

# HOUSE BILL REPORT

## ESSB 5157

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

**Title:** An act relating to child care.

**Brief Description:** Regulating child care subsidies.

**Sponsors:** Senate Committee on Human Services & Corrections (originally sponsored by Senators Carrell, Pearson, Schoesler, Hill and Fain).

**Brief History:**

**Committee Activity:**

Early Learning & Human Services: 3/19/13, 4/2/13 [DPA].

**Brief Summary of Engrossed Substitute Bill  
(As Amended by Committee)**

- Requires the Department of Early Learning (DEL) to review violations of rules pertaining to subsidy payments.
- Requires the DEL to develop recommendations to increase compliance with existing rules pertaining to subsidy payments.
- Requires the DEL to report its recommendations to the appropriate committees of the legislature by December 1, 2013.

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### HOUSE COMMITTEE ON EARLY LEARNING & HUMAN SERVICES

**Majority Report:** Do pass as amended. Signed by 8 members: Representatives Kagi, Chair; Walsh, Ranking Minority Member; Farrell, Goodman, MacEwen, Roberts, Sawyer and Zeiger.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Scott, Assistant Ranking Minority Member; Overstreet.

**Staff:** Lindsay Lanham (786-7120).

**Background:**

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*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.*

When a family qualifies for subsidized child care, the state pays a portion of the child care fee to the child care provider and the parent is responsible for making a copayment. Subsidy determinations are based upon several factors including, but not limited to, family size and income.

In Washington, there are different types of licensed child care settings. Parents can choose from licensed child care centers, child care family homes, and before-school or after-school programs. Additionally, the Department of Early Learning (DEL) offers licensed-exempt child care as an option for parents. Although a licensed-exempt provider does not receive state supervision and is not regulated by the state, the licensed-exempt provider can receive state subsidy. Licensed-exempt care is facilitated in a home by a relative, friend, or neighbor. Licensed-exempt child care providers must also be 18 years or older, be a citizen or legal resident of the United States, and pass a background check.

Current child care providers have opportunities to learn about subsidy payment rules in trainings and via documentation on the DEL's webpage.

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**Summary of Amended Bill:**

The DEL is required to review violations of rules pertaining to subsidy payments. The DEL is further required to develop recommendations to increase compliance with existing rules pertaining to subsidy payments. Finally, the DEL is required to report its recommendations to the appropriate committees of the Legislature by December 1, 2013.

**Amended Bill Compared to Engrossed Substitute Bill:**

The DEL's obligation to ensure that child care providers understand rules pertaining to subsidy payments and provide exempt providers is removed. The DEL is also not required to stop subsidy payments to providers who knowingly or willfully violate subsidy payment rules twice. The DEL is required to review violations of rules pertaining to subsidy payments and develop recommendations to increase compliance with existing rules pertaining to subsidy payments. Finally, the DEL is required to report its recommendations to the appropriate committees of the Legislature by December 1, 2013.

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**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) None.

(Opposed) The suggested policy changes do not address the concerns presented in the 2012 audit. Fraud is not the underlying problem causing errors in child care payments. Overpayments and underpayments are caused by a payment system that is antiquated, an eligibility system that does not offer accurate information pertaining to enrollment in the Working Connections Child Care Program, and the state's lack of capacity to provide child care owners with updated information on policy changes pertaining to billing and payment.

There is further concern that child care providers are not provided with guidance on how to create a form that accurately captures and tracks information considered necessary. Parameters are not clear and the only way to contact the Department of Social and Health Services for additional guidance is through electronic mail because it is too difficult to reach a person via the phone. Only through the audit process, was one child care owner able to learn how to properly keep records. The lack of a limitation in time and scope is also of concern to child care business providers.

In addition to concerns relating to suggested policy changes, there is worry that new subsidy rules may have unintended consequences. It is a common practice in a difficult economy for providers to support parents by not requiring a co-payment. In fact, one child care program serving families experiencing homelessness does not require copayments; rather, the program offers scholarships so that parents may utilize monies for other necessities. The collection of copayments does not fiscally impact the state. However, if a provider elects to not collect a co-payment they would be found in violation of the new policy and could face losing their business. Finally, all providers are already required to take a billing and payment class every two years.

Alternative options to address payment errors include the following: expediting the development and implementation of a new billing and payment system; streamlining all applications so that families can have accurate information; and increasing outreach to unlicensed providers so that they receive pertinent information. Finally, in an effort to maintain costs, it is suggested that exempt providers receive copies of billing and payment rules electronically, unless a provider requests a hard copy.

**Persons Testifying:** Amy Blondin, Department of Early Learning; Lani Todd, Service Employees International Union 925; Diane Gaile, Mariah Arts School; Ryan Pricco, Child Care Aware; and Melanie Smith, Wellspring Family Services.

**Persons Signed In To Testify But Not Testifying:** None.