

2018 Supplemental Budget Decision Package

Agency: 307 Department of Children, Youth, and Families

Decision Package Code/Title: PL-A6 / Increase Rates to Targeted Groups

Budget Period: 2017-19

Budget Level: Policy Level

Agency Recommendation Summary Text:

Effective July 1, 2016, the Department of Early Learning and its successor agency, the Department of Children, Youth, and Families are in violation of 42 USC 9858c(c)(4)(a), which requires states to certify that payment rates for child care are sufficient to ensure equal access to various child care settings for all eligible children. In order to ensure the required equal access, the department requests \$24.7 million of General Fund-State funding to increase child care reimbursement rates (this includes \$20 million for base rates in the Department of Social and Health Services budget and \$4.7 million for tiered reimbursement rates in the DCYF budget) for licensed child care centers. These increases are targeted at child care base rates for infants, toddlers and preschool age children, as well as increased tiered reimbursement rates to increase access to high-quality child care. This requested increase will bring centers up from an average of the 50th percentile of the child care market for Washington to the 75th percentile (at a Level 3 quality rating), the level considered the “market rate” and the level at which equal access is ensured for over 52,000 children, as required by 42 U.S.C. § 9858 et seq.).

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State	\$0	\$24,699,108	\$26,185,519	\$27,325,140
Total Cost	\$0	\$24,699,108	\$26,185,519	\$27,325,140
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0	0	0	0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Object N – Grants & Benefits	\$0	\$24,699,108	\$26,185,519	\$27,325,140

Package Description:

“The State plan shall certify that payment rates for the provision of child care services for which assistance is provided in accordance with this subchapter are sufficient to ensure equal access for eligible children to child care services that are comparable to child care services in the State or substate area involved that are provided to children whose parents are not eligible to receive assistance under this subchapter or for child care assistance under any other Federal or State programs, and shall provide a

summary of the facts relied on by the State to determine that such rates are sufficient to ensure such access.” – 42 USC 9858c(c)(4)(a) (the Child Care Development Block Grant)

The Child Care and Development Block Grant (CCDBG) Reauthorization Act of 2014 (cited above) requires states to demonstrate how their subsidy rates are sufficient to ensure equal access for low-income children to high-quality child care services that are available through the private pay market to other children in the state. Washington is unable to meet this requirement until center subsidy rates reflect the 2014 Market Rate Survey. The impacts of inflation and minimum wage increases have further widened the gap between the private pay child care market and the discounted rate providers must accept in order to care for subsidy children¹. As the lead agency for subsidized child care, DCYF is held responsible by the US Department of Health and Human Services, which has recently begun to use its authority as CCDBG grantor to demand repayment of funds from states violating federal law and failing to meet CCDBG requirements.

In July 1, 2017, the Legislature provided a six percent increase to subsidy payments across the board. This was a helpful step towards compliance with 42 USC 9858c(c)(4)(a), but rates are still insufficient to ensure equal access. Anecdotal evidence from parents, providers and communities highlights the lack of infant care overall, as well as a lack of access to providers accepting child care subsidies. The six percent statewide center increase in fiscal year 2018 brought the statewide center percentile average up from the 40th percentile to the 50th percentile, however there remain areas of grave inequity for infants, toddlers, and preschool-aged children in urban areas.

Currently, center subsidy rates are, on a statewide average, 20 percent below the market rate for Washington State. Rates substantially lower than market rates reduce center providers’ willingness to serve low-income children, restricting equal access to high-quality child care, and impacting a child’s ability to be ready for kindergarten. To ensure that Washington is meeting the requirements of federal law, the department proposes raising base rates and tiered reimbursement rates for centers to bring the total compensation for centers up to the market rate for all age groups and regions.

Base Budget:

Fiscal Year 2017 (Actuals)	General Fund- State	Child Care Development Fund	TANF Block Grant	Total
WCCC	\$70,518,042	\$75,858,316	\$171,401,442	\$317,777,800
Seasonal	\$934,362	\$4,905,398		\$5,839,760
Homeless		\$850,000		\$850,000
Fiscal Year 2018 (Budgeted)				
WCCC	\$47,177,000	\$75,850,000	\$197,590,000	\$320,617,000
Seasonal	\$1,560,000	\$6,712,000		\$8,272,000
Homeless		\$850,000		\$850,000

¹ A center provider characterized the dilemma to take subsidy children in this way during a phone interview for the recent Cost of Quality survey – that the increases in the cost of doing and specifically the minimum wage increase, require that she take an increasingly deeper discount of her normal rate in order accept subsidy children.

