



## Agency Recommendation Summary

The Department of Children, Youth, and Families (DCYF) requests \$298,273,000 General Fund-State in the 2025-27 Biennial Budget to maintain child care subsidy base rates for child care centers at the 85th percentile of market, which results in a rate increase, based on the 2024 Market Rate Survey pursuant to RCW 43.216.828. The increase in subsidy base rates was also included in the bargained subsidy rates for licensed family homes in the Collective Bargaining Agreement with Service Employee International Union (SEIU) 925.

## Program Recommendation Summary

### 010 - Children and Families Services

The Department of Children, Youth, and Families (DCYF) requests \$12,086,000 General Fund-State in the 2025-27 Biennial Budget to maintain child care subsidy base rates at the 85th percentile of market, which results in a rate increase, based on the 2024 Market Rate Survey pursuant to RCW 43.216.828. The increase in subsidy base rates was also included in the bargained subsidy rates for licensed family homes in the Collective Bargaining Agreement with Service Employee International Union (SEIU) 925.

### 030 - Early Learning

The Department of Children, Youth, and Families (DCYF) requests \$286,187,000 General Fund-State in the 2025-27 Biennial Budget to maintain child care subsidy base rates at the 85th percentile of market, which results in a rate increase, based on the 2024 Market Rate Survey pursuant to RCW 43.216.828. The increase in subsidy base rates was also included in the bargained subsidy rates for licensed family homes in the Collective Bargaining Agreement with Service Employee International Union (SEIU) 925.

## Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
<b>Operating Expenditures</b>						
Fund 001 - 1	\$6,043	\$6,043	<b>\$12,086</b>	\$6,043	\$6,043	<b>\$12,086</b>
Fund 001 - 1	\$137,421	\$148,766	<b>\$286,187</b>	\$148,766	\$148,766	<b>\$297,532</b>
<b>Total Expenditures</b>	<b>\$143,464</b>	<b>\$154,809</b>	<b>\$298,273</b>	<b>\$154,809</b>	<b>\$154,809</b>	<b>\$309,618</b>

## Decision Package Description

The 2021 legislature passed the Fair Start for Kids Act, which requires that child care subsidy base rates must achieve the 85th percentile of market and directed DCYF to develop a true cost of high-quality care rate model as codified in to RCW 43.216.828. The enacted 2023-25 biennial budget provided funding for subsidy base rates to achieve the 85th percentile of market based on the [2021 Washington State Child Care Market Rate Survey](#). To maintain child care subsidy base rates at the 85<sup>th</sup> percentile of market, DCYF requests funding to increase the child care subsidy base rates for licensed and certified centers to the 85<sup>th</sup> percentile of the 2024 Market Rate Survey beginning July 1, 2025. This will increase subsidy rates an average of 27 percent statewide. The increase in subsidy base rates was also included in the bargained subsidy rates for licensed family homes in the Collective Bargaining Agreement with Service Employee International Union (SEIU) 925.

The [2024 Market Rate Survey and Cost of Quality Care](#) model both show rate increases are necessary to support family access and child care providers in meeting the needs of the children they serve. The study findings clearly show that child care providers of all types reported increases in the rates they charge families for their services in nearly every geographic area and child age category. Even with private pay and subsidy rate increases, families cannot afford the true cost of care. While child care subsidy rates have increased substantially in recent years, they have in most cases fallen behind the increases providers report in the private market. Child care subsidy rates have slipped below the 85th percentile of the market rate benchmark in nearly every case.

DCYF worked with the Child Care of Washington’s Early Educator Design Team following a human centered design approach to recommend specific costs used in the cost of high-quality care model. The Design Team’s recommendations were incorporated to capture the true cost of high-quality child care and supports a living wage. Using the current rate regions, the 85<sup>th</sup> percentile of the 2024 Market Rate Survey is less than the full cost of high-quality child care. The cost comparison varies by age group and region.

Statewide, the 85<sup>th</sup> percentile of the 2024 Market Rate Survey in current subsidy regions is:

- 62 percent of the cost of quality care for infants.
- 73 percent of the cost of quality care for toddlers.
- 75 percent of the cost of quality care for preschool age children.
- 95 percent of the cost of quality care for school-age children.

The funding to increase subsidy rates to the 85<sup>th</sup> percentile supports:

- Approximately 30,000 families and 51,000 children impacted initially.
- The number of families and providers will continue to increase as subsidy eligibility expands in July 2025 and again in July 2027.
- Approximately 1,600 licensed center providers will receive a rate increase.

DCYF is required to increase family income eligibility for Working Connections Child Care (WCCC) pursuant to [RCW 43.216.802](#) to 75 percent State Median Income in July 2025. DCYF assumes this will add approximately 8,000 families to the WCCC caseload in the 2025-27 Biennium. Maintaining the subsidy base rates at the 85<sup>th</sup> percentile of market is necessary to retain and increase provider participation. Paying child care providers base rates at the 85<sup>th</sup> percentile of the market, results in increased rates, which continues to support provider employee retention and makes steps towards a rate that reflects the true cost of quality and supports a living wage.

