

Family Child Care

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Wisconsin Child Care Research Partnership

The Department of Health and Human Services, Administration for Children and Families, Child Care Bureau began funding the *Wisconsin Child Care Research Partnership* (WCCRP) in October, 2000 as one of nine Research Partnerships across the United States committed to studying child care quality for low-income children.

University of Wisconsin-Extension, Wisconsin Department of Workforce Development-Office of Child Care, and Wisconsin Child Care Resource and Referral Network joined in partnership to assess the quality of child care in Wisconsin, with a particular focus on child care for low-income children. Principal Investigators for the Research Partnership include: Mary Roach, Diane Adams, Dave Riley, and David Edie.

Results of WCCRP findings are presented in a series of *Brief and to the Point* Issue Briefs. These results, as well as summaries of national research, are now shared in this series on public policies for early childhood care and education.

Our aim with these Public Policy Options Papers is to share research-based knowledge about early care and education issues, and to be an objective presenter of alternatives and the likely consequences of public policy options.

University of Wisconsin-Extension

Congress established Cooperative Extension in 1914 as a partnership among federal, state, and local governments.

“Quite simply, UW-Extension is the people of Wisconsin and their university working together to apply university knowledge and resources to the current needs of their families, professions, businesses and communities. Its practical, issue-focused, problem-solving education is designed to help local citizens and leaders improve the state's economy, protect its environment, enhance the viability of its communities, and enrich the quality of their lives and work.”

Kevin P. Reilly,
Chancellor, UW-Extension

Cooperative Extension...

- Is often cited as an example of a successful technology-transfer organization.
- Takes research-based knowledge from the university and makes it usable by the public and policy-makers. ***This series of Public Policy Options Papers provides one example of how we put research-based knowledge into action.***

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PERSONAL REFLECTIONS FROM FAMILY CHILD CARE PROVIDERS

The comments below, excerpted from family child care diaries kept in 2001, or recent comments by family child care providers, reflect the fact that family child care providers...

Need stamina.

“The alarm wakes me at 4:30 a.m. I’m extra tired. This weekend was too short. Saturday I spent 8 hours at Blackhawk Tech for a seminar on curriculum. Sunday church and went out of town for a christening at my nieces. And grocery shopping for daycare. So it’s been busy and I’m tired. ... The children come after 8:00 a.m. They are all excited. They know it’s someone’s birthday, and they know I always give presents and have a really extra fun day. It means so much to see their little faces light up. It’s very rewarding.”



Provide support for families.

“I like to teach my day care children to share, play together, responsibility, and manners. I teach preschool in the mornings during the school-year. We do lots of creative things. Sing, dance, play games..... Some of my children come from alcoholic homes or homes where things are not so great! I guess if I can help them it gives me a great deal of satisfaction.”



Work with mixed age groups.

“For many years I have worked with mixed age groups as most family child care providers do. Older children learn responsibility, empathy, and patience. Younger children experience the opportunity to observe more advanced play and problem solving and the opportunity to be supported by older children.”

Capitalize on government support.

“The food program is a lot of paper work for me, but well worth it. It guarantees good nutrition for the children and certainly helps to cover the expense to serve balanced meals.”

Welcome children into their lives and homes.

“I found in this business that you must put the children first, then your feelings. The day is ending and I feel good and satisfied that my feelings didn’t get in the way of my professionalism. I really believe that if your heart isn’t in the business your work will show.”

Balance family responsibilities with their child care businesses.

“It is a challenge for family child care providers to operate full-time businesses while managing their own households, balancing their natural caregiving roles with their roles as early childhood professionals.”

SECTION I. BACKGROUND ON FAMILY CHILD CARE

WHAT IS FAMILY CHILD CARE?

The term “family child care” generally refers to care of unrelated children in the home of a provider (although many providers also care for related children). Home-based family child care operates in nearly every community of the state, typically as a small operation in a family home. Family child care is often hidden from the public and is sometimes forgotten in public policy discussions, despite the fact that it is a complex business requiring a wide range of skills.

One-third of families with employed mothers in the United States choose family child care over other options in the child care market for their children under five years of age,¹ compared with **44 percent** of families with employed mothers in Wisconsin.² Approximately 38 percent of Wisconsin’s child care subsidy reimbursements go to family child care settings.³ Family child care is clearly an essential service in the delivery of child care in Wisconsin and in the nation.

Regulation of family child care

All states regulate family child care, but states vary dramatically in their regulatory policies. Most states (like Wisconsin) license homes that care for 3, 4, or 5 children, but 13 states require licensing when only one child is in care. States typically do not license private care arrangements between close friends and neighbors.

In order to receive public funding in Wisconsin, a family child care program must be either licensed or certified. Although these two forms of regulation affect over 8,000 family child care providers in the state, a significant proportion of providers are not regulated. In general, researchers do not have good information on how much unregulated family child care there is, or what it looks like. Although there are some research efforts to look at care by “kith and kin” or “family, friends, and neighbors” care, this paper focuses primarily on **regulated** family child care.

In Wisconsin, family child care can be categorized into four groups:

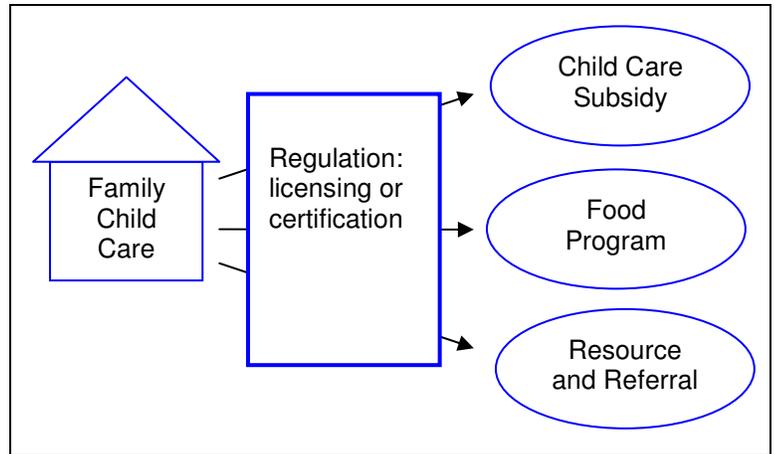
- **Licensed** as a child care program by the state. This is required when four or more children unrelated to the provider are receiving care. Licensing provides a permit to operate, with the primary purpose of protecting children and promoting their health, safety, and welfare.
- **Certified** for public funding by a county or tribe, when fewer than four unrelated children are in care. Certification is for the primary purpose of protecting children whose care is publicly funded.
- **Not regulated, but operating legally.** This applies when fewer than four children unrelated to the provider are in care.
- **Not regulated, and operating illegally** without a license. This applies when four or more children unrelated to the provider are in care.

PUBLIC POLICY AND FAMILY CHILD CARE

Government's role in family child care

Because family child care is usually provided in a home, and as a small business in the private sector, government involvement has been generally limited to:

- Regulation for the protection of children
- Financial assistance through the child care subsidy program, helping families who are working or preparing to enter the workforce pay for child care
- Payments through the Child and Adult Care Food Program to improve nutrition for low-income children, or to improve the quality of care and education
- Resource and referral services to help develop supply, to help families find family child care, and to provide technical assistance for family child care providers



In addition, Wisconsin has made other significant efforts to improve family child care through state investments such as:

- Training scholarships to increase provider qualifications
- Initiatives to increase the number of accredited programs
- Supplemental compensation to providers with higher education and/or longevity
- Tiered reimbursement strategies to reward higher quality

Controversy in public policy

The extent of government involvement in family child care has been a topic of considerable controversy. At one end of the spectrum is a point of view that government should have little or no role, families can make their own decisions about the appropriateness and quality of family child care, and private market forces should govern the industry. Those with this philosophical position argue that regulation should be minimal or non-existent – partly because regulations are often not applicable to private homes.

In contrast, those advocating government involvement in family child care argue that society has a major stake in how family child care functions because the service can have a significant impact on the child, the family, and society in general. Investment in high quality child care can lead to long-term benefits, including better school readiness, less special education and grade retention, improved high school graduation rates, reduced crime, increased employment levels, and less government dependency.⁴ Government regulation can help assure that families have access to safe, affordable child care that enhances children's development.

Topics to be covered in this policy paper

- Family child care in the United States, including research findings
- Family child care in Wisconsin
- Government's role with family child care in Wisconsin
- Public policy context for family child care
- Alternative policy options for strengthening and improving family child care

SECTION II. FAMILY CHILD CARE IN THE UNITED STATES

WHO CHOOSES FAMILY CHILD CARE?

