

HOUSE BILL REPORT

HB 1364

As Reported by House Committee On:
Early Learning & Human Services

Title: An act relating to child care center subsidies.

Brief Description: Providing for child care center subsidy increases.

Sponsors: Representatives Pettigrew, Walsh, Eddy, Springer, Appleton, Goodman, Roberts, Kagi, Kenney and Santos.

Brief History:

Committee Activity:

Early Learning & Human Services: 2/1/11, 2/8/11 [DPA].

**Brief Summary of Amended Bill
(As Amended by House)**

- Requires the Department of Early Learning (DEL) to review the subsidy rates currently paid to child care centers whose average daily population includes more than 50 percent of children for whom the center received a state subsidized rate, and recommend whether increases should occur.
- Requires the DEL to consider the following when developing its recommendation: how the results of the state's voluntary quality improvement rating system pilots and a tiered reimbursement rate structure that is linked to quality indicators might impact the quality of child care.

HOUSE COMMITTEE ON EARLY LEARNING & HUMAN SERVICES

Majority Report: Do pass as amended. Signed by 8 members: Representatives Kagi, Chair; Roberts, Vice Chair; Walsh, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Dickerson, Goodman, Johnson and Orwall.

Minority Report: Do not pass. Signed by 1 member: Representative Overstreet.

Staff: Megan Palchak (786-7120).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Overview.

The state subsidizes child care for low-income families through a program called Working Connections Child Care (WCCC). Subsidy payments go directly to child care providers. Families make a co-payment to receive child care while they work or receive training for work. Subsidy rates vary by geographic location and age of the child and other factors. According to a Joint Legislative Audit and Review Committee (JLARC) report released in July 2010, approximately 36,000 families access subsidized child care.

Role of the Department of Early Learning.

The Department of Early Learning (DEL) is the lead agency that receives federal funds specifically allocated for child care. The DEL sets child care subsidy policy in Washington. The DEL works with other agencies to establish subsidy rates paid to child care providers and the monthly co-payments that families are required to pay.

Affordability and Accessibility of Subsidized Child Care.

Recent JLARC Findings.

The JLARC released its review of the DEL in July 2010. The report included an examination of the extent to which subsidized child care is affordable and available to low-income families in Washington. The JLARC found:

- The availability of subsidized child care is unclear.
- Seventeen percent of eligible families accessed subsidized child care, and no wait lists existed for families who wanted child care but were not authorized to receive it.
- Based on a weighted average (to account for variable subsidy rates) state subsidy rates were at the 37th percentile of the state's overall market rate. The federal Department of Health and Human Services recommends that child care subsidy payments should be set at or above the 75th percentile of the state's market rate.
- The state's market rate survey showed that subsidized child care is available in aggregate, but vacancies and provider's willingness to take subsidized children varies. As a result, subsidized child care can take longer to find in some areas. (Approximately 1 percent of families receiving Temporary Assistance for Needy Families (TANF) each month are granted more time before they are required to be working or training for work.)

Changes to WCCC Eligibility Requirements.

The WCCC eligibility has been restricted recently. As of February 1, 2011, the DEL estimates that approximately 6,500 families will be affected by the eligibility restrictions.

Child Care Quality Standards.

Washington's Quality Rating and Improvement System is called Seeds to Success. Seeds to Success is being field tested from July 1, 2010, through June 30, 2011.

Summary of Amended Bill:

The DEL is required to:

- review the child care subsidy rates currently paid to child care centers whose average daily population includes more than 50 percent of children for whom the center receives a state subsidized rate;
- recommend whether child care subsidy rates should increase, by how much, and for what reasons, no later than December 1, 2011; and
- consider the results of the state's voluntary quality improvement rating system pilot and the potential impacts that a variable subsidy structure rate would have on the quality of child care in the state when developing its recommendation.