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

Projected costs are based on fully funding the June Working Connections Child Care Program forecast, as forecasted by the Caseload Forecast Council, adjusted for the six percent statewide increase approved for Fiscal Year 2018.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Increasing base subsidy rates and tiered reimbursement rates will result in an increase in centers serving children receiving child care subsidies, which allows for a greater portion of children being cared for in licensed centers. Children in high-quality, licensed centers are more likely to experience gains in kindergarten readiness, as measured by the Washington Kindergarten Inventory of Developing Skills (WaKIDS) assessment.

Performance Measure detail:

- Increased percent of children enrolled in high-quality centers who are assessed as kindergarten-ready.
- Increased number of center providers that serve children with child care subsidies.
- Decreased turnover of teachers at child care centers.

Fully describe and quantify expected impacts on state residents and specific populations served.

In fiscal year 2017, the Working Connections Child Care (WCCC) program served a monthly average of 52,759 children across more than 31,000 families, the Seasonal Child Care (SCC) program served a monthly average of 974 children in 511 families, and the Homeless Child Care Program (HCCP) program served a total of 610 children in 401 families. Ninety percent of the subsidy caseloads are working families and the majority of these families choose child care centers to provide high quality care while they work. Reduced access cuts off the support needed for a parent to stay in the workforce, reduces at-risk children’s access to stable, high-quality care, and adds to the caseloads of other social service programs.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	Identify: Regions where subsidy base rates for centers currently fail to track market rates will serve more low-income children in high-quality child care centers.
Other local gov’t impacts?	No	Identify:
Tribal gov’t impacts?	Yes	Identify: Center-based tribal child care programs will

		be paid rates tied to the regional market.
Other state agency impacts?	Yes	Identify: The WCCC budget resides in the Economic Services Administration of the Department of Social and Health Services. The requested adjustments need to be reflected in that respective section of the budget bill.
Responds to specific task force, report, mandate or exec order?	Yes	Identify: Federal law requires states to provide equal access to various types of child care for low-income children. To accomplish this, federal CCDF regulations strongly encourage states to base subsidy rates on market rate survey data with a goal of providing low-income families access to purchase care in at least 75 percent of the current child care programs.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	Yes	Identify: Requires minor change to Chapter 170-290 WAC to update existing center base rate charts. Also requires minor changes to Early Achievers operating guidelines.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	Yes	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above. How have families, providers, and communities of color within the early learning system been involved in the planning and implementation of this proposal?

Current subsidy rates for licensed centers do not reflect regional market rates. Under the current structure, many infant rates are well below the rates of the rest of the market, which results in a shortage of available infant care in some areas. This decision package increases base rates such that those farthest from the market rate receive the greatest increases. This will result in incentivizing infant care in programs that provide subsidized care and better aligning rates to the market rates.

The CCDF reauthorization law and rules strongly encourage setting subsidy rates in accordance with the market in order to provide equal access for families, with the goal that low income families have access to purchase care in at least 75 percent of the marketplace.

Certified Tribal child care centers currently receive the same subsidy rates as licensed child care centers. Once rates are based on the marketplace in all child care settings, low-income families seeking tribal-based child care will have more access to these programs.

What alternatives were explored by the agency and why was this option chosen?

This package is scalable but this is not recommended. The department chose the reflected option because (in addition to complying with federal law), it provides low-income families full and equal access to high-quality licensed care across various program settings.

What are the consequences of not funding this request?

Failure to fund this request will continue to hamper efforts to provide equal access for low-income families and children and leave the department in violation of federal law. Failure to fund this request will also continue to reduce center providers' willingness to serve certain age categories of low-income children in certain regions. Compounded with the recent audit findings from HHS for failure to adequately monitor attendance and billing, failure to fund this package would further jeopardize Washington's Child Care and Development Block Grant (projected at \$256 million in the 2017-19 biennium).

How has or can the agency address the issue or need in its current appropriation level?

DCYF is unable to address this need within existing appropriations. Base funding is required to provide legislatively mandated access to child care for low-income families.

Other supporting materials:

Information technology:

- No
- Yes