Family child care is the primary care arrangement chosen by families with employed mothers for 14 percent of preschool children (under age 5) and seven percent of school-age children (6-12 years).¹ When looking only at “market care,” that is, family child care and center-based care (see shaded boxes in Table 1), family child care is the primary care arrangement for about **one-third** of both preschool and school-age children.

Table 1: Percent in Care by Type of Care Arrangement Used by Families with Employed Mothers: 1999

Children	Family child care ^a	Center-based care ^b	In-home care ^c	Relative care	Parent/Other care ^d	Self-care
Preschool (under age 5)	14 %	28 %	4 %	27%	27%	0%
School-age (6-12 years)	7 %	15 %	4 %	23%	41%	10%

Note: (a) Care of a non-relative in the provider's home; (b) Includes child care, Head Start, preschool, and before- or after-school programs; (c) Nanny/babysitter in the child's own home; (d) Includes activities, such as sports or lessons.

WHY DO PARENTS CHOOSE FAMILY CHILD CARE?

Parents often weigh their needs for flexibility, stability, quality and affordability in selecting child care.⁵ For parents of two or more children, family child care enables siblings to be cared for together, and reduces the number of different non-parental child care arrangements. For parents of infants and toddlers, or parents of children with special needs, family child care provides a home-like atmosphere, small size, and “mixed-age” group. Although most care for children under three years is provided by a parent or relative, family child care and center-based care are the primary **paid** arrangements for care by non-relatives.⁶

Family child care providers may be more able than child care centers to accommodate the work needs of low-income families. Working-poor parents are more likely than non-poor parents to have non-standard working hours and fluctuating schedules. About one-third of low-income mothers work on weekends. Close to 10 percent of these mothers work evenings or nights.⁷

Family child care is often the predominant form of care in rural communities and small towns, while remaining an important child care option for families in more urban settings. Although often not very visible, family child care is part of the makeup of nearly every neighborhood.

RESEARCH FINDINGS ON FAMILY CHILD CARE

Since 1980 two major research reports have focused solely on family child care in the United States, and one national report on “kith and kin” care. A brief summary of key findings from these reports follows.

1. Findings from the *National Day Care Home Study (1981)*

The *National Day Care Home Study*, conducted by the U.S. Department of Health and Human Services, included 793 caregivers from three cities (Los Angeles, Philadelphia, and San Antonio), from which 303 homes were selected for in-depth study.⁸ The study issued several findings that are relevant to this paper:

- **Monitoring** helped ensure quality by helping providers adhere to standards.
- **Provider training** was consistently related to positive caregiving characteristics, such as more teaching and more interaction with children.
- **Family child care systems**, sponsored by public or private agencies, supported homes to provide higher quality services, more desirable enrollment levels, better compliance with regulation, and more training for caregivers.
- **Lack of visibility and provider isolation** were striking features, and parents reported difficulty in locating family child care in their communities.

2. Findings from the *Families and Work Institute Study (1994)*

The Families and Work Institute report, *The Study of Children in Family Child Care and Relative Care*, used a measure of global quality, the Family Day Care Rating Scale (FDCRS, Harms and Clifford, 1989), to measure quality in 226 homes in three states (California, Texas, and North Carolina).⁹ Table 2 shows the findings:

Table 2: Child Care Quality in Family Child Care Homes	
Quality Rating	Percentage
Good: growth-enhancing	9%
Adequate/custodial: neither growth-enhancing nor growth-harming	56%
Inadequate: growth-harming	35%
Total	100%

Note: Only one-half of these providers were regulated; one-quarter cared only for relatives.

These data indicate low percentages of good quality care and high percentages of inadequate quality care. However subsequent analyses by Kathy Modigliani (personal communication), a member of the Advisory Board for this study, indicated that, when unpaid unregulated relative care was excluded, quality in **licensed** family child care homes was considerably higher, similar to quality found in licensed centers.

The findings of the Galinsky study lead to several key conclusions:

- **Child care quality.** Few homes were rated as good quality, the majority were rated as adequate/custodial, and an alarming 35 percent were rated as inadequate, a percentage that raises serious questions about the overall quality of family child care. Note that this finding was likely exaggerated by inclusion of unpaid relative care in the sample.
- **Provider responsiveness.** When providers were responsive, children were more likely to play with objects and to engage in complex play that supported cognitive development. Although difficult to regulate, family child care public policy may be able to affect conditions that lead to greater provider responsiveness.
- **Provider sensitivity and attachment.** When providers were sensitive, children were more likely to be securely attached to their provider. However, only half of the children in the sample were securely attached to their providers; children were not more likely to be securely attached to relatives than to non-relatives.
- **Provider training and regulation.** Providers were more likely to be rated as sensitive, responsive, and as having higher quality when they were regulated, and when they had higher levels of education, participated in training, and sought out opportunities to learn about children's development and child care. Providers who were intentional about their child care work, and who felt that the work was important and what they wanted to be doing, provided the highest quality care.
- **Provider social support.** Family child care providers were often isolated, with little involvement with other providers. Those who reported more involvement with the family child care community (e.g., they belonged to family child care associations and participated in the Child and Adult Care Food Program) were more likely to provide higher quality care, and were rated as more sensitive and responsive to children.
- **Parent views on quality and their choices in selecting child care.** Parents and providers agreed on three essential ingredients of quality in family child care: child safety, provider-parent communication, and a warm and sensitive provider-child relationship. Yet, 65 percent of parents who had looked for other alternatives when selecting care believed they had no choice, and 28 percent of mothers in the study said they would use other care if it were available. Children from low-income homes were often found in lower quality care than their higher-income counterparts; children from minority families were often found in lower quality care than non-minority children.⁹

“Both parents and providers see a warm, caring, responsive relationship between the child and the provider, a safe environment, and good communication between the providers and parent as the crux of quality.”

Ellen Galinsky, et al. (1994). *The Study of Children in Family Child Care and Relative Care*, p.20.

Policymakers and others often want to compare global quality in center-based and family child care. However, studies of family child care quality generally use a different rating instrument from that used for center-based child care, so it is difficult and probably misleading to compare quality of care in the two settings.

3. Findings from the Report on Informal Child Care from the National Center for Children in Poverty (2001)

The report, *Kith and Kin—Informal Child Care: Highlights from Recent Research*, summarized available research on family child care and informal child care.¹⁰

- **Regulation.** Educational levels of unregulated informal care providers closely matched those of parents using their care, whereas **regulated** family child care providers were twice as likely as parents using their care to have pursued education beyond high school.
- **Quality of program.** Regulated family child care providers were rated higher in quality than unregulated providers by a wide range of studies using global assessment scales.
- **Provider warmth and stimulation.** Small group size, low child-adult ratios, safe, clean, and stimulating physical environments, and caregivers’ non-authoritarian childrearing beliefs were consistently associated with caregivers who provided warm and stimulating infant care.

Summary of national research findings for family child care

- Regulation and monitoring are linked to higher quality settings.
- Training is linked to higher quality care.
- Family child care providers are often isolated and not very visible in their communities.
- Family child care support groups, networks, and systems may be important for improving the quality and longevity of family child care programs.
- Positive relationships with families served and with children in care are critical components of quality care.

SECTION III. FAMILY CHILD CARE IN WISCONSIN

TO WHAT EXTENT DO WISCONSIN FAMILIES USE FAMILY CHILD CARE?

A report from the Urban Institute in 2001 found that three out of four children under five years of age in Wisconsin were in primary care arrangements with someone other than their parents.¹¹ Twenty percent of these children were in family child care settings, compared with 25 percent in center-based care. This study also found that more than half of 6- to 9-year-old children were in supervised primary care arrangements while their mothers were working: 13 percent were in family child care, compared with 15 percent in before- and after-school programs. Wisconsin families' use of family child care was somewhat higher than the national average for both preschool and school-age children. The Urban Institute also found that, compared to 11 other states, Wisconsin had the highest percentage (20 percent) of children under five in family child care settings as their primary child care arrangement (see Table 3).² When only "market care" is considered, that is, out-of home care by other than relatives, the percentage of family child care used in Wisconsin is 44 percent of care arrangements, second only to California in the 12-state sample.

