2020 Child Care Policy Recommendations:

Modeling the Cost of Quality, Improving the Working Connections Subsidy Program & Supporting Workforce Compensation and Development

Washington State Department of Commerce

Child Care Collaborative Task Force Report to the Legislature and Governor under 2SHB 1344, Laws of 2019

COMMUNITY ENGAGEMENT
AND OUTREACH,
DIRECTOR'S OFFICE

December 1, 2020

REPORT TO THE LEGISLATURE

Lisa Brown, Director

2.0

Acknowledgments

This report was made possible by the Child Care Collaborative Task Force, task force guest participants, ICF, and staff of the Department of Commerce and Department of Children, Youth and Families.

Child Care Collaborative Task Force

2019-20 Role	First Name	Last Name	Organization	Appointed
Tri-Chair, Voting	Amy	Anderson	Association of Washington Business	2018
Tri-Chair, Voting	Luc	Jasmin	Washington Childcare Centers Association & Parkview Early Learning Center	2018
Tri-Chair, Voting	Ryan	Pricco	Child Care Aware of Washington	2018
Voting	Erin	Haick	SEIU 925	2018
Voting	Bob	McCaslin	4th District (R), WA House of Representatives	2018
Voting	Darlene	Peters	Port Gamble S'Klallam Tribe	2020
Voting	Tana	Senn	41st District (D), WA House of Representatives	2020
Voting	Valisa	Smith	Start Early (Ounce of Prevention Fund)	2020
Voting	Neil	Strege	Washington Roundtable	2018
Voting	Claire	Wilson	30th District (D), WA Senate	2019
Non-Voting	David	Beard	School's Out Washington	2018
Non-Voting	Sarah	Clark	Children's Alliance, SOAR	2019
Non-Voting	Mary	Curry	Pathways Enrichment Academy	2018
Non-Voting	Sydney	Forrester	Office of the Governor	2019
Non-Voting	Christie	Glassy	Family, Friend and Neighbor Caregiver	2019
Non-Voting	Jennifer	Jennings-Shaffer	Zero to Three	2019
Non-Voting	Ruth	Kagi	Early Learning Ambassador	2018
Non-Voting	Bethany	Larsen	Puget Sound Educational Service District	2018
Non-Voting	Lois	Martin	Community Day Center for Children, Inc.	2018
Non-Voting	ZamZam	Mohamed	Voices of Tomorrow	2019
Non-Voting	Mary Ellen	O'Keeffe	Thrive Washington	2018
Non-Voting	Jason	Ramynke	Department of Children, Youth and Families	2019
Non-Voting	Cheryl	Smith	Department of Commerce	2018
Non-Voting	Nicole	Sohn	Greater Spokane Inc. & Journey Discovery Center	2019
Non-Voting	Ginger	Still	Kid's World Childcare	2018
Non-Voting	Faith	Trimble	Capitol Campus Child Care Center	2018
Non-Voting	Jodi	Wall	Educational Service District 112	2019
Participant	Soleil	Boyd	Washington STEM	N/A
Participant	Susan	Brown	Kids Co.	N/A
Participant	Colleen	Condon	Lilac City Early Learning Center	N/A
Participant	Kelly	Daniels	Seattle Nanny Network	N/A
Participant	Sally	Holloway	Whatcom Community College	N/A
Participant	Regina	Malveaux	Women's Commission	N/A
Facilitator	Tim	Jaasko-Fisher	TJF Consulting, LLC	N/A

Washington State Department of Children, Youth and Families

Genevieve Stokes, Government Affairs Advisor
Nicole Rose, Director of Eligibility and Provider Supports
Angela Abrams, Professional Development Administrator
Matt Judge, Child Care Administrator, Licensing Oversight

Washington State Department of Commerce

Cheryl Smith, Director of Community Engagement and Outreach, cheryl.smith@commerce.wa.gov
Jill Bushnell, Policy Advisor, 360.725.2818 or jill.bushnell@commerce.wa.gov
Mary Baldwin, Program Coordinator, 360.725.2815 or mary.baldwin@commerce.wa.gov

1011 Plum St. SE
P.O. Box 42525
Olympia, WA 98504-2525

www.commerce.wa.gov
To request this report in other formats, please call 360.725.4000 (TTY 360.586.0772).

Table of Contents

Attachments:

- ICF Child Care Cost Estimate Model Report
- ICF Child Care Cost Estimate Model Excel Tools (Centers) (Family Homes)
- ICF Report on Subsidy Policy Changes
- ICF Report on Workforce Compensation Policies

Letter from the Task Force Tri-Chairs

It's hard to believe that only a year has passed since the task force issued initial recommendations for improving child care in our state. What we saw as a crisis situation then has only intensified. Atop chronically low wages and high turnover, the pandemic has layered on complex public health guidelines, child care and school closures, changing family work arrangements, unemployment and new expectations to support student remote learning.

Washington cannot have a healthy economy without a functional child care system. This essential system we depend on so parents can work and children can thrive is unsustainable. In this third report, we present recommendations for the state's child care subsidy system, workforce compensation, and a child care cost model. These recommendations are a precursor to the task force's comprehensive June 2021 strategy for accessible, affordable child care for all Washington families.

The task force urges policymakers to keep child care top-of-mind when investing to strengthen our economy. Consider these recommendations to strengthen the child care industry and help families afford quality care.

Recommendations to implement first:

- Support providers participating in the state's child care subsidy program:
  - Pay providers the same full-day subsidy rate for school-age children as for preschoolers (S1)
  - Pay providers on a monthly basis, structured like the private pay market (S2)
  - Restructure subsidy regions based on cost of living factors at the ZIP code level (S4)
- Help working parents enter, re-enter and stay in the labor force:
  - Graduate subsidy copayments to eliminate the "cliff effect" (S3)
  - Shift subsidy eligibility from 200% of federal poverty level to 85% of state median income (S5)
  - Allow parents preparing to enter or re-enter the workforce, and parents participating in job training, apprenticeships and higher education, to receive child care subsidies (S8)
- Begin improvements to child care workforce compensation and development:
  - Take initial steps to understand and model the costs associated with quality child care (CM1, CM2)
  - Find ways to increase access to healthcare insurance coverage and higher wages (WC2, WC3)
  - Expand the Community-Based Pathway as a process for staff to demonstrate competencies (PD1)

On behalf of the Child Care Collaborative Task Force, we thank you for reading and considering these recommendations.

Amy Anderson Association of Washington Business	Luc Jasmin Washington Childcare Centers Association & Parkview Early Learning Center	Ryan Pricco Child Care Aware of Washington

Letter from Commerce Director Dr. Lisa Brown

Parents and child care providers have long understood that our child care system is inadequate. A well-functioning system would ensure that all parents and guardians have affordable, high-quality options when and where they need it. Providers would be compensated fairly for the important work they do and afforded opportunities for training and career advancement that benefit them and the children for whom they care. With the onset of the COVID-19 pandemic, there is a renewed recognition that child care is one of the most essential pillars of a strong, resilient and equitable economy. Investing in a child care system that works for children, parents, providers, and employers should be a priority in Washington State's economic recovery strategy.

The conundrum of child care economics is that paying providers adequately based on a provider-to-child ratio that is developmentally appropriate for infants, toddlers and young children results in a cost that is too high for many parents – especially single parents or low wage workers. Costs are typically more expensive than a community college education. The public subsidy currently provided in Washington State only partially addresses this conundrum. Ultimately there are too many gaps in options for parents and too many family providers and centers teetering on the brink of closing their doors. The impacts ripple far and wide. Employers bear costs related to lower employee productivity and business taxes to support child welfare and human service programs that, in effect, remediate the lack of quality care for children. Pre-existing social inequities are compounded. The child care workforce – which is a low wage workforce -- is disproportionately composed of women and women of color, and families in many rural communities face "child care deserts."

One priority recommendation in this report that would improve affordability for low wage workers is to correct a flaw in the current child care subsidy known as the "cliff effect." This occurs when a parent's income increases and they can no longer afford the steep increase in copay required to continue receiving a subsidy. Ironically, they become worse off after a pay increase or an increase in hours worked. Eliminating this disincentive is crucial to supporting all working parents as they move upward on the earnings ladder.

I appreciate the thoughtful work of the Child Care Collaborative Task Force to make recommendations on the child care public subsidy program, workforce compensation, and a child care cost model for use in the future. The diversity of perspectives represented on the task force makes their recommendations even more significant. Their work also exemplifies the power of collaboration and inclusion. One size does not fit all when it comes to child care, and only by working across sectors and across communities can we develop a system that meets families where they are. Recently the Department of Commerce, in partnership with philanthropy, was able to award grants to partnerships around the state developing plans to expand child care capacity in 40 communities. These community-led efforts demonstrate that a state investment in the system will be met by communities eager to do their part to eliminate gaps in access and affordability. I look forward to continuing this urgent dialogue and working with this task force as we lay the groundwork for a system that truly meets the needs of Washington families.

Lisa J. Brown, Ph.D.
Director, Department of Commerce

Letter from DCYF Secretary Ross Hunter

The economics of the child care system in Washington are dysfunctional. They were dysfunctional before COVID, and the pandemic has only made them worse. Many of the thousands of mostly small businesses that offer care to children have invested in quality improvement work even in the uncertain economic system so that young children can get a quality start in life.

Unfortunately, most parents can't afford safe, high-quality, licensed care: the fundamental economics of the business make it too expensive for new parents to afford, and the work of the Child Care Collaborative Task Force has drawn a bright highlighter over the realities of this market failure. There exist deep inequalities and massive gaps in our child care system, even before the havoc created by the COVID-19 pandemic.

The task force has begun the heavy lift of re-envisioning this system. I am grateful for the deep thinking and partnership that has gone into this work. This task force has demonstrated in stark terms that child care is critical for the racial and gender equity our state is striving for. Furthermore, we know that our economy cannot recover until people feel their kids can be in a safe, high-quality setting when they can't be there to care for them themselves.

As the Legislature convenes in January 2021 they will have a monumental task ahead of them, the likes of which not seen since the Great Recession. They'll need to make some statements about what value they place on the child care system, and what kind of investment they're willing to make towards supporting families accessing child care and providers offering high-quality care. As recommended by the task force, the following are good ideas:

- Aligning the subsidy market reimbursement process with the private market, by switching to a monthly rate for subsidy providers.
- An end to the "benefit cliff," where parents can't accept raises or promotions because they'll lose their childcare benefits all at once. This means first tackling the copay cliff that makes subsidized care unaffordable for families at the upper end of the eligibility spectrum.
- Stabilizing and increasing rates for subsidy care. Ultimately, we need rates that cover the costs of providing care, including salaries that enable teachers to make enough to stay in the profession. Turnover rates in child care settings are concerning, limiting our ability to ensure quality care.

There are also some back-end technological improvements needed to bring our eligibility and payment systems out of the dark ages so that money can efficiently and effectively go towards paying for high-quality services. The problems across the nation with our unemployment technology systems in 2020 were a wakeup call for many people to the consequence of chronically underfunding foundational IT infrastructure.

There is no silver bullet to fixing subsidized child care in Washington. COVID-19 has exacerbated existing flaws, but the systemic solutions necessary before the pandemic are the same ones that will help the system recover and help families thrive after the crisis abates.

This report is a good stepping stone on the path towards envisioning an affordable, high-quality child care system that can be accessed by all families in Washington. I applaud the members of the task force for their work thus far, and look forward to their final report in mid-2021.

Ross Hunter
Secretary, Department of Children, Youth, and Families

Executive Summary

The Child Care Collaborative Task Force (task force), comprised of a broad coalition of child care providers, advocates, legislators, community members and representatives of the business community, reviewed the industry assessment and also reflected on the status of child care industry before and during the COVID-19 pandemic. The task force found that:

- Child care is essential infrastructure, critical to rebuilding Washington's economy.
- Low- and middle-income working families, and parents seeking employment or participating in educational pursuits, job training programs or apprenticeships, struggle to find and afford child care.
- Expenses associated with operating a high-quality child care program are often higher than what families can afford. Providers operate with slim margins and find it difficult to pay wages and benefits that reflect the high value staff contribute to program quality and positive outcomes for children and families.
- Competitive, living wages and access to healthcare insurance coverage are key components in stabilizing the child care industry and addressing racial inequities for the child care workforce and the families they serve.
- Broad-scale change is necessary to build an accessible, affordable child care system.

With the pandemic still impacting our communities and an extensive economic recovery on the horizon, now is the time to focus on improving our state's model for providing subsidized child care. Supporting low- and middle-income working families, parents preparing to enter or reenter the workforce, and the child care providers that serve them has widespread benefits. It is a win for families that can continue to participate in the labor force, a win for employers that can recruit and retain employees, and a win for Washington communities that benefit from viable economies and nurtured children.

The task force recognizes that while subsidy system improvements impact the child care industry overall, the subsidy program directly serves only about one-third of the families that currently access licensed child care. The task force recommends that policymakers consider options for additional systemic improvements to support high-quality, affordable child care so it is available to all families that need it.

Several recommendations in this report involve additional evaluation and further recommendations, which the task force will take up as part of its work for the June 2021 comprehensive strategy and implementation plan for affordable and accessible child care for all families. The recommendations needing further work include:

- Understand the costs associated with operating high-quality child care programs.
- Determine sustainable child care business models that leverage public and private resources to cover the costs of quality.
- Assess alternative funding options to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.
- Identify affordable healthcare insurance coverage options for the child care workforce.
- Simplify child care rules to decrease administrative burdens.

Table I below summarizes the task force's Cost Model, Subsidy, Workforce Compensation and Professional Development policy recommendations presented with this report. Prior to the 2021 legislative session, the task force will provide, as an addendum to this report, an estimate of costs to implement these recommendations.

Table I: List of Task Force Policy Recommendations

Topic	Recommendation
Cost of quality survey	CM1. Survey child care providers to identify the costs associated with operating quality child care programs, and revise the task force cost model tools.
Cost model	CM2. Complete the task force cost model tools to address limitations and incorporate findings of the child care provider cost study. Regularly update the cost model tools based on child care provider surveys.
School-age subsidy rate	S1. Raise the subsidy rate for full-day school-age child care to match the preschool rate.
Monthly subsidy rate	S2. Pay providers a monthly rate for children enrolled in the subsidy system, structured like the private market.
Eliminate subsidy copay cliff effect	S3. Eliminate the subsidy copayment "cliff effect" for eligible families by limiting eligible families' copayments to no more than 7% of a family's income.
Subsidy regions	S4. Change subsidy geographic regions to reflect cost of living factors at the ZIP code level, grouped by urbanicity (rural, suburban, urban, etc.).
Subsidy income eligibility	S5. Shift the income eligibility measurement away from federal poverty to State Median Income (SMI), and increase eligibility to at least 85% of SMI.
Subsidy rates	S6/CM3. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate.
Subsidy cap	S7. Eliminate the cap on WCCC participation.
Approved activities for subsidy eligibility	S8. Expand allowable activities for subsidy eligibility to enable employed, unemployed and student parents to seek and retain work and education.
Salary scale / floor	WC1. Evaluate and recommend a compensation structure aligned to regional school system salary scales for use by DCYF to set subsidy rates.
Workforce compensation	WC2. Assess alternative funding streams (besides family tuition payments and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.
Workforce healthcare insurance coverage	WC3. Evaluate options to support access to affordable healthcare insurance coverage for child care staff. Options include, but are not limited to, the Health Benefit Exchange, Apple Health and association health plans.
Targeted investments	WC4. Provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market, and to programs providing unique services.
Workforce competencies	PD1. Expand the Community-Based Pathway from pilot to statewide implementation as a process for child care staff to demonstrate competencies.
Professional development	PD2. Support professional development around skills the industry needs, and reimburse providers for participation (trauma-informed care, dual language, racial bias training, etc.).
Workforce data systems	PD3. Seek to resolve known issues with the quality of data in the MERIT data system, such as the number of providers with verified education data.
Professional development, coaching, rating and quality incentives	PD4. Fully fund professional development, relationship-based professional development, and financial incentives to support providers in meeting staff qualifications, ongoing continuous quality improvement, and achieve high quality levels in Early Achievers and school-age quality standards.
Substitute Pool	PD5. Expand eligibility requirements to use the state-funded early care and education substitute pool so licensed child care providers have access to temporary staff coverage.

Introduction

The Washington State Child Care Collaborative Task Force (task force) is pleased to present this interim report to the Legislature and Governor Inslee. This report includes policy recommendations to begin building a high-quality, sustainable child care system that supports Washington's children, families and communities. The task force, a broad coalition of child care providers, advocates, legislators, community members and representatives of the business community, reviewed the industry assessment and also reflected on the status of child care industry before and during the COVID-19 pandemic to generate recommendations for this report.[1] The task force recommends policies to model the costs associated with high-quality child care, improve the state's child care subsidy system, and support competitive compensation and professional development of the child care workforce. In June 2021, the task force will submit a strategy, timeline and implementation plan for achieving the goal of access to affordable, high-quality child care for all Washington families by 2025.

Child care is essential infrastructure and critical to rebuilding Washington's economy.

Families, employers and policymakers have grown to realize, especially during the pandemic, that child care plays an essential role for child outcomes, workforce participation and economic recovery. But many child care providers are unable to charge parents the tuition rates it would require to cover all of the costs associated with quality care, as parents cannot afford to pay for the full value of the services. With insufficient revenue, providers are unable to pay competitive wages and provide employment benefits to staff. This results in high employee turnover, disincentives for workers to pursue professional development to advance in the field, and overall instability in the child care system. It also perpetuates systemic inequalities for women and people of color that make up a disproportionate amount of the child care workforce. These factors hold true for subsidized child care and the child care market as a whole.

Availability of high-quality care helps people go to work. The task force found that among Washington parents that participated in a spring 2020 survey: 71% used some form of licensed or informal child care by someone other than a parent, 38% indicated that affording child care was a challenge, and nearly half (47%) of unemployed parents considered child care issues a barrier to reemployment. This varied by the gender of the respondent--51% among unemployed women and 41% among unemployed men.[2] Parents also reported challenges finding available care options nearby. One in four parents (25%) indicated they needed child care during nontraditional work hours (outside weekday hours of 6:00 am to 6:00 pm). Low- and middle-income working families, parents seeking employment and parents participating in educational pursuits, job training or apprenticeships, struggle to find and afford child care.

Broad-scale change is necessary to build an accessible, affordable child care system.

With the pandemic still affecting our communities and an extensive economic recovery on the horizon, now is the time to focus on improving our state's model for providing subsidized child care. Supporting low- and middle-income working families, families preparing to enter or reenter the workforce, and child care providers that accept child care subsidies has widespread benefits. It is a win for families that can continue to participate in the labor force, a win for employers that can recruit and retain employees, and a win for Washington communities that benefit from viable economies and nurtured children.

---

[1] See Appendix A for the authorizing legislation for this report, and Appendix B for information about the task force.
[2] (ICF 2020). 1,536 Washington parents with children under 12 responded to the survey in total; 106 of the parents were unemployed.

