

SENATE BILL REPORT

SB 5500

As Reported by Senate Committee On:
Early Learning & K-12 Education, February 12, 2025

Title: An act relating to modernizing reimbursement rates to more accurately reflect the cost of providing high quality child care for the working connections child care program.

Brief Description: Modernizing reimbursement rates for the working connections child care program.

Sponsors: Senators Alvarado, Wilson, C., Trudeau, Valdez, Wellman, Lovelett, Frame, Salomon, Bateman, Hasegawa, Krishnadasan, Nobles and Saldaña.

Brief History:

Committee Activity: Early Learning & K-12 Education: 2/04/25, 2/12/25 [DPS, DNP].

Brief Summary of First Substitute Bill

- Specifies that child care subsidy base rates must achieve at a minimum the 85th percentile of market based on the most recent market rate survey.
- Revises how the Department of Children, Youth, and Families (DCYF) must use the cost of quality child care rate model to recommend child care subsidy base rates and the factors that must be included in the model.
- Requires DCYF to review and make recommendations on rate enhancements to support special populations such as infants, nonstandard hours, and special needs rates every three years.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 5500 be substituted therefor, and the substitute bill do pass.

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

Signed by Senators Wellman, Chair; Nobles, Vice Chair, K-12; Wilson, C., Vice Chair, Early Learning; Cortes, Hansen and Krishnadasan.

Minority Report: Do not pass.

Signed by Senators Harris, Ranking Member; Dozier and McCune.

Staff: Ailey Kato (786-7434)

Background: Working Connections Child Care. The Working Connections Child Care (WCCC) Program is a federally and state-funded program that provides child care subsidies to families, and is administered by the Department of Children, Youth, and Families (DCYF). WCCC eligibility requirements for parents or consumers and requirements for children receiving the child care can be found in statute and DCYF rules. Eligible families must make a copayment to the child care provider based on the family's countable income, which are established in state law.

Market Rate Survey. The federal Child Care and Development Fund (CCDF) Block Grant provides funding to support WCCC. As a condition of receiving this federal funding, CCDF rules require states to conduct a statistically valid and reliable survey of the market rates for child care services, or an alternative methodology, such as a cost estimation model that has been approved by the Administration for Children and Families within the U.S. Department of Health and Human Services every three years.

State lead agencies must ensure that the market rate survey or an alternative methodology reflects variations by geographic location, category of provider, and age of child. They must set payment rates for child care subsidies based on the most recent market rate survey or alternative methodology.

Child Care Subsidy Rates. Current law requires child care subsidy base rates to achieve the 85th percentile of market for licensed or certified child care providers. DCYF rule sets out the base rates for family home providers and child care centers, which includes different regions and age ranges for infants, toddlers, preschool, school-age child care.

DCYF must develop and implement a child care cost estimate model and use the completed model to recommend subsidy rates at levels that are sufficient to compensate providers for the full costs of providing high quality child care. DCYF must consider:

- adjusting rates to reflect cost of living;
- incorporating the rate model for nonstandard child care hours; and
- evaluating options to support access to affordable health care insurance coverage for providers.

In July 2024, DCYF published the 2024 DCYF Cost of Quality Child Care and Market Rate Study. DCYF explained that it received federal pre-approval to conduct an alternative methodology, and this report meets the requirements for both a market rate survey and an

alternative methodology.

Summary of Bill (First Substitute): The child care subsidy base rate requirement specifies that it must achieve the 85th percentile of market at a minimum and that it is based on the most recent market rate survey.

Language regarding the child care cost model is revised. DCYF must use the cost of quality child rate model already developed in consultation with child care providers to recommend child care subsidy base rates at levels that are sufficient to compensate licensed or certified child care providers for the costs of providing high quality child care. At a minimum, the model for base rates must include fixed costs on the following factors:

- staff salaries based on a living wage scale;
- benefits, including paid leave, retirement contributions by employers, and expenses related to offering discretionary benefits to staff, such as health and life insurance;
- family engagement activities or staff, or both;
- planning release time;
- costs for educational materials and curriculum; and
- professional development supports.

Child care subsidy base rates recommended by DCYF must not be lower than the 85th percentile of market.

DCYF must review and make recommendations on rate enhancements to support special populations such as infants, nonstandard hours, and special needs rates every three years.

Until July 1, 2027, the provisions of this act do not apply to collective bargaining agreements negotiated under state law related to family child care providers.

EFFECT OF CHANGES MADE BY EARLY LEARNING & K-12 EDUCATION COMMITTEE (First Substitute):

- Provides that the provisions of this act do not apply to collective bargaining agreements negotiated under state law related to family child care providers until July 1, 2027.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a*

different version of the bill than what was heard. PRO: Far too many families are not able to find affordable child care. Part of this problem is because subsidy rates do not cover the full cost of care. When subsidy rates do not cover the cost of care, that cost falls on private pay families or the child care provider. The market rate survey perpetuates the problems with subsidy rates; the cost of quality model will better reflect the costs of providing high-quality child care. This bill changes the tool that the state uses to set subsidy rates, which can be built on in the future. The state is in a challenging fiscal situation, which is why stakeholders worked hard to have no fiscal impact. Subsidy rates need to be able to attract and retain child care employees, which often turnover, with living wages. Cost of living regions will be much better than market regions. Child care providers are facing extreme financial pressure, especially infant child care, and they need additional support. This bill will help families access child care, which is necessary for businesses. The child care crisis needs to be addressed holistically.

Persons Testifying: PRO: Senator Emily Alvarado, Prime Sponsor; Lindsey Hueer, Association of Washington Business; Maggie Humphreys, MomsRising; Jessica Murillo-Rosales, Parent & MomsRising Member; Anne-Marie Schwerin, YWCA of Walla Walla; Tiffany Turner, Adrift Hospitality; Alexis Cortes, Parent, BrightSpark Early Learning Services; Diana Llanes, Childcare Provider; Erin Haick, SEIU 925; Amy Anderson, Washington Childcare Centers Association.

Persons Signed In To Testify But Not Testifying: No one.