LATE

SB 2861

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February 9, 2010

MEMORANDUM

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2861 – RELATING TO CHILD CARE**

Hearing: Tuesday, February 9, 2010; 4:30 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of S.B. 2861 is to impose a maximum child care subsidy of $500 per month per child and authorizes the Department of Human Services to amend its guidelines for determining eligibility for child care subsidies.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this bill as it creates a situation where some types of licensed care will be unattainable for low-income families, and will create an inequitable standard of income eligibility criteria amongst families and even within a family who utilizes preschool care for one child and another type of care for their other child(ren).

The DHS does not set limits to the amount that a provider charges families for tuition to enroll in their care. Therefore, settings like licensed center-based infant and toddler programs may have to charge families a lot more than preschools due to the need for a higher staff to child ratio. Also, accredited preschools may charge more than non-accredited preschools as they have to meet more stringent standards to maintain their accreditation. If the child care subsidy rate is limited to $500, families may not be able to access those settings that charge more than $500 because they cannot afford it. This may affect the enrollment in licensed settings and providers may be forced to close portions of their service or close their business.

Another item to note is that the Administration for Children and Families who administers the Child Care and Development Fund, which is our federal funding source, established a benchmark of the 75th percentile of the market for child care for all states to utilize when setting their payment rates. The 75th percentile of the market is regarded as providing equal access to child care settings for low-income families, and the Department has tried to come as close to, or exceed, the 75th percentile of the market to ensure that our families have equal access to all licensed child care settings.

The provision in the bill for setting a different income eligibility criteria for those families who utilize preschool care would create an inequitable system for families and other licensed child care settings. Under this bill, a family that has more than one child who needs subsidized care would have to have their income calculated separately for the child who needs preschool care and the child who needs care in another setting.

Also, having the differentiated income eligibility criteria for only those attending preschool care sends a message to other licensed child care providers that there is a concern for only the licensed preschools. Licensed family child care providers as well as licensed center-based infant and toddler care programs provide an invaluable service to those families who are looking for infant or toddler care, and licensed programs that serve school-aged children serve a need for before school care, after school care and intersession care.

The last item concerns the fact that the income criteria in effect on December 31, 2009 was replaced by the recent adoption of new administrative rules for the Child Care Services program on January 22, 2010. The income eligibility limits remain the same, but the sliding fee scale that assigns the subsidy amount that the Department will pay has changed. DHS is implementing a ten-step sliding scale to correct an unintended "cliff effect" created by the old three-step scale, which pays subsidies of 100%, 90% and 80% of the maximum rate allowed by DHS. When families exceed income eligibility by even one dollar, they currently lose an 80% subsidy.

About 1,600 families – 20 percent of our caseload – are at or near the income limit, meaning they have a powerful incentive to <u>minimize</u> their earnings so they don't 'go over the brink' and lose a large subsidy. Under the new sliding scale, families only lose a 10% subsidy when they exceed the income limit, so they are encouraged – not discouraged – from advancing in their careers and leaving government assistance.

Thank you for the opportunity to provide comments on this bill.