Although subsidy system improvements positively impact the child care industry overall, subsidies serve only about one-third of the families that currently access licensed child care. The task force recommends that policymakers consider options for additional systemic improvements to support high-quality, affordable child care so it is available to all families that need it.

We must identify sustainable child care business models to ensure Washington families can access affordable, quality child care options.

Expenses associated with operating a high-quality child care program are often higher than what families can afford to pay. Providers operate with slim margins and find it difficult to pay wages and benefits that reflect the high value staff contribute to program quality and positive outcomes for children and families. The task force began the process of identifying and modeling the true costs of quality child care, and more work must be done to gather provider financial data to complete the cost model. The task force recommends the state conduct a comprehensive, federally-approved Cost of Quality survey in collaboration with partner organizations to ensure broad participation by child care providers. The completed cost model will allow policymakers and stakeholders to examine costs and revenue sources to identify sustainable models for operating child care programs and support a functional child care system.

Competitive, living wages and access to healthcare insurance coverage are key components in stabilizing the child care industry and addressing racial inequities for the child care workforce and the families they serve.

The child care workforce is comprised disproportionately of low-income women of color: 94% of the U.S. child care workforce are women[3], 50% of Washington's child care workforce are people of color, and 30% are bilingual or multilingual.[4] This is both a strength and an opportunity for the field. Research has suggested that young children with providers and caregivers that reflect their home cultures and speak their home languages have better continuity between home and child care settings. Diverse providers can support children's healthy development.[5] Studies have found that the presence of a consistent caring adult in a child's life in the early years, as well as in childhood and adolescence, is associated better academic grades, healthier behaviors, more positive peer interactions and a greater ability to handle stress later in life.[6] However, over half of American child care workers live in households that need to access public assistance. In Washington, child care employees rank in the third percentile of total earnings among occupational groups. A Bachelor of Arts in early childhood education was found to have the lowest projected lifetime earnings of 80 college majors considered.[7] In a 2015 national study, just 15% of child care staff had employer-provided healthcare insurance coverage, compared to 50% of all other workers.[8] Child care professionals leave the industry to go to entry-level jobs with better wages and benefits in other sectors, such as retail.

Child care staff should earn a living wage, reflective of the area they live. How to support compensation of a largely private-sector workforce is the question. The child care system is made up of various program types and funding structures -- many of which are private, for-profit businesses that do not accept child care subsidies. The task force has not yet identified a recommended mechanism to support competitive compensation of child care employees. Increased subsidy rates and rate enhancements are a means of indirectly compensating a segment of the child care workforce, but subsidized spaces represent less than one-

[3] (Child Care Aware of America 2019)
[4] (ICF and Fran Kipnis 2020)
[5] (Center for Law and Social Policy 2017)
[6] (Child Welfare Information Gateway n.d.), (Murphey, et al. 2013)
[7] (Child Care Collaborative Task Force 2019)
[8] (Gould 2015)

third of child care capacity. Subsidy rates alone will not support a statewide salary floor. However, subsidy rates that are at or very near the cost of providing quality child care will increase providers' ability to sustain their business, participate in the subsidy program and compensate staff appropriately. The task force will continue evaluating options to support living wages and access to affordable healthcare insurance coverage for the entire child care workforce, and will provide further recommendations in the next report.

Further recommendations include:

- Understand the costs associated with operating high-quality child care programs.
- Determine sustainable child care business models that leverage public and private resources to cover the costs of quality.
- Assess alternative funding streams (besides tuition and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.
- Identify affordable healthcare insurance coverage options for the child care workforce.
- Simplify child care rules to decrease administrative burdens.

The task force will include these recommendations in its June 2021 child care access strategy. Table I summarizes the task force's Cost Model, Subsidy, and Workforce Compensation and Professional Development policy recommendations presented with this report. Prior to the 2021 legislative session, the task force will provide, as an addendum to this report, an estimate of costs to implement these recommendations.

We must continue to work toward achieving equitable racial outcomes.

The task force has committed to applying a lens of racial equity theory of change to policy recommendations. While drafting this report, a workgroup discussed tools and strategies the task force could use to fulfill this commitment. The workgroup advised the task force to host a workshop on racial equity, inclusion, implicit bias and anti-racism to ground task force members in common information and learn together how to apply anti-racist principles to policy recommendations and strategies in the June 2021 report.

As an initial step before this workshop occurs, the task force answered the questions below to evaluate potential unintended consequences of policies recommended in this report:

- "What impact do you think these recommendations would have on Black, Indigenous, People of Color (BIPOC) communities?"
- "How might we mitigate negative impacts or accentuate positive impacts?"

These questions served as a first step to assist the task force with abiding by its commitment to remove institutional barriers that keep families, and the child care industry, from achieving equitable outcomes for all children. The task force will continue this work, and aims to recommend policies and strategies that will result in equitable racial outcomes for children, families and child care educators.

Lastly, the task force recognizes there are opportunities to decrease administrative burdens associated with child care licensing and subsidy programs. The Department of Children, Youth and Families (DCYF) should continue to work with child care providers to simplify Washington Administrative Code (WAC) to reduce administrative burdens for families and child care providers, while minimizing eligibility and payment errors. This would build upon the successful negotiated rulemaking processes and communication forums DCYF has established with child care providers, and help fulfill the 2019 task force recommendation of developing and sustaining a culture of mutual respect and collaboration among licensors, regulators and providers. DCYF has made notable improvements in this area, and continued effort will build a more collaborative regulatory environment.

Summary of Policy Recommendations

In this report, the task force recommends a series of policy changes for modeling costs associated with providing quality child care, stabilizing Working Connections Child Care (WCCC) subsidy payments for providers, linking subsidy rates to the cost of providing care, increasing child care subsidy eligibility, adjusting subsidy regions to reflect economic conditions at a ZIP code level, and incentivizing increased compensation and professional development of the child care workforce. Task force recommendations are described in Table 1 and listed below.

Policy recommendations:

- CM1. Survey child care providers to identify the costs associated with operating quality child care programs, and revise the task force cost model tools.
- CM2. Complete the task force cost model tools to address limitations and incorporate findings of the child care provider cost study. Regularly model tools based on child care provider surveys.
- S1. Raise the subsidy rate for full-day school-age child care to match the preschool rate.
- S2. Pay providers a monthly rate for children enrolled in the subsidy system, structured like the private market.
- S3. Eliminate the subsidy copayment "cliff effect" for eligible families by limiting eligible families' copayments to no more than 7% of a family's income.
- S4. Change subsidy geographic regions to reflect cost of living factors at the ZIP code level, grouped by urbanicity (rural, suburban, urban, etc.).
- S5. Shift the income eligibility measurement away from federal poverty to State Median Income (SMI), and increase eligibility to at least 85% of SMI.
- S6/CM3. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate.
- S7. Eliminate the cap on WCCC participation.
- S8. Expand allowable activities for subsidy eligibility to enable employed, unemployed and student parents to seek and retain work and education.
- WC1. Evaluate and recommend a compensation structure aligned to regional school system salary scales for use by DCYF to set subsidy rates.
- WC2. Assess alternative funding streams (besides family tuition payments and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.
- WC3. Evaluate options to support access to affordable healthcare insurance coverage for child care staff. Options include, but are not limited to, the Health Benefit Exchange, Apple Health and association health plans.
- WC4. Provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market, and to programs providing unique services.

- PD1. Expand the Community-Based Pathway from pilot to statewide implementation as a process for child care staff to demonstrate competencies.
- PD2. Support professional development around skills the industry needs, and reimburse providers for participation (trauma-informed care, dual language, racial bias training, etc.).
- PD3. Seek to resolve known issues with the quality of data in the MERIT data system, such as the number of providers with verified education data.
- PD4. Fully fund professional development, relationship-based professional development, and financial incentives to support providers in meeting staff qualifications, ongoing continuous quality improvement, and achieve high quality levels in Early Achievers and school-age quality standards.
- PD5. Expand eligibility requirements to use the state-funded early care and education substitute pool so licensed child care providers have access to temporary staff coverage.

Table 1: Summary of Task Force Policy Recommendations for Cost Model, Subsidy and Workforce Compensation and Professional Development

Topic	Recommendation	Rationale	Next Steps to Implement
Cost of quality survey	CM1. Survey child care providers to identify the costs associated with operating quality child care programs, and revise the task force cost model tools.	○ Provider data is necessary for estimating and modeling cost of quality. ○ Task force was unable to survey providers during the pandemic. ○ Cost models help policymakers, stakeholders and providers identify sustainable business models. ○ Cost of quality is a more rational and sufficient basis subsidy rates.	○ Get federal approval for a cost study/model "alternative methodology" for use in the state's Child Care and Development Fund (CCDF) plan. ○ Collaborate with partners to complete a child care provider cost survey in conjunction with 2022 market rate survey, if possible.
Cost model	CM2. Complete the task force cost model tools to address limitations and incorporate findings of the child care provider cost study. Regularly update model tools based on child care provider surveys.	○ Task force was unable to survey providers during the pandemic. ○ Cost model in progress has significant limitations due to insufficient data. ○ Need to update cost model to meet all requirements of 45 CFR 98.45 and reflect costs associated with cost drivers identified by the task force, as well as other cost drivers identified through the provider cost survey.	○ Use survey/cost study data to update the ICF cost model tools. ○ Update cost model tools to reflect provider cost data, subsidy policy changes and additional cost drivers. ○ Continue to regularly update the model tools.
School-age subsidy rate	S1. Raise the subsidy rate for full-day school-age child care to match the preschool rate.	○ COVID-19 has caused schools to operate remotely or with hybrid remote and in-person models, creating an emergent, temporary need for more full-day child care with remote learning support. ○ Full-day school-age subsidy rates are based on lower child-to-staff ratios than are permissible or possible during the pandemic. ○ Current full-day rates are much lower than the costs of providing care, especially with lower ratios of staff to children, additional costs associated with staff and supplies, and lower enrollment.	○ Increase the full-day subsidy rate for school-age children to match the subsidy rate for preschool, at least temporarily while public health guidelines are in place and until schools return to classroom-based learning.

Topic	Recommendation	Rationale	Next Steps to Implement
Monthly subsidy rate	S2. Pay providers a monthly rate for children enrolled in the subsidy system, structured like the private market.	- Stabilized market during pandemic. - Structured like the private market. - Simpler for child care providers. - Reduces opportunity for subsidy overpayments. - Explore contracts for certain types of care.	- Make accessing a monthly payment as simple as possible for child care professionals. - Consider the use of contracted slots for incentivizing care of special populations.
Eliminate subsidy copay cliff effect	S3. Eliminate the subsidy copayment "cliff effect" for eligible families by limiting eligible families' copayments to no more than 7% of a family's income.	- Federal benchmark is 7%. - Parents drop out of the workforce when child care is unaffordable. - Adjustments to copay structure can be made within existing budget. - Additional investments could help smooth the eligibility cliff into a slope.	- Implement new copayment structure to enable parents to retain employment.
Subsidy regions	S4. Change subsidy geographic regions to reflect cost of living factors at the ZIP code level, grouped by urbanicity (rural, suburban, urban, etc.).	- Current region structure does not adequately account for economic variations or cost of quality. - Task force considered alternatives, including cost clusters based on labor markets and hybrid approaches. - Oregon approach of grouping ZIP codes based on cost of living was best option.	- DCYF should continue developing this subsidy region methodology. - Collaborate with providers and partners to assess impacts before implementing.
Subsidy income eligibility	S5. Shift the income eligibility measurement away from federal poverty to State Median Income (SMI), and increase eligibility to at least 85% of SMI.	- State has a relatively high cost of living, so SMI is a preferable measure. - SMI is used to determine financial assistance for higher education and should also be used for child care.	- Increase eligibility to 85% of SMI. - Examine the feasibility of providing subsidy to families up to 100% of the SMI.
Subsidy rates	S6/CM3. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate.	- Studies have found existing subsidy rates to be inadequate to support access and quality. - Increases sustainability of business model for providers accepting subsidy. - Factors in competitive compensation for staff, including healthcare insurance coverage and retirement benefits.	- In the short term, until a Cost of Quality survey can be completed, raise the subsidy base rate to the 100th percentile of market rate. - Once federally approved cost model is available (CM1 and CM2), use the cost model to set subsidy rates.
Subsidy cap	S7. Eliminate the cap on WCCC participation.	- If more than 33,000 eligible families seek to enroll in the subsidy program, the cap will preclude parents from accessing high-quality care. This would fall short of meeting federal requirements. - Child care affordability is a significant challenge for working families.	- Legislature should remove the cap to enable parents to obtain affordable child care in order to work or go to school.

Topic	Recommendation	Rationale	Next Steps to Implement
Approved activities for subsidy eligibility	S8. Expand allowable activities for subsidy eligibility to enable employed, unemployed and student parents to seek and retain work and education.	- State law is more restrictive than federal guidelines. - Flexibility is important for families that may have job or education changes, especially during the pandemic.	- Simplify eligibility requirements. - Increase approved activities to meet federal guidelines. - Evaluate options to increase flexibility.
Salary scale / floor	WC1. Evaluate and recommend a compensation structure aligned to regional school system salary scales for use by DCYF to set subsidy rates.	- Raising wages would sustain workforce diversity, decrease turnover, attract new educators, and help professionalize the field and prepare it for future growth. - Compensation structure would include a salary floor and scale based on regional school salary scales.	- Revise the Compensation Technical Workgroup's proposed salary scale. - Use the recommended compensation structure to set subsidy rates.
Workforce compensation	WC2. Assess alternative funding streams (besides family tuition payments and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.	- Child care subsidies only reach a portion of the system. - Options exist, but most would require legislation and significant new investments. - Continue researching and evaluating options.	- Task force researches options for increasing compensation across the child care system. - Task force recommends options in June 2021 task force report.
Workforce healthcare insurance coverage	WC3. Evaluate options to support access to affordable healthcare insurance coverage for child care staff. Options include, but are not limited to, the Health Benefit Exchange, Apple Health and association health plans.	- Child care providers and staff exit the industry for entry level jobs that offer better compensation. - Options exist, but child care stakeholders will need to research how providers and staff can access them.	- Task force consults with healthcare insurance agencies and programs to determine options. - Task force researches options to streamline enrollment, ensure adequate coverage, and provide bridge funding for employee premiums. - Task force recommends options in June 2021 task force report.
Targeted investments	WC4. Provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market and to programs providing unique services.	- This would provide additional targeted investments for important services such as: nontraditional hour care, care in underserved geographic communities, care for underserved ethnic or linguistic communities, dual-language programming, care for populations with specialized health or educational needs, and care for infants and toddlers.	- Identify options to provide rate enhancements now. - When implementing cost-based subsidy rates and/or updating the CCDF plan, incorporate the listed subsidy rate enhancements.

Topic	Recommendation	Rationale	Next Steps to Implement
Workforce competencies	PD1. Expand the Community-Based Pathway from pilot to statewide implementation as a process for child care staff to demonstrate competencies.	• A range of options to meet education requirements supports preserving and increasing the racial, ethnic, cultural, and linguistic diversity of our state's child care workforce. • HB 2556 created a framework for a Community-Based Pathway.	• Identify resources needed to implement the Community-Based Pathway statewide as a process for child care staff to demonstrate competencies.
Professional development	PD2. Support professional development around skills the industry needs, and reimburse providers for participation (trauma-informed care, dual language, racial bias training, etc.).	• Providers and stakeholders have recognized a need for more staff with skills/training in trauma-informed care, dual language, racial bias training, etc. • Supporting professional development will lead to increased availability of these skills in the industry and may lead to increased compensation of trainees.	• Identify resources needed to identify high-demand skills and support professional development training and reimbursement.
Workforce data systems	PD3. Seek to resolve known issues with the quality of data in the MERIT data system, such as the number of providers with verified education data.	• Education data elements are essential to assessing accomplishments and inequities across service delivery, with emphasis on racial and ethnic groups, language groups and regions, as well as estimating costs to implement salary scales based on position and education.	• Identify resources needed to increase education data verification. • Explore options to capture Community Based Pathway competencies in MERIT. • If wage discrepancies based on race/ethnicity are found, make a plan to support equalization.
Professional development, coaching, rating, and quality incentives	PD4. Fully fund professional development, relationship-based professional development, and financial incentives to support providers in meeting staff qualifications, ongoing continuous quality improvement, and achieve high quality levels in Early Achievers and school-age quality standards.	• Child care professionals accepting subsidy are required to comply with Early Achievers but the program has never been sufficiently funded. • Systemic investments are needed to support providers in achieving high quality levels in Early Achievers and school-age quality standards. • Incentives for professional development, coaching, rating and quality would help providers and staff increase competencies and quality. This would help staff become eligible for increased compensation and help providers meet compensation goals.	• Identify resources needed to assure professional development, coaching, rating and quality incentives provide financial support to achieving high quality levels.

Topic	Recommendation	Rationale	Next Steps to Implement
Substitute Pool	PD5. Expand eligibility requirements to use the state-funded early care and education substitute pool so licensed child care providers have access to temporary staff coverage.	- The substitute pool is currently available to providers working towards an Early Achievers Level 3 rating. - Increasing access to the substitute pool would give providers a resource to meet staffing needs and stay open while employees participate in professional development or take time off. - This contributes to the stability and sustainability of child care programs and workforce.	- Identify costs associated with allowing more providers to use the substitute pool. - Assess providers' potential demand for the substitute pool, and compare demand to the existing substitute pool to identify gaps. - Evaluate options for expanding eligibility and increasing access to the substitute pool.

Impacts of the COVID-19 Pandemic

COVID-19 Impacts on Child Care Revenue and Expenses

The COVID-19 pandemic has changed how providers are offering care and how families are accessing it. DCYF is in the process of surveying Washington families to better understand the demand and preferences for child care during the pandemic, and what we might anticipate when society achieves a post-pandemic "new normal." National studies have shown that earlier in the pandemic, families were making different child care decisions.[9] Fear of transmitting the virus, working from home, work schedule changes, school schedule changes, remote learning, furloughs and unemployment have influenced families' approaches to child care arrangements. The situation has evolved, and will continue to shift until public health and economic conditions improve.

Later in this report, you will read about the task force's recommendations to complete a child care cost model, which is intended to reflect expenses and revenues associated with operating a child care program. We know that many drivers of cost and revenue for child care programs have been impacted by the COVID-19 pandemic. The impacts have varied over time and affected communities in different ways. It's important to highlight how cost drivers have been affected by COVID-19 so we can differentiate pandemic-era costs from historical trends in child care -- recognizing that some pandemic-related changes may be lasting or permanent. Pinpointing exact differences pre- and post-pandemic is beyond the scope of this analysis, but below we indicate cost drivers and whether COVID-19 is increasing or decreasing cost or revenue:

- Group size: COVID-19 is increasing cost –
  - Providers, especially centers, are required to have more teachers to serve fewer children, driving up staffing costs.
  - Department of Health social distancing requirements exceed licensing requirements. Some providers may follow them for health and safety of children and staff, driving up staffing costs.
  - Changes to the facility environment may be needed to meet group size requirements, driving up environmental costs.
  - Some school-age child care providers have effectively cut in half their program capacity to maintain physical distancing, driving down revenue. Additionally, the school-age child care subsidy rate assumes

[9] (Smith and Tracey 2020)

more children per teacher, and is far below the costs associated with caring for school-age children and supporting remote learning. This issue is addressed in Subsidy Recommendation S1 of this report.

