

**Child Support Income and Copayments
in the Wisconsin Shares Child Care Subsidy Program**

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The Wisconsin Shares child care subsidy program provides assistance to low-income families who need help with child care in order to work. Families must meet both financial and nonfinancial eligibility criteria to participate and are expected to pay part of the cost of the child care in the form of copayments that are calculated according to a sliding scale. Currently, child and family support payments are not counted as income when determining financial eligibility or expected copayment amounts. A previous report¹ considered the effects on program caseloads if child and family support income were considered as income for the purposes of eligibility determinations. The report also estimated the effects of these changes in caseloads on program costs. This report estimates a fuller fiscal effect of considering child and family support as income for purposes of calculating Wisconsin Shares copayment amounts, including the effect of families who would retain eligibility but experience higher copayments.

As noted in the previous report, considering child support receipts in a household's income calculation would remove cases from the rolls by increasing their income and pushing them over the financial eligibility limits of 185 percent of the federal poverty level (FPL) for new entrants and 200 percent of the FPL for continuing participants. For those cases dropped from eligibility, the state would incur no more direct costs. The earlier report estimated that, in the observed time period (2000–2005), between 3 and 4 percent of the caseload each month would become ineligible (assuming use of a six-month average of child support receipts in the calculation of income) and that the state's subsidy amounts for those cases averaged from \$94 in July 2000, to \$86 in January 2003, to \$136 in December 2005.²

¹Caspar, Emma, and Steven Cook. *Eligibility for Child Care Subsidies of Parents with Child Support Income*. University of Wisconsin-Madison Institute for Research on Poverty. November 2006.

²Jan VanVleck of DWD used the figures from December 2005 to estimate a yearly cost savings to the state from eligibility reductions of \$1.66 million per year. Note that this estimate does not consider any administrative costs to the state for tracking child support, or any incentive effects on participants that a change in policy might introduce.

The reduction in caseloads is not the only effect on costs that would occur if state policy were changed to consider child and family support as family income in the Wisconsin Shares program. Under Wisconsin Shares, families are expected to pay part of the cost of their child care in the form of a copayment. Since expected copayments are based on a family's income, increasing their calculated income by adding child support receipts could also increase their copayment amounts and reduce the state's subsidy. Even among cases that remain eligible for child care under a new income calculation, the state's expected costs may decline.

The calculation of expected copayments is based on income, family size, the number of children in care, and the type of child care provider selected. Some families are exempt from copayments (i.e., those headed by teen Learnfare participants, Food Stamp Employment and Training program participants, Foster Care parents, and court-ordered kinship care providers), and others have copayment amounts set to the lowest level regardless of actual income (i.e., teen parents still in school, parents who left W-2 subsidized employment in the past month, and kinship care providers not under a court order). The remaining Wisconsin Shares participants have their copayment amount determined, in part, by their income level and so may experience increases in the copayment if their income calculated were to include child support receipts.

DATA AND METHODS

Data were drawn from two Wisconsin administrative data systems: CARES, for information on public assistance, including Wisconsin Shares; and KIDS, for information on child support. All cases that applied for Wisconsin Shares between March 2000³ and the end of 2005 were selected from CARES. During this time period, 130,110 cases applied for Wisconsin Shares and 113,754 cases were determined to be eligible for at least part of the period. Information collected included the case's income (calculated

³March 1, 2000, was the date that state implemented a set of major policy changes affecting the Wisconsin Shares program including the child support disregard, the income levels for eligibility, and the co-payment calculations.

using the current policy, which disregards child support receipt); the results of eligibility determinations; subsidy and copayment amounts; numbers of children and types of care used; along with any other factors important to the copayment calculation. Members of each CARES case were then matched with KIDS to determine the child and family support they received each month from March 2000 to December 2005. (Child support paid to a family, but retained by the state for any purpose, was not included in the total amount of child support received by the family.)

