



## Agency Recommendation Summary

The Department of Children, Youth and Families requests \$23,758,000 (\$23,747,000 General Fund-State) and 4.0 Full Time Equivalents in the 2024 Supplemental Budget to support increased provider participation in Working Connections Child Care (WCCC) and support increased family eligibility in FY25 and again in FY27. Providers must receive equivalent compensation for children receiving subsidized child care in order for them not to take a financial loss by participating in subsidy. This includes accounting for additional administrative tasks associated with participating in WCCC.

## Program Recommendation Summary

### 010 - Children and Families Services

The Department of Children, Youth and Families requests \$1,231,000 General Fund-State in the 2024 Supplemental Budget to increase the Infant Rate Enhancement and Non-Standard Hours Bonus for Child Welfare Child Care providers in order to support increased family eligibility and increased provider participation in subsidized child care.

### 030 - Early Learning

The Department of Children, Youth and Families requests \$22,442,000 General Fund-State and 4.0 Full Time Equivalents (FTE) in the 2024 Supplemental Budget to support increased provider participation in Working Connections Child and support increased family eligibility in FY25 and again in FY27. Expanding provider participation and increased access to high-quality care is essential to support an integrated B-8 early learning system while helping eliminate racial disproportionalities, advance racial equity and increase kindergarten readiness. This decision package supports child outcomes by improving provider economics through expanded eligibility, sustainable funding, and reducing administrative burden.

### 090 - Program Support

The Department of Children, Youth and Families (DCYF) requests \$85,000 (\$74,000 GF-State) in the 2024 Supplemental Budget to fund program support functions that scale with the additional FTEs requested in this package. This will allow the agency to scale in capacity the critical back-office business needs, such as but not limited to, Human Resources, Information Technology, Finance, etc.

## Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
<b>Staffing</b>						
FTEs	0.0	4.0	2.0	4.0	4.0	4.0
<b>Operating Expenditures</b>						
Fund 001 - 1	\$0	\$1,231	\$1,231	\$1,231	\$1,231	\$2,462
Fund 001 - 1	\$0	\$22,442	\$22,442	\$22,413	\$22,413	\$44,826
Fund 001 - 2	\$0	\$11	\$11	\$11	\$11	\$22
Fund 001 - 1	\$0	\$74	\$74	\$74	\$74	\$148
Total Expenditures	\$0	\$23,758	\$23,758	\$23,729	\$23,729	\$47,458
<b>Revenue</b>						
001 - 0393	\$0	\$11	\$11	\$11	\$11	\$22
Total Revenue	\$0	\$11	\$11	\$11	\$11	\$22

## Decision Package Description

The cost of providing quality child care is higher for infants and toddlers than for older children. Providers offering infant and toddler care sometimes subsidize the costs of providing care by increasing prices for older children, which further suppress demand for child care at all age groups. In a functional market, providers must be able to cover costs as participation from the preschool age children decreases. Without covering these costs providers will close their business and family access to high quality care will decrease. This will disproportionately impact families with low income and single parent families. DCYF requests funding to further support provider participation in subsidy by covering costs for providers offering infant care or non-standard hours, by providing additional contracted slots for infants receiving protective services, by reducing providers' administrative burden and providing technical assistance, and by aligning overpayment collection with federal requirements. DCYF has requested these improvements in recent budget cycles. The infant rate enhancement was increased in the 2021-23 Biennial Budget, and the nonstandard hour bonus was increased in the 2021-23 and the 2023-25 Biennial Budgets. This decision package also requests to maintain time limited funding to support providers with shared services and technical assistance.

This proposal has a four-prong approach:

## Expand infant access.

Provide contracted slots for infants receiving protective services.

Providing contracted slots for infants who are placed with kin or foster parents will increase DCYF's ability to place infants. This will further support providers with continuity of payment for children who have regular changes in care needs. Providing contracted slots for these children guarantees child care enrollment and ensures these children receive the benefit of child care programs.