- Staff-to-child ratios: COVID-19 is increasing cost –
  - Especially for centers, more staff are needed earlier in the day to maintain cohorts and required ratios, driving up staffing costs.
  - Providers may limit program hours because of ratio requirements, and also to help minimize staff burnout, driving down revenue.
- Salary and Benefits: COVID-19 may be increasing cost for some providers –
  - Some providers may offer higher salaries or better benefits to meet increased demand, driving up staffing costs.
  - Staff call in sick more often, so providers must bring on more staff to cover shifts, driving up costs.
- Revenue: COVID-19 may be increasing or decreasing depending on demand –
  - Providers in high-demand locations, or experiencing increased costs, may increase private pay rates, driving up revenue.
  - Providers in locations where attendance is down may decrease private pay rates, or experience low attendance, decreasing revenue.
- Materials: COVID-19 is increasing cost for many providers –
  - Costs for obtaining necessary personal protective equipment (PPE) and cleaning supplies have been an unexpected added expense for many providers, driving up environmental costs.
  - Not only are PPE and cleaning supplies costly, but hard to find and buy. Some vendors are not allowing child care providers to purchase them because they are reserved for first responders and the healthcare system. Providers have suggested it would be helpful to have arrangements with vendors to increase purchasing power. When a provider cannot access supplies needed to safely operate their program, they may need to temporarily close, driving down revenue.
  - Providers caring for school-age children engaged in distance learning are incurring new costs for technology equipment (tablets, headphones, etc.), higher-speed internet and additional staff supports, driving up non-personnel and staffing costs.

COVID-19 Impacts to the Subsidy System

When the pandemic took hold in Washington, the state became concerned about both the survival of the child care system and ensuring that critical healthcare workers had care if Washington had the same kind of hospital overload that New York had. During the initial stages many child care providers stayed open and stepped up to help out essential workers needing care. With schools shut down, many parents needed to shift to full-day care, but many others kept their kids at home, either because they weren't working, were working at home or were just reasonably cautious about group settings.

With most schools starting the fall in distance learning, and some fluctuating with hybrid models, many families still need access to full-time child care. Prior to the pandemic there were 640,821 total children age 5-12 ("school age"). Of those, about 68%, or 432,000, had all parents in the household working. Given the increase in unemployment, estimates put the total decrease from 432,000 to about 385,000 school age children who have all available parents working.

Some of them already had child care set up, and many are covered by parents working at home, grandparents, or other arrangements. To handle this surge of demand, estimates suggested that Washington would need about 100,000 more school age slots than the 60,000 we had before the pandemic. This is almost a tripling of capacity. In addition, the increased cost of care or the need to find care was unanticipated for families and enormously unaffordable for many.

DCYF has been tracking closely the capacity of the child care system during the pandemic, including temporary/permanent provider closures, new provider openings, and uptake of subsidy. A snapshot of this data is available on the DCYF website.

System Investments to Support and Stabilize Child Care during COVID-19

In March and April, DCYF took a number of steps to stabilize the child care market and ensure that hospitals had enough employees that could go to work and know their kids were safe. Utilizing federal CARES Act dollars, the agency made the following investments:

- In spring of 2020, provided $29 million in one-time sustainability grants to help child care providers deal with costs associated with COVID-19, such as purchasing protective equipment or cleaning supplies, hiring extra staff, etc.
- Between March 16 and June 30, 2020, in an effort to stabilize centers and family home providers, DCYF shifted to paying providers with a monthly subsidy rate. The intent was to mimic the private market where families pay for the month regardless of their child's attendance.
- On March 25, developed emergency child care rules to help licensed child care and early learning providers cope with the pandemic. These rules allowed licensed providers to waive or vary from historical licensing rules if such variance was needed to slow the spread of COVID-19 and protect the health and safety of their staff and children in care. To date, only a small handful of providers have taken advantage of this option. DCYF has placed great emphasis on supporting existing licensed providers to remain open or re-open, offering waivers or variances where necessary to help maintain consistent and safe operations.
- Between April and July 2020, shifted all the half-day subsidy authorizations to full day automatically, at a cost of almost $15 million. This eliminated the need for parents or providers to have to individually apply for the increase in hours that they clearly needed.
- Between April and June 2020, waived subsidy copays for parents. Many families were in chaos with the pandemic and the agency wanted to make sure kids were in a safe place, particularly if their parent had to be out looking for work. This cost the state $10.2 million.
- The Legislature funded in the 2020 supplemental budget a subsidy rate increase of about 15%. This raised subsidy rates to 65% of the market rate -- for a total of $31.9 million -- to subsidy providers. This increase was maintained and delivered to providers in July, despite looming fiscal problems, in recognition of its critical function in stabilizing the market.

The pandemic and its impacts had not abated by the beginning of the 2020-21 school year. DCYF received authorization to undertake a second phase of COVID-19 child care support. Estimates at the time of writing this report put the cost of this second round of investments at around $78 million. Investments include:

- Another $30 million round of grants to licensed child care providers to help with COVID-19 costs and stabilize the system. This includes some fiscal support for formal family, friends and neighbor providers.

- Waiving copays for families from October 1 through the end of the year, and capping them at $115 a month until June of 2021.
- Funding for increased costs for full-day care while schools are in distance learning or hybrid models.
- Extra support for families caring for foster children to ensure they can manage dealing with the school and child care impacts of the pandemic.

In addition to the investments made by DCYF, there were a number of other state, local, and private grants and supports provided to support families and providers during this extraordinary time. See Appendix C for a list of some of these financial supports.

Because the emergency rules process has been useful, DCYF decided that permanent emergency procedures should be codified. In 2021, DCYF will adopt rules to permanently establish an emergency licensing program that can be used to quickly issue emergency licenses in any future state or local crisis. This will allow for an efficient and rapid-response approach to child care needs during all future emergencies such as new pandemics or natural disasters.

In addition to the emergency rule process, and to address the need to reduce the spread of COVID-19, DCYF has developed a process to conduct monitoring inspections using virtual platforms (Zoom, FaceTime, etc.). This allows licensing staff to "see" that the provider is maintaining compliance with WACs and provide technical assistance as needed. If a high-risk rule is found out of compliance, licensing staff will assure a health and safety recheck is completed either virtually or in-person if necessary. DCYF is exploring ways to incorporate virtual monitoring into its permanent licensing processes so that it is an available tool where appropriate, even after the pandemic ends.

The task force notes that while the above-mentioned investments seem large, the data found within the industry assessment clearly shows that the child care market was fragile prior to the COVID-19 pandemic, and this temporary funding was necessary to keep the system from total collapse. The near-overnight closures of schools in the spring, the frequently changing guidance for group sizes, PPE and cleaning supply shortages, and a K-12 system in upheaval have added enormous strain into a system already stretched thin.

It is also critical to note the heavily disproportionate impact this pandemic has had on communities of color. The Centers for Disease Control and Prevention (CDC) has noted that inequities in social determinants of health, including but not limited to discrimination, healthcare access and utilization, housing, occupation, and gaps in education, income and wealth, are associated with higher rates of COVID-19 infections, hospitalizations and deaths in areas where racial and ethnic minority groups live, learn, work, play and worship. These inequities have contributed to higher rates of certain medical conditions that put individuals at increased risk of severe illness from COVID-19. The CDC stated that additionally, community strategies to slow the spread of COVID-19 may cause some racial and ethnic minority groups unintentional harm, such as higher stress, lower access to services and lost wages.[10] The child care provider community is disproportionally comprised of people of color compared to the rest of the Washington population, and is at increased risk. Given this, the task force acknowledges the need for targeted supports for our state's providers.

At the time of writing this report, COVID-19 cases across the country were once again skyrocketing, with increases in hospitalizations and no additional economic stimulus packages coming from the federal

[10] (Centers for Disease Control and Prevention 2020)

government such as were seen earlier in the disaster. Previous supply and demand models for child care cannot adequately predict the need for care week-to-week during this upheaval, and there is no concrete way to know what the new “normal” will look like once a vaccine is widely available.

We do know, however, that children will continue to need safe, caring, high-quality child care environments, and that parents will continue to have to make difficult choices about child care and work opportunities. We know that after every other pandemic we saw people return to work and group settings. Our Washington state economy cannot recover without the ability of workers to access employment if they can’t also access child care. The system as it was before this disaster is inadequate and that the trauma of COVID-19 will require economic and emotional healing for years to come. The work reflected in this report is part of a vision for a post-pandemic world that is rebuilt with families and children at its center.

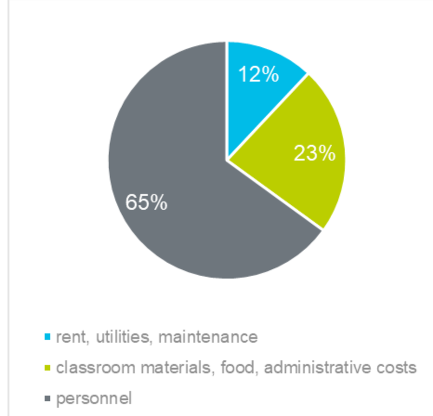
Child Care Cost of Quality Model

Introduction

Child care is a unique industry with multiple goals and complexities:

- It supports parents to work and children to thrive.
- It is financed by both the public sector (through subsidy, grants, supports, professional development, etc.) and the private sector in the form of parent payments.
- Programs are privately operated, allowing for parent choice, and providers braid the public and private sector resources together.
- This system must be available, affordable and high-quality for ALL children, of all economic backgrounds, to be successful.

Figure 1: Child care costs



Source: Child Care Aware of America, 2018

The complexity of this system is also its strength. It allows the system to be responsive to community and family needs.

We need a **cost model** that helps determine how the public and private resources can be best leveraged to create a sustainable system that serves children, families and providers.

Paradoxically, parents pay high tuition prices and yet the child care workforce makes very low wages--in the third percentile of occupational wages in Washington.[11] This phenomenon is explained in Figure 2 below.

Figure 2: High Price, Low Wages of Child Care Explained[12]

Why is child care so unaffordable for families, and yet the child care workforce makes among the lowest wages across employment sectors?

According to Child Care Aware of America, it's because ***there is a flaw in the system****: the fees parents pay do not cover the full cost of providing the service.*

For example, a center with 40 children paying the national average of $10,000 per year would generate $400,000 in total revenue. Subtracting 12% for rent, utilities, and maintenance, and 23% for classroom materials, food, and administrative costs, leaves 65%--in this example, $260,000--for personnel. If the center in this example has three classrooms operating 10 hours a day, and a staff of 3 lead teachers, 6 assistant teachers, and a director, the hourly rates available to pay these staff are $10.50 per hour for assistant teachers, $13.00 per hour for lead teachers, and $22.00 per hour for the director. There are no funds for health, retirement, paid time off, or other benefits.

Note that in Washington, the minimum wage is $13.50 per hour in 2020 and $13.69 in 2021. In our state, we could not employ all 10 staff for $260,000 even if we paid minimum wages. We would need to cut staff (increasing the child-teacher ratio) and/or increase tuition to make this example work.

[11] (Child Care Collaborative Task Force 2019)
[12] (Child Care Aware of America 2018), (Washington State Department of Labor and Industries 2020)

Status of Washington's Child Care Cost Model

A **child care cost model**, also known as a *cost estimation model* or a *cost of quality model*, is a tool that helps estimate the one-time and ongoing costs associated with providing child care services--and the level of revenue needed to cover those costs.

Cost models can examine aspects of the child care system for different public policy purposes.[13] The task force, as per RCW 43.330.527, examined:[14]

- Costs of providing licensed care, including personnel and non-personnel costs, by region
- Costs of compliance with quality rating and improvement systems

The task force worked with consulting firm ICF to develop Microsoft Excel-based cost model tools for child care centers and child care family homes based on the Provider Cost of Quality Calculator (PCQC). The PCQC is a free, web-based tool available from the U.S. Department of Health and Human Services Administration for Children and Families Office of Child Care.[15] The PCQC can answer questions such as:

- What is the annual cost of operating a basic licensed program?
- Are very small centers and family homes financially sustainable?
- How many infants proportionally can a center or family home enroll and remain sustainable?
- What is the level of financial supports necessary to allow programs to be profitable?[16]

Due to the COVID-19 pandemic, the ICF research team was unable to survey child care providers to gather the information needed to complete the cost model tools.

The task force recommends completing a comprehensive study of child care costs based on a survey of child care providers. Additionally, to enable DCYF to determine Working Connections Child Care (WCCC) subsidy rates based on costs (rather than market tuition rates), the task force recommends that DCYF obtain approval from the U.S. Health and Human Services Administration for Children and Families (ACF) to use the survey of child care providers and cost models as an "alternative methodology" to a market rate survey. Determining child care subsidy rates based on the total cost of providing high-quality care, with a competitively compensated, qualified workforce, is a recommended practice for quality-oriented early care and education systems.[17] RCW 43.216.749 requires DCYF to begin using the task force cost model to determine WCCC subsidy rates by January 1, 2025.

Cost Model Recommendations

- CM1. Survey child care providers to identify the costs associated with operating quality child care programs. Develop and deploy the survey in collaboration with trusted partner organizations. Explore leveraging DCYF's planned 2022 Market Rate Survey (MRS) to collect child care provider cost information and perform a federally compliant cost study in conjunction with the MRS.

- CM2. Complete the task force cost model tools to address limitations and incorporate findings of the child care provider cost survey. Regularly update the cost model tools based on child care provider surveys.

---

[13] (National Academy of Sciences, Engineering, and Medicine 2018)
[14] (Child care collaborative task force—Duties, Rev. Code of Wa. § 43.330.527 2019)
[15] (U.S. Department of Health and Human Services Administration for Children and Families 2019)
[16] (U.S. Department of Health and Human Services Administration for Children and Families 2015)
[17] (National Academy of Sciences, Engineering, and Medicine 2018)

- CM3/S6. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate.

Discussion

CM1. Survey child care providers to identify the costs associated with operating quality child care programs:

- *Develop and deploy the survey in collaboration with trusted partner organizations.*
- *Explore leveraging DCYF's planned 2022 Market Rate Survey (MRS) to collect child care provider cost information and perform a federally compliant cost study in conjunction with the MRS.*

Develop and deploy the survey in collaboration with trusted partner organizations.

Costs vary greatly across programs The cost model will need to instill confidence in the field and among policy makers that the numbers are as accurate as possible. The cost model will balance an evidence-based, objective methodology with representative cost information supplied by a large sample of child care providers across the state. Input from child care providers will enable the model to factor in relevant drivers of cost for centers, family homes, and school-age-only programs by licensed capacity, age of children served, geography, quality rating, supports for children and families served, and other program attributes.

The task force recognizes that child care providers may be reluctant to share financial information and business details. Child care providers may feel less vulnerable and be more inclined to complete cost surveys if trusted partner organizations reached out to explain the purpose, potential benefits, and use of information being collected.

The task force recommends DCYF develop and deploy the child care cost survey in collaboration with trusted partners, and take steps to ensure the survey is successful and reflective the actual cost of care needed to support the child care field. This includes, but is not limited to, the following measures:

- Collaborate with partner organizations, such as Child Care Aware of Washington, child care resource and referral agencies, Washington Childcare Centers Association, Washington Communities for Children, SEIU 925, and School's Out Washington, in the development of and rollout of the child care provider survey.

- Develop a robust campaign to share information about the survey and explain why it is important. Clarify how and why the information is being gathered and how it will be used. Explain the benefits of the cost of quality study and cost model.

- Conduct outreach through multiple methods, including outreach by trusted organizations and individuals, such as Early Achievers coaches; professional organizations; outreach to school-age programs; and outreach in various languages.

- Identify how to invest resources and engage with partners to get the most accurate and complete survey responses. Consider providing incentives for completing the survey, such as gift cards or giveaways.

Additionally, the task force would like the child care survey to capture disaggregated data to support communities of color. If providers from communities of color respond to the cost model survey, the data will be beneficial.

Explore leveraging DCYF's planned 2022 Market Rate Survey (MRS) to collect child care provider cost information and perform a federally compliant cost study in conjunction with the MRS.

The task force advises DCYF to review 45 CFR 98.45 "alternative methodology" requirements and consult with ACF before initiating a child care provider cost survey. DCYF should consider a two-part methodology of a "cost study" to inform a "cost model" that may be used in place of, or as a hybrid with, the market rate survey. Review how these methodologies are used in other states.[18]

Completing the survey in this manner, with federal approval, will support the task force's goal to transition away from a market rate survey to a cost-based methodology for determining WCCC subsidy rates.

CM2. Complete the task force cost model tools to address limitations and incorporate findings of the child care provider cost study. Regularly update the cost model tools based on child care provider surveys.

The task force provides this information and the "incomplete" cost model tools with strong caveats that additional work must be done to complete the cost model tools prior to use by DCYF. The task force suggests considering these tools as works-in-progress rather than the tool the task force intends for DCYF to use to determine subsidy rates. RCW 43.216.749 requires DCYF to begin using the task force cost model to determine child care subsidy rates by January 1, 2025.

The cost model tools should be updated the following ways:

- Meet all requirements of 45 CFR 98.45.
- Reflect costs associated with the following cost drivers, as well as other cost drivers identified through the child care provider cost survey:
  - Access to behavioral/mental health consultation and developmental supports
  - Achieving various levels of quality using Washington State Quality Standards for Afterschool and Youth Development Programs
  - Child assessment tools and the staff training to use them
  - Classroom materials
  - Competitive compensation including living wages and health, dental and retirement benefits, as described in the Workforce Compensation section of this report
  - Culturally appropriate care
  - Developmentally appropriate care, including for children with developmental disabilities
  - Dual-language programs
  - Evidence-based curriculum and the staff training to use it
  - Initial and ongoing staff training and professional development
  - Licensed facility and environmental improvements
  - Linguistically appropriate or multilingual care
  - Ongoing changes to Early Achievers and Quality Standards for Afterschool and Youth Development Programs, as the program criteria or quality standards change in the future
  - Subsidy region structure changes, such as regions based on groupings of ZIP codes by cost of living indices recommended in this report (S4)
  - Substitutes

[18] (Bipartisan Policy Center 2020), (ICF 2020)

- Trauma-informed care

The task force emphasizes that the cost model will need to be flexible and adaptive. The child care industry has experienced dramatic shifts due to the COVID-19 pandemic, and we expect some shifts may be long-term. See Appendix D for additional discussion of the cost model.