In the previous report two methods of adjusting the income calculation to include child support receipts were evaluated: the first added the current month's child support to the monthly income estimate whenever an eligibility determination occurred;⁴ the second took into account the irregular nature of child support receipts and added an average of the previous six months of child and family support receipt in the calculation. We found that using the averaged amount of child support reduced the month-to-month variability in the caseload. Given the irregularity of child support receipt found in previous research (Cancian and Meyer, 2005), the stated policy of treating other irregular income sources by using an averaging procedure,⁵ and the churning observed in the caseload when averaging was not used, the previous report used the six-month averaged child support in most of its analyses. That procedure is also followed here, so that a new income calculation is created for each case by adding the original income calculation from the administrative data and the average of the previous six months of child support income in the months that the case was determined to be eligible for Wisconsin Shares.

Using the new income calculation, a new eligibility determination is made (as in the previous report), and for months when the case would be eligible for the child care subsidy and the subsidy is actually used, the copayment expected for the case is estimated. Estimating the copayment for the case is a rather complicated calculation dependent on the family's new income calculation, the number of

⁴According to policy, eligibility determinations are repeated every six months, or earlier if new income information is reported on the case.

⁵As stated in the Wisconsin Department of Workforce Development Child Day Care Manual, Section 2.3.2.3.

children participating in the subsidy, the type of child care they are attending, the number of hours they attend, and the parent's participation in various programs. A full description of this estimation calculation is provided in the appendix.

As a test of the accuracy of this method of estimating the copayment, I compared an estimate of copayments under this methodology, without considering child and family support income, with the actual copayment assigned to the cases as shown in CARES. In 83.5 percent of case-weeks, the estimation procedure correctly identified the actual amount of the copayment. Of the copayment amounts that were not correctly estimated, 45 percent were within \$2 of the actual amount, and the misestimations were evenly distributed between overestimates and underestimates.⁶ In the findings that follow, all calculations are based on comparisons of estimated (rather than actual) copayments under the current system with estimated copayments under a system in which child and family support are counted in family income.

FINDINGS

Table 1 shows the numbers of Wisconsin Shares cases that would be affected by an elimination of the child support disregard in calculating income for each month of our observation period. This table combines information from the previous report on cases that would lose eligibility for Wisconsin Shares with the current analysis of cases that would have higher copayments. Comparing columns (6) and (4) in the table shows that the monthly number of cases affected by higher copayments is 7 to 10 times the number affected by complete loss of eligibility. Between 4 and 4.5 percent of the actual caseload each month would lose eligibility if family and child support were counted as income, whereas 30 to 40 percent of monthly caseloads would retain eligibility but pay higher copayments.

⁶In the approximately 9 percent of case-weeks in which the estimated copayment amount was more than \$2 from the assigned copayment, the assigned copayment amounts could not be replicated using the data available to us in CARES. These cases were equally divided between copayment amounts that were above and below our estimated amount and do not appear to be associated with any particular county or type of care.

Table 1
Wisconsin Shares Case Costs Associated with Eliminating Child Support Disregard

