

# HOUSE BILL REPORT

## EHB 1364

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**As Passed House:**  
March 2, 2011

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

**Brief Description:** Ordering a departmental review of child care center subsidies.

**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];

Education Appropriations & Oversight: 2/17/11, 2/21/11 [DPA(ELHS)].

**Floor Activity:**

Passed House: 3/2/11, 63-34.

**Brief Summary of Engrossed Bill**

- 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.

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### 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).

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## HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS & OVERSIGHT

**Majority Report:** Do pass as amended by Committee on Early Learning & Human Services. Signed by 12 members: Representatives Haigh, Chair; Probst, Vice Chair; Dammeier, Assistant Ranking Minority Member; Frockt, Maxwell, Orwall, Reykdal, Rolfes, Santos, Seaquist, Sells and Stanford.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Anderson, Ranking Minority Member; Dahlquist, Hargrove, Hope, Nealey and Short.

**Staff:** Wendy Polzin (786-7137).

### **Background:**

#### Overview.

The state subsidizes child care for low-income families through a program called Working Connections Child Care. 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.)

### 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 Engrossed 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.

**Appropriation:** None.

**Fiscal Note:** Available.

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

### **Staff Summary of Public Testimony (Early Learning & Human Services):**

(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.

**Staff Summary of Public Testimony (Education Appropriations & Oversight):**

(In support) None.

(Opposed) None.

**Persons Testifying (Early Learning & Human Services):** (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 Testifying (Education Appropriations & Oversight):** None.

**Persons Signed In To Testify But Not Testifying (Early Learning & Human Services):** None.

**Persons Signed In To Testify But Not Testifying (Education Appropriations & Oversight):** None.