CM3/S6. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate. (See also Subsidy Recommendation S6)

The task force recommended in 2019 that the state "enable child care providers to care for children eligible for state child care subsidies by adjusting provider subsidy rate payments to cover the full cost associated with providing high-quality child care" (Recommendation D4).[19] The task force continues to support this approach, using a cost of quality basis to set WCCC subsidy rates.

There are important differences between basing WCCC subsidy rates on estimated costs of providing care versus the market rate. The market rate tells us what the market can afford. We already recognize that the child care system is flawed because families cannot afford to pay what the service actually costs. Reimbursing providers a proportion of what families can afford (currently, the WCCC reimbursement rate is about 65% of the market rate) will make the "flaw" more pronounced for the providers serving families with low income and other barriers to accessing care. The cost model tells us what it actually costs to provide high quality, culturally responsive care across the regions of the state.

The task force recommends that the cost of quality identified by the cost model serve as the subsidy base rate. The subsidy rate should be enhanced to:

- Cover additional costs associated with programs that meet the needs of the children in care, such as:
  - Children with special needs
  - Families needing care during nontraditional hours
- Incentivize provision of care in underserved segments of the market, such as:
  - Areas with little child care availability relative to demand
  - Multilingual and dual-language programs
  - Infant care[20]

The task force assumes that policy recommendations, such as subsidy rates based on the cost of quality, will be implemented so as to "do no harm" to existing child care providers and the families that access their services. The task force cautions policymakers to consider impacts to private tuition rates when subsidy rates are increased. Currently, providers cannot accept a subsidy rate higher than the rate they charge private pay families. In some communities, increases in subsidy rates -- not the market -- drive private tuition prices. Seek to avoid these unintended consequences.

[19] (Child Care Collaborative Task Force 2019)
[20] See also Recommendation WC4 in this report.

Phased Implementation Plan for Subsidy Policy Changes

Introduction

Child care allows families to participate in the workforce. The Working Connections Child Care subsidy program ("WCCC" or "subsidy" program) aims to help working parents with low income access child care. Yet affordability was noted as the greatest barrier for Washington families seeking child care, according to surveys and interviews conducted as part of the task force's 2020 Child Care Industry Assessment.[21] Steep differences in family subsidy copayments ("copays"), policies that result in families disqualifying for subsidy following minor pay raises, and policies that prohibit families from accessing subsidies while searching for a job or participating in an education program, make the subsidy system complicated for families to use.

Washington State generally pays child care providers a subsidy reimbursement rate ("subsidy rate") that is less than the regional market rate for private tuition payments. Research has suggested that lower subsidy rates contribute to low child care staff wages and a less stable child care workforce.[22]

The task force recommends implementing the following policies to **increase families' ability to participate in the subsidy system, attain child care and participate in Washington's labor force:**

- Limit copays to no more than 7% of family income to eliminate the copay "cliff effect" that occurs when a family's income raises just above a copay rate threshold, causing a sudden and significant increase in the copay amount. (S3)
- Smooth the copay eligibility "cliff effect," which happens when a family's income reaches the copay eligibility maximum of 200% of federal poverty level (FPL), by increasing subsidy eligibility to at least 85% of state median income (SMI). Use SMI instead of FPL as the basis for subsidy eligibility. (S5)
- Allow parents that are seeking employment or participating in an education or work training program to be eligible to participate in the subsidy program. (S8) When more families are using the subsidy program (subsidy "uptake" increases), eliminate the cap on the number of families that may participate in the subsidy program. (S7)

The task force recommends implementing the following policies to **support child care providers' participation in the subsidy program so subsidized child care is available to families that qualify:**

- Support provision of full-day school-age child care with supervision of remote learning during the pandemic by increasing the full-day subsidy rate for school-age children, at least temporarily. (S1)
- Simplify and stabilize subsidy payments by structuring them to be monthly, based on enrollment like in the private child care market. (S2)
- Right-size subsidy rates by changing subsidy regions to reflect cost of living factors at the ZIP code level (S4), and raising subsidy rates to cover full cost of high-quality care according to a cost model. (S6)

---

[21] (ICF 2020)
[22] (Child Care Collaborative Task Force 2019)

Recommended Policy Changes

- S1. Raise the subsidy rate for full-day school-age child care to match the early learning rate.

- S2. Pay providers a monthly rate for children enrolled in the subsidy system, structured like the private market. Consider the use of contracted slots for incentivizing care of special populations. Make accessing this monthly payment as simple as possible for child care professionals.

- S3. Eliminate the subsidy copay "cliff effect" for eligible families by limiting eligible families' copays to no more than 7% of a family's income.

- S4. Change subsidy geographic regions to reflect cost of living factors at the ZIP code level, grouped by urbanicity (rural, suburban, urban, etc.).

- S5. Shift the income eligibility measurement away from Federal Poverty Level to State Median Income, and increase eligibility to at least 85% of SMI.

- S6/CM3. Raise subsidy rates to cover full cost of high-quality care, based on the task force cost model (once completed). In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate.

- S7. Eliminate the cap on WCCC participation.

- S8. Expand allowable activities for subsidy eligibility to enable employed, unemployed and student parents to seek and retain work and education.

Discussion

History

Before 1996, federal law contained two entitlement programs for child care assistance that maximized likelihood families would receive this assistance as they transitioned from "welfare" programs to work. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PWORA) eliminated the entitlement for families leaving government assistance programs and established a single program, now known as the Child Care and Development Fund (CCDF).[23] CCDF gave states flexibility in determining their own priorities for child care subsidies, such as whether to continue guaranteeing child care assistance to families leaving other assistance programs.

Beginning in the 1990s, the Working Connections Child Care (WCCC) subsidy program was designed, under the federal Child Care and Development Block Grant Act, CCDF, and state legislative priorities, to accomplish several things:

- Provide working families with low incomes support for child care.
- Provide a mechanism to reimburse child care providers for caring for children from low income families.
- Prevent fraud and financial abuse from families and child care providers.

[23] (Personal Responsibility and Work Opportunity Reconciliation Act, H.R. 3734, 104th Cong. § 2 1996)

As the task force has explored the impacts on our economy due to a lack of affordable, accessible child care, the task force recommends WCCC should be designed to do the following:

- Be part of a system that helps low income and middle class families thrive.
- Address historical inequities among communities of color by undoing institutional racism in the early childhood and education system to ensure access to child care that meets the needs of each family.
- Make child care affordable for working families.
- Help families experiencing financial crises (loss of job or housing) to regain stability.
- Prioritize access to stable, high-quality child care for families and children furthest from opportunity and for families with incomes at the higher end of poverty.
- Create a stable and sustainable child care workforce.

Subsidy Policy Legacies of the Great Recession

In the course of researching subsidy policies for this report, the task force found several legacies of budget decisions made during or as a result of the Great Recession of 2007-2009. These legacies include the use of income eligibility thresholds not based on the cost of living in our state, the current WCCC copay structure, and the existence of a cap on subsidy program enrollment.

The understanding of child care, and the perception of the role it plays in our economy, has evolved since the Great Recession-era budget cuts. A decade ago, child care subsidy was viewed as a support program for low income parents. By contrast, policy makers and community members now recognize child care critical to a thriving economy.

Several changes to CCDF and the WCCC program over the past few years have sought, in small ways, to rectify the program's barriers to access and sustainability (12-month eligibility, eligibility for some student parents, and homeless grace period), but these have been piecemeal and haven't been extensive enough to undo the inherent flaws with the system.

The task force believes that broad scale change is necessary. Now is a critical time to put in place key policies that will allow us to focus our recovery efforts on a significantly improved model for providing subsidized child care in Washington.

Comprehensive Implementation

It should be noted that these subsidy recommendations are not intended to be piecemeal or implemented in half measures. Only partially implementing these recommendations may further exacerbate siloes, administrative inefficiencies and the burden on families and providers that must navigate an increasingly complex system. Partial implementation may end up doing more harm than good.

Furthermore, the order in which they are implemented is critical. If the subsidy copay cliff is not adequately addressed, increasing eligibility to at least 85% SMI will not result in the increased access that is this task force's intent. Additionally, if subsidy rates are not raised to cover the cost of providing care, access for families, regardless of the income eligibility, will continue to be limited. And if the rates are not organized in a regional structure that links to the true cost of providing care, increased rates will not have the intended impact for many providers.

Finally, while the task force was not specifically asked to weigh in on the back-end technology that powers this system of child care, it would be remiss in not noting the critical importance of adequate technological infrastructure in administering effective programs. To enable subsidy policy changes to work as intended with minimal administrative burden, the task force recommends:

- Upgrade or replace the provider payment system, the Social Service Payment System (SSPS), with one that is digital and mobile-friendly, and links to all other provider systems.
- Replace the WCCC subsidy eligibility determination system, Barcode, with an improved eligibility system that is digital and linked seamlessly to all other eligibility systems.

The latter should be done as part of the Washington Health and Human Services Enterprise Coalition (HHS Coalition) Integrated Eligibility Workgroup. The HHS Coalition is a collaborative that provides strategic direction, cross-organizational information technology project support and federal funding guidance across HHS state agencies.[24] The task force recommends investment in these infrastructure fixes in the short term, to garner long-term savings and improvements for delivery of child care.

S1. Raise the subsidy rate for full-day school-age child care to match the preschool rate.

The COVID-19 pandemic has caused schools to operate remotely or with hybrid remote and in-person models, creating a significant need for full-day school-age child care. Many providers have stepped up to fulfill the temporary, emergent need, and also oversee remote learning of children in their care. However, providers that receive subsidy payments have found that the school-age full-day rates, based on pre-COVID staff-to-child ratios, are much lower than what it costs to provide full-day care during the pandemic. The pandemic has required lower ratios of staff to children, increasing providers' staffing costs. Providers are also finding increased supply and facility-related costs, and unstable or reduced enrollment.

To support providers serving school-age children during the pandemic, the task force recommends increasing the full-day subsidy rate for school-age children to match the subsidy rate for preschool. This measure should last at least until schools are operating in-person classrooms on typical school year schedules, and public health guidelines allow for pre-COVID staffing ratios.

S2. Pay providers a monthly rate for children enrolled in the subsidy system. Consider the use of contracted slots for incentivizing care of special populations.

In 2014, the U.S. Department of Health and Human Services (HHS) made changes under the reauthorization of the CCDF block grant to reaffirm their priorities of providing equal access to stable, high-quality child care for low-income children and to better support the child care workforce.[25] To accomplish these goals, ACF requires states to de-link provider payments from attendance to the extent practicable and encourages state agencies to pay based on the child's enrollment in care.[26]

In 2019, House Bill 1391 directed DCYF to evaluate options and propose recommendations related to paying child care subsidy providers a set monthly rate, rather than the current practice of paying a daily rate.[27]

---

[24] (Health and Human Services Enterprise Coalition 2019)
[25] (U.S. Office of Child Care 2016)
[26] (U.S. Office of Child Care 2016)
[27] Read DCYF's report here: https://www.dcyf.wa.gov/sites/default/files/pdf/reports/ChildCareSubsidyMonthlyRate2019.pdf

WCCC currently works on a model where families receive authorization for a certain number of hours of care per day in the month, and providers are reimbursed based on daily attendance. This introduces a significant burden on child care providers. Children with subsidized care do not offer the same stability as children in families that directly pay a single monthly tuition rate to hold their slot at the child care. This creates a higher burden on providers for billing subsidy clients than their private pay clients.

During the COVID-19 pandemic, DCYF has temporarily implemented enrollment-based payments which is similar to a monthly rate for providers, demonstrating it is both possible to implement and seen as a critical step to stabilize the market (see section on COVID-19 impacts for more details). Furthermore, at least 15 other states in the country report using a monthly rate structure in their CCDF plan, including all other states in our federal Region X (Alaska, Oregon, Idaho, and Montana). The experience of our neighboring states provides a roadmap for the successful implementation of monthly rates in Washington.

With a monthly rate structure, providers would simply claim for one unit of care when a child attends care in the month. Necessary overtime care will be averaged and claimed as a separate monthly unit. Current rules regarding holidays, special needs and fees such as non-standard bonus hours for evening and weekend care would remain. DCYF would calculate monthly rates on the current regional structure and age ranges for daily rates.

Transitioning to monthly rates for all licensed providers would better align with center private pay practices and capture the administrative efficiencies of a simplified subsidy program for all licensed care. Furthermore, moving to monthly rates would significantly reduce the instances of improper payments, which often lead to sanctions on providers or the state, and the possibility of reduced federal funding. The task force recommends that the WCCC system move to a monthly rate structure in order to increase provider supply and family choice.

The task force also considered the use of contracted slots. While there was discussion about the stability value they could provide, there was also discussion about the complex and large administrative burden that this model would create if used for all WCCC slots. Instead, the task force recommends that DCYF consider a pilot of contracted slots, in the immediate term for incentivizing and guaranteeing service for children and families of special populations (foster children, families needing overnight/weekend care, children with special behavioral needs, etc.).

S3. Eliminate the subsidy copayment "cliff effect" for eligible families by limiting eligible families' copayments to no more than 7% of a family's income.

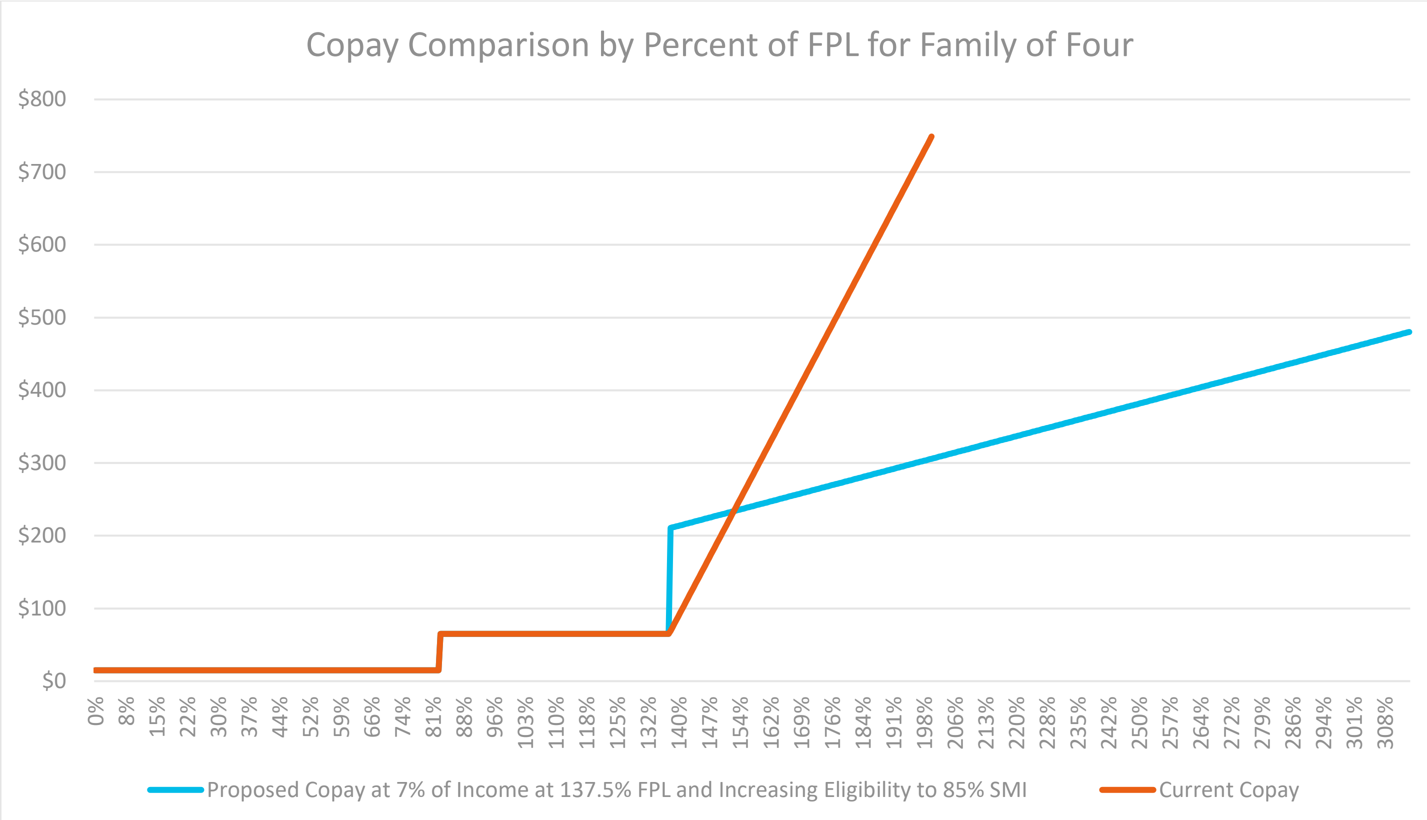
Federal CCDF guidelines require the state to establish “a sliding fee scale(s) for families that receive subsidy.” State law has implemented that guideline with a copay schedule found in administrative rule.[28] This copay schedule is listed here:

- If a consumer’s income is X, then the consumer’s copay is Y:
    - At or below 82% of the federal poverty guideline (FPG)[29]: $15
    - Above 82% of the FPG up to 137.5% of the FPG: $65
    - Above 137.5% of the FPG through 200% of the FPG: the dollar amount equal to subtracting 137.5% of the FPG from countable income, multiplying by 50%, then adding $65

---

[28] (Determining income eligibility and copayment amounts, Wa. Admin. Code § 110-15-0075 2018)
[29] For the purpose of this report, federal poverty guideline (FPG) and federal poverty line (FPL) are used synonymously.

Figure 3: Comparison of Proposed versus Current Copayment by Percent of the Federal Poverty Level for a Family of Four



The "copay cliff" occurs when a family is making between 137.5% of FPL, where their copay is $65 a month, up to the income cutoff for the program. See the orange line in Figure 3 above. A cliff effect occurs when a small increase in a family's earned income causes a significantly larger increase in the family's child care expenditure and, therefore, a reduction in the family's total resources. This cliff can happen at either the subsidy income eligibility cutoff or within eligibility if the copay structure is not set for a proportional and gradual increase.

The U.S. Department of Health and Human Services recommends limiting family copays to 7% of family income in the CCDF final rule.[30] Tying eligibility and/or copays to a percentage of family income is a means of reducing or eliminating the "cliff effect." The task force finds that the cliff effect prevents families from being able to afford subsidy child care, and in fact punishes families for increasing their income. This is not a means, therefore, of helping families achieve economic self-sufficiency.

