



DEPARTMENT OF
CHILDREN AND FAMILIES
Secretary Reggie Bicha
201 East Washington Avenue, Room G200
P.O. Box 8916
Madison, WI 53708-8916
Telephone: 608-266-8684
Fax: 608-261-6972
www.dcf.wisconsin.gov

State of Wisconsin
Governor Jim Doyle

DEPARTMENT OF HEALTH SERVICES
Secretary Karen Timberlake
1 West Wilson Street
P.O. Box 7850
Madison, WI 53707-7850
Telephone: (608) 266-9622
FAX: (608) 266-7882
www.dhs.wisconsin.gov

TO: Income Maintenance Supervisors
Income Maintenance Lead Workers
Income Maintenance Staff
W-2 Agencies
Workforce Development Boards
Job Center Leads and Managers
Training Staff
Child Care Coordinators

FROM: Laura Saterfield, Director
Bureau of Early Childhood Education
Division of Early Care and Education

DECE OPERATIONS MEMO					
No: 09-49					
DATE: 8/28/2009					
FS	<input type="checkbox"/>	MA	<input type="checkbox"/>	BC+	<input type="checkbox"/>
SC	<input type="checkbox"/>	CTS	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>
W-2	<input checked="" type="checkbox"/>	FSET	<input type="checkbox"/>	EA	<input type="checkbox"/>
CF	<input type="checkbox"/>	JAL	<input type="checkbox"/>	JC	<input type="checkbox"/>
RAP	<input type="checkbox"/>	WIA	<input type="checkbox"/>	Other	<input type="checkbox"/> *
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PRIORITY: HIGH					

SUBJECT: Wisconsin Shares Child Care Assistance Policies for Self-Employment

CROSS REFERENCE: Child Care Manual Chapter 1, Sections 1.2.0, 1.6.4, 1.610, 1.6.15 and 1.6.17;
Chapter 3, Sections 3.6.1.1, 3.6.1.2 and 3.6.1.3
Day Care Manual Chapter 2 and Section 2.3.2 Chapter 3, Section 2.6.5

EFFECTIVE DATE: Immediately

PURPOSE:

The purpose of this memo is to clarify self-employment policies contained in the Child Care Manual released November 2008 and to add policies that were unintentionally omitted that had been in the previous Day Care Manual regarding authorizations for children of child care providers. In addition, this memo introduces new self-employment policies pertaining to unregulated child care providers and required documentation for income calculations.

BACKGROUND:

In November of 2008 the Department released a new Child Care Manual, updating and in some instances, changing policy in the Wisconsin Shares Child Care Assistance program. Since the release, the following issues have been identified as needing attention:

1. How to count income for both eligibility and authorization purposes for self-employment.
2. How to authorize child care for new self-employment when no income has yet been realized; and,

3. Reinstating a provision that limited the number of hours of authorized care for children of childcare providers that had been in the previous Day Care manual and inadvertently omitted in the Child Care Manual release in November 2008.

Definition of Income for Self-Employment

Several different terms have been used to identify the self-employment income that will be used for eligibility determination. The terms “gross”, “net” and “adjusted” self-employment income have all been used to mean the same thing in the Child Care Manual. In addition, we have learned that CARES cannot calculate the statutory definition of self-employment income for Wisconsin Shares eligibility that had been discussed at the Spring 2009 Child Care Subsidy Regional meetings.

As a workaround to the CARES issue, the Wisconsin Shares Program will temporarily use the definition for self-employment income utilized by the Food Share program. Wisconsin Shares will use “adjusted self-employment income” and “self-employment income” to mean “gross receipts minus allowable expenses”. The term “adjusted self-employment income” is the budget line in Cares Worker Web (CWW) that is used for determining eligibility, and for identifying the hours of care that can be authorized for self-employment cases.