Table 3: Percentage of Children Under 5 with Employed Mothers Using Family Child Care as the Primary Child Care Arrangement in 12 States

	WI	AL	CA	FL	MA	MI	MN	MS	NJ	NY	TX	WA	Nation
Percent of all care ^(a)	20%	14%	16%	14%	10%	15%	17%	13%	14%	12%	11%	13%	16%
"Market care" ^(b)	44%	26%	46%	28%	27%	31%	31%	25%	36%	31%	24%	32%	33%

Note: a) Family child care as a percentage of all arrangements, including parent care, relative care, center-based care, and nanny/babysitting; b) Family child care as a percentage of "market care" **not** including parent, relative, and nanny/babysitting care.

Family child care funded by Wisconsin Shares

Wisconsin's largest child care budget appropriation goes toward helping low-income families afford child care through Wisconsin Shares, the state child care subsidy program. In the first quarter of 2003, family child care providers served 22,099 children, or 38% of all children funded by the subsidy program, with subsidies totaling \$21.6 million. In the most recent full year, 2002, \$95 million in subsidy payments went to regulated family child care providers.³

Table 4: Children of All Ages Receiving Wisconsin Child Care Subsidy Payments by Provider Type: January – March 2003

Provider type	Served children	Percent of total	Cumulative percent
Licensed family child care	11,183	19%	19%
Regular certified family child care	9,331	16%	35%
Provisional certified family child care	1,585	3%	38%
Licensed group child care center or school program	34,538	62%	100%

Subsidized children in the 2- to 5-year-old age group are most likely to be in center-based settings (66%), but a significant percentage of subsidized children in each of these age groups is served in family child care settings:

- 41% of children ages 0-1 year
- 34% of children ages 2-5 years
- 39% of children 6 years and older

Clearly, family child care plays an essential role in meeting the child care needs of Wisconsin families receiving assistance from the child care subsidy program.

Growth in family child care in Wisconsin

The total number of regulated family child care programs (licensed and certified) in Wisconsin has grown dramatically, from 3,331 in 1988 to 8,300 in May, 2003 (see Table 5). These licensed and certified family child care providers in Wisconsin currently serve an estimated 69,000 children.

Family child care is one of the fastest growing small businesses in Wisconsin. As of May 2003, Wisconsin had:

- **3,110** licensed family child care centers, with licensed capacity to serve 24,880 children. When part-time care and multiple shifts of care are factored in, licensed family child care serves an estimated 33,000 children.¹²
- **5,190** certified family child care providers.¹³ We estimate that 36,000 children can be served by certified providers, based on the finding of the Wisconsin Child Care Research Partnership that Wisconsin's certified homes enroll 7 children on average.¹⁴ (Note: family child care providers often care for part-time children and children with different shifts, so total enrollment may appear to exceed the number of children that may legally be cared for at any one time.)

Year	Licensed family child care	Certified family child care	Total
1988	651	2,680	3,331
1994	2,405	4,372	6,777
1998	2,670	5,047	7,717
May 2003	3,110	5,190	8,300

Growth in family child care in Wisconsin has been driven by several factors:

- **Increase in working mothers with child care needs.** Seventy percent of Wisconsin's mothers with children under five are employed, one of the highest rates in the United States.
- **Dramatic increase in funding for child care subsidies.** Since 1997, a 400% increase in funding for child care subsidy has provided assistance to thousands of low-income families to help them purchase care from a range of options,

including regulated family child care. Without subsidy help, many families would be unable to afford regulated family child care. Wisconsin's subsidy rules require family child care providers to be either licensed or certified in order to receive funding.

- **Streamlining of licensing rules.** Reduced family child care licensing rules made it less cumbersome and confusing for family child care providers to become regulated. Streamlined rule changes in 1989 led to a sharp increase in licensed family child care in the early 1990s. Changes included elimination of less essential rules, and simplification of building code rules as part of the licensing process.
- **Funding efforts to boost supply.** In the 1990s, Wisconsin provided start-up funding to expand family child care, partly to meet the needs of welfare reform.
- **Technical assistance and support.** The expansion of Child Care Resource and Referral and the Wisconsin Child Care Improvement Project in the 1990s provided technical assistance and support to new family child care providers, helping them become established, prepare for licensing, and develop sustainable business practices.
- **Financial incentives to become regulated.** Becoming certified or licensed makes providers eligible for subsidy payments and reimbursement for food served under the Child Care and Adult Food Program.
- **Revised zoning laws.** This action, undertaken in 1984, reduced cost and eliminated the need for most appearances before local zoning bodies, helping remove obstacles for family child care providers in establishing businesses.
- **Better information for parents.** Child care resource and referral agencies and other sources of information help parents locate regulated family child care.

Although data are not available on the amount or quality of unregulated family child care in Wisconsin, it appears that a greater proportion of family child care in this state is now visible and regulated than a decade ago.

Stability of family child care

Despite several advantages of being regulated, instability remains high in regulated family child care. According to data provided by state licensing, 13 percent of family child care providers that were licensed at the beginning of 2002 were no longer licensed at the end of 2002.¹² The change in status was somewhat higher for certified care, with an estimated 23 percent no longer certified by the end of 2002.¹³ However, these “turnover rates” for family child care providers are somewhat lower than those for staff at child care centers, which are typically at the 40 percent level.

Regulatory Category	Number regulated January 2002	Number no longer regulated January 2003	Percent no longer regulated January 2003
Licensed Family Child Care	2,967	400 (a)	13 %
Certified Family Child Care	5,533	1,264 (b)	23 %

Notes: (a) Other providers relocated or reopened at another site or became licensed for the first time, resulting in the total of about 3,100 by May 2003; (b) Estimated, based on county survey data.

According to the preliminary findings of a study by the DHFS Bureau of Regulation and Licensing, closures of licensed family child care homes were reported to be for the following reasons:¹²

- Business or financial reasons, including inadequate or unstable income
- Economic and job related reasons, including problems with parents
- Lack of enrollment
- Lack of health insurance and other benefits
- Own children started school (these providers often stayed home until their own children were school-age)
- Job stress and burnout
- In violation of rules

Certified child care providers were typically no longer certified because they:¹³

- Were in violation of certification rules
- Chose not to be certified because they were no longer caring for subsidized children
- Became licensed

Findings from the Wisconsin Child Care Research Partnership

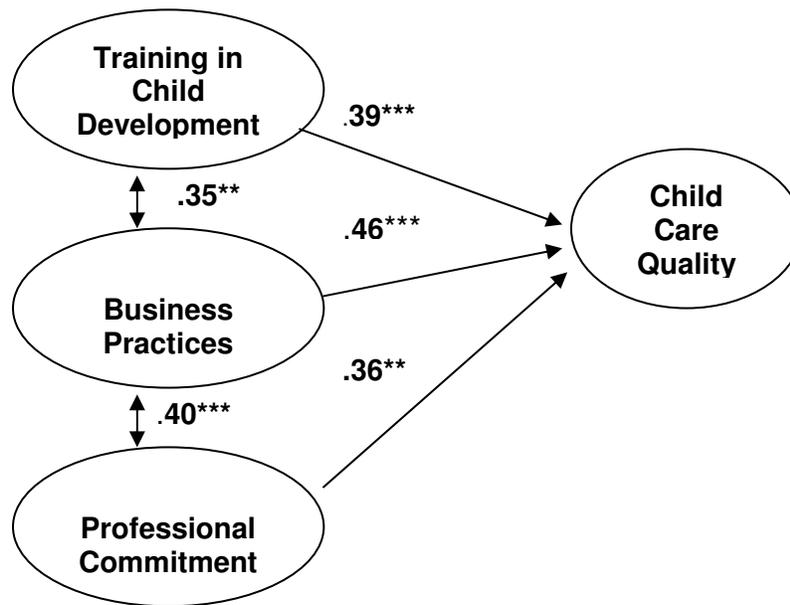
In 2001, the Wisconsin Child Care Research Partnership (WCCRP) conducted a random sample survey that included 452 regulated family child care providers who were providing state-subsidized care (i.e. programs receiving payments from Wisconsin Shares). This research identified distinct differences in family child care by regulation type (licensed versus certified providers):

- **Enrollment.** Licensed providers enrolled more children than certified providers (11 versus 7, on average), were more likely to care for only unrelated children, and had a smaller proportion of subsidized children in their total enrollments,
- **Provider characteristics.** Licensed providers were older, had more child care experience, higher incomes, and more had college degrees than certified providers.

- **Professional development.** Licensed providers were more likely to have a business contract with parents, be members of professional associations, belong to a support group, and hire paid staff. ¹⁴

The Wisconsin findings are consistent with other research suggesting that higher levels of regulation, which includes higher requirements for training, contribute to higher levels of quality care. The Research Partnership also conducted observations in the homes of family child care providers and found significant correlations between family child care quality and the following three provider characteristics:

- **Specialized training in child development,** such as an A.A. degree or training in early childhood.
- **Business practices.** This included contracts with parents, membership in a professional association or support group, and hiring of paid staff.
- **Professional commitment.** Provider diaries indicated that providers who had high quality relationships with parents, strong relationships with children, and intentionality about their work provided higher quality care.