The task force recommends smoothing out the copay structure to 7% of an eligible family's income beginning at the SMI equivalent of 137.5% FPL, up to at least the recommended 85% SMI.[31] See the blue line in Figure 3 above. This will improve access for families at the higher end of the income eligibility, and for smaller families. Smaller families currently pay more of their household income toward their copay than larger families (see income tables under S4 for examples). Maintaining the $15 and $65 copay steps will support those families at

[30] (U.S. Office of Child Care Early Childhood Training and Technical Assistance System 2020)
[31] Currently, subsidy eligibility is based upon FPL. The task force recommends shifting from FPL to SMI in Subsidy Recommendation S5. At the time of writing, analysis was primarily measured in terms of FPL. See Tables 3 and 4 for crosswalks between FPL and SMI.

the lowest end of the income scale and enable accurate implementation of copays for families with little to no income. The task force encourages the state to devise income verification processes that are not burdensome for families applying, in order to not have the opposite of the intended effect of increasing access.

Furthermore, the task force notes that child care continues to be a significant percentage of a family's income even at 100% of SMI. The Legislature has previously acted to allow eligibility of up to 100% of SMI for assistance with higher education costs as in House Bill 2158.[32] The task force recommends increasing WCCC eligibility beyond 85% SMI so that child care is affordable and accessible for working families. In doing so, the task force recommends instituting a gradual increase of up to 15% income for copays for families above the 100% SMI threshold.

S4. Change subsidy geographic regions to reflect cost of living factors at the ZIP code level, grouped by urbanicity (rural, suburban, urban, etc.).

The current subsidy regions for the Working Connections Child Care program are a patchwork inheritance. DSHS developed six regions for administrative efficiency in the 1990s, then in 2005 added Spokane County to account for its economy. Other exceptions were made later to account for local economies, e.g. reimbursing Clark County at Region 3 levels despite it being situated within Region 6. These exceptions point to the underlying issue: the current structure does not adequately account for local economic variations or speak to the cost to provide high quality care.

ICF's recommended alternatives and their methodologies all improve significantly on the current regional structure. Basing the regional structure on county-level labor markets clearly establishes a closer tie to local economies and the cost to staff high quality child care, than the current structure. But as acknowledged in ICF's Subsidy Policy Report, the recommendations represent an inevitable compromise because "subsidy policy analysis could not be completed due to a pause on provider data collection and cost modeling caused by the COVID-19 pandemic."[33]

ICF's report notes further challenges with their approach: cost clusters based on labor markets "[r]equires data on workforce compensation that stakeholders will consider representative of the workforce in Washington. Using data from the Bureau of Labor Statistics to model normative funding levels may build in inequities that exist due to existing low levels of compensation."[34]

In light of this, an alternative approach to subsidy region restructure is being developed, one that offers advantages as to the challenges ICF noted, and in other areas. While these approaches can be viewed as separate options, a hybrid approach might also be considered as a "best of both worlds" option.

This approach entails considering U.S. Census Bureau cost of living indexes for all Washington ZIP codes and setting rates at the ZIP code level in groups similar to the State of Oregon's approach. Oregon groups ZIP codes in three categories roughly corresponding to rural, suburban, and urban areas. Washington's current approach is a four-rate group model based on ZIP codes and smoothed based on cities. Discrete high cost areas within some cities are included in the next highest range group when appropriate to ensure access to care (similar to the Oregon model). Table 2 below shows how these groups break down using a hybrid of the Oregon and Washington approaches.

---

[32] (Workforce Education Investment Act - Chapter 406, Washington Laws 2019)
[33] (ICF 2020)
[34] Ibid.

Table 2: Four-Rate Subsidy Group Model Based on ZIP Code Cost of Living Factors

Group 1	Areas with lower cost of living (rural, smaller towns that aren't close to a metropolitan area)
Group 2	Medium to large towns and cities across the state with mid-range cost of living (Vancouver, Spokane, Tacoma, Olympia, Bellingham)
Group 3	Most of King County, more expensive areas of Snohomish, Clark, and Pierce Counties
Group 4	Very high cost of living areas in King and Snohomish Counties (includes Bellevue, Edmonds, Kirkland, and parts of Seattle)

There are several advantages to this approach:

- The cost of living index factors in various metrics that drive both family capacity to pay for child care and provider cost of doing business: groceries, housing, utilities, transportation, health care, and miscellaneous goods and services.
- ZIP code level analysis is more geared toward families and what they can afford to pay for child care in a given area.
- Child care markets function on a more local level. ZIP code level analysis mirrors that. As noted in ICF's report, "[g]eographically, early education and out-of-school-time markets tend to be small and localized because parents overwhelmingly prefer to have children cared for in their own residential neighborhoods (Witte, 1998)."[35]
- It's easy to explain to families and providers how ZIP code cost of living analysis would drive subsidy rates.

Development of this approach is in its early stages, so more specific information was not available at the time of writing this report. However, the task force believes this approach to determining subsidy rate regions to be sound, and recommends the state fully develop and implement a subsidy group model based on ZIP code cost of living factors as part of the plan to achieve the goal of access to affordable, high-quality child care for all Washington families by 2025.

S5. Use 85% of state median income as a basis for child care eligibility rather than 200% of the federal poverty level.

High quality child care is expensive - it depends on low educator to child ratios and is highly regulated. Washington parents that participated in child care industry assessment surveys and focus groups in late 2019 and early 2020 consistently indicated affordability is the greatest barrier to accessing child care. Over a third of parents surveyed (36%) reported that their household had experienced financial hardship or had made financial changes as a result of the cost of care.[36] The task force recommends a significant increase in the income threshold for eligibility and a restructuring of how eligibility is measured.

Federal CCDF guidelines state that "family income must be <85% SMI and assets <$1 mil." However, Washington State subsidy rules further limit family income eligibility, stating that families must "have

[35] (ICF 2020)
[36] (ICF 2020)

countable income at or below two hundred percent of the federal poverty guidelines (FPG) and have resources under one million dollars".37 Tables 3 and 4 show a comparison of the SMI and the Federal Poverty Level.

Table 3: Comparison of Washington State Median Income and Federal Poverty Level

Number in Family	100% Federal Poverty Level Monthly	200% Federal Poverty Level Monthly	85% State Median Income Monthly	100% State Median Income Monthly
2	$1,437	$2,874	$4,663	$5,541
3	$1,810	$3,620	$5,760	$6,845
4	$2,183	$4,366	$6,857	$8,149

FPL is an inexact measurement given the different costs of living across the country, and in a high cost of living state like Washington puts downward pressure on eligibility. By contrast, SMI or Area Median Income (AMI) better capture the high cost of living in Washington. The key to note is that while the median income in Washington is higher than in a number of states, due to some robust economic regions and a relatively high minimum wage, the cost of living outstrips what many Washingtonians can afford. Notably, the annual median cost of care averages between $11,000 for preschool to $15,000 for infant care in a center, per Child Care Aware of Washington.

Table 4: Child Care Cost as a Percentage of State Median Income by Family Size

Number in Family	100% State Median Income Monthly	Annual Median Income	Cost for 1 child in care	% of income	Cost for 2 children in care	% of income
2	$5,541	$66,492	$13,000	20%	-	-
3	$6,845	$82,140	$13,000	16%	$26,000	32%
4	$8,149	$97,788	$13,000	13%	$26,000	27%

Table 4 above demonstrates that even for families making the median income in Washington, the cost of child care is much higher than the recommended 7% of family income. It also demonstrates that while incomes may be higher in Washington, the cost for fundamental services like child care are still not affordable.

Therefore, given that the state has the ability under CCDF guidelines to utilize SMI as an eligibility determination, and to raise its eligibility limit to 85% of the SMI and still receive federal match, this task force recommends increasing subsidy eligibility to 85% of SMI. Furthermore, given the discrepancy between the 85% SMI cutoff and the cost of care, the state should examine the feasibility of providing subsidy to families up to 100% of the SMI.

Finally, the task force explored briefly the option of using AMI as a measurement, instead of SMI. At the time of writing this report there was insufficient data to make a determination about the feasibility or usefulness of this approach, but the task force encourages the state to evaluate this option.

[37] (Eligibility, Wa. Admin. Code § 110-15-0005 2019)

S6/CM3. In the short term, and until a Cost of Quality survey can be completed, raise the base rate to the 100th percentile of market rate. (See also Cost Model Recommendation CM3.)

Federal CCDF guidelines recommend that states make their base reimbursement for subsidy rates at least in the 75th percentile of the market rate. The summer 2020 subsidy policy analysis report produced for the task force by ICF noted that: "multiple studies have found existing Working Connections subsidy rates to be inadequate to support access and quality. The 2018 Child Care Market Rate Study found all DCYF subsidy rates for Working Connections for child care centers were below the 75th percentile target market rate, with most rates for infants, toddlers and preschool-aged children between the 10th and 40th percentiles."[38] Furthermore, even providers that have successfully rated a level 3 or above in Early Achievers and are receiving tiered reimbursement for their efforts find the subsidy rate insufficient to cover the cost of providing this program.

Additional investment made by the state in 2020 raised the subsidy base rate to approximately the 65th percentile of market rate. However, the preliminary cost model analysis that was developed through the Child Care Industry Assessment highlighted the gap between the estimated cost of child care and the current DCYF Working Connections subsidy rates, and this recent increase in rates did not completely close that gap.[39]

This task force acknowledges that the cost model it had hoped to include is not complete due to COVID-related delays and disruptions. The task force recommends that the state shift from its triennial Market Rate Survey to a Cost of Quality Survey, in line with CCDF allowances, in order to determine the true cost of providing the high-quality care it mandates with its Early Achievers system. It should then use the survey results to determine how to raise base subsidy rates and the system of tiered reimbursement.

The task force believes that the base rate should be sufficient to pay for high-quality care, while tiered reimbursements should be used to pay for additional specialties (like dual-language programs) and to support caring for special populations (like children with high degrees of trauma).

In the short term, and until a Cost of Quality survey can be completed, the task force recommends raising the subsidy base rate to the 100th percentile of market rate. While this is an imperfect and imprecise measure of the true cost of providing care, this would at least ensure that subsidy rates are competitive with market rates, and improve stability for providers accepting subsidy. This must be done in conjunction with institution of monthly rates outlined in S2 of this section, and based on the regional model discussed in S4 of this section.

S7. Eliminate the cap on WCCC participation.

During the 2008 recession, the State of Washington limited WCCC enrollment to a maximum of 33,000 families to reduce the program's fiscal impact. It is important to note that there are no federal guidelines that limit states to a cap of participating households as long as other eligibility requirements are met.

Prior to COVID-19, WCCC caseload hovered at about 25,000 households, or roughly 42,500 children. There are several reasons that many eligible families chose to not use the child care subsidy program. Reasons include:

- Presence of a subsidy "cliff" that makes the system unaffordable for families at the upper income limits and families with smaller households. (See S3.)
- Lack of access to nearby subsidy providers.

---

[38] (ICF 2020)
[39] Ibid.

- Cost of living increases that have outpaced income growth.

Smoothing the subsidy cliff and improving subsidy rates to allow more child care providers to accept subsidies would, by design, increase access to the WCCC program. The task force expects this would thereby increase the number of families participating in the program.

The task force recommends eliminating the cap on WCCC participation in addition to the other policy changes recommended herein.

S8. Expand allowable activities for subsidy eligibility to enable employed, unemployed and student parents to seek and retain work and education.

Federal CCDF guidelines state that in order to participate in a federal subsidy program, a child must reside with a parent(s) working, attending job training or an educational program, or needing protective services. State law gives categorical eligibility for families involved in Child Protective Services (CPS), Child Welfare Services (CWS) and Family Assessment Response (FAR), and exempts some families from work requirements, such as student parents.[40] State rules provide list of approved activities including WorkFirst participation or types of employment.[41] Currently, the list of approved activities does not allow an unemployed parent seeking work to be eligible for subsidized child care. The state's 12-month authorization period for subsidy program eligibility provides some flexibility for enrolled families that experience employment or activity changes. However, this flexibility does not apply at initial application.

This complex system of determining eligibility for families creates a siloed series of behavior modification tactics instead of a system that ensures children who need high-quality care are able to receive it. Simplified eligibility requirements would increase access to child care. Given the unprecedented economic upheaval our state and its residents are facing as a result of the COVID-19 pandemic, we expect that the number of families that shift their activities from stable work to job search or education will continue to be higher than average in the coming months and years. Adequate access to high-quality child care is essential for getting people back to work.

The task force therefore recommends that the state should expand what it considers "allowable activities" for eligibility to include job search and higher education pursuits. Furthermore, the task force recommends offering all families full-day child care rather than "nickel-and-diming" families with part-day care based on the number of hours of their allowable activities.

---

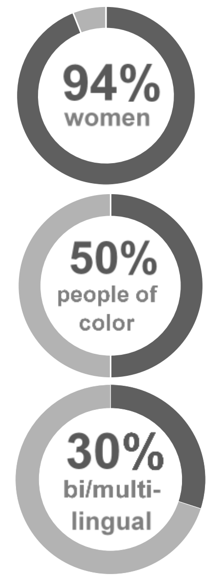
[40] (Child care providers—Subsidy requirements—Tiered reimbursements—Copayments, Rev. Code of Wa. § 43.216.135 2020)
[41] (Approved activities for applicants and consumers participating in WorkFirst, Wa. Admin. Code § 110-15-0040 2018), (Approved activities for applicants and consumers not participating in WorkFirst, Wa. Admin. Code § 110-15-0045 2019)

Workforce Compensation and Professional Development Policy Recommendations

Introduction

Competitive, living wages and access to healthcare insurance coverage are key components in stabilizing the child care industry and addressing racial inequities for the child care workforce and the families they serve.

Figure 4: Diverse Child Care Workforce



The child care workforce is comprised disproportionately of low-income women of color: 94% of the U.S. child care workforce is women, 50% of Washington's child care workforce is people of color, and 30% is bilingual or multilingual.[42] (See Figure 4.) This is both a strength and an opportunity for the field. Research has suggested that young children with providers and caregivers that reflect their home cultures and speak their home languages have better continuity between home and child care settings. Diverse providers can support children's healthy development.[43]

However, over half of American child care workers live in households that need public assistance.[44] In Washington, child care employees rank in the third percentile of total earnings among occupational groups. A Bachelor of Arts in early childhood education was found to have the lowest projected lifetime earnings of 80 college majors considered.[45] In a 2015 national study, just 15% of child care staff had employer-provided healthcare insurance coverage, compared to 50% of all other workers.[46]

The child care workforce is underpaid for the high value they provide for children, families, society and the economy. Nobel Laureate economist James J. Heckman has said, "The best investment [for human capital] is in quality early childhood development from birth to five for disadvantaged children and their families," with lifecycle benefits emerging as a promising way to break the cycle of poverty.[47] Child care professionals leave the industry for entry-level jobs in other sectors that have better wages and benefits, such as retail.

Retaining child care professionals in the field, and supporting their career progression, will not only support child care staff and their employers -- children and families will also benefit. Research suggests that the presence of a consistent caring adult in a child's life in the early years, as well as in childhood and adolescence, is associated better academic grades, healthier behaviors, more positive peer interactions and a greater ability to handle stress later in life.[48] Child care educators that are well-equipped with professional resources, such as training and coaching, and adequately compensated will be less stressed and more present with the children in their care. Studies have found that low pay contributes to provider stress, which can lead to less responsive and harsher interactions with children and lower quality classroom environments.[49]

42 (Child Care Aware of America 2019), (ICF and Fran Kipnis 2020)
43 (Center for Law and Social Policy 2017)
44 (Whitebook, et al. 2018)
45 (Child Care Collaborative Task Force 2019)
46 (Gould 2015)
47 (Heckman 2020)
48 (Murphey, et al. 2013)
49 (Committee for Economic Development 2020)

Child care access depends on an adequate supply of child care providers and staff. Washington child care providers have reported difficulty staffing their programs and high staff turnover rates. Research suggests that low wages contribute to child care staff turnover--and turnover increases the cost of professional development and staff training, and reduces quality of care for children.[50]

The task force recommends measures to support a competitively compensated child care workforce with access to affordable healthcare insurance coverage, employment benefits and professional development opportunities. In 2019, the task force recommended the state support compensating the child care workforce competitively with educators in the state's education continuum in order to provide living wages, reduce turnover and promote longevity of skilled providers in the child care workforce (Recommendation A1).[51] This recommendation has become more urgent as families, employers and policymakers have grown to appreciate, especially during the pandemic, the essential role of child care for child outcomes, workforce participation and economic recovery.

High-quality child care programs support children's cognitive, social, physical, behavioral and emotional development.[52] Positive interactions and healthy relationships with caring adults, such as child care staff, help children build foundational skills that help with intelligence, language, emotions and social competence. Research has shown that high-quality child care can lead to higher reading and math achievement, higher likelihood to complete college and become employed, and increased earnings and better health later in life.[53]

Parents with access to affordable child care are more likely to participate in the labor force, upgrade their skills through education and become more financially independent. This contributes to long-term economic growth and productivity.[54] The task force's 2020 Child Care Industry Assessment estimated that lack of access to child care results in:

- 133,000 fewer potential workers in Washington's labor force per year, on average
- $34.8 billion reduction in Gross State Product per year, on average
- $1.03 billion less in sales and business and occupation tax revenue per year, on average[55]

Child care staff should earn a living wage, reflective of the area they live. How to support compensation of a largely private-sector workforce is the question. The child care system is made up of various program types and funding structures. Many of them are private, for-profit businesses that are unable to accept child care subsidies. The task force has not yet identified a recommended mechanism to support competitive compensation of child care employees. Increased subsidy rates and rate enhancements are a means of indirectly compensating a segment of the child care workforce, but subsidized spaces represent less than one-third of child care capacity. Subsidy rates alone will not support a statewide salary floor. However, subsidy rates that are at or very near the cost of providing quality child care will increase providers' ability to sustain their business, participate in the subsidy program and compensate staff appropriately. The task force will continue evaluating options to support living wages and access to affordable healthcare insurance coverage for the entire child care workforce, and will provide further recommendations in the next report.

---

50 (Child Care Collaborative Task Force 2019)
51 Ibid.
52 (ICF 2020)
53 (Zero to Three 2019)
54 (Committee for Economic Development 2019)
55 (ICF 2020)

Recommendations

Workforce Compensation

- WC1. Evaluate and recommend a compensation structure aligned to regional school system salary scales, and support its use by providers accepting subsidies.

- WC2. Assess alternative funding streams (besides family tuition payments and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.

- WC3. Evaluate options to support access to affordable healthcare insurance coverage for child care staff. Options include, but are not limited to, the Health Benefit Exchange, Apple Health and association health plans.

- WC4. Provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market, and to programs providing unique services.

Professional Development

- PD1. Expand the Community-Based Pathway from pilot to statewide implementation as a process for child care staff to demonstrate competencies.

- PD2. Support professional development around skills the industry needs, and reimburse providers for participation (trauma-informed care, dual language, racial bias training, etc.).

- PD3. Seek to resolve known issues with the quality of data in the MERIT data system, such as the number of providers with verified education data.

- PD4. Fully fund professional development, relationship-based professional development, and financial incentives to support providers in meeting staff qualifications, ongoing continuous quality improvement, and achieve high quality levels in Early Achievers and school-age quality standards.