Month	Cases Affected by Eliminating Child Support Disregard					
	(4)	(5)	(6)	(7)		
	Cases With Subsidies	Percent With Any Child Support Income	Cases Losing Eligibility	Mean Child Care Reimbursement for Cases Losing Eligibility	Cases Retaining Eligibility With an Increase in Copayment	Mean Increase in Copay for Cases with Increase
Mar-00	18,581	54.8%	594	\$89.54	7,100	\$26.14
Apr-00	18,898	54.5%	550	90.35	6,976	29.66
May-00	19,570	53.9%	480	85.99	7,026	23.56
Jun-00	20,072	53.3%	545	93.96	7,230	31.72
Jul-00	19,494	53.4%	580	94.44	7,130	41.80
Aug-00	21,220	53.3%	700	87.20	7,442	33.42
Sep-00	20,854	52.7%	720	83.04	7,393	36.79
Oct-00	21,843	52.4%	796	88.83	7,706	29.30
Nov-00	23,071	51.3%	814	83.15	7,826	29.36
Dec-00	22,158	51.6%	815	89.64	7,648	36.36
Jan-01	22,836	51.2%	901	91.53	7,641	29.35
Feb-01	22,658	51.5%	892	90.18	7,591	30.35
Mar-01	22,966	51.4%	1,016	92.06	7,685	37.58
Apr-01	23,385	51.7%	1,086	91.50	7,730	30.11
May-01	24,073	51.9%	883	89.81	8,176	30.97
Jun-01	24,557	52.2%	966	100.24	8,574	40.29
Jul-01	23,604	52.9%	985	101.17	8,366	35.23
Aug-01	25,289	52.3%	1,116	96.14	8,507	35.12
Sep-01	24,544	51.5%	996	88.40	8,388	37.76
Oct-01	25,812	50.8%	1,043	89.00	8,528	30.52
Nov-01	25,618	50.4%	1,065	87.52	8,422	30.40
Dec-01	24,719	50.2%	1,031	91.60	8,155	36.95
Jan-02	25,571	50.2%	1,109	90.53	8,192	29.49
Feb-02	25,377	50.1%	1,057	89.57	8,157	29.96
Mar-02	25,565	50.5%	1,128	93.47	8,223	38.06
Apr-02	26,268	50.9%	1,195	88.82	8,438	30.77
May-02	26,777	51.4%	1,066	85.70	8,639	33.13
Jun-02	26,885	52.3%	1,155	96.51	9,091	42.73
Jul-02	26,327	53.2%	1,142	98.05	8,976	36.75
Aug-02	26,181	53.7%	1,220	97.26	8,992	45.92
Sep-02	26,738	52.3%	1,137	86.90	8,777	31.14
Oct-02	28,037	51.5%	1,190	84.47	8,917	31.15
Nov-02	27,676	51.5%	1,163	82.26	8,897	38.37
Dec-02	26,832	51.1%	1,141	91.26	8,596	30.53
Jan-03	27,835	51.0%	1,195	86.40	8,761	30.51
Feb-03	27,349	51.4%	1,184	86.99	8,590	31.41
Mar-03	27,624	51.5%	1,236	88.59	8,765	39.74
Apr-03	28,485	51.9%	1,150	85.88	8,957	32.22
May-03	28,377	52.4%	1,225	83.92	9,157	41.24

(table continues)

