

The Other Wisconsin Miracle

How Wisconsin foundations are helping create a responsive market for child care

by Douglas J. Besharov and Nazanin Samari

This article was originally published in Philanthropy Magazine, May/June 1999

Picture a world in which child care providers give low-income mothers concrete assistance in getting and keeping a job, emotional support for combining work and parenthood, and advice on child rearing. That's what is happening in Milwaukee—not because of some grand bureaucratic plan, but because Wisconsin's welfare reform program combines a tough work requirement with a child care voucher that makes parents price-sensitive shoppers.

For years, advocates have called for the creation of family-oriented, "two-generation" services—programs that serve the needs of low-income parents and children—as the best way to help both escape the bonds of poverty. But despite widespread interest, most child care programs simply do not go that far.

Now, with the help of strategic grants from private donors including the Helen Bader, Jane B. Pettit, Weyerhaeuser Family, and Lynde and Harry Bradley foundations, members of Day Care Advocates of Milwaukee (DCAM), a coalition of inner-city day care providers, are providing an impressive array of two-generation services (see sidebar).

The need for such programs certainly is not in question. In 1990, Mathematica Policy Research, Inc., surveyed hundreds of child care centers, Head Start programs, and family day care homes across the country and found that only a handful regularly provided even a fraction of the services routinely available in DCAM programs (see Table 1). Extended-hours care, family advocacy, stress management, and parenting classes were notable mostly by their absence. While close to half of the centers offered breakfast and lunch, only 3 percent offered dinner, compared to about 20 percent of DCAM centers.

Even when Head Start programs were included, only about one-third of the centers in the Mathematica survey offered physical exams and psychological, cognitive, and social development testing compared to about 60 percent of DCAM centers.

So what's going on in Milwaukee? Founded in 1986 as a volunteer organization supporting inner-city child care providers, DCAM now represents 56 child care agencies and family day care homes caring for over 3,000 children. DCAM's members are located in inner-city neighborhoods that include more than 80 percent of Milwaukee County's low-income families. Between 80 and 90 percent of their clients are enrolled in Wisconsin's welfare-to-work program, known as "W-2."

Building a Child Care Market

DCAM is a model of community-based action, but it seems unlikely that DCAM members would have been so successful in creating two-generation programming had it not been for their receptivity to market forces. As Dr. William Schambra, vice president for program at the Lynde and Harry Bradley Foundation, explains: "The operations of the child care market created by W-2 help keep DCAM providers tuned in to community preferences. When we fund community organizations, we look for ones that are kept responsive to their clients because of market forces."

DCAM's success hinges on three key characteristics of Wisconsin's welfare-to-work program: a saturation work requirement that created a large market for child care, tiered child care vouchers that encouraged the entry of informal providers in the market, and, critically, a copayment scheme that made parents price-sensitive shoppers and gave providers an incentive to compete for clients.

The "saturation" aspect of Wisconsin's welfare reform program is by now well known. In place of a cash entitlement, all able-bodied recipients must work or prepare for work. As a result of this strictly enforced work requirement and a widely available child care subsidy, welfare mothers have surged into the workforce—and flooded the child care market. Between 1996 and 1998, the number of Milwaukee children receiving child care subsidies more than tripled, to nearly 15,000.

In planning to provide child care to all those children, Wisconsin broadened the permissible categories of providers and established a reimbursement schedule that mirrored the private market for child care. Wisconsin, like many states, had long issued a voucher-like authorization to obtain

Two-Generation Programming

Most child care programs focus on the children in their care. The worst programs provide little more than custodial care. The best seek to provide an emotionally nurturing and cognitively stimulating experience. But Milwaukee's DCAM programs do much more. Here's a sample:

- Extended hours, plus meals. Low-income parents often work shift hours, requiring care that stretches beyond the usual work day. Some 80 percent of DCAM's programs now open their doors at 7:00 a.m. and remain open well past 6:00 p.m. Besides breakfast, lunch, and snacks, about 20 percent offer a hot dinner, further easing the burden on working families.
- Psychological, cognitive, and social development testing. Some disadvantaged children are disruptive, combative, and difficult to handle in group settings. Instead of expelling these children, many Milwaukee centers now try to find ways to help them. DCAM centers have teamed up with local family service agencies, bringing in pediatric psychologists and professional consultants to evaluate children and to help center staff adjust their curriculum and teaching methods for these children.
- Stress management and employment counseling. Many W-2 participants have little or no work experience, and some suffer emotional stress over finding and maintaining employment, securing child care and transportation, and juggling hectic schedules for the first time. About 20 percent of DCAM's programs now offer seminars to help parents manage the stress of balancing work and parenting, as well as teaching them how to properly conduct themselves at work.
- Parenting and nutrition classes. Some children come to centers with behavioral problems suggesting inappropriate treatment at home. More than a few are not properly clothed or fed. In response, about 20 percent of DCAM's programs now offer parenting and nutrition classes as well as family counseling, often in collaboration with local family service agencies.

child care. But, also like many states, these vouchers were limited to certified and licensed providers. They could also be given to "provisionally certified" providers such as relatives, neighbors, and other untrained providers—but only for six months. These providers were required to complete certification training by the end of the six-month period to continue receiving vouchers. W-2 removed that time limitation. As a result, the number of subsidized provisionally certified providers went from 262 to almost 600 in the first year and nearly doubled the next, while the number of certified providers stayed about the same (see Table 2).

To reflect pricing practices in the private market, W-2 established a four-tiered system of reimbursement for "accredited providers," "licensed providers," "certified providers," and "provisionally certified providers" (including relatives). Payment for licensed providers was set at the 75th percentile of prices for licensed care in Milwaukee County; certified providers are paid 25 percent less than licensed providers; and provisionally certified providers are paid 50 percent less.

This payment formula encourages new entrants into the market by minimizing required start-up costs while still reflecting the higher costs incurred for training and facilities used by licensed providers. It also encourages certified and provisionally certified providers to seek training by offering higher reimbursement rates for their investment.

Parental Burden Sharing

Regardless of income, all parents receiving a child care voucher must make a sliding-scale copayment toward the care of their children, ranging from \$20 a month or less to as high as \$312 a month. The copayment schedule is tilted in favor of unlicensed care, with copayments for certified and provisionally certified care set 30 percent lower than those for licensed care. For example, a family of three, at 75 percent of the federal poverty level and with two children in care, pays \$47.30 per month in copayments for licensed care, compared to \$30.10 per month for certified care.

Together with tiered vouchers, Wisconsin's copayment system creates price differentials that encourage parents to shop around for child care. The competitive advantage of unlicensed providers is price, while the competitive advantage of licensed providers is enhanced services.

• Teen parent centers. Many welfare recipients have their first children as unwed teenagers. Because teen mothers often have additional emotional and practical needs, some DCAM programs are specifically designed for them. Housed at local schools, they provide before- and after-school care and on-site health services for children, as well as tutoring, literacy, and GED courses for mothers.

• Help with W-2 requirements. W-2 requires applicants to provide extensive documentation of residency, finances, and familial relationships. Center staff frequently guide parents through the process by explaining eligibility rules, anticipating questions the workers might ask, and helping locate documents and complete paperwork.

• Family advocacy. W-2's work requirements are among the toughest in the nation. Every month, clients must show proof of employment and account for monthly expenses, with severe penalties even for infractions such as missed appointments or neglecting to provide a rent receipt. Center staff may advocate for parents to speed up authorizations or reinstate a subsidy that has been terminated.

This helps explain why the centers provide such an impressive array of two-generation services. Simply put, they are competing with less costly, unlicensed care. But there is another reason. DCAM centers have a strong incentive to support the work efforts of their clients, 80-90 percent of whom receive child care subsidies under the W-2 program (unemployed parents neither need child care nor receive a subsidy to pay for it). It was only natural that DCAM providers seek to remedy many of the problems that can prevent low-income parents from successfully entering the workforce.

DCAM providers are motivated by more than just cold dollars and cents, though. For example, when mothers lose their child care subsidy for noncompliance with W-2, many DCAM providers will continue the child in care and help the parent regain the subsidy (even though they will not be reimbursed for the unauthorized care). Kimberley Hubbard, one of DCAM's founders, says, "We care about these children, and we are not going to deny care because a parent can't find some piece of paper.... We develop a relationship with our kids; we feel responsible to and for them."