Increase infant rate enhancement to \$500.

Increasing the infant rate enhancement will help cover increased costs of infant care. This will increase infant slots giving parents and caregivers of infants increased access to quality child care. Increase costs include increased square footage requirements and reduced teacher to student ratios necessary for required care for infants.

## Increase the Non-standard hour bonus to \$500.

The non-standard hours bonus (NSHB) allows providers to cover increased costs associated with non-standard hours. Non-standard hours are before 6:00am and after 6:00pm and weekend care. Staffing levels must meet licensing requirements and participation in non-standard hours is reduced which increases costs. Helping cover these costs will allow more providers to participate further increasing child access to high quality child care for families work part-time, work in the gig-economy, construction, retail, manufacturing, agriculture, or seasonal jobs.

## Align overpayment collection with Federal requirements.

DCYF currently collects overpayments from providers or families when fraud is found in billing, misuse of funds, or a violation of the program requirements has occurred. Overpayments are referred for investigation to the Department of Social and Health Services (DSHS) Office of Fraud and Accountability. Providers and families can request an administrative hearing for reconsideration of the overpayment finding. The federal government in the Code of Federal Regulations (CFR) governing the Child Care Development Fund (CCDF) Block Grant describes the requirements for overpayment collections in 45 CFR 98.68(b)(2), which are less prescriptive than current Washington State law. DCYF is proposing alignment with the CFR which will include fraud and intentional program violations only.

## Shared services and technical assistance to access funding and resources.

Increase Shared Services Funding.

In-depth training, mentoring and consultative support through the Shared Services Hub (SSH) is currently available to a limited number of licensed family homes and licensed centers through current Preschool Development Grant funding. With additional funding, the SSH could service their waitlist as well as expand their offerings related to the financial wellbeing of child care business including; record keeping, budget development and management, taxes as related to subsidy billing and payment.

Increase business learning supports: DCYF has an opportunity to provide training, technical assistance, and other professional learning support to both licensed family homes and licensed centers through culturally and linguistically responsive means to strengthen business practices. Providing access to learning solutions that are culturally relevant and accessible within community, supports providers who experience barriers to participating in unfamiliar, complex government systems as well as technology associated with the billing process and reporting requirements. To provide responsive services, also includes translation and alternatives to written resources to reflect billing and child care licensing rules specific to their setting to support the health and sustainability of a child care business.

DCYF is in the process of conducting a cost of care analysis. The agency plans to propose a rate model based on this analysis for the 2025-27 Biennial Budget. Not funding this proposal in the 2024 Supplemental Budget will reduce access to high quality child care eligible families. This increases demand in a market which currently only the most economically advantaged can access.

## Assumptions and Calculations

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

DCYF requests \$23,758,000 General Fund State in the 2024 Supplemental Budget to increase provider participation in Working Connections Child Care and support increasing family eligibility.

There are three key areas that require an increase in resources:

## Expand infant access

1 FTE (\$150K) per year to manage 100 contracted slots.  
\$14M per year to increase the Infant Rate Enhancement to \$500 for approximately 2,500 children.  
\$8M per year to increase the Non-Standard Hour Bonus to \$500.

## Align overpayment collection with Federal requirements

\$200K per year less in overpayment assignments of representing approximately 333 overpayments.

## Shared services and technical assistance to access funding and resources

\$1.7M per year, ongoing, to maintain availability of both Shared Services and Technical Assistance, providing responsive services statewide and scalable (contracted service).  
Includes 3 FTE, ongoing, to provide culturally responsive direct service, to providers accessing various DCYF systems and business opportunities. This cost is included in the \$1.7M

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

	FY24	FY25	FY26	FY27
Contract Slots	\$ -	\$ 152,000	\$ 145,000	\$ 145,000
Infant Rate Enhancement	\$ -	\$ 13,769,000	\$ 13,769,000	\$ 13,769,000
Non Standard Hours Bonus	\$ -	\$ 7,923,000	\$ 7,923,000	\$ 7,923,000
Shared Services	\$ -	\$ 1,714,000	\$ 1,692,000	\$ 1,692,000
Align Overpayment	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
Total	\$ -	\$ 13,455,000	\$ 18,725,000	\$ 18,725,000

**100 Contracted Slots**

DCYF assumes the total cost to manage 100 contracted slots will be for 1.0 FTE. Costs are detailed below under workforce assumptions.