Table 1, continued

Month	Cases Affected by Eliminating Child Support Disregard					
	(4)	(5)	(6)	(7)		
	Cases With Subsidies	Percent With Any Child Support Income	Cases Losing Eligibility	Mean Child Care Reimbursement for Cases Losing Eligibility	Cases Retaining Eligibility With an Increase in Copayment	Mean Increase in Copay for Cases with Increase
Jun-03	29,108	52.9%	1,312	97.22	9,615	33.94
Jul-03	28,358	53.5%	1,313	98.56	9,368	37.04
Aug-03	28,047	53.5%	1,358	97.29	9,309	46.28
Sep-03	28,379	52.1%	1,247	83.54	8,959	31.44
Oct-03	29,519	52.1%	1,271	88.84	9,232	31.43
Nov-03	29,150	51.8%	1,183	82.58	9,186	38.67
Dec-03	28,523	51.5%	1,190	93.97	8,902	31.03
Jan-04	28,284	51.5%	1,224	87.74	8,922	38.04
Feb-04	28,431	51.5%	1,238	88.35	8,860	31.68
Mar-04	29,298	52.0%	1,296	88.94	8,979	32.26
Apr-04	29,284	52.7%	1,071	85.56	9,306	32.65
May-04	29,203	53.3%	1,098	86.53	9,562	41.26
Jun-04	30,465	54.0%	1,247	98.05	10,008	33.89
Jul-04	28,580	54.7%	1,204	100.17	9,737	47.68
Aug-04	28,893	54.7%	1,266	100.80	9,805	37.32
Sep-04	30,728	53.3%	1,229	88.12	9,870	30.71
Oct-04	29,691	53.0%	1,120	92.66	9,579	37.48
Nov-04	29,541	53.0%	1,115	87.26	9,554	30.07
Dec-04	28,822	53.0%	1,118	102.40	9,318	30.21
Jan-05	28,607	52.9%	1,131	98.32	9,419	37.09
Feb-05	28,777	53.1%	1,198	101.15	9,350	31.20
Mar-05	29,148	53.8%	1,301	103.42	9,456	31.98
Apr-05	29,471	54.3%	1,087	102.57	9,833	42.14
May-05	29,564	54.5%	1,172	99.67	9,947	34.26
Jun-05	30,773	54.8%	1,315	110.90	10,422	34.95
Jul-05	28,981	55.4%	1,281	113.92	10,139	49.43
Aug-05	30,506	55.0%	1,309	107.60	10,276	38.62
Sep-05	29,481	53.8%	1,153	91.54	9,855	32.72
Oct-05	30,478	53.4%	1,148	99.74	10,168	38.67
Nov-05	30,881	52.9%	1,136	91.57	10,099	30.95
Dec-05	28,529	52.9%	1,017	136.43	9,518	37.91

The costs associated with these two groups of affected cases are different. For cases losing eligibility, the state would no longer reimburse providers for child care expenses. Average monthly reimbursement for these cases runs between \$80 and \$110. As noted in the previous report, the reimbursement rates are lower for cases losing eligibility than for cases retaining eligibility because the cases that would lose eligibility have relatively higher income (and therefore higher copayments) and are more likely from counties other than Milwaukee County (and therefore counties with lower reimbursement rates to providers).

For families who retain eligibility but pay a higher copayment, state savings come entirely from the higher copayments. As families' copayments rise, the state's share of child care expenses for these families decline by the same amount. The mean savings per case from increased copayments is not as large as the savings from cases losing eligibility. However, the savings are still substantial, and apply to many more cases; on average copayments increase \$6 to \$10 per week, or \$30 to \$40 per month.

These estimates of direct costs associated with affected cases may not reflect the actual savings to the state of a change in policy. A policy change could be expected to lead to some increases in administrative costs, owing to the cost of tracking child support receipts, but could also lead to decreases in administrative costs because of the reduction in caseload. Cases may also change their behavior in response to the policy change: families with higher expected copayments may opt out of the program at a higher rate (either through leaving or not enrolling in the first place) because of the lower benefit to the family. Withdrawing from the program may cause some families to use less expensive child care, or to change their employment—either increasing hours to make up for the reduction in benefits, or decreasing their hours in response to higher work-related child care costs. In addition, some noncustodial parents may reduce their formal child support payments (and perhaps substitute informal support) if they perceive the benefit of formal payments to the receiving family has declined.

With these caveats about the actual total costs of any policy change in mind, Table 2 provides an annual summation of the estimated direct savings associated with an elimination of the child support disregard for the Wisconsin Shares program. Annual savings from cases losing eligibility runs from \$1.1

Table 2
Wisconsin Shares—Estimate of Direct Annual Savings from Eliminating Child Support Disregard

Year	Direct Savings from Cases Losing Eligibility	Direct Savings from Cases with Increased Copayments	Total Direct Savings
March 2000-December 2000	\$582,421	\$2,339,710	\$2,922,132
2001	\$1,107,433	\$3,302,728	\$4,410,162
2002	\$1,239,218	\$3,630,979	\$4,870,197
2003	\$1,332,998	\$3,858,968	\$5,191,967
2004	\$1,313,016	\$4,008,395	\$5,321,411
2005	\$1,490,670	\$4,349,895	\$5,840,566

Note: Changing the child support disregard may lead to additional costs or savings which are not included in these estimates. Additional administrative costs or incentive effects from policy changes may lead to different actual savings.

million in 2001 to \$1.5 million in 2005. The savings from cases that retain eligibility with higher copayments range from \$3.3 million in 2001 to \$4.3 million in 2005. Thus, assuming no behavioral response or changes in administrative costs, total direct savings from such a policy change range from \$4.4 million in 2001 to \$5.8 million in 2005.

