



Agency Recommendation Summary

The Department of Children, Youth, and Families (DCYF) requests \$94,914,000 (\$94,727,000 General Fund-State) and 4.0 Full Time Equivalents (FTE) in the 2025-27 Biennial Budget to comply with the 2024 Child Care Development Fund (CCDF) Final Rule.

Program Recommendation Summary

030 - Early Learning

The Department of Children, Youth, and Families (DCYF) requests \$93,913,000 General Fund-State and 1.0 Full Time Equivalent staff (FTE) in the 2025-27 Biennial Budget to comply with the 2024 Child Care Development Fund (CCDF) Final Rule.

090 - Program Support

The Department of Children, Youth, and Families (DCYF) requests one-time funding of \$1,001,000 (\$814,000 General Fund-State) and 6.0 Full Time Equivalents in the 2025-27 Biennial Budget for State Fiscal Year 2026 to comply with the 2024 Child Care Development Fund (CCDF) Final Rule.

Fiscal Summary

Fiscal Summary <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Staffing						
FTEs	7.0	1.0	4.0	1.0	1.0	1.0
Operating Expenditures						
Fund 001 - 1	\$21,892	\$72,021	\$93,913	\$98,846	\$98,846	\$197,692
Fund 001 - 1	\$793	\$21	\$814	\$21	\$21	\$42
Fund 001 - C	\$19	\$0	\$19	\$0	\$0	\$0
Fund 001 - A	\$165	\$3	\$168	\$3	\$3	\$6
Total Expenditures	\$22,869	\$72,045	\$94,914	\$98,870	\$98,870	\$197,740
Revenue						
001 - 0393	\$184	\$3	\$187	\$3	\$3	\$6
Total Revenue	\$184	\$3	\$187	\$3	\$3	\$6

Decision Package Description

On March 1, 2024, the Department of Health and Human Services, Administration for Children and Families (ACF) published updates to the Child Care and Development Fund (CCDF) regulations through a Final Rule, effective April 30, 2024, and codified in 45 CFR 98. The new federal requirements lower child care costs for families, improves the program's child care provider payment rates and practices, and simplifies enrollment in the child care subsidy program.

ACF offered a temporary waiver for an extension of up to two years to states that are not in compliance with the provisions of the Final Rule on April 30, 2024, if needed to come into compliance. DCYF has submitted a waiver request, allowing time to receive the required legal and budget authority and allowing for the ability to make system changes necessary for implementation.

Successful implementation of the new CCDF requirements will directly improve family access to high quality care by expanding family eligibility and indirectly by supporting provider's payment practices that mirror the private market as well as the way families pay for child care services. Increased provider participation is necessary for future Working Connections Child Care (WCCC) subsidy benefit expansion required under [RCW 43.216.802\(3\)](#).

This decision package requests authority and funding to:

- Support eligible children and families with 12 full months of benefits beginning July 1, 2025. This requirement is not eligible for a waiver and was cited by ACF's Office of Child Care (OCC) as an area to correct in the 2024 onsite visit.
 - Increase WCCC authorization period to ensure a full 12 months are available as required by the new CCDF rules.
 - Allow for a full 12 months when an eligible child is added into the household (this requirement resets a family's 12-month authorization period).
- Align child care subsidy payment practices with the private market by July 2026 (waiver allowed):
 - Paying providers prospectively (instead of retrospectively), and
 - Paying based on enrollment (instead of by attendance).
- Only require overpayment collection for families approved under presumptive eligibility when federally required.

DCYF currently authorizes 12 months of child care with the first month of care beginning when the family is eligible or when care begins with an eligible provider. The first month is often a partial month leading to an authorization that is less than the full 12 months required under CCDF. Expanding the family’s authorization period ensures that children receive a full 12 months of child care. This change will increase access to approximately 14,668 families, annually, with implementation beginning July 1, 2025.

DCYF must also ensure that children who are added to a household during the family’s authorization period also receive a full 12 months of child care. DCYF establishes eligibility at the family level, requiring a family with an eligible child added to the household to receive an extension of authorization for 13 months. This will increase child care access for approximately 377 families annually, with implementation beginning July 1, 2025.

DCYF is requesting authority to implement prospective and enrollment-based payment practices beginning July 1, 2026 to support approximately 4,200 licensed providers serving approximately 45,000 children. The July 1, 2026 implementation date allows for the necessary system changes to support the required payment practices while also allowing for extensive outreach, communication, and support to providers who participate in child care subsidy programs.

