

**Testimony Supporting the Proposed Increase in Rates to Child Care Providers in:
H.B. No. 5619: An Act Concerning Reimbursement Rates to Child Care Providers Under
the Child Care Subsidy Program**

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Senator Harris, Representative Villano, and distinguished Members of the Human Services Committee:

I testify on behalf of Connecticut Voices for Children, a statewide, independent, citizen-based organization dedicated to speaking up for children and youth in the policymaking process that has such a great impact on their lives.

CT Voices strongly

- **Supports Section 1(f) of H.B. 5619, which would increase reimbursement rates to licensed child care providers participating in the child care subsidy program to a level equivalent to the seventy-fifth percentile of market rates, as determined by the most recent market rate survey, and require an automatic increase in subsidy levels in relationship to market rates.**
- **Recommends amending Section 2 of H.B. 5619 so that reimbursement rates to unlicensed home-based providers are set at a level equivalent to one-third the current state minimum wage, as required by the Department of Social Services' own regulations.¹**

Care 4 Kids is an essential support for working families, helping low-income parents pay for child care. Child care in Connecticut costs, on average, about \$9,985/year for infant care, \$8,695/year for pre-schooler care, and \$1,320/year for a school-age child.² For a working mother of an infant and school-age child with income at the maximum eligibility for Care4Kids, this represents 29% of her annual income, if no subsidy is provided.³ (Notably, national experts recommend that child care costs should absorb no more than 10% of family earnings.⁴) Even those families who

¹ See Regulations of Connecticut State Agencies § 17b-749-13(c)(1), 17b-749-13(c)(8).

² These numbers are based on the most recent fee analysis of child care centers conducted by 211 Child Care, available at <http://211childcare.org/professionals/FeeCT.asp>, and represent an average over regions and types of care. The cost for a school-aged child is based on the assumption that the school year is 36 weeks and that child care is needed for the remaining 16 weeks of the year. It does not take into account the cost of child care that might be needed before or after school hours on a regular school day.

³ To apply for Care 4 Kids, a working parent must have income below 50% of the State Median Income. See Regulations of Connecticut State Agencies § 17b-749-05(a)(1). For a family of three, this is an annual income of \$38,724. This is the Connecticut number from the April 2007 Federal Register.

⁴ Connecticut Alliance for Basic Human Needs, [Mapping Change](#) (December 2002): 78.

qualify for a space in a State Funded Child Development Center or a School Readiness Program are expected to pay a portion of the cost of care. The Care 4 Kids subsidy helps to bridge the gap between the cost of child care and the family contribution.

Care 4 Kids is also an essential support for Connecticut’s youngest and poorest residents. The first 1,000 days of a child’s life are a time of rapid cognitive, linguistic, social, emotional, and motor development.⁵ Research shows that children whose caregivers have lower income, less education, and higher levels of stress in their lives begin to score lower on standardized tests as early as 18 months, and this “achievement gap” not only persists but typically expands as the children age.⁶ However, access to language-rich, nurturing, and responsive caregiving has been proven to improve outcomes for vulnerable children.⁷ While the School Readiness program and Head Start help narrow the preparation gap for three and four year olds, only Care 4 Kids and DSS’ state funded programs serve infants and toddlers whose developmental needs are even *more* crucial. If properly implemented, Care 4 Kids could “kill two birds with one stone:” supporting work – thus helping Connecticut’s economy in the present -- *and* supporting child development – thus helping Connecticut’s economy in the future.

Current Care 4 Kids reimbursement rates for licensed child care providers have not been updated since 2001, and are now well below the 50th percentile of current market rates. The federal government recommends that reimbursement rates be set high enough such that they would fully pay for 75% of child care providers in the marketplace, leaving only 25% of providers with prices that exceed the amount of the reimbursement.⁸ Although the federal government does not *require* that rates be set at this level, it does require that rates be sufficient to ensure that eligible families have “*equal access*” to child care services “*comparable to those provided to families not eligible.*” To assess whether the state has met this mandate, it requires that each state conduct a market rate survey every two years to determine the fees charged locally by child care centers.⁹ The 2008 Care 4 Kids rate for licensed child care providers currently are set at the 60th percentile of the 2001 market survey. As a result, the rates now are well below even the 50th percentile of 2007 market rates.¹⁰ In other words, the majority of providers have prices that exceed the amount of the reimbursement.

Current Care 4 Kids reimbursement rates for unlicensed home based child care providers have not been updated since 2002, and are 13% less than DSS’ own regulations require. This

⁵ Center on the Developing Child at Harvard University, “A Science-Based Framework for Early Childhood Policy: Using Evidence to Improve Outcomes in Learning, Behavior, and Health for Vulnerable Children” (August 2007) at 6.

⁶ Id. at 7, 9.

⁷ Id. at 7.

⁸ In promulgating the Final Rule, the Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, suggested a benchmark that payments established at least at the 75th percentile of the Market Rate Survey “would be regarded as providing equal access.” The Statute at Section 658E(c)(4)(A) requires the Lead Agency to provide a summary of the facts which relied on to determine if its payment rates are sufficient to ensure equal access. The CCDF Final Rule, 45 CFR Parts 98 and 99, appeared in the Federal Register, July 24, 1998; §98.43 addresses the equal access requirement and the quote appears on p. 39959.

