3275 PUBLIC REMARKS

START STRONG PA

May 18, 2023

Testimony before the Independent Regulatory Review Commission on the #14-545 Subsidized Child Care Eligibility Final-Form Rulemaking

Good morning, Commissioners and staff. I am Jen DeBell, Executive Director of the Pennsylvania Association for the Education of Young Children. I am testifying on behalf of Start Strong PA, a statewide, non-partisan issue advocacy campaign focused on increasing access to and the affordability of high-quality child care for Pennsylvania's children and working families. Start Strong PA is led by the following 10 principal partner statewide and regional organizations:

- First Up
- Pennsylvania Child Care Association
- Trying Together
- Fight Crime: Invest in Kids
- Children First
- Pennsylvania Association for the Education of Young Children
- Pennsylvania State Director, Mission: Readiness
- Pennsylvania Head Start Association
- Pennsylvania Partnerships for Children
- United Way of Pennsylvania

Our organizations represent over 1,000 organizations operating over 1,500 child care programs and more than 3,300 individual early care and education professionals, as well as the interests of children and families. We would like to thank you for the opportunity to comment on the subsidized child care eligibility final-form rulemaking (Regulation #14-545).

Start Strong PA opposes the removal of §3042.14(d) from the regulation, which currently permits child care providers to charge parents/caretakers receiving subsidized child care the difference between the provider's private pay rate and their state subsidy reimbursement. This change will negatively impact Pennsylvania families, as well as child care programs.

Regarding the process, elimination of this regulation was not part of the proposed rulemaking. Therefore, neither our organizations, nor the 6,490 child care programs across the state, had the opportunity to consider the impact of the regulation and provide public comments for consideration. Major policy changes that have financial and programmatic impacts on service providers and families require appropriate public input.

Regarding the substance, if promulgated, this provision would further exacerbate Pennsylvania's child care crisis. The Commonwealth's child care system is significantly under resourced and the subsidy program does not reimburse child care programs for the actual cost of the care they provide to children. Instead, payments to child care providers currently are set at the 60th percentile of the private market rate for care based on geographic location, age of children served, provider type and whether services are provided for a full-day or part-day. Private pay rates do not reflect the actual costs for programs, as providers recognize parents/caretakers can only pay so much. Therefore, the starting point for rate setting is artificially low. While Pennsylvania has raised rates using one-time federal COVID-19 relief funds, rates are still only at the 60th percentile of the private market rate. This does not even meet the federally-recommended 75th percentile, let alone reimburse for the true costs of high-quality child care.

As a result of the lack of state and federal government investment in appropriate child care subsidy rates, both providers and professionals in the field and parent/caretakers pay the price. Child care providers are small businesses and many operate on razor thin margins. A recent report from Children First and the Start Strong PA campaign indicates that child care teachers and staff make an average wage of less than $12.50/hour and 21 percent rely on SNAP to put food on the table and Medicaid for health coverage. To help keep their programs afloat, some programs charge the difference between the private pay amount and the subsidy reimbursement to parents/caretakers. This means low-income families experience greater financial hardship too.

The child care sector is currently facing severe staffing shortages as a result of the low pay, which is leading to classroom closures. Start Strong PA conducted a survey of programs in February 2023 to assess the impacts. Of the over 1,100 programs which responded, they indicated over 30,000 children were on their waiting lists for child care and that almost 1,600 classrooms were closed as a result of almost 4,000 open positions. There are 6,490 child care programs in Pennsylvania so our survey is only estimating the minimal impacts of the current staffing crisis. Further limiting available financial resources for child care programs will only worsen these problems. In their Regulatory Analysis Form, the Department of Human Services (DHS) estimates a $16.5 million annual loss for child care providers as a result of eliminating this provision.

The impact will not only be felt by child care providers and professionals. We will see more program and classroom closures, which means more families – both private pay and subsidy-enrolled families-- will be waiting and waiting longer to access child care in order to work. In addition, while not intended to do so, the removal of this language will create greater inequity in the system by forcing child care providers to limit the number of subsidy families they enroll in order to keep teachers employed and classrooms open. Some providers may refuse to participate in the program overall. Providers that have reached high-quality, research based standards reducing or eliminating their subsidy enrollment will result in fewer low-income children participating in programs proven to support healthy child development and prepare children for school success. This will impact choice for parents relying on subsidy to pay for child care and does not promote equity for families and equal access to care, which is the core of the subsidy program's purpose.

The other scenario which may occur is if programs want to remain dedicated to serving low-income children, they may increase rates for private pay families to make up the difference, some of whom are Asset Limited, Income Constrained, Employed (ALICE), households who need child care to be able to work, and cannot afford dramatic price increases.

While much of the remaining regulation seeks to comply with federal child care subsidy rules, it is important to note that the federal Child Care and Development Block Grant regulations do not prevent child care providers from charging the difference in payments. Pennsylvania is not alone in the child care crisis it is experiencing, nor the practice of charging the difference. According to the National Women's

Law Center's most recent survey of state child care administrators from February 2022, only eleven states forbid providers from charging the difference in payments.

The solution is not to forbid charging the difference between payments. Instead, appropriate public investments into the child care subsidy program must be made. If programs were funded appropriately for the subsidy-enrolled children they serve, there would be no need to charge parents/caretakers more than their copayment.

DHS points to raising reimbursement rates as a reason to justify this change. However, the rates are still abysmally low, resulting in child care teachers and staff earning poverty level wages and programs unable to cover all costs. The right time to change this policy is when subsidy rates reflect the actual cost of providing care, not in the middle of a child care crisis that is adversely impacting both programs and families.

We would like to recognize the Shapiro Administration for recommending disapproval of the final rulemaking as a result of its fiscal impact. We appreciate their willingness to consider the negative impact to child care programs, as well as children and families in Pennsylvania.

We encourage the Commission to disapprove the rulemaking and thank you for the opportunity to comment.