

Testimony Supporting:

**H.B. No. 7302, An Act Concerning Rates Paid to Providers Under the
Child Care Subsidy Program**

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Human Services Committee Public Hearing

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

Peg Oliveira is a Senior Policy Fellow, and Mary Glassman is Director of Legislative Affairs with Connecticut Voices for Children, a research-based public education and advocacy organization working statewide to promote the well being of Connecticut's children, youth and families. We are here today to testify on behalf of the sister lobbying organization – Advocates for Connecticut's Children and Youth (ACCY), a statewide, independent, citizen-based organization dedicated to speaking up for children, youth and families.

**We strongly support Raised Bill No. 7302, An Act Concerning Rates Paid to Providers Under the
Child Care Subsidy Program.**

This bill would provide for an automatic adjustment, every two years, in the Care4Kids reimbursement rate to licensed providers, commensurate with the results of the mandated biennial market rate survey. Moreover, we urge that this bill be amended to *also* mandate an increase in rates for home-based providers commensurate with increases in the state minimum wage, as discussed below.

The Care4Kids Child Care Subsidy Program sets its reimbursement rates to licensed providers (including child care centers and licensed Family Child Care homes) based on the results of a survey of child care providers' costs. Under federal law, the Department of Social Services (DSS) must conduct such a market rate survey of child care providers every two years to determine the fees charged locally. Although DSS is mandated to undertake this market rate survey every two years (at the cost of \$62,000 per survey), neither federal nor state law requires DSS to increase the reimbursement rate to reflect the results of the survey.

Consistently, Connecticut has delayed updating reimbursement rates to reflect current market rates. For example, Connecticut did not increase reimbursement rates for almost a decade between 1991 and 2001. Presently, the 2006 subsidy reimbursement rates are based on the 2001 market survey. Very few states allow for such a lag to occur. Currently, only five other states base their reimbursement rates on market rate surveys older than 2001, including Kansas and Missouri. Only ten states have greater than a five-year lag in updating reimbursement rates, including Utah, North Dakota, New Mexico, and Idaho.

Over the past several years, Connecticut has chosen to significantly reduce state funding for the Care4Kids program. Overall spending on Care4Kids was \$48.6 million (or 40%) less in fiscal year 2006 than in fiscal year 2002. On average, 48% (13,520 per month on average) fewer children received the help of the child care subsidy per month in 2005 than in 2002 (from 28,175 to 14,655 children served per month on average).

While the state of Connecticut may have achieved some short term “savings,” it also has incurred much higher longer-term costs --- to the state, as well as the children and families involved. By reducing Care4Kids funding and allowing rates to stagnate, Connecticut has denied this much-needed subsidy to thousands of families and helped put children in harm’s way.

This lag in updating rates results in a cut in the subsidy being provided to parents and providers, once inflation in rates is taken into account. For example, currently the average reimbursement rate for a preschooler in full time care in a child care center in Connecticut is \$157 per week. This rate reflects the 60th percentile of the price of care according to the 2001 Market Rate Survey (the last time rates were updated). Because Care4Kids rates have not been increased in five years, when they are compared to the 2005 Market Rate Survey, the current rates are 13% below the 60th percentile market rate in 2005, and well below even the 50th percentile (\$165). This is contrary to the intent of the legislation that sets rates at the 60th percentile of market rates. Thus, if you subtract what families with preschoolers are receiving today, on average (\$157), from what they could be receiving if reimbursement rates were updated (\$180 if reimbursement rates were set at the 60th percentile of 2005 rates), families are being denied about \$100 per month of what current legislation intends. It is estimated that an additional \$8.5 million will cover this update to 2005 market rates for the 7,035 children reported to be receiving the Care4Kids subsidy through a licensed provider.

Additionally, the Department of Social Services does not adhere to regulations regarding Care4Kids reimbursement rates to Family, Friend and Neighbor Care (legal, unlicensed home based providers). DSS regulations set legal, unlicensed home based provider reimbursement rates based on Connecticut’s minimum wage, such that for each child, a provider receives one-third of the state minimum wage. Based on the minimum wage in 2002, the family child care reimbursement rate for full time care (35 – 50 hours per week) was set at \$89 per week per child. Despite an increase in the state minimum wage in 2004 and in 2006, the Care4Kids reimbursement rate to home based providers has not been adjusted to reflect these increases. It remains at \$89 per week per child in full time care. On January 1, 2007, Connecticut’s minimum wage increased to \$7.65/hour. For the Care4Kids family child care rate to be consistent with DSS regulations, it will need to be increased from the current \$89 per week per child to \$102 per week per child, an increase of \$13 per week per child (a 15% increase), or a little over \$50 per month. It is estimated that an additional \$5.1 million will cover this update for all 7,620 children reported to be receiving the Care4Kids subsidy through family, friend and neighbor care.

To prevent further stagnation and the repeat of this problem in future years, we strongly support a mandate for an automatic adjustment, every two years, in the Care4Kids reimbursement rate to licensed providers, commensurate with the results of the mandated biennial market rate survey. Importantly, we also support a mandate that reimbursement rates to home based providers be increased commensurate with increases in the state minimum wage.

Thank you for this opportunity to testify in support of Raised Bill No. 7302.