DCYF currently meets CCDF requirements for allowing presumptive eligibility for families. However, in about 11 cases each year, a family is provided presumptive eligibility and through no fault of their own are not able to establish their ongoing eligibility. Under current rules these 11 families are assessed about \$15,000 in overpayments that they must repay. DCYF is allowed under CCDF rules to not pursue these overpayments and DCYF is requesting budgetary authority to not pursue overpayments for presumptive eligibility. DCYF will continue to pursue overpayments required pursuant to CCDF rules.

Assumptions and Calculations

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

DCYF requests \$94,914,000 (\$94,727,000 General Fund-State) and 7.0 Full Time Equivalent in the 2025-27 Biennial Budget to implement the new CCDF rules.

	CCDF Rule Changes under 85th Percentile 2024 MRS					
	FY26	FY27	25-27 BI	FY28	FY29	27-29 BI
Enrollment Based Pay	\$ -	\$ 15,217,000	\$ 15,217,000	\$ 28,179,000	\$ 28,179,000	\$ 56,358,000
Prospective Pay	\$ -	\$ 10,040,000	\$ 10,040,000	\$ 18,593,000	\$ 18,593,000	\$ 37,186,000
12 Full Months	\$ 16,028,000	\$ 29,682,000	\$ 45,710,000	\$ 29,682,000	\$ 29,682,000	\$ 59,364,000
New Children	\$ 680,000	\$ 1,259,000	\$ 1,939,000	\$ 1,259,000	\$ 1,259,000	\$ 2,518,000
Rate Increase - 85th percentile 2024 MRS	\$ 4,511,000	\$ 15,173,000	\$ 19,684,000	\$ 20,983,000	\$ 20,983,000	\$ 41,966,000
Overpayments	\$ 15,000	\$ 15,000	\$ 30,000	\$ 15,000	\$ 15,000	\$ 30,000
Barcode	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -
Outreach and Communication	\$ 662,000	\$ 659,000	\$ 1,321,000	\$ 159,000	\$ 159,000	\$ 318,000
IT Staff	\$ 953,000	\$ -	\$ 953,000	\$ -	\$ -	\$ -
Total	\$ 22,869,000	\$ 72,045,000	\$ 94,914,000	\$ 98,870,000	\$ 98,870,000	\$ 197,740,000

Detailed Assumptions and Calculations:

12 Full Months Authorization

- DCYF currently authorizes 12 months eligibility, which often results in a partial month of care for families. Implementing a full 12 months of eligibility will add one month to the authorization period.
- The June 2024 caseload forecast for WCCC was 33,156 households. DCYF assumes 68 percent of households will reapply for eligibility at the end of their enrollment. DCYF further assumes that 82 percent of those that reapply are approved.
- DCYF assumes 44 percent of households are not receiving their full authorization period and would be eligible for an additional month.
- DCYF assumes a 54 percent ramp up in the first year of implementation.
- DCYF assumes anticipated total annual costs are \$16,028,000 for FY26 and \$29,682,000 for FY27.
- Child care subsidy base rates will increase on July 1, 2025 by an average of 27 percent. DCYF assumes this rate increase will cost \$4,328,000 in FY26 and \$8,014,000 in FY27 for a full 12 months of eligibility.

New Children added to Households

- CCDF rule changes require a full 12-month authorization period for new children added to an eligible household during a certification

period.

- DCYF assumes 377 children are added to households annually. Of these, 33 percent are not gaining full authorization.
- DCYF assumes new children will add 5 months to the household's authorization period.
- DCYF assumes a 54 percent ramp up in the first year of implementation.
- DCYF assumes anticipated total annual costs are \$680,000 for FY26 and \$1,259,000 for FY27.
- Child care subsidy base rates will increase on July 1, 2025 by an average of 27 percent. DCYF assumes this rate increase will cost \$184,000 in FY26 and \$340,000 in FY27 for new children added to households.