Again, Wisconsin research is consistent with research conducted in other states on characteristics of child care providers that are linked to quality child care.

Other Wisconsin research on quality of family child care

Ruth Harding Weaver’s 2001 dissertation (University of Wisconsin - Madison) focused on factors that contributed to quality in a random sample of 65 licensed family child care providers in Dane County, Wisconsin. Weaver’s study found that providers with higher levels of training, higher levels of formal education, and college coursework or a degree in early childhood education received higher ratings for child care quality than providers with less training and education. ¹⁵ Providers’ psychological well-being was also positively related to higher ratings for quality. The quality rating tool used was the Family Day Care Rating Scale (Harms & Clifford, 1989).

When asked to identify their most helpful source of support, the responses from family child care providers were distributed as follows:

- 35% - husband and other family members
- 19% - family child care support groups
- 17% - other individual family child care providers
- 12% - formalized family day care systems

These findings are consistent with multi-state studies discussed earlier in this report that focus on isolation and lack of visibility in family child care, and suggest that family child care support groups, networks, or systems may help to improve the quality of care.

SECTION IV. GOVERNMENT’S ROLE IN FAMILY CHILD CARE IN WISCONSIN

Wisconsin state and local governments have many roles that affect family child care. This section focuses on four main programs: licensing, certification, the child care food program, and child care resource and referral. This section also briefly describes other supports for family child care, as well as promising practices in Wisconsin and across the country.

FAMILY CHILD CARE LICENSING

1. Program rationale and threshold for licensing

Wisconsin statutes establish that child care licensing is designed to protect children and promote the health, safety, and welfare of children in care. A family child care license is a permit to operate a Wisconsin business. In Wisconsin, a family child care setting must be licensed when a person, other than a parent, relative or guardian, provides care and supervision for four or more children under seven years of age for less than 24 hours a day, and for compensation. Licensed family child care programs in Wisconsin can serve a maximum of eight children at one time.

The purpose of child care licensing in Wisconsin

“These (child care licensing) rules shall be designed to protect and promote the health, safety, and welfare of the children in the care of all licensees.”

Wisconsin Statutes, Chapter 48.

2. Administration and budget

Family child care licensing is administered by the Department of Health and Family Services (DHFS) through its Bureau of Regulation and Licensing (BRL). The Bureau has 51 licensing specialists, plus program specialists, support staff, and supervisors. Most licensors have a mixed caseload, so it is difficult to determine the precise full-time equivalent of family child care licensors. However, BRL estimates that 31 full-time equivalent staff members work on family child care licensing, with an

approximate ratio of licenser to family child care facility of 1:104 (31 licensers to 3,249 licensed providers) as of July 2003.

The DHFS Bureau of Regulation and Licensing (BRL) is responsible for inspecting and issuing licenses to qualified new applicants, conducting ongoing monitoring visits, investigating complaints, taking enforcement actions against facilities with non-compliances, and providing information and technical assistance to providers and the public. BRL has an annual budget of \$7 million, of which nearly \$4.7 million comes from the federal Child Care and Development Fund. Approximately 54 percent of the budget goes for family child care regulation. DHFS also contracts (\$393,000 FY 02-03) with the Wisconsin Child Care Improvement Project, a non-profit agency, to provide technical assistance to help new applicants prepare for licensing.

3. Standards and enforcement

A facility can only be licensed if it meets licensing standards, including training requirements for providers, as well as prescribed rules about supervision, health and safety, nutrition, discipline, activities to enhance development, communication with parents, family child care policies, and emergency plans. Licensed providers pay a biennial fee of \$60.50 in order to maintain their licenses. Table 7 summarizes some key qualifications for licensed family child care providers.

Rule Category	Requirement
Initial training requirement	40 hours or 3 credits of early childhood training approved by DHFS within 6 months after initial licensure *
Continuing education	15 hours annually in child growth and development, early childhood education, first aid, or cardiopulmonary resuscitation (CPR)
Infant/toddler training	10 hours within 6 months after accepting any infant or toddler for care
Sudden Infant Death Syndrome (SIDS)	Completion of SIDS training prior to caring for an infant
Minimum age	18 years

*New courses with additional hours for business training are being developed in 2003.

Wisconsin's licensing program maintains a goal of at least two on-site inspections per year for each licensed child care program. Licensing staff review compliance history and potential risk to children in determining the amount of resources to invest in inspections and enforcement actions. Priority is given to situations with the highest risk. Because resources are directed toward higher priority inspections and enforcement actions, the two-visit goal is sometimes not met for all facilities. Most inspections are unannounced.

- **Complaints.** Licensing offices investigated an average of 752 complaints of violations annually from 1998-2002 in family child care. This includes an average of 423 complaints that providers were illegally operating without a license, and 329 complaints alleging licensing rule violations.¹⁶ This represents a very small number of complaints (329) against licensed providers, given the large number of licensed providers (over 3,000). The majority of the complaints are related to potentially illegally operating, non-licensed providers.
- **Enforcement actions.** An enforcement action occurs when the licensing agency denies, revokes or suspends a license or when orders, fines, forfeitures, or license conditions are issued due to licensing rule violations. Licensing offices took 138 enforcement actions against family child care facilities in 2002. In 1992, the Legislature approved a broader range of enforcement actions that BRL could use to improve compliance with rules. The enforcement actions used most frequently in 2002 (in order of frequency) include: orders to come into compliance; denial, revocation, or surrender of a license; stipulations on the license; forfeitures; and second probationary licenses issued. BRL took action leading to the denial, revocation, or surrender of 37 family child care licenses in 2002. Enforcement actions for family child care have increased dramatically, from none in 1992, growing to 20 by 1995, 91 by 1998, and 138 in 2002.

4. Zoning and building requirements

In 1984, Wisconsin zoning laws were adjusted to allow licensed family child care to operate in areas zoned for single-family residences. Family child care providers no longer had to obtain special permission to operate in residential neighborhoods, and local municipalities were prohibited from imposing additional rules to make it more difficult for family child care to operate. In 1989, building code rules for family child care facilities were simplified and incorporated into licensing rules, thereby simplifying the application process and streamlining regulations. Prior to that time, Wisconsin family child care programs were required to meet extensive and confusing building code requirements, administered by the Department of Industry, Labor, and Human Relations or designated municipalities.

5. National and regional comparisons

- **National rankings.** Wisconsin's child care licensing program has been recognized as among the nation's best. Wisconsin was named one of the top states in the country for child care by *Working Mother* magazine for seven years in a row when the magazine was doing these rankings from 1993-1999. Wisconsin's child care licensing program was a major factor in the ranking decisions. According to national data on family child care regulation, Wisconsin has the second highest initial training requirements, and is among the top seven states in requirements for continuing education for family child care providers.¹⁷ Thirty-one states require no initial training, and 16 states require no continuing education.
- **Training requirements.** Wisconsin ranks first among surrounding states in its training/education requirements for licensed family child care programs.

State	Required for Initial License	Annual continuing education requirement
Illinois	None	15 hours
Iowa	None	None
Michigan	None	None
Minnesota	None	6 hours
Wisconsin	40 hours of approved early childhood training	15 hours

Although Wisconsin’s training/education requirements are high compared with other states, it should be noted that they are far less than those required for a teacher in a Head Start program or a kindergarten program, and include only about half of what is required for a lead teacher in a licensed child care center.

- **When states require licensing of family child care.** Twenty-seven states require licensing when fewer than four children are in care, making a more stringent threshold than Wisconsin. Of these, 15 states require licensing when only one child is in care. Nine states have the same threshold as Wisconsin (four children). Twelve states have a higher threshold, and three states do not license family child care.¹⁸ The table below shows the threshold for family child care licensing in Wisconsin and surrounding states. Note that licensing policy discussions usually define the “threshold for licensing” for a state as the number of children in care that require licensing in that state.

State	Number of unrelated children in care
Illinois	4 children
Iowa	5 children
Michigan	1 child
Minnesota	1 child
Wisconsin	4 children

Note: the “licensing threshold” is the level at which licensing is required by law.