**Infant Rate Enhancement**

DCYF assumes the total cost to increase the Infant Rate Enhancement to \$500 will be \$13,769,000 in FY25 and ongoing, which includes the cost of providing the enhancement for both child care centers and family homes. DCYF assumes that family home compensation will follow the collective bargaining process.

DCYF assumes 8.6% of the WCCC population is eligible for the infant rate enhancement. The forecasted caseload for FY25 is 29,783, leading to 2,561 eligible infants.

The current Infant Rate Enhancement bonus is \$90. Increasing this bonus to \$500 would create a delta of \$410. The total assumed cost for the WCCC Infant Rate Enhancement will be \$12,602,000 (2,561 cases X 12 month eligibility X \$410).

DCYF assumes 4.9% of the Child Welfare Child Care (CWCC) population is eligible for the infant rate enhancement. The forecasted caseload for FY25 is 4,842, leading to 237 eligible infants.

The current Infant Rate Enhancement bonus is \$90. Increasing this bonus to \$500 would create a delta of \$410. The total assumed cost for the CWCC Infant Rate Enhancement will be \$1,167,000 (237 cases X 12 month eligibility X \$410).

**Non-Standard Hours Bonus**

DCYF assumes the total cost to increase the Non-Standard Hours Bonus to \$500 will be \$7,923,000 in FY25 and ongoing, which includes the cost of providing the bonus for both child care centers and family homes. DCYF assumes that family home compensation will follow the collective bargaining process.

The current Non-Standard Hours Bonus is \$135. Increasing this bonus to \$500 would create a delta of \$365. The total assumed cost for the WCCC Non-Standard Hours Bonus will be \$7,859,000 for WCCC and \$64,000 for CW CC.

**Shared Services and Technical Assistance**

DCYF assumes the cost to expand shared services contracts will be \$1,275,000, ongoing.

**Align Overpayment Collection with Federal Requirements**

DCYF assumes the total cost to align overpayment collections with federal requirements will be \$200,000 in FY25.

DCYF collects approximately 333 overpayments, totaling \$200,000, each fiscal year due to administrative and unintentional errors. Aligning overpayment collection policies with federal requirements will result in \$200,000 less overpayment collections per fiscal year.

Additional details and assumptions provided in backup calculations.

**Workforce Assumptions:**

DCYF requests \$591,000 (\$580,000 General Fund State) and 4.0 Full Time Equivalents (FTE) in the 2024 Supplemental Budget.

DCYF requests 1.0 FTE to manage 100 contracted slots and 3.0 FTEs to provide culturally responsive direct service, to providers accessing various DCYF systems and business opportunities.

- 1.0 Management Analyst 3 ongoing - \$152,000
- 3.0 Management Analyst 4's ongoing - \$439,000

**Strategic and Performance Outcomes**

**Strategic Framework:**

By increasing provider financial support directly and indirectly more providers will participate in subsidy. This is necessary to allow increased capacity to support increasing subsidy caseloads. Subsidy has disproportionate participation by families of color and single parents. Increasing access to high quality child care for these families supports child kindergarten readiness and further removes race as predicting factor for child outcomes. Integrated B-8 Early Learning System and eliminate racial disproportionalities and advance racial equity.

**Performance Outcomes:**

Success will include increased infant slots and increased provider participation in subsidy.