Still, parents who are repeatedly irresponsible lose their support. Says Kimberley, "Our centers are places where you can get help if you need it; but if we can't stay in business, we can't help."

Bottom-up Funding

The planners of W-2 expressly sought to reflect a private market for child care. But they probably never expected child care centers to provide such a wide array of two-generation services. That's what seems to have happened, though. The market they created resulted in a child care system that supports welfare reform, mothers' employment, and sound child development. Donors take note—it's a formula worth emulating.

There is a larger lesson that is also worth highlighting. Past approaches to helping the poor have

Wisconsin's Four-Tiered Child Care System

Provisionally certified providers are informal providers limited to caring for no more than three children under seven years of age (excluding children who are related to the provider). They need not have any special training in child care, and may be friends, neighbors, or relatives (as long as not living in the child's home). Criminal background checks and site visits to assure that basic health and safety standards are being met are required for all providers but relatives. Payment rates are 50 percent of those for licensed care.

Certified providers are informal providers who have completed 15 hours of training in addition to meeting the requirements for provisionally certified providers. They, too, may not care for more than three children under seven years of age (again excluding related children). Payment rates are 75 percent of those for licensed care.

Licensed providers include family day care homes, centers, and day camps. All providers serving more than four children must be licensed, which entails strict standards for health, safety, facilities, training, and curriculum. Staff must complete at least 40 hours of training; lead teacher and directors require 80-160 hours of training, as well as continuing education training each year. Payment rates are set at the 75th percentile of local market rates for similar licensed providers.

Accredited providers are licensed family day care homes and centers that have completed a specified regimen of additional training in child development and have met higher standards for curriculum content. Payment rates are 110 percent of those for licensed care.

focused on top-down decision making, with government or large private foundations deciding what the poor need. The bottom-up approach, with decision-making power in the hands of consumers, is vastly more efficient. As David Osborne and Ted Gaebler point out in their book, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, "The single best way to make public service providers respond to the needs of their consumers is to put resources in the customers' hands and let them choose."

Just as importantly, if the middle class can choose its own service providers, why not the poor? As David Edie, director of Wisconsin's Office of Child Care, reminds us:

Some people want government to be more paternalistic toward poor families, and help ensure that the children have good care, because the families may not be able to do that... The philosophy in Wisconsin has been more that we want to empower poor families to make good choices, and we want to give them the resources and tools that they need to make those choices.

Table 1: The Market at Work?

Services provided to children or parents	National Survey of Centers	Day Care Advocates of Milwaukee Centers (estimates)	
		<i>pre W-2</i>	<i>post W-2</i>
Meals			
Breakfast	45%	75%	75%
Lunch	62%	90%	90%
Dinner	3%	5%	20%
Testing			
Physical Exams	13%	5%	30%
Psychological testing	23%	0	10%
Cognitive development	43%	30%	100%
Social development	42%	30%	100%
Parents' Services			
Extended hours	Minimal	10%	80%
Stress management and employment counseling	Minimal	0	20%
Parenting and nutrition classes	Minimal	0	20%
Help with public assistance	Minimal	30%	90%

Source: For national data, Ellen Kisker, Sandra L. Hofferth, Deborah A. Phillips, and Elizabeth Farquhar, *A Profile of Child Care Settings: Early Education and Care in 1990, Volume 1* (Princeton, New Jersey: Mathematica Policy Research, Inc., 1991), pp. 98-99; nationally representative sample of 1,350 centers and 231 Head Start programs. For Milwaukee centers, data provided by Kimberley Hubbard, Executive Director, Day Care Advocates of Milwaukee, a coalition of 56 largely center-based providers caring for over 3,000 children. We visited Milwaukee and met with child care administrators at the state and county level; DCAM leaders and members; and other child care providers.

Table 2: Day Care Providers 1994-1998, by Type

Year	Licensed Centers	Licensed Family Day Care	Certified Family Day Care	Provisionally Certified Family Day Care
1994	2,177	2,405	4,372	N/A
1995	2,239	2,559	4,542	N/A
1996	2,227	2,643	4,497	262
1997	2,265	2,695	4,131	593
1998	2,676	2,287	3,968	1,149

Source: David B. Edie, Director, Office of Child Care, Department of Workforce Development, Division of Economic Support, Madison, Wisconsin.

Note: N/A means not available.