Enrollment Based Payment

- Enrollment-based payment was piloted in April 2022, as a way to stabilize subsidized child care during the COVID-19 pandemic. Initial data assumed an overall cost increase of 7.8 percent to the child care subsidy program, based on full-time care at 23 days. DCYF will implement practices to standardize monthly payment for full-time care at 22 full days. This results in an anticipated decrease of 4.3 percent, with an overall net increased cost of 3.5 percent.
- DCYF assumes a 54 percent ramp up in the first year of implementation.
- DCYF assumes anticipated total annual costs for FY27 to be \$15,217,000.
- Child care subsidy base rates will increase on July 1, 2025 by an average of 27 percent. DCYF assumes this rate increase will cost \$4,109,000 in FY27 for enrollment-based payments.

Prospective Pay

- Prospective payment practices will shift subsidy payments from being made at the end of the month to the beginning of the month.
- DCYF will implement rules to require providers to report when a child does not attend for one month. DCYF will close the child's authorization at the end of the reporting month. This extends the current 10-day adverse action payment to two months.
- DCYF data shows 4,594 households with two or more months between eligibility and enrollment.
- DCYF assumes the total anticipated annual costs for FY27 to be \$10,040,000.
- Child care subsidy base rates will increase on July 1, 2025 by an average of 27 percent. DCYF assumes this rate increase will cost \$2,711,000 in FY27 for prospective pay.

Outreach and Communication

- DCYF assumes a one-time cost of \$250,000 in FY26 and \$250,000 in FY27 for an outreach and communication contract.
- DCYF assumes a one-time increase to an existing contract of \$250,000 in FY26 and \$250,000 in FY27 for provider training.

Presumptive Eligibility Overpayments

- DCYF data shows that approximately 11 families receive presumptive eligibility due to no fault of their own.
- DCYF assumes the total anticipated annual cost is \$15,000 annually to not pursue overpayments due to presumptive eligibility.

Barcode Updates

- DCYF partners with the Department of Social and Health Services to maintain the eligibility system used for WCCC.
- DCYF assumes the one-time cost to update Barcode is \$20,000 in FY26.

Workforce Assumptions:

DCYF requests \$1,274,000 (\$1,087,000 GF-S) and 7.0 FTE for the implementation of CCDF requirements.

1.0 Washington Management Service (WMS) ongoing - \$163,000 in FY26 and \$159,000 in FY27 and beyond for project management.

1.0 Senior IT App Developer Senior Manager one-time – \$195,000 in FY26 to serve as a supervisor and tech lead (full stack).

1.0 Journey IT App Developer one-time – \$152,000 in FY26 to serve as front-end developer.

1.0 Journey IT App Developer one-time – \$152,000 in FY26 to serve as DevOps engineer and generalist (front-end, back-end/integration, automated testing support, etc.).

1.0 Journey IT App Developer one-time – \$152,000 to serve as a back end / data integration developer.

1.0 Journey IT Business Analyst one-time – \$152,000 to work closely with Product Owners to develop and refine requirements.

1.0 Journey IT Quality Assurance Tester one-time – \$152,000 to perform QA Testing for the team.

Historical Funding:

Funding for WCCC Direct Client Services is detailed below.

FY2026

- FTE = 213 FTEs
- Total Funds = \$573,975,000
- Near General Fund = \$312,566,000
- Other Funds = \$261,409,000

FY2027

- FTE = 213 FTEs
- Total Funds = \$573,978,000
- Near General Fund = \$261,069,000
- Other Funds = \$312,909,000
- Funding for WCCC Direct Client Services is detailed below.

Strategic and Performance Outcomes

Strategic Framework:

This package supports the Governor’s Results Washington priorities of Prosperous Economy, [World Class Education](#), and Healthy and Safe Communities by increasing family access to high quality child care and aligning payment practices with the private market whose workforce is predominantly women from diverse racial and ethnic backgrounds.

Meeting CCDF requirements further supports the agency strategic outcomes by increasing access to high quality child care and improving kindergarten readiness. Increase access to high-quality child care also supports preventative goals of reducing while the number of child abuse and neglect intakes, while reducing the number of children in out of home care.

Performance Outcomes:

Implementing these requirements will support child care providers and increase the availability of high-quality child care. Successful implementation will:

- Increase access to high quality child care for children and increased support for families with additional continuity of care.
- Increase the number of licensed providers as compared to current levels.
- Increase the number of licensed providers participating in subsidy as compared to current levels.

Correct current program audit findings and decrease the number of future audit findings in the Office of Child Care Program Reviews

Equity Impacts

Community Outreach and Engagement:

Child care providers, the most impacted group, have been advocating for enrollment and prospective payments for years. Initial conversations with partners and advisory groups support this decision package, including feedback from the Early Learning Advisory Council (ELAC) following the Fair Start for Kids Act (FSKA) and Provider Supports. Feedback and recommendations were included in the decision package which also includes implementing as soon as possible.