- PD5. Increase access to the state-funded early childhood education substitute pool so licensed child care providers have access to temporary staff coverage.

Discussion

In 1988, the Washington State Legislature declared that it shall be policy of the State of Washington to: “Promote the growth, development and safety of children by working with community groups including providers and parents to establish standards for quality service, training of child care providers, fair and equitable monitoring, and salary levels commensurate with provider responsibilities and support services."[56]

The task force supports the concept of establishing standards for salary levels commensurate with provider responsibilities and support services. However, as the National Academy of Sciences noted in 2018, "Despite an increased emphasis on raising the qualifications and education level of [early childhood education]

[56] (Child Care Coordinating Committee--Child Care Expansion Grant Fund - Ch. 213, Washington Laws 1988)

educators over the past two decades, there has not been a commensurate emphasis on raising the compensation of the workforce."[57] Along this line, the task force found in 2019 that:

- Child care access depends on an adequate supply of child care providers and staff.
- Washington providers have reported difficulty staffing their programs and high staff turnover rates.
- Research suggests that low wages contribute to child care staff turnover.[58]

Attracting and retaining child care professionals has continued to be a challenge, leading to continued challenges for families to access high quality care.

Assumptions and Key Questions

The task force assumes:

- Improving compensation and professional development, including career development pathways, will preserve and increase racial and ethnic equity and diversity in the child care workforce. The policy recommendations in this section would contribute to this outcome.

- Recommended policy changes will not reduce or limit the number of providers of color in the field.

- Policy changes will "do no harm." Policymakers and administrators will implement changes with care not to adversely impact child care affordability and access. For example, policymakers and administrators will prevent child care providers currently receiving a certain base rate from receiving a lower base rate due to changes in the regional structure; seek to prevent inflation of private pay rates as a consequence of increased subsidy rate payments; and seek to incentivize provision of care in underserved locations or for underserved market segments rather than exacerbate the issue.

- Recommended workforce compensation policy changes will be made in tandem with, or following, changes to the subsidy system:

    - Subsidy rates will shift from a market rate basis to a cost of quality basis. (CM3/S6)
    - Subsidy regions will be revised to capture ZIP code cost of living, rather than geography. (S4)
    - Subsidy base rates will be adjusted to cover full costs associated with high-quality child care administered by competitively compensated staff. (CM3/S6)
    - In addition to the base rates, providers will receive additional funds for meeting additional criteria, such as attaining higher quality ratings and serving families with barriers to accessing child care. (WC4)

- If resources are limited, investments should prioritize addressing inequities across racial and ethnic groups, language groups, and regions of the state.

The task force identified these key questions to explore further, before making final recommendations in the June 2021 report:

- How do we address compensation for the entire workforce, and not just employees of providers that accept subsidies?

---

[57] (National Academy of Sciences, Engineering, and Medicine 2018)
[58] (Child Care Collaborative Task Force 2019)

- How can we ensure these additional investments can come from DCYF directly to the workers, and not "trickle-down economics" of giving to the business with the expectation it carries through to the workforce?

Workforce Compensation

WC1. Evaluate and recommend a compensation structure aligned to regional school system salary scales to be incorporated into the child care cost model and used by DCYF to set subsidy rates.

The task force recommends that the state develop a child care compensation structure, including a salary scale and employment benefits (health care, dental, retirement, etc.), for each staff role employed in a licensed child care setting that is aligned to regional school system salary scales. The task force further recommends that DCYF reflect this compensation structure in the child care cost model (see CM2) that will be used to inform WCCC subsidy rates (see CM3/S6).

As directed by the authorizing legislation, the task force evaluated recommendations of the Compensation Technical Workgroup (CTW).[59] The task force agreed with many elements of CTW Recommendation A-1: Salary Scale:

- Use a grid that represents pay ranges for each job class and incremental steps of increased pay.
- Accommodate various factors that could influence where an employee starts on the scale, such as longevity, training, academic achievement, credentials, credential equivalencies and geographic location.
- Employees would achieve higher steps in the pay range as the factors above change, to provide wage enhancements for linguistic or other skills and to incentivize service in high-need or underserved areas.
- Build on existing laws, such as RCW 43.216.675 (Career and Wage Ladder), to ensure availability of funding statewide for child care centers, school-age only programs, and family home.

The task force recommends reviewing the CTW Salary Scale and making adjustments, such as ensuring wages are congruent with the goal of indexing salaries against the state's education continuum.

WC2. Assess alternative funding streams (besides family tuition payments and subsidies) to support competitive, living wages and benefits for child care employees that reflect their valuable contributions to positive outcomes for children, families and our economy.

Supportive relationships and dependable interaction with caring adults help children develop cognitive, emotional and social skills needed to succeed in school and life. Stable relationships with responsive caregivers have the potential to protect children from the effects of toxic stress, which could negatively affect their development.[60] Research has suggested that high-quality child care programs contribute to reading and math achievement, college completion, employment, earning potential and adult health outcomes.[61] An estimated 21% of the U.S. labor force has children under age 14 and no available caregiver in the household.[62] Parents with access to affordable child care are more likely to participate in the labor force, upgrade their skills through education and become more financially independent. This contributes to long-term economic growth

---

[59] (Washington State Department of Children, Youth and Families 2019)
[60] (Center on the Developing Child at Harvard University 2007)
[61] (Zero to Three 2019)
[62] (Dingel, Patterson and Vavra 2020)

and productivity.[63] The task force's 2020 Child Care Industry Assessment estimated that lack of access to child care results in:

- 133,000 fewer potential workers in Washington's labor force per year, on average
- $34.8 billion reduction in Gross State Product per year, on average
- $1.03 billion less in sales and business and occupation tax revenue per year, on average[64]

The child care workforce should earn a living wage for the essential and valuable services they provide. Increased subsidy rate payments will support the portion of providers that serve children enrolled in the WCCC subsidy program. The task force will continue to evaluate options to implement an alternative funding stream, in addition to subsidy payments and private tuition payments from families, to support compensation of the entire child care workforce. The task force will make further recommendations in the June 2021 report.

Bolstering the subsidy system, which supports families that use about a third of licensed child care capacity, will not result in a compensation increase for the remainder of the workforce. The task force heard from child care providers that raising non-subsidy (private pay tuition) rates to the level needed to offer all employees competitive compensation and benefits would likely further price out private pay families. The child care system does not follow conventional market principles of supply and demand. Increased demand is not necessarily met with an increased supply, and the cost of providing the service often exceeds what families can afford to pay for it. We also know that high-quality child care supports healthy development, academic success and positive outcomes for children and their families. High-quality child care helps equip children to be contributing members of society and tomorrow's workforce. This justifies, and even necessitates, additional public investment in the system--because it is a public benefit, similar to public education.

Initial analysis of options that may increase compensation of the workforce in any child care setting, regardless of whether the program accepts subsidies or is private-pay-only, is described in Table 5 below. Further work is needed to evaluate and recommend an approach for supporting increased compensation.

Table 5: Options for Increasing Compensation of the Entire Child Care Workforce

Option	Pros	Cons
Raise subsidy base rates above current levels based on costs associated with provision of high-quality child care by highly qualified, competitively compensated staff	The state would pay for the cost to provide the quality mandated by statute.	Entities with few or no subsidy children would not see any increased support.
Fund and implement a career and wage ladder that any provider can use.	RCW 43.216.675 is in place for centers accepting subsidy and participating in the Early Achievers quality rating and improvement system.	Only in place for centers with narrow requirements; legislation is outdated; requires change in legislation to broaden.

[63] (Committee for Economic Development 2019)
[64] (ICF 2020)

Option	Pros	Cons
Fund/implement a career and wage ladder that individual workers can utilize based on personal qualifications, regardless of where they work.	Gives most freedom to child care workers, allows them to move to new employers without losing ladder benefits.	Mechanism to pay does not exist; requires legislation.
State contracts with child care providers to access additional funds.	May work well for highly specialized care.	May be too small scale or high administrative burden.
Child care professionals form organizations that can collectively contract with the state to access additional funds.	A model exists. It was noted that SEIU 775 bargains a wage (versus a rate) with the state (see SEIU 775 Collective Bargaining Agreement Appendix A) for the WCCC subsidy program.	More is research needed.
Require a salary scale/compensation structure with some additional funding from the state outside of the existing subsidy system.	Could provide all licensed entities a better compensation package.	Requires legislation; would need to avoid gifting of public funds; may require support to ensure compensation reaches front line workers.

WC3. Evaluate options to support access to affordable healthcare insurance coverage for child care staff. Options include, but are not limited to, the Health Benefit Exchange, Apple Health and association health plans.

Affordable healthcare insurance coverage will help child care staff access health care and maintain employment in the child care field. Child care providers on the task force emphasized that access to healthcare insurance is a very high priority, especially during the COVID-19 pandemic.

The task force recognizes that options for health insurance coverage exist, and we need to learn more about them before recommending a specific approach to supporting access to affordable coverage by the child care workforce. Since there are conversations happening now with interested stakeholders and health plans, the task force has identified health coverage as potentially "low hanging fruit" to address in the near term. The task force will consult with Health Benefit Exchange administrators, healthcare insurance plans, and the Health Care Authority, evaluate options and make further recommendations in the June 2021 task force report.

The task force evaluated the CTW recommendations related to health insurance coverage for the child care workforce. The CTW recommended funding a health care contribution for the child care workforce, incorporating coverage if an educator qualifies for Apple Health as an entitlement, and assuming coverage by plans available on the Washington Health Benefit Exchange when an educator’s income exceeds Apple Health’s 138% of the federal poverty level ceiling. The package also includes a state contribution toward retirement, affordable options for retirement savings plans, paid holidays, employees covering a share of benefits, incentives for employers to participate in benefit pools and shared service models, and a requirement that workforce members have affordable, accessible, voluntary options for income replacement, life insurance and accidental death and dismemberment policy coverage.[65]

The task force discussed the need to better understand the availability of Apple Health and other coverage options, and whether the options would offer adequate insurance coverage reflective of the value placed on early learning and child care. Task force members expressed concern with the CTW assumption that some child care professionals will continue to receive coverage through Apple Health. Currently, a parent with children under the age of 18 may qualify for Apple Health if their income is at or below $972 per month in a 4-person household, or $658 per in a 2-person household. *This is only 45% of FPL*.[66] Assuming child care staff will qualify for Apple Health may be incongruous with the objected stated in Section (1)(c) of the authorizing legislation for this report, RCW 43.330.527, of achieving pay parity with K-12 teachers by January 1, 2025.[67]

The recommendation in this report aligns with the task force's 2019 recommendation that the state ensure child care staff can access employment benefits and other strategies to prevent workforce burnout and support the wellbeing of child care staff, including include access to health insurance, dental insurance, paid leave and retirement benefits.[68] The task force also suggested identifying ways to streamline enrollment in healthcare insurance plans, and considering bridge funding to cover employees' shares of benefit programs help more child care staff access healthcare insurance coverage.

WC4. Provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market and to programs providing unique services.

Legislation directed the task force to recommend policies to provide additional targeted investments for providers serving a high proportion of working connections child care families, providers demonstrating additional linguistic or cultural competency, and providers serving populations furthest from opportunity, including: (A) Families enrolled in the early childhood education and assistance program; (B) Underserved geographic communities; (C) Underserved ethnic or linguistic communities; (D) Underserved age groups such as infants and toddlers; and (E) Populations with specialized health or educational needs.

The task force recommends a combination of subsidy rate enhancements (tiered reimbursements) and direct support for professional development (see PD2). The task force discussed the need for increased compensation for dual-language staff. Challenges associated with funding staff with specialties, certifications or endorsements, such as interpreters and case/social workers, were noted as some specialties may need specific certificates, skills or credentials to be hired into certain roles. Some asked, how can specialties be provided or funded at the community level? This is a consideration for the next task force report.

The task force recommends the state use tiered subsidy reimbursements or rate enhancements to incentivize programs providing care in unmet segments of the market, including for programs that provide unique services, such as:

- Nontraditional hour care
- Care in underserved geographic, ethnic or linguistic communities
- Dual-language programming
- Care for populations with specialized health or educational needs

---

65 (Washington State Department of Children, Youth and Families 2019)
66 (Washington State Health Care Authority 2020). See Tables 3 and 4 in S4 of this report for a comparison to FPL and SMI.
67 (Child care collaborative task force—Duties, Rev. Code of Wa. § 43.330.527 2019)
68 (Child Care Collaborative Task Force 2019)

- Care for underserved age groups such as infants and toddlers

Professional Development

In 2019, the task force recommended the state support professional development of the current and future workforce (Recommendation A4).[69] Recommendations in this report specify measures to provide this support.

PD1. Expand the Community-Based Pathway from pilot to statewide implementation as a process for child care staff to demonstrate competencies.

The task force recognizes that a one-size-fits-all approach to demonstrating workforce qualifications and competencies is insufficient for recognizing all the ways child care educators learn, build skills and add value to child care programs and the industry. An approach centered a specific framework, such as higher education, is antithetical to the goal of preserving and increasing the racial, ethnic, cultural, and linguistic diversity of our state's child care workforce. The task force supports providers having a range of options to meet education requirements, including a noncredit-bearing community-based training pathway, such as the Community-Based Pathway created by House Bill 2556.[70]

In its Workforce Compensation Policy Analyses Report, ICF stated that "implementing a well-developed professional development plan concurrently with a salary initiative based on educational levels is essential to countering wage inequities endemic to those who lack access to higher education opportunities."[71] ICF found that ongoing investment into professional development systems helps to sustain and enhance pathways that are essential for the recruitment and retention of diverse providers throughout the state. ICF noted that House Bill 2556 begins to create movement for a legislatively mandated pathway that allows providers to meet licensing standards with a training program, and creates opportunities for partnership between training delivery and the community college system.[72]

The task force recommends full-scale implementation of the Community-Based Pathway as a process for child care staff to demonstrate competencies. This will recognize experience and credential equivalencies of the child care workforce.

PD2. Support professional development around skills the industry needs, and reimburse providers for participation (trauma-informed care, dual language, racial bias training, etc.).

The task force recommends the state support professional development for in-demand skills, such as trauma-informed care, dual language programming and racial bias training. The support provided by the state should include helping providers identify, enroll in, attend and pay for training and professional development opportunities. The state should reimburse providers for direct costs related to participating in professional development for these and other high-priority content areas identified by the state.

This recommendation provides targeted investments to providers with in-demand skills, and aligns with Recommendation WC4 to "provide subsidy rate enhancements to incentivize provision of child care in unmet segments of the market, and to programs providing unique services." This also supports the task force's 2019 recommendations, including "Promote diverse and inclusive child care settings so children have equitable opportunities for learning that help them achieve their full potential as engaged learners" (A10); "Support and

69 Ibid.
70 (Early Learning Providers - Training - Ch. 342, Washington Laws 2020)
71 (ICF and Fran Kipnis 2020)
72 Ibid.

enable child care and related programs to implement trauma-informed, culturally responsive, and bias-reducing practices, including providing opportunities for education on implicit and explicit bias and other types of cultural competency-focused training" (D5); and "Incentivize provision of child care in the child's home language, and support dual language learning" (D7).[73]

PD3. Seek to resolve known issues with the quality of data in the MERIT data system, such as the number of providers with verified education data.

In its report on workforce compensation policies, ICF noted that DCYF has successfully collected comprehensive workforce data that is essential to all workforce planning efforts. ICF suggested that DCYF should continue to verify the education data in the MERIT database, because the data elements are essential to assessing accomplishments and inequities across service delivery, with emphasis on racial and ethnic groups, language groups and regions of the state. Additionally, ICF advised that education data are also needed to estimate costs of implementing various salary scales that are based on job title and educational level. ICF suggested that DCYF explore strategies to collect wage and benefits data to track wage variations across the workforce as well as monitor progress from compensation initiatives.[74]

The task force agreed with these suggestions, and has included them as a recommendation. Additionally, the task force advises DCYF to ensure non-education competencies, including the Community-Based Pathway, are reflected in MERIT. The task force further suggests that if DCYF identifies wage discrepancies based on race and ethnicity, DCYF develop a plan to support wage equalization.

PD4. Fully fund professional development, relationship-based professional development, and financial incentives to support providers in meeting staff qualifications, ongoing continuous quality improvement, and achieve high quality levels in Early Achievers and school-age quality standards.

The task force notes that child care programs that accept subsidies must participate in the Early Achievers quality rating system, but providers may need financial assistance to attain professional development, implement environmental improvements and make other programmatic changes needed to reach higher quality ratings. Systemic investments in Early Achievers and Washington State Quality Standards for Afterschool and Youth Development Programs, as well as targeted rate increases for high-need populations and community-based pathways, are necessary for child care providers and staff to become eligible for increased compensation and meet compensation goals.

Early Achievers uses a rating system to track growth in quality improvement of participating early care providers. At Levels 1 and 2, early learning professionals are “participating in quality improvement” through training and activities. Facilities that are rated Levels 3 through 5 have achieved a “quality level of excellence” through an on-site evaluation.[75] In October 2020, 3,778 licensed family home and center providers out of 5,191 eligible to participate, or 73%, were enrolled in Early Achievers.[76]

The task force recommends that the state pay for, or provide financial incentives for child care providers to pay for, professional development opportunities and program improvements to meet Early Achievers and school-age quality standards.

---

[73] (Child Care Collaborative Task Force 2019)
[74] (ICF and Fran Kipnis 2020)
[75] (Washington State Department of Children, Youth and Families n.d.)
[76] (Washington State Department of Children, Youth and Families 2020)

PD5. Expand eligibility requirements to use the state-funded early care and education substitute pool so licensed child care providers have access to temporary staff coverage.

The task force believes that increasing access to the state-funded substitute pool would provide another resource for licensed child care providers to access temporary staff coverage and support a stable, sustainable child care workforce and industry. In its initial report, the task force recommended the development of a network of local substitute pools across the state to allow child care staff and providers time off to attend training, take personal or vacation time and recover from illness (2019 Recommendation A3).[77] This aligns to CTW Recommendation B: "Early childhood educators have access to the State-sponsored substitute pool to provide classroom coverage when taking time off."[78]

DCYF oversees the state's Early Care and Education Substitute Pool. The substitute pool, administered by The Imagine Institute, is designed to support family home and child care center providers in accessing release time so they can work on professional development goals to reach Early Achievers Level 3 or higher. Providers may request a qualified substitute if they meet eligibility requirements:

- Enrolled in Early Achievers and working towards a Level 3 rating.
- Have served at least one child receiving WCCC subsidy in the last 12 months.
- Are in good licensing status, meaning the provider's license is not expired, suspended, revoked or on probationary status.

The task force recommends expanding eligibility to allow licensed providers to request a qualified substitute through the pool. However, the task force recognizes more work needs to be done to understand the demand for substitutes, costs associated with meeting increased demand, and how to ensure a sufficient, sustainable pool of substitutes can support all types of providers across the state.