The Child Care Policy Manual will be amended as follows:

Chapter One:

Section 1.2.0 Definitions

Add the following definitions:

Adjusted Self-Employment Income. The income the household receives from self-employment. This is calculated by subtracting allowable expenses from gross receipts.

Allowable Self-Employment Expenses. All expenses that the IRS allows to be deducted from Gross Receipts, except depreciation. This includes the cost of items sold and normal business expenses.

Gross Receipts from Self-Employment. All money paid to the self-employed person.

Self-Employment Income. The same as “Adjusted Self-Employment Income”.

Replace “net” with “adjusted” income as follows:

Income. Money, wages or salary, ~~net~~ adjusted income from self-employment, social security, dividends, interest on savings or bonds, income from estates or trusts, net rental income or royalties, public assistance, Supplemental Security Income (SSI), pensions and annuities, unemployment insurance, worker’s compensation, alimony and other maintenance payments, and veteran pensions.

Section 1.6.4 Gross Income Test

Remove “gross” from the following:

Include earned and adjusted ~~gross~~ self-employment income of all assistance group members except for dependent minors and dependent 18 year olds.

Section 1.6.10 Income Sources

Remove “net” from the following:

Money, wages or salary, ~~net~~ income from self-employment, social security, dividends, interest on savings or bond, income from estates or trusts, net rental income or royalties, public assistance, Supplemental Security Income (SSI), pensions and annuities, unemployment insurance, worker’s compensation, alimony and other maintenance payments, and veteran pensions, but excluding any of the income sources listed in the following Disregard section.

Section 1.6.15 Self-Employment Income

Remove “net” and replace “income” with “gross” as follows:

When there is less than one full month of actual income information available, calculate a monthly average ~~net~~ self-employment income using the actual ~~net~~ self-employment income received in the partial months (since the change in circumstance occurred) and estimated ~~income~~ gross receipts and “allowable” expenses for the next two months. See example 4.

Section 1.6.17 Anticipated Earnings

Add “adjusted” and “Depreciation is not an allowable expense” to the following paragraph:

Agencies will determine adjusted self-employment income by entering gross receipts and subtract allowable expenses. Depreciation is not an allowable expense. If the expenses exceed the gross receipts, the self-employment income will be zero. Those additional expenses, which exceed the gross receipts, will not be subtracted from other earned income in the household.

Authorizations for Self-Employment

Agencies have communicated that they are experiencing difficulties with the new requirements for authorizing for self-employment. Some of these stem from the same language issues related to eligibility. To clarify the policy, it is the Bureau of Early Childhood Education’s (BECE) intent that agencies use the same income calculation for authorizations as for eligibility, after the first 6 months of a business. The following changes to Chapter 3 of the Child Care Manual have been made to clarify how to authorize for self-employment:

Section 3.6.1.1 Authorizations for Self-Employment

Remove “gross” and add “to the extent that they support” and “adjusted self-employment” to the following:

Authorizations for self-employment are only allowed to the extent that they support employment that produces ~~gross~~ monthly adjusted self-employment income equivalent to at least the state minimum wage.

Correct the following example in the Child Care Manual to read as followings

Example: Marty is determined to be income eligible for child care assistance and reports that he earns \$500 per month adjusted self-employment income as a freelance writer. Marty is requesting full time child care (35 hours per week). To qualify for 35 hours per week of child care, Marty must report an adjusted self employment monthly income of \$1,091 (35 hours X \$7.25 X 4.3 weeks per month=\$1,091). \$500 monthly adjusted self-employment income is sufficient for only 16 hours per week of child care assistance ($\$500/\$7.25=68.9$ converted to 69 hours per month which, when divided by 4.3 weeks=16 hours per week of child care).

Policy Regarding New Self-Employment

The Department intends to support the beginning of new self-employment endeavors by allowing new businesses to operate for 6 months before the provisions of the Child Care Manual Chapter 3, Section 3.6.1.1 are invoked. The Department intends that this grace period for starting up self-employment be available to a person once every two years.