- **Group size requirement.** Wisconsin allows a maximum of eight children to be cared for by one family child care provider. Twenty-three states have stricter requirements than Wisconsin. Most states set the maximum number at six children. Ten states allow more than eight children in care by one provider, but the allowable number is often based on age groups served. Child care research has generally linked quality to lower group size in child care centers, but the research on family child care is less clear. The Galinsky study found that providers with somewhat larger groups (1 adult to 4.29 children) had higher quality ratings and were rated as more sensitive than providers with fewer

children (1 adult to 1.62 children). Research in family child care has not found an exact point at which large groups and high ratios become detrimental.⁹

- **Monitoring.** Wisconsin’s goal for monitoring licensed family child care has been two site visits per year. According to a 2001 study by the National Association for Regulatory Administration, that standard was more stringent than the standard in 21 of 31 states surveyed, most of whom had a standard of one visit or fewer per year.¹⁹ However, budget limitations and workload pressures have made it difficult for Wisconsin’s licensing program to meet the standard of two visits per year.
- **Large family child care homes.** Wisconsin is one of only 10 states that does not have a category for “large family child care.” Gwen Morgan, a leading national authority on child care regulation, recommends that large family child care homes be defined as “two or more providers caring for one or more unrelated children in a home, with a provider-to-child ratio determined by the ages of the children who are present.”²⁰ Most states that regulate large family child care allow 12 or more children to be in care by two providers, usually with some further restrictions depending on the ages of the children in care. The DHFS licensing bureau has been considering rule changes to establish a licensing category and requirements for large family child care homes in Wisconsin.

“...there is reason to believe that regulation does have a positive impact on family day care providers and the children they serve. Regulation enables the state to reduce health and safety risks to children and encourages receptive providers to take positive steps to nurture children.”

William Gormley, Jr. (1995) *Everybody’s Children: Child Care as a Public Problem*, p. 81.

FAMILY CHILD CARE CERTIFICATION

1. Program rationale and threshold for certification

Wisconsin law requires that child care services which are not required to be licensed, but which receive public reimbursement through the child care subsidy program, must be certified to protect children’s basic health, safety, and development. Regulations for certified family child care are considerably more simple than licensing requirements. A certified family child care provider is permitted up to three unrelated children under age seven. If four or more unrelated children are in care, licensing is required. The mix of unrelated and related children cannot exceed six, with stricter limits when infants and toddlers are in care.

Purpose of certification

“ Certification is intended to ensure basic protections for children when public funds pay for child care.”

Department of Workforce Development, Child Care Section, *Wisconsin's Child Care Subsidy Program*, (March 2002), p. 7.

2. Administration and budget

Certification is administered by local county departments of human/social services and tribal agencies. Some local agencies subcontract with private agencies, such as child care resource and referral agencies, to administer certification. The Department of Workforce Development (DWD) is responsible for oversight of certification and for promulgation of administrative rules.

The annual budget for child care certification is estimated at \$3.2 million for 2003. Because local agencies do not separately report expenditures on certification, it is difficult to be precise about cost. Two-thirds of counties and participating tribes (53 of 80) charged fees for certification and/or background checks in 2002, in order to help meet the costs of certification.

3. Standards and enforcement

Certified providers must meet basic health and safety standards and pass background tests, including criminal record checks. Certification standards include: qualification of providers, health and safety standards for the home, supervision, allowable numbers of children (according to ages of children), appropriate discipline, activities and equipment, transportation, meals and snacks, rest periods, provider and parent communication. Certification rules are similar to licensing rules, but are much less detailed. Wisconsin law established two types of certified providers: Regular (level I), and provisional (level II). Regularly certified providers must complete at least 15 hours of training. Local certification agencies may also require up to five hours of continuing education annually. Provisionally-certified providers are not required to complete training, and can remain in provisional status indefinitely. Providers often choose to be provisionally certified when they are caring for relatives or when they are providing short-term or back-up care.

It should be noted that state policies create strong fiscal incentives for family child care providers to complete training and become regularly certified. Subsidy payment rates for regularly certified providers are 50 percent higher than for provisionally certified providers.

Certification rules were strengthened in 2002 to require certification agencies to conduct on-site inspections before certification or within 30 days following initial certification and prior to recertification (required every two years). According to 2002 data from DWD, 60 percent of certification agencies made two or more visits within a 2-year period.²¹ In addition, rule authority for enforcement was strengthened in 2002

by increasing the reasons for which certification may be denied or revoked. The new authority may have affected enforcement. In 2002, certification agencies revoked or denied certification for 732 family child care providers, more than double the number in 2001.

4. National and regional comparisons

According to data from state 2002-03 Child Care and Development Fund Plans, few states have more stringent regulation than Wisconsin for family child care settings that are exempt from licensing and receiving public funds. Twenty-six states require only that child care providers self-certify as meeting minimum standards, usually by completing a check list. The majority of states do not inspect family child care that is exempt from licensing, and standards tend to be less specific than Wisconsin's standards.²²

However, 15 states apply licensing standards to license-exempt child care as a requirement to receive child care subsidy payments. Among these, only four states (Alabama, Delaware, Florida, and Washington) require more initial training for **licensed** family child care homes than Wisconsin requires for **regularly certified** family child care homes.²³ Clearly, Wisconsin's requirements for license-exempt family child care programs that receive child care subsidy payments are among the highest in the nation, with a combination of health and safety standards, home inspections, background checks, and incentives for training.

Another way to look at the effect of Wisconsin's policies on family child care regulation is to review the percentage of subsidized children served by providers who are legally operating without a license. All of Wisconsin's subsidized children are in licensed or regulated settings. Wisconsin is one of only four states (the others are Arkansas, Ohio, and Oklahoma) where all subsidized children funded by the federal Child Care and Development Fund are in regulated settings. Nationwide, 27 percent of subsidized children are served in unregulated settings.²³ Below is a comparison with surrounding states:

Table 10: Wisconsin and Surrounding States: Children Served (by Type of Care) in Subsidy Programs Funded by the Child Care and Development Fund (CCDF) / Temporary Assistance to Needy Families (TANF)		
State	Percentage served by regulated providers	Percentage served by providers legally operating without regulation
Illinois	47%	53%
Iowa	76%	24%
Michigan	34%	66%
Minnesota	63%	37%
Wisconsin	100%	0%

CHILD CARE FOOD PROGRAM

1. Program rationale and description

The Child and Adult Care Food Program (CACFP) is a federally-funded, performance-based nutrition program designed to ensure that children in child care facilities receive nutritious meals. Primary recipients are children under 13 years in group care. For purposes of this paper, the program dealing with children will be referred to as the “Child Care Food Program.” The program subsidizes family child care providers for meals and snacks provided to children in their care. Federal law in 1996 created two tiers of reimbursement rates, with higher (Tier 1) rates applying to homes in low-income areas or operated by low-income providers and to meals served to low-income children. The intent of the change was to target program benefits more closely to low-income homes and children.²⁴ National data indicate that reimbursement rates for Tier 2 homes were cut almost in half in 1999, from a monthly average of \$326 to \$177.

In Wisconsin, the Child Care Food Program is closely linked to state licensing and certification programs, because family child care providers must be licensed or certified to be eligible for food program reimbursement payments.

The purpose of the Child Care Food Program

“The Child and Adult Care Food Program is a key source of financial support for preschool child care in both family child care homes and child care centers. This federal entitlement program provides reimbursement for food and for meal preparation costs, ongoing training in the nutritional needs of children and food safety, and onsite technical assistance in meeting the program's strong nutritional requirements (a minimum of three home visits each year).”

Food Research and Action Center (FRAC) website:
http://frac.org/html/federal_food_programs/programs/cacfp_familycare.html.

2. Administration

The Child Care Food Program is administered at the federal level by the United States Department of Agriculture (USDA) Food and Nutrition Services, and at the state level by the Department of Public Instruction (DPI), the agency that also administers the school lunch program. Funding and regulations are determined at the federal level, with very little discretion for states.

Family child care homes can participate in the Child Care Food Program only if they are sponsored by a public or private nonprofit organization that has entered into an agreement with the state administrative agency. Wisconsin sponsors are responsible for enrolling and monitoring family child care homes in the program, training providers, processing the homes' reimbursement claims, and distributing reimbursements. Wisconsin has eight sponsoring organizations, serving all 72 counties. Most sponsors serve multi-county areas. The largest sponsor in the state is the Wisconsin Early Childhood Association (WECA), followed by the two Community Coordinated Child Care (4-C) agencies in Milwaukee and Madison.

3. Budget

The Child Care Food Program brought \$12.7 million in meal reimbursements to family child care homes in Wisconsin in Federal Fiscal Year (FFY) 2002. Administrative costs include \$2.5 million in administrative payments to the nine child care sponsoring organizations, plus \$1.4 million in state-level administrative costs.