Some lawmakers, partners, and advisory groups have requested implementation without delay in public settings.

Disproportional Impact Considerations:

Funding to meet the CCDF new rules is needed for communities across the state. Overwhelmingly, these requests come from working parents and families for continuity of care and more provider availability that fits their individual needs. If they cannot find availability in their community, families often opt to find other care for their children outside of their respective communities. Eligible children and families should have access to high quality care in their community and provide stability for those providers with funding to meet those needs. For most children and families, this means better outcomes and greater equity in our communities.

Target Communities and Populations:

This decision package includes increased equity for low-income families and child care providers. The request supports Communities of Color and the child care workforce who are predominantly women from diverse racial and ethnic backgrounds by expanding family eligibility and removing resource requirements for child care providers who want to become licensed and support families receiving subsidy.

Community Inputs and Incorporation:

DCYF would like to implement as soon as possible, however IT changes are necessary, requiring implementation no earlier than July 2026.

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Other Collateral Connections

HEAL Act Agencies Supplemental Questions

Not Applicable.

Puget Sound Recovery:

Not Applicable.

State Workforce Impacts:

Not Applicable.

Intergovernmental:

Collectively, the CCDF required changes will drive market changes and positively impact tribes and other government groups that offer their own child care subsidy benefits. The proposal of prospective payment has been introduced in the past but funding has not been secured in an enacted budget. Prospective payment is now required under CCDF rules and required to maintain federal funding.

Stakeholder Impacts:

Families will have increased access to high quality child care including infants and other children who are added to households during the eligibility period. Families who receive child care subsidy benefits will also have payment practices that align with the private market which will further support access with providers.

The required changes further support families by removing the potential consequence and resulting burden of using presumptive eligibility. This increases access for families who have a new job or are just joining the workforce. Additionally, ensuring families have 13 months of eligibility, and extending the authorization period for households when additional children are added supports continuity of care for families who are adding children into their home.

State Facilities Impacts:

Not Applicable.

Changes from Current Law:

Several WACs will need revision to support these changes:

- [WAC 110-15-0271\(e\)](#) “*Failed to return by the sixtieth day, the requested income verification of new employment as provided in WAC 110-15-0012*”, this section needs to be removed.
- [WAC 110-15-0085](#) “*A consumer’s copayment will not be increased during a current eligibility period*”. The copay will be set with the initial presumptive eligibility for new employment and then adjusted for the “final” determination when verification is obtained, this could be an increase from the initial determination.

Legal or Administrative Mandates:

In the Office of Child Care 2024 onsite review of the state’s child care subsidy program, DCYF was given a finding and was directed to expand the length of the eligibility authorization period. Their expectation is for the state to provide families with a full 12 months of eligibility.

Governor's Salmon Strategy:

Not Applicable.

Reference Documents

[IT Addendum 2023-25 -- downloaded from ABS CCDF.docx](#)

IT Addendum

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

Yes

Objects of Expenditure

Objects of Expenditure <i>Dollars in Thousands</i>	Fiscal Years		Biennial	Fiscal Years		Biennial
	2026	2027	2025-27	2028	2029	2027-29
Obj. A	\$96	\$99	\$195	\$99	\$99	\$198
Obj. B	\$31	\$32	\$63	\$32	\$32	\$64
Obj. C	\$520	\$500	\$1,020	\$0	\$0	\$0
Obj. E	\$2	\$2	\$4	\$2	\$2	\$4
Obj. G	\$2	\$2	\$4	\$2	\$2	\$4
Obj. J	\$7	\$0	\$7	\$0	\$0	\$0
Obj. N	\$21,234	\$71,386	\$92,620	\$98,711	\$98,711	\$197,422
Obj. A	\$679	\$0	\$679	\$0	\$0	\$0
Obj. B	\$206	\$0	\$206	\$0	\$0	\$0
Obj. E	\$11	\$0	\$11	\$0	\$0	\$0
Obj. G	\$14	\$0	\$14	\$0	\$0	\$0
Obj. J	\$43	\$0	\$43	\$0	\$0	\$0
Obj. T	\$24	\$24	\$48	\$24	\$24	\$48

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