## Assumptions and Calculations

### **Expansion, Reduction, Elimination or Alteration of a current program or service:**

This is a request to maintain child care subsidy base rates at the 85<sup>th</sup> percentile of market, which results in a rate increase, based on the 2024 Market Rate Survey (MRS).

### **Detailed Assumptions and Calculations:**

#### 85<sup>th</sup> Percentile of the 2024 MRS – Licensed Centers

- Child Care Subsidy Base Rates -
  - Based on 2024 MRS data, the 85<sup>th</sup> percentile of market rate increases subsidy base rates an average of 23.6 percent for child care licensed centers.
  - DCYF assumes an annual anticipated cost of \$126,293,000 in FY26 and \$136,716,000 in FY27 to increase subsidy base rates to the 85<sup>th</sup> percentile of the 2024 MRS for the current WCCC population.
  - DCYF assumes an annual anticipated cost of \$6,043,000 per fiscal year for the current Child Welfare Child Care population.
- Early Achievers Tiered Reimbursement -
  - Tiered Reimbursement (TR) promotes quality care by funding providers an additional rate depending on their Early Achievers rating. Level 2 receives an additional 2 percent, Level 3 receives an additional 8 percent, Level 3+ receives an additional 15 percent, Level 4 receives an additional 15 percent, and Level 5 receives an additional 20 percent.
  - Since TR is based on a percentage of the child care subsidy base rates, DCYF assumes TR expenditures will increase as base rates increase.
  - DCYF assumes an annual anticipated cost of \$11,128,000 in FY26 and \$12,050,000 in FY27 for TR.

85<sup>th</sup> Percentile of the 2024 MRS – Licensed Family Homes **The costs detailed below are for illustrative purposes only and are not included in this funding package request.**

Licensed Family Homes (LFHs) subsidy base rates are negotiated through the Collective Bargaining Agreement (CBA) with SEIU 925.

- Child Care Subsidy Base Rates -
  - Based on 2024 MRS data, the 85<sup>th</sup> percentile of market rate increases subsidy base rates an average of 30 percent for LFHs.
  - DCYF assumes an annual anticipated cost of \$103,194,000 in FY26 and \$111,709,000 in FY27 to increase subsidy base rates to the 85<sup>th</sup> percentile of the 2024 MRS for the current WCCC population.
  - DCYF assumes an annual anticipated cost of \$1,648,000 per fiscal year for the current Child Welfare Child Care population.
- Early Achievers Tiered Reimbursement -
  - Tiered Reimbursement (TR) promotes quality care by funding providers an additional rate depending on the Early Achievers rating. Level 2 receives an additional 2 percent, Level 3 receives an additional 12 percent, Level 3+ receives an additional 15 percent, Level 4 receives an additional 17 percent, and Level 5 receives an additional 20 percent.
  - TR is based on a percentage of the child care subsidy base rates and therefore, DCYF assumes TR expenditures will increase as base rates increase.
  - DCYF assumes an annual anticipated cost of \$6,355,000 in FY26 and \$9,584,000 in FY27 for TR.

	85th Percentile of 2024 MRS					
	FY26	FY27	25-27 BI	FY28	FY29	27-29 BI
<b>85th Percentile 2024 MRS - Centers</b>	<b>\$ 143,464,000</b>	<b>\$154,809,000</b>	<b>\$ 298,273,000</b>	<b>\$154,809,000</b>	<b>\$154,809,000</b>	<b>\$ 309,618,000</b>
<i>Base Rates</i>	<i>\$ 126,293,000</i>	<i>\$ 136,716,000</i>	<i>\$ 263,009,000</i>	<i>\$ 136,716,000</i>	<i>\$ 136,716,000</i>	<i>\$ 273,432,000</i>
<i>Tiered Reimbursement</i>	<i>\$ 11,128,000</i>	<i>\$ 12,050,000</i>	<i>\$ 23,178,000</i>	<i>\$ 12,050,000</i>	<i>\$ 12,050,000</i>	<i>\$ 24,100,000</i>
<i>CW CC</i>	<i>\$ 6,043,000</i>	<i>\$ 6,043,000</i>	<i>\$ 12,086,000</i>	<i>\$ 6,043,000</i>	<i>\$ 6,043,000</i>	<i>\$ 12,086,000</i>
<b>85th Percentile 2024 MRS - LFHs</b>	<b>\$ 111,197,000</b>	<b>\$122,941,000</b>	<b>\$ 234,138,000</b>	<b>\$122,941,000</b>	<b>\$122,941,000</b>	<b>\$ 245,882,000</b>
<i>Base Rates</i>	<i>\$ 103,194,000</i>	<i>\$ 111,709,000</i>	<i>\$ 214,903,000</i>	<i>\$ 111,709,000</i>	<i>\$ 111,709,000</i>	<i>\$ 223,418,000</i>
<i>Tiered Reimbursement</i>	<i>\$ 6,355,000</i>	<i>\$ 9,584,000</i>	<i>\$ 15,939,000</i>	<i>\$ 9,584,000</i>	<i>\$ 9,584,000</i>	<i>\$ 19,168,000</i>
<i>CW CC</i>	<i>\$ 1,648,000</i>	<i>\$ 1,648,000</i>	<i>\$ 3,296,000</i>	<i>\$ 1,648,000</i>	<i>\$ 1,648,000</i>	<i>\$ 3,296,000</i>
<b>Total</b>	<b>\$ 254,661,000</b>	<b>\$277,750,000</b>	<b>\$ 532,411,000</b>	<b>\$277,750,000</b>	<b>\$277,750,000</b>	<b>\$ 555,500,000</b>