CONCLUSIONS

Current policy in the Wisconsin Shares program disregards child support from income calculations. These income calculations are used to determine case eligibility for the program and the copayments that families are expected to make towards their child care expenses. This report considers the effects of eliminating the child support disregard on the costs associated with cases losing eligibility and with cases facing higher copayments. Including child support, averaged over the preceding six months, in the income calculation reduces the monthly caseload 4 to 4.5 percent and increases the copayments for another 30 to 40 percent of cases.

The cost reductions to the state for these two groups of affected cases average \$80 to \$110 per month for cases rendered ineligible and \$30 to \$40 per month for cases expected to pay higher copayments. These costs would have translated into annual savings to the state of \$4.4 million in 2001, rising to \$5.8 million in 2005. Although these estimates do not consider administrative costs or incentive effects, they establish a baseline for the estimation of possible savings.

Appendix

Estimating Copayment Amounts

Copayments in this report are estimated using the rules for determination of copayments described in Chapter 3, Section 2, of the Wisconsin Shares manual (Wisconsin Department of Workforce Development, 2003). These rules provide for the use of Child Care Copayment Schedules that are updated by DWD every year to account for changes in the federal poverty levels and adjustments to copayment amounts. The schedules categorize cases by the ratio of family's income to the federal poverty level (FPL), the number of family members, the numbers of children attending day care, and the type of care received (licensed or certified care).

Families with income of 70 percent or less of the FPL have the lowest copayment amounts (in 2001 these families with one child in licensed care had a weekly copayment of \$4). For each additional 5 percent of the FPL, families move to the next tier of the schedule. Families with 200 percent of FPL (the maximum income level at which they can receive Wisconsin Shares benefits) have the highest copayment amounts (\$52 for one child in licensed care in 2001).

Most cases have their copayment amount determined by their position on the schedule (as affected by income, family size, and type of care), but certain categories of parents are treated differently. Teen parents in school or an equivalency program and parents who have left a W-2 employment position in the last month are treated as if they have income equal to 70 percent of the FPL and receive the minimum copayment amount for their family size and type of care. Families with children who are only authorized for 20 hours or less of day care a week have a copayment amount that is one half of what it would otherwise be, as are Milwaukee parents who use public-school-based day care. Parents participating in Learnfare or the Food Stamp Employment and Training programs have no copayment responsibility, nor do foster parents or court-ordered kinship care providers. Kinship care relatives caring for a child without a court order are responsible for only the minimum (70 percent FPL) copayment, unless they have other children in Wisconsin Shares.

To estimate the correct copayment for each case we use information extracted from CARES; monthly income and number of family members data is used to calculate the percentage of FPL the family's income matches. Weekly data on each child's attendance is used to determine the numbers of children attending day care and the type of care, and weekly authorization data determines if each child is authorized for under 20 hours (and therefore qualifies for halved copayments). Using these data we can select the expected weekly copayment from the appropriate copayment schedule. Finally, information on parent's qualification for exemption or reduced copayments (as described in the previous paragraph) is used to adjust the copayment amounts. Weekly copayment amounts for the family are compiled into monthly amounts based on the month into which the final day of the week fell.

The same steps are used to calculate the hypothetical copayments expected if the child support disregard were to be eliminated, with only the addition that any child support received by members of the family (as reported in KIDS) is added to the monthly family income reported in CARES.

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