The task force suggests taking these initial steps to implement this recommendation:

- Identify costs associated with allowing more providers to use the substitute pool.
- Assess providers' potential demand for the substitute pool, and compare demand to the existing substitute pool to identify gaps.
- Evaluate options for expanding eligibility and increasing access to the substitute pool.

Increasing access to the state-funded substitute pool will support child care providers and the workforce.

[77] (Child Care Collaborative Task Force 2019)
[78] (Washington State Department of Children, Youth and Families 2019)

Conclusion

This year, we have seen the child care industry demonstrate its value and resilience despite an inherently flawed model. Child care delivers a public good through, primarily, small businesses that cannot charge customers (working families) the price necessary to cover costs associated with the essential service provided. High-quality child care promotes healthy childhood development, lets parents go to work and helps employers retain talent and maintain productivity.

Families, employers and our state's economy recovery require a stable and multifaceted child care industry with options to meet families' varying needs. In this report, the task force outlined recommendations for system-wide improvements to:

- Leverage public and private resources to identify sustainable child care business models (CM1, CM2, CM3).
- Help low- and middle-income working families, parents preparing to enter or reenter the labor force and parents participating in educational and job training pursuits access high-quality child care (S3, S5, S7, S8).
- Increase availability of subsidized child care by offering providers rates that cover the costs associated with high-quality care so families have options and child care programs are sustainable (S1, S2, S4, S6).
- Support competitive compensation, with living wages and access to affordable healthcare insurance coverage, for the child care workforce (WC1, WC2, WC3, WC4).
- Expand access to child care professional development options (PD1, PD2, PD3, PD4, PD5).

In its final June 2021 report, the task force will review Child Care Industry Assessment findings and compile recommendations to date into a strategy, timeline and implementation plan to reach the goal of accessible and affordable child care for all Washington families by the year of 2025.

The task force appreciates the efforts of the Legislature, Governor Inslee and the agencies, organizations, child care providers and community members to stabilize, support and expand Washington's child care system. Working together, we can build the nation's most equitable, affordable and accessible child care system that benefits all our children, parents, child care staff and providers, employees and communities.

Appendix A: Authorizing Legislation

What the Legislation Says

RCW 43.330.527 (2SHB 1344(6), Laws of 2019), the authorizing legislation for this report, states:

(1) The child care collaborative task force shall:

(a)(i) Develop a child care cost estimate model to determine the full costs providers would incur when providing high quality child care, including recommended teacher-child ratios based on research and best practices. The model must include:

(A) Regional differences;
(B) Employee salaries and benefits;
(C) Enrollment levels;
(D) Facility costs; and
(E) Costs associated with compliance with statutory and regulatory requirements, including quality rating system participation and identify specific costs associated with each level of the rating system and any quality indicators utilized.

(ii) The model must utilize existing data and research available from existing studies and reports.
(iii) The model must consider differentiating subsidy rates by child age and region, evaluate the effectiveness of current child care subsidy region boundaries, and examine alternatives such as ZIP code level regions or regionalization based on urban, suburban, and rural designations;

(b) Consider how the measure of state median income could be used in place of federal poverty level when determining eligibility for child care subsidy;
(c) Evaluate recommendations from the department of children, youth, and families' technical work group on compensation, including consideration of pay scale changes, to achieve pay parity with K-12 teachers by January 1, 2025. When considering implementation of the technical work group recommendations, the task force shall further develop policy recommendations for the department of children, youth, and families that:

(i) Endeavor to preserve and increase racial and ethnic equity and diversity in the child care workforce and recognize the value of cultural competency and multilingualism;
(ii) Include a salary floor that supports recruitment and retention of a qualified workforce in every early learning setting, determined by an analysis of fields that compete to recruit workers with comparable skills, competencies, and experience of early childhood educators;
(iii) Index salaries for providers against the salary for a typical preschool lead teacher, differentiating base compensation for varying levels of responsibility within the early childhood workplace including consideration of center directors, assistant directors, lead teachers, assistant teachers, paraprofessionals, family child care owners, and family home assistants;
(iv) Incentivize advancements in relevant higher education credentials and credential equivalencies, training, and years of experience, by increasing compensation for each of these, including early learning certificates, associate degrees, bachelor's degrees, master's degrees, and doctoral degrees;
(v) Consider credential equivalencies, including certified demonstration of competencies developed through apprenticeships, peer learning models, community-based training, and other strategies;

(vi) Consider a provider's years of experience in the field and years of experience at his or her current site;
(vii) Differentiate subsidy rates by region; and
(viii) Provide additional targeted investments for providers serving a high proportion of working connections child care families, providers demonstrating additional linguistic or cultural competency, and providers serving populations furthest from opportunity, including:
(A) Families enrolled in the early childhood education and assistance program;
(B) Underserved geographic communities;
(C) Underserved ethnic or linguistic communities;
(D) Underserved age groups such as infants and toddlers; and
(E) Populations with specialized health or educational needs

(d) Develop a phased implementation plan for policy changes to the working connections child care program. The implementation plan must focus on children and families furthest from opportunity as defined by income and must include recommended targeted supports for providers serving children who are underserved and emphasize greater racial equity. Implementation plan components must include:

(i) Increasing program income eligibility to three hundred percent of the federal poverty level or eighty-five percent of the state median income;
(ii) Establishing a graduated system of copayments that eliminates the cliff effect for families and limits the amount a family pays for child care to a maximum of seven percent of the family's income by January 1, 2025;
(iii) Developing a model to enable the state to provide contracted slots to programs serving working connections child care families in order to expand access for low-income families;
(iv) Eliminating work requirements for student families participating in the working connections child care program; and
(v) Eliminating the fiscal cap on working connections child care enrollment

Appendix B: Task Force Overview

The task force was established in 2018 to make policy recommendations about the child care system to better meet the needs of families, employers and child care providers. Task force reports and milestones are summarized in Figure B1.

Figure B1: Child Care Collaborative Task Force Milestones

In its initial report, the task force recommended policy changes in four goal areas:

(A) Stabilize, support and sustain the child care workforce, providers and industry.
(B) Increase employer supports for child care.
(C) Streamline permitting and licensing to better support the construction, renovation and acquisition of child care facilities.
(D) Reduce disparities and disproportionalities in child care service delivery and access.

The task force developed a vision for child care in Washington displayed in Figure B2 below.[79]

Figure B2: Child Care Collaborative Task Force Vision

The task force envisions Washington State as the nation's most equitable, affordable and accessible child care system that benefits all our children, parents, child care staff and providers, employees and communities:			
Quality, affordable, accessible licensed child care that gives parents diverse choices to meet their family and employment needs, regardless of their income, race or where they live.	An **economically healthy and diverse child care industry** with a supported, well-compensated workforce that meets the supply and choice requirements of families and employers.	**Increased workforce productivity** when employers support the child care needs of their employees through the availability of a scalable set of tools and incentives that increase access and affordability of high-quality child care.	**New strategies and investments** from the public and private sectors that engage employers in supporting all working families' access to high-quality, affordable child care.

In 2020, the task force published an in-depth Child Care Industry Assessment report. Find information about the task force and access to task force reports at the Washington Child Care Collaborative Task Force website.

[79] (Child Care Collaborative Task Force 2019)

Appendix C: COVID-19 Child Care Grant Matrix

COVID-19 GRANTS AND INVESTMENTS FOR CHILD CARE AND SCHOOL AGE CARE/SUPPORTS — updated 10/26/2020

Granting Entity	Total Investment	Date of Grant / Investment Disbursement	Grant/Investment Purpose/Goal	Grant Amounts	Eligibility Requirements	Use of Funds Parameters	Allocation Targets
Fall/Winter 2020							
DCYF	$29.4M	November - December	To ensure a stable, functional and expandable child care system that supports providers and families during COVID-19, the Department of Children, Youth, and Families (DCYF) is providing direct support to licensed child care providers for stabilization, to assist with reopening and staying open, to offset increased costs associated with the COVID-19 pandemic and to incentivize providers to serve school-age children.	Varies, based on licensed capacity with an enhanced amount for providers in communities of concern.	Family Home and Center child care providers; who expand who they serve (i.e. now serve children accessing subsidy, or school-age children); provides who have remained open during the pandemic who previously did not receive a grant from DCYF; providers who were closed as a result of the pandemic and have now reopened.	Costs associated with reopening, expanding, and sustaining care (examples: supplies, personal protective equipment, technology, additional personnel, unpaid rent or utilities food, other).	23 communities of concern
DCYF	$660,000	November	Sustainability for providers serving families, friends and neighbors.	TBD	Formal FFN providers	Unrestricted spending if eligibility requirements met	Low-income families accessing family, friend and neighbor care.
OSPI	$8.1M	October	Use federal Elementary and Secondary School Emergency Relief funds (ESSER funds) to provide competitive grants to community-based organizations (CBOs) to work in partnership with school districts to support student learning during the 2020–21 school year.	$0-50,000; $50,001-100,000; $100,001-250,000; $250,001-500,000	Eligible organizations for grant funding include smaller, local CBOs who serve specific local needs and populations, as well as larger statewide CBOs who provide direct services to students or regional network supports. CBOs must demonstrate how their work is in partnership with their local school district.	Dollars used for providing services for either Expanded Learning Opportunities or Integrated Student Supports.	Low-income/free and reduced lunch youth, students furthest from educational justice
SOWA	$9.3M	September (RFP release) - December (Awards dispersed)	COVID-relief grants youth development nonprofits, which can include school age child care, most impacted by COVID-19 and serving youth furthest from educational justice.	$10-50K for individual programs or organizations	Youth development nonprofits who have been negatively impacted by COVID, who serve youth ages 5-24, and who were operating prior to beginning of pandemic.	Unrestricted relief funding for awardees who best meet the eligibility requirements and priorities	Priority youth populations furthest from educational justice, with staff and leadership that are reflective of those priority populations
King County	$4.25M	September	Emergency child care for first responders and other essential workers who live or work in King County, administered in partnership with the City of Seattle's Dept. of Education and Early Learning.	tbd	tbd	tbd	tbd
Pierce County	$1.2M	September	Assist child care providers with resources necessary to offer safe, high quality care.	Between $2,500 (for reopening providers), $6,500 for providers with licensed capacity of 0-12, up to $16,500 for licensed capacity of 100+. $500 bonus for providers accepting WCCC, another $500 bonus for providers accepting homeless subsidy.	Any licensed provider in Pierce County, open or closed, serving children age 0-12 is eligible to apply. Grants are not available to school age ONLY programs. Providers that operate more than one location can submit a separate application for each site.	Funds must be spent on items which sustain the child care business receiving the grant, including salaries, rent/mortgage, utilities, materials and supplies, PPE and cleaning supplies, technology access, and food.	Priority given to providers in child care deserts.
Whatcom and Skagit counties	$250,000	September	Providing financial and technical assistance to eligible CDBG businesses with a focus on home-based, licensed child care providers impacted by COVID-19 pandemic. In partnership with the Opportunity Council.	Up to $10K per "microenterprise business"		Direct financial assistance for impacts of COVID-19 and/or to enhance existing services offered.	
Franklin County	$500,000	November	Franklin County C.A.R.E.S. ACT Childcare Assistance Program	$7,500 - $60,000, depending on licensed capacity	Must be a licensed provider located in Franklin County and who is currently open and serving at least one child.	Expenses incurred related to COVID-19 between April and Nov. this year, including rent/loans, wages, operating costs, or expenses for compliance with COVID-19 related public health measures.	First come, first served basis.

Granting Entity	Total Investment	Date of Grant / Investment Disbursement	Grant/Investment Purpose/Goal	Grant Amounts	Eligibility Requirements	Use of Funds Parameters	Allocation Targets
All In Washington	$3M	October - November. Application deadline is Nov. 13	The Child Care Initiative will provide vital resources to expand access to affordable child care for working parents with the greatest need while also sustaining the industry of child care providers across Washington.	Grants of $50,000 - $250,000 are available.	Provides funding to 501(c)3 community-based organizations, intermediaries, or tribal governments to administer grants to licensed BIPOC-owned family run child care businesses. Must commit to ensuring culturally appropriate outreach activities.	Child care providers can use these funds to offset revenue losses due to lower child enrollment, provide scholarships for financially vulnerable families, or to purchase supplies and equipment to meet new COVID-related safety standards.	Prioritize licensed PIPOC-owned family child care business and/or family child care businesses in rural and remote communities serving essential workers or a high percentage of BIPOC children.
Spring/Summer 2020							
DCYF	$29M	May - June	The Child Care COVID-19 Grant provides support and stabilization for child care providers in response to the COVID-19 pandemic	3 buckets based on licensed capacity per site: $6.5K for small providers (up to 49 kids); $11.5k for medium providers (50-99 kids); $14k for large providers (100+ kids)	Licensed child care providers open on the date of their application, commit to provide care until at least July 31, 2020	Funds only for costs such as facility or space rent costs, utilities, health and safety or cleaning supplies, staff payroll (compensation or benefits) and food.	
DCYF	$14.4M	March - June	Full-day WCCC subsidy authorizations. Accommodates parents with school-age children needing full-day child care beginning mid-March due to school closures.	N/A	N/A	N/A	N/A
DCYF	$10.2M	April - June	Eliminating co-payments for families in WCCC. Waives the monthly child care co-pay in order to provide low-income families with flexible emergency funds to help stabilize the family and keep the provider financially whole.	N/A	N/A	N/A	N/A
DCYF	$88M	March - September	Enrollment-based payment for WCCC providers. Suspends the attendance based billing requirement in lieu of enrollment based payments to account for fluctuating attendance and provide predictable revenue to child care providers accepting subsidy.	N/A	N/A	N/A	N/A
DCYF	$31.9M	Beginning July 1	Increases Working Connections Child Care rates to the 65th percentile of market rate at Level 2 for centers and licensed family homes -assumed ongoing.	N/A	N/A	N/A	N/A
Commerce	$120,000		Grant to Child Care Aware of WA to purchase cleaning/sanitization supplies for child care providers when overall supplies in the state were limited.				
Commerce	$190,000		Working Washington Small Business Grants: One-time, lump sum grant for small businesses for operating expenses.	Up to $10,000	Small business with businesses with 0-10 employees.	Eligible expenses include rent, utility bills, supplies, inventory and other operating expenses.	19 awards went to child care small businesses.
Commerce	$2.9M	August	Child Care Partnership Grants. Community-driven, collaborative child care access and capacity planning.	$100,000 for 501c3 nonprofit/government applicants. Funding for grants includes $1.4M private match from the Safe Start Fund.			
King County	$2.25M	April	Emergency child care for first responders and other essential workers who live or work in King County, administered in partnership with the City of Seattle's Dept. of Education and Early Learning.			Money allocated from PSTAA funds	
Whatcom County	$670,316	August	Whatcom ReStart grant program to support 26 licensed child care providers in the county impacted by COVID-19 in order to further economic recovery and support working families.				
Pierce County	$2M	June	Provides a voucher system for families and relief grants for providers. Program administered by Child Care Resources and First 5 FUNdamentals.		Families eligible for vouchers if their income, work, or access to child care was negatively impacted by COVID-19 or if they're an essential worker.	$1.5 million will go towards vouchers for Pierce County families to access any 0-12 years old licensed child care program, or any school aged only program. The funding will support 300 children attending child care for 3 months. $500,000 will go towards provider relief grants.	Vouchers designed to support low income families. Relief grants allocated with an emphasis on child care deserts.

Information provided here was gathered from the granting entities. Persons wishing to apply for any of the funds listed here should connect directly with the granting entity.

Appendix D: Cost Model Background Information

The task force engaged with contractor ICF and subcontractor Capito Associates to develop a child care cost estimate model, kicking off the effort in February 2020 and concluding the process in June 2020. In February, the research team hosted a workshop with over 30 stakeholders to identify child care cost drivers and discuss costs associated with meeting levels of the Early Achievers quality rating and improvement system. It should be noted that direct child care providers comprised just under 30% of attendees.

The research team prepared to launch a March-April 2020 financial survey of child care providers, seeking to gather data from and interview a representative sample of providers across Washington's child care landscape. However, due to impacts of the COVID-19 pandemic, the task force and cost model steering committee advised the research team to suspend plans for a survey and instead use extant data and reports to build the cost model. The research team therefore elected to use information gathered at the cost model steering committee meeting, combined with currently available data from DCYF's 2018 Market Rate Survey to develop the model. Missing the critical input of child care provider budget and financial data, the research team provided the task force a set of "incomplete" cost model tools containing placeholder information until provider survey is possible. The research team also provided a report describing a model of costs to provide high-quality early care and education services by program type, size, location, and quality level. The research team's report and "incomplete" cost model tools are attached and available for download.

The model provides valuable insight into cost of quality through provider staff costs, a central driver, at various quality levels. However, the task force wants to underscore the limitations acknowledged by ICF's report, and recommends that model updates with additional data from providers be incorporated when using the model to better capture regional variations, realities of service implementation, and variations in compensation across providers.

To illustrate, here we highlight some of the **major limitations** of the model for the purpose of indicating areas where it could evolve to be more comprehensive:

- The staffing salaries the model uses are based on the responses from DCYF's 2018 Market Rate Survey. However, the survey's salary questions were not mandatory and DCYF believes the data's reliability is limited.
- The salary figures used for family home providers are based on a center director's salary. Depending on the business structure, a family home provider may not receive salaries, but rather profits from their business.
- Data on Early Achievers provider quality levels in from the 2018 Market Rate Survey used for the model was limited – in 2018 there were many fewer providers rated than we now have.
- The regional variations in salaries used in the model are based on the variations in subsidy rates for current regions. A provider that currently receives a subsidy rate that is low compared to economic realities would continue to see this disparity reflected in the model.
- There is a lack of granularity between the quality levels discussed: "Licensing," "Level 3" and "Aspirational." Further, reliance of staff costs means there is no indication of what drives cost in the Early Achievers

progression at different levels. The cost model should reflect cost drivers at each level of Early Achievers, as well as Washington State Quality Standards for Afterschool and Youth Development Programs.[80]

- The model will need to be adjusted based upon changes to the Early Achievers quality rating and improvement system and quality systems related to school-age child care. Some task force members noted that current Early Achievers standards prescribe specific approaches to achieving outcomes, which are associated with certain costs. Should Early Achievers allow for flexibility in achieving outcomes, the associated costs may change.
- School-age specific child care has not had the opportunity to complete a quality cost model study, so there is work to be done to ensure school-age providers can meet costs associated with high-quality programming.
- The model should reflect the Community-Based Pathway as a process for child care staff to demonstrate competencies, as well as provider experience, education, and training. Competencies, experience, education and training are factors for recruitment, competitive compensation of staff and professional development costs. The model (and quality standards, such as Early Achievers) should acknowledge and support competencies, experience and training, which will promote a diverse workforce.
- The model should reflect locally adjusted capital cost estimates associated with acquisition, construction, renovation, maintenance and appreciation or depreciation of capital assets.