**Workforce Assumptions:**

No additional staff are needed associated with this request. No additional staff are needed associated with this request. No additional staff are needed associated with this request.

**Historical Funding:**

Funding for WCCC Direct Client Services is detailed below. This funding includes \$315,756,000 that was funded for rate increases in the 2023-25 Biennial Budget. This does not include funding for the Child Welfare Child Care program.

**FY2026**

- FTE = 213 FTEs
- Total Funds = \$573,975,000
- Near General Fund = \$312,566,000
- Other Funds = \$261,409,000

**FY2027**

- FTE = 213 FTEs
- Total Funds = \$573,978,000
- Near General Fund = \$261,069,000
- Other Funds = \$312,909,000

**Strategic and Performance Outcomes**

**Strategic Framework:**

This request supports the Governor’s Results Washington goal areas:

**Goal 1: World-class Education**

- High quality early learning supports children with kindergarten readiness.
- Kindergarten readiness leads to increased graduation rates.

**Goal 2: Prosperous Economy**

- Increased rates provides opportunities for child care providers to increase employee salaries.
- Access to high quality child care supports greater workforce participation.

Rate increases directly support the agencies strategic outcomes:

- High quality child care is available and affordable to all in Washington.
- 80 percent of Washington children will be ready for kindergarten.

Increased access to high quality child care also is a preventative measure which supports:

- Safely reducing the number of children in out of home care by 50 percent as compared to a 3-year average.
- Safely reducing the need for child abuse and neglect intakes and reduce entries and reentries into child welfare as compared to current levels.

**Performance Outcomes:**

DCYF will know this rate setting process is successful by an increase in:

- Provider participation in subsidies and an overall increase in licensed providers.
- Eligible families who can find a child care provider.

**Equity Impacts**

**Community Outreach and Engagement:**

DCYF’s outreach and engagement has been robust over the last few years. Extensive outreach was conducted to develop a cost of high-quality care rate recommendation. This included work with the Child Care Collaborative Task Force and the human centered design work with the Early Educator Design Team. This work has also included engagement with the Indian Policy Early Learning (IPEL), Early Learning Advisory Committee (ELAC), Provider Supports (ELAC subgroup), the Parent Advisory Group (ELAC subgroup), and in other public forums and listening sessions across the state.

**Disproportional Impact Considerations:**

Increasing provider rates supports both child care providers who are disproportionately women from diverse racial and ethnic backgrounds and families with low income, who are also disproportionately single parent Households of Color.

**Target Communities and Populations:**

Increasing provider rates supports both child care providers who are disproportionately women from diverse racial and ethnic backgrounds and families with low income, who are also disproportionately single parent Households of Color.

**Community Inputs and Incorporation:**

Feedback has been supportive for increasing child care subsidy base rates. Moreover, feedback has requested the agency implement increased rates sooner than July 1, 2025, and that current rates are not compensatory. Feedback has been to fund the full cost of high-quality child care, which is not met by implementing rates at the 85<sup>th</sup> percentile as requested in this package.

**Other Collateral Connections**

**HEAL Act Agencies Supplemental Questions**

Not Applicable.

**Puget Sound Recovery:**

Not Applicable.

**State Workforce Impacts:**

Not Applicable.

**Intergovernmental:**

Subsidy rates are often used by other governments and other agencies as a foundation for their rates. While supportive, these other governments and agencies may increase their rates to align with the state subsidy rates.

**Stakeholder Impacts:**

Early learning providers are directly impacted by subsidy rates. Providers are supportive of increased rates. Providers and provider advocates will voice concerns about linking rates to the broken market. Their preference is to move to the full cost of high-quality care model that funds living wages for the workforce.

**State Facilities Impacts:**

Not Applicable.

**Changes from Current Law:**

Not Applicable.

**Legal or Administrative Mandates:**

Not Applicable.

**Governor's Salmon Strategy:**

Not Applicable.

**IT Addendum**

**Does this Decision Package include funding for any IT-related costs, including hardware, software, (including cloud-based services), contracts or IT staff?**

No

**Objects of Expenditure**

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Obj. N	\$6,043	\$6,043	\$12,086	\$6,043	\$6,043	\$12,086
Obj. N	\$137,421	\$148,766	\$286,187	\$148,766	\$148,766	\$297,532

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