⁹ Code of Federal Regulations, 45 C.F.R. § 98.43(a).

¹⁰ Although DSS was required to conduct a market rate survey in 2007, it was unable to do so due to contractual issues with the institution with which had conducted these surveys in the past. See Child Care and Development Fund Plan for Connecticut, FFY 2008-2009 at § 3.2C, available at <http://www.ct.gov/dss/lib/dss/pdfs/ccdf08thru09.pdf>; also, email exchange with Peter Palermino, DSS, on February 25, 2008. CT Voices for Children has been unable to obtain all the data it would need to estimate at what percentile of 2007 market rates current rates would fall. However, given inflation and market trends, we can say with certainty that current rates are well below the 50th percentile of the 2007 market survey, since they were well below the 50th percentile of the 2005 market survey which was published by DSS.

is significant, as in 2007 38% of children receiving Care 4 Kids were in unlicensed care.¹¹ Unlicensed home-based family, friend, and neighbor provider reimbursement rates are indexed to Connecticut's minimum wage, so that a provider receives one-third of the state minimum wage per child.¹² In 2002, the family child care reimbursement rate for full time care was \$89 per week per child. *Despite an increase in the state minimum wage in 2004 and in 2006, the Care4Kids reimbursement rate has not been adjusted to reflect these increases.* If indexed to reflect the current minimum wage, the reimbursement rate for full time care would be \$102 per week per child.

Why does it matter that rates haven't been increased? It matters because low-income working parents do *not*, in fact, have equal access to child care services comparable to those utilized by wealthier families as federal law requires. They have access only to the cheapest services. In responding to the federal government's requirement that each state explain how its rates are adequate to ensure equal access to the full range of providers, Connecticut's Department of Social Services stated that the fact that "the number of children [receiving subsidies and] in licensed care doubled" between 2002 and 2007 was proof of equal access.¹³ Its claim that the number of children receiving subsidies and in licensed care doubled during this time period is wildly inaccurate – its own figures show that the number of children receiving subsidies and in licensed care increased by only 8.9% between 2002 and 2007.¹⁴

Regardless, an increase in the number of children receiving subsidies in licensed care is *not* proof of equal access.¹⁵ Utilization rates are entirely unrelated to the question of whether children have access to the *full range* of providers. Market rate surveys answer that question. When reimbursement rates are set at the 75th percentile of current market rates, we know that subsidized families can access three out of every four programs on the market. We know that they have access to high-quality programs, with well-trained staff who provide language-rich, nurturing environments, and are not simply relegated to programs of lesser cost and, concomitantly, lesser quality.

Why else does it matter that rates haven't been increased? It matters because the supply of child care providers is shrinking as it does not pay to run a center. In a 2006 report regarding the closure of day care programs, released by 211 Child Care, 65% of center-based programs cited "business not profitable" as their primary reason for closing their doors. 423 programs closed their doors between January 1, 2006, and December 31, 2006. It matters, too, because it is harder to recruit and retain well-qualified staff, because directors cannot afford to raise wages, or, often, provide benefits.¹⁶ Raising reimbursement rates could offset personnel costs and be a boon for workforce development.¹⁷

¹¹ Child Care and Development Fund Plan for Connecticut, FFY 2008-2009 at § 3.2D, available at <http://www.ct.gov/dss/lib/dss/pdfs/ccdf08thru09.pdf>.

¹² See Regulations of Connecticut State Agencies § 17b-749-13(c)(1), 17b-749-13(c)(8).

¹³ Child Care and Development Fund Plan for Connecticut, FFY 2008-2009 at § 3.2D, available at <http://www.ct.gov/dss/lib/dss/pdfs/ccdf08thru09.pdf>.

¹⁴ In the same document in which DSS makes its claim that the number of children in licensed care doubled between 2002 and 2007, on the very next page, DSS provides a table showing the number of children in licensed care in 2002 and 2007. According to that table, there were 11,577 children receiving the Care 4 Kids subsidy in licensed care in 2002, and 12,603 children receiving the Care 4 Kids subsidy and in licensed care in 2007. See Child Care and Development Fund Plan for Connecticut, FFY 2008-2009 at § 3.2D, available at <http://www.ct.gov/dss/lib/dss/pdfs/ccdf08thru09.pdf>, <http://www.ct.gov/dss/lib/dss/pdfs/ccdf08thru09.pdf>. Needless to say, 12,603 is not "double" 11,577.

¹⁵ Notably, the federal government, in its regulations, does *not* use utilization rates as one of the factors upon which states may rely to show equal access. See Code of Federal Regulations, 45 C.F.R. § 98.43(b).

¹⁶ See Connecticut Office for Workforce Competitiveness, "Connecticut Career Ladder Advisory Committee Three-Year Strategic Plan" (February 2004) at 11.

¹⁷ Id. at 14.

Accordingly, we strongly support Section 1(f) of H.B. 5619, which raises reimbursement rates for licensed providers to the 75th percentile of current market rates for FY 2009, and wisely requires updating of rates each fiscal year thereafter.

We also strongly encourage the legislature to revise Section 2 of H.B. 5619 to read as follows:

For the fiscal year ending June 30, 2009, and each fiscal year thereafter, the Commissioner of Social Services shall reimburse child care providers who are not required to be licensed at a level equivalent to one-third of the current state minimum wage.