4. Children served

Wisconsin's Child Care Food Program provided reimbursement for nutritious meals and/or snacks for 22,181 children per month on average served in family child care homes in Federal Fiscal Year 2002.²⁵

5. Family child care programs participating

The number of Wisconsin's family child care homes participating in the Child Care Food Program has dropped 10 percent since 1996, largely due to the implementation of the two-tiered reimbursement rate, and the increased paperwork required for family child care providers.²⁵

Year	Family child care programs participating: avg. number per month	Children receiving meals/snacks: avg. number per month
1996	4,081	23,519
2000	3,879	22,590
2001	3,856	22,349
2002	3,800	22,181

Given the 17 percent increase in the overall number of regulated child care providers (licensed or certified) in Wisconsin who were eligible for the Child Care Food Program during this period, this 10 percent decrease in participation may mean providers found the program less attractive with the new tiers. In 2002, 46.2 percent of the 8,217 regulated family child care programs participated in the Child Care Food Program in an average month.

6. Monitoring

Child Care Food Program sponsoring agencies conduct three on-site reviews of participating homes annually, consistent with federal regulations. It is noteworthy that participating family child care providers typically receive more monitoring visits annually from the Child Care Food Program than they do from either licensing or certification regulators. In recent years, DPI has increased enforcement actions against family child care homes that fail to follow the rules of the program. Since July 2002, 25 homes have been cited as being "seriously deficient" and nine of those homes were terminated from the program.²⁶

7. National and regional comparison

Because the Child Care Food Program is governed under prescriptive federal rules, the program is run similarly from state to state. Disparities in program administration arise mainly from dissimilar child care regulatory requirements at the state level, as

well as differences in policy interpretation by the regional offices of the USDA. The only major difference among states is where the program is placed administratively. Most states administer the program in the lead agency for public education. However, at least 15 states administer the Child Care Food Program through a different state agency, such as a department of health or family services. An analysis of payments received under the program by surrounding states indicates that Wisconsin ranks last for per capita reimbursement payments.²⁷ How states ranked may be attributable to multiple factors, including the number of regulated family child care homes in the state, the state's level of poverty, and the outreach and administration by sponsoring agencies.

Table 12: State Comparison: Wisconsin and Surrounding States Child Care and Adult Food Program Amounts for Family Child Care: FY 2002		
State	Total FY2002 family child care	State rankings in per capita payment
Illinois	\$34,797,978	3
Iowa	\$ 9,203,072	2
Michigan	\$27,433,477	4
Minnesota	\$40,174,394	1
Wisconsin	\$12,719,030	5

Note: Per capita payment was calculated by dividing a state's FY 2002 payments by the state's population of children under 18, according to 2000 Census data.

CHILD CARE RESOURCE AND REFERRAL (CCR&R)

1. Program rationale and description

Child Care Resource and Referral agencies provide an infrastructure for the private child care market. CCR&Rs focus on:

- **Support for families** seeking child care, by helping parents find and choose child care settings appropriate for their children, and by providing consumer education
- **Support for child care providers**, by helping providers start programs and enhance and maintain the quality of their services through training, technical assistance, and support groups
- **Support for communities**, by helping providers plan and develop needed child care services, and by providing key data that helps define local child care markets

These services are intended to create informed consumers, develop child care supply to meet gaps in the market, increase the quality of child care programs, and inform and engage the community about child care needs and community planning efforts. CCR&Rs supply key data to state decision-makers as well.

Wisconsin developed a statewide network of 17 CCR&R agencies in the 1990s, serving all counties and tribes. Annual grants are based primarily on the basis of

number of counties served and population. CCR&Rs in Wisconsin are required to meet standards established for state funded CCR&Rs, validated by a review process every three years. Wisconsin's CCR&Rs are currently exploring a system of quality indicators or ratings for child care programs throughout the state that could be used by consumers in selecting child care.

The purposes of child care resource and referral

“Child Care Resource and Referral (CCR&R) agencies are community-based experts who make child care work by: developing professionals who care for children, connecting families with child care services, and collecting data that impacts communities.”

2002 Data Report, Wisconsin Child Care Resource & Referral Network.

2. Families, child care providers, and communities served in Wisconsin

In 2002, Child Care Resource and Referral agencies provided unique services:

- Referrals and consultations to 26,448 families: This included 14,295 child care referrals, and 12,153 consultations on a wide variety of child care issues.
- Over 5,700 families seeking referrals were receiving a Wisconsin Shares child care subsidy.
- 61 percent of families revealing their incomes earned less than \$30,000 per year.
- 25,462 child care providers and teachers attended 1,279 specialized training events sponsored by CCR&Rs.
- Technical assistance/consultation was provided to 691 potential providers who later became regulated.
- 764 employers received information on child care from CCR&Rs. ²⁸

3. Budget

The 2001-03 annual state budget for Child Care Resource and Referral was \$1.35 million, with an additional \$176,000 funding for a statewide CCR&R network. The funding level rose steadily in the 1990s, but was reduced by 20% in the 2001-03 budget. The 2003-05 budget resulted in another 10% reduction in CCR&R funding (to \$1.2 million) and elimination of funding for the CCR&R network.

4. Regional comparison

The table below compares Wisconsin's funding level for CCR&R services with that of four surrounding states. Wisconsin, along with Michigan, has the least amount of state funding for CCR&R services on a per capita basis of the five states. States were asked to provide the most recent state allocation for basic CCR&R services for Table 13.

State	# Children <6 with employed parents ²⁹	Annual state funding (millions) ³⁰	Funding per child < 6	State ranking of per capita funding
Illinois	884,916	\$8.0	\$ 9.04	3
Iowa	204,905	\$3.6	\$17.57	2
Michigan	704,800	\$2.2	\$ 3.12	5
Minnesota	360,170	\$7.0	\$21.93	1
Wisconsin	369,352	\$1.2	\$ 3.24	4

Note: Ranking is based on CCR&R state funding per child under 6 with employed parents.

OTHER SUPPORTS FOR FAMILY CHILD CARE

Wisconsin has had few significant public policy efforts specifically directed to family child care other than the ones mentioned above. However, several initiatives have provided support for family child care quality:

- **Educational opportunities.** Wisconsin has a fairly sophisticated set of courses and credential programs available to family child care providers, operated through the university and technical college systems and through non-profit agencies like the Child Care Resource and Referral system.
- **Scholarships and wage stipends.** Child care scholarship and bonus programs have provided scholarships and wage stipends to family child care providers, as well as staff at child care centers. About one quarter of scholarship recipients to date have been family child care providers.
- **Technical assistance and information.** Wisconsin has historically provided a system of technical assistance and information that serves family child care statewide, although it should be noted that these support services have been reduced significantly by 2003-05 budget action. Services funded by state government that have been used regularly by family child care include:
 - Providing books, articles, films, and other information from the Child Care Information Center (meeting an estimated 700 requests annually)
 - Providing technical assistance to prepare for licensing and improve business practices from the Wisconsin Child Care Improvement Project.

PROMISING PRACTICES: FAMILY CHILD CARE SYSTEMS

As the research section of this report indicated, family care providers, who are often isolated, may benefit from systematic support systems. While many family child care providers participate in local support groups (informal neighborhood groups that meet to exchange ideas and support one another) or in state or local associations, participation in formal family child care systems is much less frequent. Family child care “systems” or

“networks” can be organized to offer administrative services and support (with a focus on high quality care) under the auspices of a local agency. Wisconsin has some systems, but they are not directly supported through the state budget.

A few states (such as Massachusetts), the Department of Defense/Army family child care, and municipalities (such as Madison, WI) have active family child care systems. Some larger child care centers have recruited a number of family homes to become affiliated with them, through contractual arrangements. In addition, a few employers, such as Steelcase, Inc. in Michigan and America Air West in Arizona, have long-standing family child care systems that offer support to providers and services to company employees. By and large, however, family child care systems are few and far between, despite the authentic need for such services, partly because of the level of financial resources required for their success.

After years of piloting, Head Start formally began offering support services through family child care homes in 2001. Due to the higher level of federal funding Head Start receives, the potential for high quality support services to family child care home providers is great. However, it will remain to be seen whether the Head Start system, which serves primarily low-income children, will be satisfying to individual providers who might wish to serve a range of incomes, and whether the level of paperwork required by Head Start will prevent high quality providers from joining and working to strengthen this system.

How do systems work?