Further, under CCDF rules, in order for Washington to use a cost of quality model to determine its subsidy base rates, the model must include the priced child care market, contain complete and current data, represent geographic variation, use rigorous data collection procedures, and analyze data in a manner that captures market differences. More specifically, it must analyze the cost of providing child services that meet basic health, safety, quality and staffing requirements (45 CFR 98.45(b)(3), (f)(1)(ii)(A), and (f)(2)(ii)), and higher-quality care at each level of quality. (45 CFR 98.45(b)(4), (f)(1)(ii)(B), and (f)(2)(iii)). The issues described in the bullets above may be obstacles to obtaining ACF approval to use this model to set rates. In addition, CCDF requires the model to track provider participation in subsidy, and barriers to it related to payment rates and practices (45 CFR 98.45(d)(2)(i)), which the model currently does not do. See 45 CFR 98.45 in Appendix E.

The task force suggests consideration of cost of quality drivers not substantially discussed in the report or fully factored into the model. Some of these may be further elucidated through a provider survey, as discussed in the Cost Model section of the report. While staff salaries are the biggest cost driver for many providers, the model does not fully discuss other sources that may make up a significant portion of provider overhead. Other cost sources may include, for example: licensed facility and environmental improvements, evidence-based curriculum, materials for children, access to behavioral and mental health consultation, and staff training to support use of curriculum, assessment tools, trauma-informed care, etc.

---

[80] (School's Out Washington 2014)

Appendix E: 45 CFR § 98.45 - Equal Access

(a) The Lead Agency shall certify that the payment rates for the provision of child care services under this part are sufficient to ensure equal access, for eligible families in the area served by the Lead Agency, to child care services comparable to those provided to families not eligible to receive CCDF assistance or child care assistance under any other Federal, State, or tribal programs.

(b) The Lead Agency shall provide in the Plan a summary of the data and facts relied on to determine that its payment rates ensure equal access. At a minimum, the summary shall include facts showing:

(1) How a choice of the full range of providers is made available, and the extent to which child care providers participate in the CCDF subsidy system and any barriers to participation including barriers related to payment rates and practices, based on information obtained in accordance with paragraph (d)(2) of this section;

(2) How payment rates are adequate and have been established based on the most recent market rate survey or alternative methodology conducted in accordance with paragraph (c) of this section;

(3) How base payment rates enable providers to meet health, safety, quality, and staffing requirements in accordance with paragraphs (f)(1)(ii)(A) and (f)(2)(ii) of this section;

(4) How the Lead Agency took the cost of higher quality into account in accordance with paragraph (f)(2)(iii) of this section, including how payment rates for higher-quality care, as defined by the Lead Agency using a quality rating and improvement system or other system of quality indicators, relate to the estimated cost of care at each level of quality;

(5) How co-payments based on a sliding fee scale are affordable, as stipulated at paragraph (k) of this section; if applicable, a rationale for the Lead Agency's policy on whether child care providers may charge additional amounts to families above the required family co-payment, including a demonstration that the policy promotes affordability and access; analysis of the interaction between any such additional amounts with the required family co-payments, and of the ability of subsidy payment rates to provide access to care without additional fees; and data on the extent to which CCDF providers charge such additional amounts to families (based on information obtained in accordance with paragraph (d)(2) of this section);

(6) How the Lead Agency's payment practices support equal access to a range of providers by providing stability of funding and encouraging more child care providers to serve children receiving CCDF subsidies, in accordance with paragraph (l) of this section;

(7) How and on what factors the Lead Agency differentiates payment rates; and

(8) Any additional facts the Lead Agency considered in determining that its payment rates ensure equal access.

(c) The Lead Agency shall demonstrate in the Plan that it has developed and conducted, not earlier than two years before the date of the submission of the Plan, either:

(1) A statistically valid and reliable survey of the market rates for child care services; or

(2) An alternative methodology, such as a cost estimation model, that has been:

(i) Proposed by the Lead Agency; and

(ii) Approved in advance by ACF.

(d) The Lead Agency must:

(1) Ensure that the market rate survey or alternative methodology reflects variations by geographic location, category of provider, and age of child;

(2) Track through the market rate survey or alternative methodology, or through a separate source, information on the extent to which:

(i) Child care providers are participating in the CCDF subsidy program and any barriers to participation, including barriers related to payment rates and practices; and
(ii) CCDF child care providers charge amounts to families more than the required family co-payment (under paragraph (k) of this section) in instances where the provider's price exceeds the subsidy payment, including data on the size and frequency of any such amounts.

(e) Prior to conducting the market rate survey or alternative methodology, the Lead Agency must consult with:

(1) The State Advisory Council on Early Childhood Education and Care (designated or established pursuant to section 642B(b)(1)(A)(i) of the Head Start Act (42 U.S.C. 9837b(b)(1)(A)(i)) or similar coordinating body, local child care program administrators, local child care resource and referral agencies, and other appropriate entities; and
(2) Organizations representing child care caregivers, teachers, and directors.

(f) After conducting the market rate survey or alternative methodology, the Lead Agency must:

(1) Prepare a detailed report containing the results, and make the report widely available, including by posting it on the Internet, not later than 30 days after the completion of the report. The report must include:

(i) The results of the market rate survey or alternative methodology;
(ii) The estimated cost of care necessary (including any relevant variation by geographic location, category of provider, or age of child) to support:

(A) Child care providers' implementation of the health, safety, quality, and staffing requirements at §§ 98.41 through 98.44; and
(B) Higher-quality care, as defined by the Lead Agency using a quality rating and improvement system or other system of quality indicators, at each level of quality; and

(iii) The Lead Agency's response to stakeholder views and comments.

(2) Set payment rates for CCDF assistance:

(i) In accordance with the results of the most recent market rate survey or alternative methodology conducted pursuant to paragraph (c) of this section;
(ii) With base payment rates established at least at a level sufficient for child care providers to meet health, safety quality, and staffing requirements in accordance with paragraph (f)(1)(ii)(A) of this section;
(iii) Taking into consideration the cost of providing higher-quality child care services, including consideration of the information at each level of higher quality required by paragraph (f)(1)(ii)(B) of this section;
(iv) Taking into consideration the views and comments of the public obtained in accordance with paragraph (e) and through other processes determined by the Lead Agency; and
(v) Without, to the extent practicable, reducing the number of families receiving CCDF assistance.

(g) A Lead Agency may not establish different payment rates based on a family's eligibility status, such as TANF status.
(h) Payment rates under paragraph (a) of this section shall be consistent with the parental requirements in § 98.30
(i) Nothing in this section shall be construed to create a private right of action if the Lead Agency acts in accordance with the Act and this part.

(j) Nothing in this part shall be construed to prevent a Lead Agency from differentiating payment rates on the basis of such factors as:

(1) Geographic location of child care providers (such as location in an urban or rural area);
(2) Age or particular needs of children (such as the needs of children with disabilities, children served by child protective services, and children experiencing homelessness);
(3) Whether child care providers provide services during the weekend or other non-traditional hours; or
(4) The Lead Agency's determination that such differential payment rates may enable a parent to choose high-quality child care that best fits the parents' needs.

(k) Lead Agencies shall establish, and periodically revise, by rule, a sliding fee scale(s) for families that receive CCDF child care services that:

(1) Helps families afford child care and enables choice of a range of child care options;
(2) Is based on income and the size of the family and may be based on other factors as appropriate, but may not be based on the cost of care or amount of subsidy payment;
(3) Provides for affordable family co-payments that are not a barrier to families receiving assistance under this part; and
(4) At Lead Agency discretion, allows for co-payments to be waived for families whose incomes are at or below the poverty level for a family of the same size, that have children who receive or need to receive protective services, or that meet other criteria established by the Lead Agency.

(l) The Lead Agency shall demonstrate in the Plan that it has established payment practices applicable to all CCDF child care providers that:

(1) Ensure timeliness of payment by either:
  (i) Paying prospectively prior to the delivery of services; or
  (ii) Paying within no more than 21 calendar days of the receipt of a complete invoice for services.
(2) To the extent practicable, support the fixed costs of providing child care services by delinking provider payments from a child's occasional absences by:
  (i) Paying based on a child's enrollment rather than attendance;
  (ii) Providing full payment if a child attends at least 85 percent of the authorized time;
  (iii) Providing full payment if a child is absent for five or fewer days in a month; or
  (iv) An alternative approach for which the Lead Agency provides a justification in its Plan.
(3) Reflect generally-accepted payment practices of child care providers that serve children who do not receive CCDF subsidies, which must include (unless the Lead Agency provides evidence in the Plan that such practices are not generally-accepted in the State or service area):
  (i) Paying on a part-time or full-time basis (rather than paying for hours of service or smaller increments of time); and
  (ii) Paying for reasonable mandatory registration fees that the provider charges to private-paying parents:
(4) Ensure child care providers receive payment for any services in accordance with a written payment agreement or authorization for services that includes, at a minimum, information regarding provider payment policies, including rates, schedules, any fees charged to providers, and the dispute resolution process required by paragraph (l)(6);
(5) Ensure child care providers receive prompt notice of changes to a family's eligibility status that may impact payment, and that such notice is sent to providers no later than the day the Lead Agency becomes aware that such a change will occur;
(6) Include timely appeal and resolution processes for any payment inaccuracies and disputes.

[81 FR 67586, Sept. 30, 2016]

Bibliography

2019. "Approved activities for applicants and consumers not participating in WorkFirst, Wa. Admin. Code § 110-15-0045." https://app.leg.wa.gov/wac/default.aspx?cite=110-15-0045.

2018. "Approved activities for applicants and consumers participating in WorkFirst, Wa. Admin. Code § 110-15-0040." https://app.leg.wa.gov/wac/default.aspx?cite=110-15-0040.

Bipartisan Policy Center. 2020. *The Limitations of Using Market Rates for Setting Child Care Subsidy Rates.* Report, Washington, DC: BPC. https://bipartisanpolicy.org/report/the-limitations-of-using-market-rates-for-setting-child-care-subsidy-rates/.

Center for Law and Social Policy. 2017. *Support a Diverse and Culturally Competent Workforce.* August 21. https://www.clasp.org/babiesinchildcare/recommendations/nurturing-and-responsive-providers/support-a-diverse-and-culturally-competent-workforce.

Center on the Developing Child at Harvard University. 2007. *InBrief: Early Childhood Program Effectiveness.* Cambridge: Harvard University. https://46y5eh11fhgw3ve3ytpwxt9r-wpengine.netdna-ssl.com/wp-content/uploads/2015/05/inbrief-programs-update-1.pdf.

Centers for Disease Control and Prevention. 2020. *Health Equity Considerations and Racial and Ethnic Minority Groups.* Washington, DC, July 24. https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/race-ethnicity.html.

Child Care Aware of America. 2019. *The US and the High Price of Child Care: An Examination of a Broken System.* Report, Arlington, VA: Child Care Aware of America. https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/.

Child Care Aware of America. 2018. *Why Does Child Care Cost So Much Yet Providers Make So Little?* Arlington, VA, July 11. https://www.youtube.com/watch?v=krejcn2ivYU.

Child Care Collaborative Task Force. 2019. *Initial Recommendations Report to the Legislature under SHB 2367, Laws of 2018.* Legislative Report, Olympia, WA: Washington State Department of Commerce. http://www.commerce.wa.gov/wp-content/uploads/2019/11/Report-Child-Care-Collaborative-Task-Force-2019-Final.pdf.

2019. "Child care collaborative task force—Duties, Rev. Code of Wa. § 43.330.527." https://app.leg.wa.gov/RCW/default.aspx?cite=43.330.527.

1988. "Child Care Coordinating Committee--Child Care Expansion Grant Fund - Ch. 213, Washington Laws." https://leg.wa.gov/CodeReviser/documents/sessionlaw/1988c213.pdf?cite=1988%20c%20213%20%C2%A7%201.

2020. "Child care providers—Subsidy requirements—Tiered reimbursements—Copayments, Rev. Code of Wa. § 43.216.135." https://app.leg.wa.gov/RCW/default.aspx?cite=43.216.135.

Child Welfare Information Gateway. n.d. *Nurturing and Attachment.* Accessed December 1, 2020. https://www.childwelfare.gov/topics/preventing/promoting/protectfactors/nurture-attach/.

Committee for Economic Development. 2019. *Child Care in State Economies: 2019 Update.* Report, The Conference Board, Arlington: CED. https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf.

Committee for Economic Development. 2020. "Pathways to High-Quality Child Care: The Workforce Investment Credit." Policy Brief, Arlington. https://www.ced.org/reports/early-learning/pathways-to-high-quality-child-care#section5.

2018. "Determining income eligibility and copayment amounts, Wa. Admin. Code § 110-15-0075." https://apps.leg.wa.gov/WAC/default.aspx?cite=110-15-0075.

Dingel, Jonathan I., Christina Patterson, and Joseph Vavra. 2020. *Childcare Obligations Will Constrain Many Workers When Reopening the US Economy.* Working Paper, Becker Friedman Institute for Economics, University of Chicago, Chicago: University of Chicago. https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202046.pdf.

2020. "Early Learning Providers - Training - Ch. 342, Washington Laws." http://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/House/2556-S.SL.pdf?q=20201130190805.

2019. "Eligibility, Wa. Admin. Code § 110-15-0005." https://apps.leg.wa.gov/wac/default.aspx?cite=110-15-0005.

Gould, Elise. 2015. *Child Care Workers Aren't Paid Enough to Make Ends Meet.* Issue Brief, Washington, DC: Economic Policy Institute. https://www.epi.org/publication/child-care-workers-arent-paid-enough-to-make-ends-meet/.

Health and Human Services Enterprise Coalition. 2019. *Legislative Proviso Report on IT Investment Coordination.* Report, Olympia: Washington State Health Care Authority. https://www.hca.wa.gov/assets/program/health-human-services-enterprise-coalition-20191126.pdf.

Heckman, James. 2020. *Heckman: The economics of human potential.* Accessed November 10, 2020. https://heckmanequation.org/.

ICF and Fran Kipnis. 2020. *Washington Child Care Industry Assessment Volume IV: Workforce Compensation Policy Analyses.* Policy Analysis, Fairfax: ICF. https://deptofcommerce.box.com/s/l7zhcrgvpe5h7mq6azxykje12760j8tg.

ICF. 2020. *Washington Child Care Industry Assessment Volume V: Subsidy Policy Analyses.* Policy Report, Fairfax, VA: ICF. https://deptofcommerce.box.com/s/jp8rqy9qx9c1avm12750afcd18aey08t.

ICF. 2020. *Washington State Child Care Industry Assessment Volume I: Report.* Report, Fairfax: ICF. https://www.commerce.wa.gov/wp-content/uploads/2020/08/Child-Care-Collaborative-Task-Force-Industry-Assessment-Report.pdf.

Murphey, David, Tawana Bandy, Hannah Schmitz, and Kristin A. Moore. 2013. *Caring Adults: Important for Positive Child Well-Being.* Research Brief, Bethesda: Child Trends. https://www.childtrends.org/wp-content/uploads/2013/12/2013-54CaringAdults.pdf.

National Academy of Sciences, Engineering, and Medicine. 2018. *Transforming the Financing of Early Care and Education.* Washington, DC: The National Academies Press. doi:https://doi.org/10.17226/24984.

1996. "Personal Responsibility and Work Opportunity Reconciliation Act, H.R. 3734, 104th Cong. § 2." https://www.congress.gov/104/plaws/publ193/PLAW-104publ193.pdf.

School's Out Washington. 2014. *Washington State Quality Standards for Afterschool and Youth Development Programs.* Report, Seattle: School's Out Washington. https://cdn.shopify.com/s/files/1/0515/3189/files/Quality-Standards-PDF-2-14-14-Final-web.pdf?6388612972077965549.

Smith, Linda, and Sarah Tracey. 2020. *Child Care in COVID-19: Another Look at What Parents Want.* Report, Washington, DC: Bipartisan Policy Center. https://bipartisanpolicy.org/blog/child-care-in-covid-another-look/.

U.S. Department of Health and Human Services Administration for Children and Families. 2019. *Provider Cost of Quality Calculator.* January 24. Accessed November 10, 2020. www.ecequalitycalculator.com.

U.S. Department of Health and Human Services Administration for Children and Families. 2015. *Understanding the Potential of the Provider Cost of Quality Calculator.* Washington, DC, March 10. https://childcareta.acf.hhs.gov/sites/default/files/public/final_-_pcqc_national_webinar.pdf.

U.S. Office of Child Care. 2016. *Child Care and Development Fund Final Rule Frequently Asked Questions.* December 14. https://www.acf.hhs.gov/occ/resource/ccdf-final-rule-faq.

U.S. Office of Child Care. 2016. *Child Care and Development Fund Final Rule: Equal Access Provisions.* https://www.acf.hhs.gov/sites/default/files/occ/stam_final_rule_equal_access_sept_2016.pdf.

U.S. Office of Child Care Early Childhood Training and Technical Assistance System. 2020. *Family Copayment Contribution.* October 13. https://childcareta.acf.hhs.gov/ccdf-fundamentals/family-copayment-contribution.

Washington State Department of Children, Youth and Families. 2019. *Compensation Technical Workgroup Report to the Washington State Legislature.* Report, Olympia: DCYF. https://www.dcyf.wa.gov/sites/default/files/pdf/reports/CompensationTechWrkgrpRprt.pdf.

—. n.d. *Early Achievers.* Accessed December 1, 2020. https://www.dcyf.wa.gov/services/earlylearning-childcare/early-achievers.

—. 2020. "Early Achievers Dashboard." October 13. https://www.dcyf.wa.gov/sites/default/files/pdf/ea/EA-dashboard.pdf.

Washington State Department of Labor and Industries. 2020. *Minimum Wage.* October 13. Accessed November 10, 2020. https://lni.wa.gov/workers-rights/wages/minimum-wage/.

Washington State Health Care Authority. 2020. *Apple Health (Medicaid) Eligibility for Parents/Caretakers.* Accessed December 1, 2020. https://www.hca.wa.gov/health-care-services-supports/apple-health-medicaid-coverage/parentscaretakers.

Whitebook, Marcy, Caitlin McLean, Lea J.E. Austin, and Bethany Edwards. 2018. *Early Childhood Workforce Index - 2018.* Report, Berkeley: Center for the Study of Child Care Employment, University of California, Berkeley. http://cscce.berkeley.edu/topic/early-childhood-workforce-index/2018/.

2019. "Workforce Education Investment Act - Chapter 406, Washington Laws." http://lawfilesext.leg.wa.gov/biennium/2019-20/Pdf/Bills/Session%20Laws/House/2158-S2.SL.pdf?q=20201201091815.

Zero to Three. 2019. *America's Future Depends on Quality Child Care.* October 11. https://www.zerotothree.org/resources/1220-america-s-future-depends-on-quality-child-care.