Amended Bill Compared to Original Bill:

The amended bill deletes provisions that would have:

- stated the Legislature's finding that current subsidy rates do not cover the costs of caring for children;
- required that subsidy rates for child care providers increase by 5 percent on July 1, 2014, upon Office of Financial Management (OFM) certification that it is economically feasible to do so;
- required that subsidy rates adjust for inflation beginning with the 2015 biennium, upon OFM certification that it is economically feasible to do so; and
- required the DEL to consider the potential impact of a variable rate structure.

The amended bill retains provisions that will:

- require the DEL to study subsidy rates for certain child care centers; and
- require the DEL to consider the results of the state's voluntary quality rating system when developing a recommendation to address whether subsidies to child care centers should be increased.

The amended bill adds a requirement that the DEL shall consider the impact of a tiered reimbursement structure that is linked to quality outcomes when developing its recommendation to address subsidy increases.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) As time goes on and the economy moves forward, the gap between what it costs to provide quality care and what providers receive for support gets wider and wider. There is a struggle to close that gap. Subsidized child care centers receive about 60 percent of what

fees actually are. As child care centers increase the number of families that receive subsidies, they reduce the number of families who can receive straight scholarships. Some families are no longer receiving subsidies and it causes hardship; sometimes children are forced to be with caregivers that the parents would not otherwise choose. Providers are struggling to find ways to keep families in the program. Some are running deficits to ensure the children get quality care. Staff costs are one of the biggest budget items for child care centers. Staff and/or mentors make a huge difference for kids; they parent alongside families. Studies show that kids in quality care are making healthier choices than children who are unsupervised. Child care center staffs are part of the partnership in caring for children. Subsidies enable centers to provide living wage jobs and help retain experienced staff. Keeping with inflation will help with retention. Child care providers are forced to consider whether they can afford to continue care for the volume of low income children that they have been. Subsidies are also very important for children with disabilities; they are also an important tool to help schools care for children. There should be a mechanism to raise rates when possible. Quality is an important part of the discussion, and reimbursement is an important indicator of quality. Legislators need to consider subsidy rates every year, and consider the cost of inflation. Increasing subsidies over time makes sense. This bill respects the shortage of resources now and poses a thoughtful solution that is desperately needed.

(In support with concerns) A 5 percent increase is not enough to close the gap between what is provided and what is needed. We are in the 20th and 30th percentiles of the market rate. A few years ago when we raised rates by 7 percent and then 3 percent in two successive years, the state was able to get above the 50th percentile for a short while. Consider other ways to address the problem, such as tying the subsidy rate to the market rate (the federal government recommends tying it to the 65th percentile) or studying what community colleges have achieved. Another way to think about this is in terms of the Temporary Assistance for Needy Families (TANF) box. If the Legislature took control of the funds in the TANF box that would be a way to control the funds and adjust the rates as needed. This bill is not a solution to the problem nor will it improve quality. If this bill is passed, everyone will think that the problem has been solved, but the problem will remain.

(Neutral) Regarding section 6 of the bill, or the DEL review, the DEL supports the idea of moving towards a tiered reimbursement rate that meets certain quality indicators.

(Opposed) None.

Persons Testifying: (In support) Representative Pettigrew, prime sponsor; Matt Watrous, Boys and Girls Clubs of Washington; Agda Burchard, Washington Education of Young Children and Early Learning Action Alliance; Erica Hallock, United Ways of Washington; Diana Comfort, YMCA of Pierce and Kitsap Counties; Ron White, South Sound YMCA; Angela Griffin, YMCA Greater Seattle; Carrie Magel, KinderCare Learning Center; Cathy Biscillon, Easter Seals of Washington; Judy Jennings, Washington Federation of Independent Schools; and Josephine Tomayo Murray, Catholic Community Services.

(In support with concerns) Gary Burris, Equal Opportunity Institute.

(Neutral) Amy Blondin, Department of Early Learning.

Persons Signed In To Testify But Not Testifying: None.