Typically, providers who join a system do so voluntarily (with the exception of military base family child care providers), though all providers must agree to the rules of the system. For example, some Massachusetts systems require providers to serve only children referred to them by the system. Most systems require parents to contribute a fee to the system for the support services their providers receive (e.g. substitute care, specialized training, enhanced mentoring, or access to specialized materials). When the system is established as a monitoring agency, providers must agree to meet the higher standards of the system, in addition to state regulatory standards, and to maintain required paperwork. Providers are usually expected to make payments to be part of the system (e.g. a percentage of gross income).

The strengths of systems are obvious. Providers have someone to turn to with questions concerning their practice. They have a place to go to for additional resources, and they have the comfort of knowing that they are not isolated but part of a larger administrative support system. Systems often provide training, technical assistance, and materials that help improve the quality of care. The weaknesses of systems are less clear. It may mean more visitors to the home of the provider (in addition to licensing or Food Program staff), though those visits are typically welcomed. It may be a barrier for providers who wish to do their own “marketing” for clients, rather than having all referrals come through the system. Finally, it undoubtedly adds a layer of costs to maintain a high quality network of family child care homes.

SECTION V. PUBLIC POLICY CONTEXT FOR FAMILY CHILD CARE

This paper explores Wisconsin's approach to public regulation and support for family child care within the context of key research findings and comparative policies in other states. The central question is: *To what extent should Wisconsin regulate family child care, and to what extent should public funds be invested to strengthen and improve it?* Government support for family child care could lead to a range of benefits:

- **Protection of children.** Wisconsin regulation helps to assure that basic health, safety, and developmental needs of children are met in out-of-home settings.
- **Increased access.** A combination of government-funded regulation and child care resource and referral efforts help to make family child care services visible in Wisconsin communities. Without these services, family child care can be hidden from public view and difficult to locate.
- **Economic benefits.** Family child care allows thousands of families to work in Wisconsin's economy, and provides self-employment for about 8,300 family child care providers. Because family child care businesses are small and flexible, they often fill in gaps in the center-based child care market: infant and toddler care, care during non-traditional hours, children with special needs, rural child care, and school-age child care. Family child care in Wisconsin is a business grossing an estimated \$120 million annually (based on research on family child care finances and data from the child care subsidy system).³¹ Government support for family child care may be good for Wisconsin's economy.
- **Increased tax revenues.** Regulation of family child care increases tax revenues. A recent study in three states found that the average adjusted gross income for a regulated family child care provider was \$24,876, and the average IRS taxable income was \$11,140.³¹ If licensed family child care businesses in Wisconsin are paying taxes based on an average of \$11,000 in taxable income, state tax receipts could total over \$5 million annually (3,110 licensed providers x \$11,000 taxable income x 15.5 % self-employment tax rate). According to child care subsidy data from DWD, certified providers received \$44 million in payments during 2002. Assuming that \$20 million of these payments represent taxable income, state tax receipts from certified child care could total over \$3 million annually (\$20 million x 15.5% self-employment tax rate).

If these small businesses were not regulated or not involved in government funding programs, a significant portion of these tax revenues (estimated at \$8 million annually) would likely be lost within the underground economy. Note that \$8 million is more than the annual cost of licensing both family child care and child care centers. Although only 42 percent of unregulated family child care providers reported their taxable income, 94 percent of regulated family child care reported.⁶ The Family Child Care Training Study found that after training, 97 percent of family child care providers reported their earned income to the Internal Revenue Service, compared to only 70 percent before training.³²

- **Improved children’s development.** Government can help family child care support families in their efforts to raise children by offering learning opportunities, assuring good nutrition and preventive health care, and preparing children for school achievement and productive lives. Funded projects that support accreditation for higher quality and/or increased safety measures help extend quality, protection, and improved developmental outcomes for children.
- **Improved planning.** Information on family child care through government-funded regulation and resource and referral services can help improve private sector decisions regarding starting or expanding child care businesses in communities.

What key public policy issues relate to family child care in Wisconsin?

An analysis of data and research on family child care can lead to a range of questions for public policy, related to state regulation, as well as training and support for family child care providers:

1. Regulatory issues: Threshold and consolidation

- **Threshold.** Should Wisconsin follow the lead of some states and establish a stricter threshold for licensing, requiring licensing when a smaller number of children are in care, so that more children in child care arrangements are covered by the protection of licensing? Or should Wisconsin keep its current system, or perhaps move to a more lenient standard? Some states have been changing their licensing laws so that licensing is not required until a larger number of children are in care. These changes, often done for financial reasons, since it requires fewer staff to monitor the homes, lead to a reduction in the number of family care providers required to be licensed. At the same time, research confirming the importance of the early years has led many policymakers to press for basic protections for more children in out-of-home care, a concern that would argue for more licensing coverage, rather than less.

A policy dilemma in licensing family child care

“Although licensing family child care has positive effects on quality, finding an effective approach to regulation is not easy. It is difficult to enforce licensing, since family child care providers can evade the law so easily, and the stricter the licensing requirements, the greater is the incentive to do so.”

Suzanne Helburn & Barbara Bergmann (2002). *America’s Child Care Problem: The Way Out*, p. 128.

- **Consolidation.** Currently three different state departments - DHFS, DWD, and DPI - play significant roles in regulating/monitoring family child care, with site visits to providers from each of the agencies and with separate data systems. Would it be possible to consolidate these systems to create less duplication,

better use of existing resources, and a more coherent regulatory system, or is the current system the best approach? Some states have merged primary child care functions into a single government unit, so that regulatory policy is more consistent and policy planning for regulation and quality improvement are done together. Should Wisconsin look at overall child care and early education functions to determine the most effective administrative structure? With all of the different requirements and terms related to family child care (licensing, certification, accreditation), consolidation could lead to a regulation system that makes more sense to the public, and to the family child care providers who care for Wisconsin's children.

Recent budget action: Regulation

In the 2003-05 budget, Wisconsin sustained existing funding levels for regulation, except that \$580,000 annually for the Safe Child Care program was eliminated. Safe Child Care was a program to enhance health, safety, and quality services in certified family child care by providing funding to local certification agencies at county and tribal levels.

2. Training and support for family child care

- **Training requirements.** Research has established clear links between training for family child care providers and the quality of services to children. Should minimum training requirements be strengthened in Wisconsin? Should opportunities and incentives for training be increased, rather than mandating training through regulation? Or should training and other standards be reduced so that government is less intrusive in family child care settings?

Recent budget action: Training requirements

In the 2003-05 budget, Wisconsin maintained training standards for family child care at existing levels, but budget action reduced funding for scholarship and bonus initiatives by more than half, from \$6 million annually to \$2.7 million. The budget also eliminated state funding for The Registry, a statewide professional career development system that maintains data on the training levels and qualifications of child care staff.

- **Family child care systems.** Should Wisconsin promote family child care systems and support groups, which appear to improve the quality of care?

Recent budget action: Family child care systems

The Wisconsin state budget does not currently provide funding on a regular basis for family child care systems, although CCR&Rs often facilitate support groups for family child care providers.

- **Child Care Resource and Referral.** What new or expanded role should Child Care Resource and Referral agencies play in promoting high quality family child care? How could such activities be financed and implemented statewide?

Recent budget action: Child Care Resource and Referral

In the 2003-05 budget, CCR&R funding was cut by 10% to \$1.2 million, on top of cuts in the previous budget. In addition, funding for the CCR&R Network, providing support and leadership to the 17 CCR&Rs was eliminated.

- **Technical Assistance and Information.** How much should Wisconsin invest in systematic technical assistance and support to family child care providers to help them establish solid programs, improve quality, and increase longevity?

Recent budget action: Technical assistance and information

In the 2003-05 budget, Wisconsin reduced funding for Child Care Resource and Referral (see above), and eliminated use of federal funding for the Wisconsin Child Care Improvement Project, which provides technical assistance to family child care providers statewide on business practices and program issues (\$256,000). It also eliminated funding for operations of the Child Care Information Center a statewide clearinghouse and reference/loan library dedicated to providing information to child care providers (\$175,000).

SECTION VI. ALTERNATIVE POLICY OPTIONS AND POTENTIAL CONSEQUENCES: FAMILY CHILD CARE

This paper sets forth a series of policy alternatives related to family child care. With nearly 70,000 of Wisconsin's children in regulated family child care settings, the safety, stability, and quality of family child care may significantly affect the development of our youngest citizens at an age when brain development is crucial.

In the face of severe budget deficits, the 2003-05 budget continued basic support for family child care regulation, but reduced funding for many of the other services examined in this paper. The following policy alternatives are offered to stimulate discussion and analysis and to help inform decision-making, with a wide range of alternatives offered, covering a broad political spectrum.