Add the following new policy and chart:

Section 3.6.1.2 Authorizations for New Self-Employment

During the first 6 months that a parent is engaged in a new self-employment business, the agency may authorize care for the hours the parent is engaged in self-employment work. The authorization may not exceed one full time authorization. A parent may not use this Section more than once out of every 24 months. Any parent who uses part of a 6 month period under this section may not have child care authorized under this section again until 24 months have elapsed.

Section 3.6.1.3 Self-Employment Authorization Timeframes

The following table outlines self-employment timeframes for authorizations:

Case Status	Authorization Timeframes
New applicants and Program Adds and on-going participants who have continuous self-employment for less than 6 months.	Authorization may be up to the applicant's full need for care up to six months; authorization is limited to one full time authorization.
New applicants or Program Adds and on-going participants with the same continuous self-employment for more than 6 months. And Those who have continuous self-employment for less than 6 months, but have already used a 6-month grace period under Section 3.6.1.2 within the previous 24 months.	Authorization hours are adjusted in accordance with Section 3.6.1.1 (this is when you divide the income to limit auth hours to only time supported by a profit). Divide the weekly-self employment income by the state minimum wage to find the maximum authorized hours.

Policy regarding Child Care Authorizations for Children of Child Care Providers

Chapter 2 Section 2.3.2 and Chapter 3, Section 2.6.5 of the previous Day Care Manual included the following limit on child care for children of child care providers:

"A family day care provider is eligible for W-2 Child Care assistance for his/her own children when they attend another daycare setting outside of their home. This is limited to the hours child care (for other children) is being done in his/her own home. The Child Care provider is considered to be self-employed".

"Note: If child care eligibility exists, the parent, who is also a child care provider, could receive an authorization for his/her children to attend a child care provider who is not a

parent of that children. This would free up slots for the child care provider parent in her/his day care”.

This provision was inadvertently omitted from the Child Care Policy Manual released in November of 2008. To correct this oversight, the following addition has been made to Chapter 3 of the current Child Care Manual:

Section 3.6.1.3 Authorizations for Parents who are Family Child Care Providers

If a family child care provider meets financial and non-financial criteria for Wisconsin Shares eligibility, they may receive child care assistance for their children to attend child care as follows:

- The authorization will be limited by the provisions of Section 3.6.1.1;
- The authorization may only be for the hours that the parent is him or herself engaged in caring for children;
- The authorization is to a child care provider who does not reside with the children.

New Unregulated Child Care Policy for Self-Employment

Self-employment as an unregulated child care provider is not allowed as a self-employment approved activity for Wisconsin Shares child care assistance eligibility.

New Income Verification Requirements for Self-Employment

All self-employment cases must have either a corresponding Self-Employment Income Report (SEIRF) (DWSP-2131 (R. 01/2008) completed or tax form scanned into the Electronic Case File (ECF), plus supporting documentation if the self-employment is questionable. Additionally, a copy of the taxes must be included if the reason for a SEIRF is a change in circumstances and on-going businesses should have taxes scanned in ECF for the prior year.

Implementation:

Implementation of provisions in this Operations Memo is immediate for all new child care assistance applications and Program Adds. For on-going cases this policy is in effect at the next Six Month Review Form processing, case review or any changes pertaining to a self-employment situation.

CONTACTS

Child Care Help Desk at childcare@wisconsin.gov or 608-261-6317, option 2.

*Program Categories – FS – FoodShare, MA – Medicaid, BC+ – BadgerCare Plus, SC – Senior Care, CTS – Caretaker Supplement, CC – Child Care, W-2 – Wisconsin Works, FSET – FoodShare Employment and Training, CF – Children First, EA – Emergency Assistance, JAL – Job Access Loan, JC - Job Center Programs, RAP – Refugee Assistance Program, WIA – Workforce Investment Act, *Other EP – Other Employment Programs.

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