers to successfully transition to economic self-sufficiency.

[1] John Pawasarat is director of and Lois Quinn a senior research scientist at the University of Wisconsin-Milwaukee Employment and Training Institute. This survey report is based on a June 2002 Urban Center discussion paper, "Child Care for the Working Poor: The Milwaukee Experience," available at www.brook.edu/es/urban/publications/pawasaratquinnchildcareexsum.htm."

[2] The FY 2001-03 statewide appropriations include $274.5 million for direct child care payments to providers and $49.5 million for costs of administration and programs to improve the quality and availability of child care. The mix of federal funds utilized for child care, TANF and other state programs has varied from year to year as Wisconsin has worked to maximize available federal funds while providing required maintenance of effort (MOE) state funds. The FY 2001-02 budget called for utilizing $103.6 million in federal CCDF monies, $202.6 million in TANF dollars, and $17.8 million in state tax revenues.

[3] For a discussion of the urban context of welfare reform, see Paul Leonard and Maureen Kennedy, "What Cities Need from Welfare Reform Authorization" (The Brookings Institution, 2001), available at www.brook.edu/es/urban/publications/leondencitieswelfareexsum.htm.

[4] 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.

[5] See, John Pawasarat, **Preschool Children, Mothers' Employment Status and Child Care Choices: Findings from the National Survey of America's Families** (University of Wisconsin-Milwaukee Employment and Training Institute, May 2002).

[6] Wisconsin Department of Workforce Development, "Wisconsin Shares Manual" (June 2001).

[7] 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.

[8] 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.

[9] 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). 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.