## Equity Impacts

### **Community outreach and engagement:**

These recommendations have been supported and recommended by partners through a series of feedback sessions through advisory groups, workgroups, coalitions and individual contributors. Stakeholders pledged their full support with the exception of some external stakeholder expectation to require providers to repay overpayments. DCYF is expected to report on overpayments in an annual overpayment report required under budget proviso. This highlights the external desire to identify and track overpayments. These concerns may be mitigated by highlighting the limited collection and administrative costs associated with overpayments.

### **Disproportional Impact Considerations:**

Providers are disproportionately women and women of color. Supporting these businesses with increased economic and administrative support further advances these businesses. This in turn further supports families receiving child care subsidy. Increasing provider participation in subsidy supports families with low income with access high quality child care. This proposal reduces disproportionality with support to child kindergarten readiness which improves child outcomes and reduces race as a predictor for child outcomes. This also allows single parents access to child care to support work and education activities. This proposal ensures that disproportionality is not exacerbated with support for access for providers and low-income families. Increasing access to low-income families does potentially decrease access to families who are not eligible for subsidy. These families have increased economic advantages to support their children with high quality child care. Providers report moving away from infant and toddler care due to the increased costs associated with this care. This is due to increased space and staffing requirements and even the private market cannot support this age group. Increasing incentives will offer providers opportunities to make this economically viable. Providers also report not participating in subsidy due to financial penalties in the form of overpayments. By removing the requirement to collect on administrative and unintentional errors providers will only be required to repay overpayments due to fraud and intentional program violations.

### **Target Populations or Communities:**

Providers are disproportionately women and women of color. Supporting these businesses with increased economic and administrative support further advances these businesses. This in turn further supports families receiving child care subsidy.

## Other Collateral Connections

### **Puget Sound Recovery:**

Not applicable

### **State Workforce Impacts:**

Not applicable

### **Intergovernmental:**

This proposal builds on previous conversations with advisory groups, stakeholders and tribes. This proposal supports provider participation in subsidy, sustains business supports, technical assistance related to funding opportunities, and reduces administrative burden without requiring providers to meet any additional requirements. This will be supported by partners, stakeholders, agencies, and tribes.

### **Stakeholder Response:**

This will be supported by partners, tribes, child care providers and family stakeholders. DCYF is expected to report on overpayments in an annual overpayment report required under budget proviso. This highlights the external desire to identify and track overpayments. These concerns may be mitigated by highlighting the limited collection and administrative costs associated with overpayments.

### **State Facilities Impacts:**

Not applicable

### **Changes from Current Law:**

DCYF will need to modify rules pertaining to claim and payment. Specifically, 110-15-0249 for the nonstandard hour bonus, 110-15-0215 for the infant rate enhancement, and to create a rule for the toddler rate enhancement.

### **Legal or Administrative Mandates:**

Compensation enhancements for licensed family homes must follow the collective bargaining process.

### **HEAL Act Agencies Supplemental Questions**

Not applicable

**IT Addendum**

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

No

**Objects of Expenditure**

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2024	2025	2023-25	2026	2027	2025-27
Obj. N	\$0	\$1,231	<b>\$1,231</b>	\$1,231	\$1,231	<b>\$2,462</b>
Obj. A	\$0	\$343	<b>\$343</b>	\$343	\$343	<b>\$686</b>
Obj. B	\$0	\$118	<b>\$118</b>	\$118	\$118	<b>\$236</b>
Obj. C	\$0	\$1,275	<b>\$1,275</b>	\$1,275	\$1,275	<b>\$2,550</b>
Obj. E	\$0	\$7	<b>\$7</b>	\$7	\$7	<b>\$14</b>
Obj. G	\$0	\$9	<b>\$9</b>	\$9	\$9	<b>\$18</b>
Obj. J	\$0	\$29	<b>\$29</b>	\$0	\$0	<b>\$0</b>
Obj. N	\$0	\$20,661	<b>\$20,661</b>	\$20,661	\$20,661	<b>\$41,322</b>
Obj. T	\$0	\$85	<b>\$85</b>	\$85	\$85	<b>\$170</b>

**Agency Contact Information**

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