Policy Alternative #1: No change

Under this alternative, no changes would be made to major programs affecting family child care. Licensing and certification laws, rules and administration would remain the same, as would current funding and policies for the Child Care Food Program and Child Care Resource and Referral. No new support efforts to improve family child care would be developed.

Potential Consequences:

- No funding for family child care would help the state during a time of tight budgets.
- No change would create stability and continuity in current state regulatory operations.

- No new efforts to improve the quality of family child care would be initiated.
- Programs for family child care would continue to be administered out of multiple agencies, foregoing the opportunity to consolidate administration. High turnover and instability in family child care would likely continue.

Policy Alternative #2: Reduce government regulation of family child care

This alternative would simplify and reduce health, safety, and training standards for family child care. With the goal of less regulation, this alternative would reduce on-site monitoring of family child care homes, reduce the need for regulatory staff, reduce training requirements for providers, and establish less stringent regulations.

Potential Consequences:

- Less funding would be needed from the state budget, easing fiscal difficulties.
- Family child care providers would be more free to operate, with less imposition of government rules.
- Children would likely be at greater risk, with less oversight and enforcement from regulatory agencies.
- Family child care providers would likely be less qualified to do their work.
- Less regulation could lead to lower quality child care and lower rates of school readiness.
- Parents would likely be less informed about the needs of young children, and would receive less help in enhancing their children's development.

Policy Alternative #3: Apply regulation to more family child care homes

Under this alternative, Wisconsin would change the law to require licensing at a more stringent threshold than the current level (currently a child care provider is not required to be licensed until four or more children unrelated to the provider are in care). Under this option, the threshold would be set at one, two, or three children. This option would replace certification with licensing as a requirement for receiving public funding and participation in the Child Care Food Program.

Potential Consequences:

- More children would be protected by licensing.
- Lowering the threshold would increase workload and cost for the DHFS Bureau of Regulation and Licensing.
- Workload and cost to counties and DWD would be reduced, with the elimination of certification.
- This change could result in less monitoring and enforcement for existing regulated programs unless additional resources were funded, since regulatory staff would be responsible for a larger number of family child care providers.
- This change could simplify regulation by having only one standard (licensing) and by eliminating certification.

Policy Alternative #4: Consolidate administration for child care regulation

Under this alternative, the three primary child care regulatory and monitoring efforts would be merged administratively into a single department. DHFS child care licensing, DWD child care certification and subsidy, and DPI's child care food program would be merged. Under this option, certification would continue to be administered by counties and tribes, under contract with the single department. Partial options could include consolidation of two of the three operations and establishment of a shared data system to improve communication across departments. A more dramatic option could be to create a department or division focusing on early care and education, merging administration of four-year-old kindergarten, child care regulation, the child care subsidy program, child care quality initiatives, the Child Care Food Program, and funding for Head Start.

Potential Consequences:

- Consolidation could lead to less duplication and more efficient use of resources.
- Family child care providers could deal with a single regulatory entity.
- Consolidation could make regulatory policy easier to understand and debate, with all regulatory rules, requirements, and budget proposals coming from a single agency.
- Consolidation would likely come with complex issues to resolve, including establishment of a new organizational structure.

Policy Alternative #5: Increase training and professional development

Under this alternative, training requirements for family child care providers could be strengthened as follows:

1. Training requirements for certified family child care providers could be increased so that *provisionally certified care providers* would need to complete 10 hours of training within six months of initial certification, and *regularly certified providers* would need to complete 25 hours of training prior to becoming regularly certified.
2. *Licensed family child care providers* could be required to complete an additional 10 hours of training focused on promoting child development and literacy.

This alternative could lead to development of a statewide system of professional development for family child care providers, coordinating educational opportunities among the university and technical college systems, and funding development of a family child care credential within the state's educational system, with scholarships through T.E.A.C.H. Early Childhood® WISCONSIN. Training could also include more business skill development for licensed and certified family child care providers.

Potential Consequences:

- Focused training would likely lead to improved quality of care and better developmental outcomes for children.
- Additional business skills training could help providers stay in operation longer and could result in greater revenue to the state.

- Increased training requirements might discourage some child care providers who cannot afford the cost of training.
- More stringent training requirements could drive family child care providers out of the regulatory system and discourage providers from becoming regulated.

Policy Alternative #6: Promote family child care systems and support groups

Under this alternative, the state would provide new funding to create a statewide network of family child care systems and support groups operated through the state CCR&R system. CCR&Rs would continue to provide training and technical assistance, and expand their services to include substitute or “respite” services to allow providers time off for professional development. CCR&Rs would work with systems, rather than individual providers, to plan efforts for quality improvement. State funding would be used to leverage private funding from businesses, foundations, local government, and charities, coordinated at local levels by CCR&Rs. While there have been efforts to create systems in other parts of the country, Wisconsin could break new ground with innovation in this area.

Potential Consequences:

- A network of family child care systems would likely lead to improved quality and professional services in family child care across the state.
- Support for child care systems would likely lead to reduced turnover in family child care by minimizing isolation and increasing opportunities for professional growth.
- Funding for family child care systems would increase the state budget for child care quality initiatives.
- This approach could leverage private funding for financing of family child care, promoting local responsibility and involvement in Wisconsin communities.
- Wisconsin could become a national leader by implementing a vision for a network of family child care systems, operated through a strengthened statewide CCR&R system, expanding its reputation for bold innovation.

SUMMARY

This report examined family child care services in Wisconsin, within a context of national and local research, data, and policies, including:

- A review of how Wisconsin and other states have regulated family child care
- A review of key family child care investments in Wisconsin
- An examination of state and national research
- An analysis of public policy issues

The authors hope this report will contribute to a lively debate on public policy, focusing on an important service provided in every Wisconsin community: family child care.

Selected Milestones in the Development of Wisconsin Family Child Care by Diane Adams

- 1949: Wisconsin day care licensing rules created.** Care for four or more children under age 7 included family child care.
- 1961: First major journal article.** “Mother Substitutes for Employed Mothers” appeared in Marriage and Family Living, giving legitimacy to the familiar role of paid care for other people’s children in the provider’s home.
- 1967: Congressional action.** Congress passed a bill allowing certification of both child care centers and family homes serving low-income children; Wisconsin adopted it.
- 1972: “Windows on Day Care” published.** National Jewish Women’s Council coordinated a nationwide examination of child care in communities and scathingly denounced “family day care” as unsafe and detrimental to children.
- 1974: “Family Day Care Handbook”** was developed by Community Coordinated Child Care (4-C) in Madison as a guide for family child care providers.
- 1976: Child and Adult Care Food Program (CACFP).** U.S. Department of Agriculture recognized that low-income children were being served in settings other than child care centers and schools, and allowed family child care providers who come under the sponsorship of a non-profit agency to participate in the reimbursement system for nutritious meals and snacks.
- 1978: Satellite Family Child Care Inc. began in Madison.** Emerges as one of the first family child care systems, reflecting a desire to break down isolation of providers and offer higher quality care.
- 1981: National Day Care Home Study.** This study provided an in-depth look at family child care, putting it on the national agenda for public policy.
- 1981: State professional association formed.** The Wisconsin Family Child Care Association began under the sponsorship of Wisconsin Early Childhood Association (WECA).
- 1984: Family Day Care Project begun by National Council of Jewish Women (NCJW).** Twelve NCJW chapters outlined strategies to help improve the quality of family child care and address the issue of regulation for home-based care.
- 1989: Family to Family Project launched.** Mervyn’s Department Stores (located in 12 states) developed training, accreditation, and parent consumer education as strategies to improve the quality of family child care for its customers and employees. The effort expanded to include development of associations, with millions of dollars of funding.
- 1989: Economics of family child care.** Windflower, Inc., a group of family providers in Colorado, broke new ground when they published the first critical book on making a living in family child care (“The Language of Money and Family Child Care”). Windflower training sessions were held in many states, including Wisconsin.
- 1994: Second major national study on family child care published.** Ellen Galinsky and colleagues published, *The study of children in family child care and relative care*.
- 1999: National accreditation of family child care.** The National Association of Family Child Care (NAFCC) produced new accreditation standards and a process for becoming accredited.

Sources: Kathy Modigliani, Family Child Care Project (personal communication, 2003). and Family Child Care Handbook (Adams, 1996).

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The Wisconsin Idea has always encouraged a strong connection between research knowledge, the informed involvement of its citizenry, and the democratic process in forming sound public policy. This paper is intended to be a contribution toward that effort.



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