

State Subsidized Child Care Payment Types

Contracts and Vouchers



Background

Since California's diverse child care delivery system relies on a mix of both private and state-contracted programs, changes to state reimbursement rates could affect the entire child care system, threatening parents' access to quality child care at the local level.

Due to numerous factors, including the variety in type of child care programs available, reimbursement rates are one of the more complicated components of the subsidized child care system. One of the most straightforward caveats to child care reimbursement is that no child care provider can be reimbursed at a level greater than what they charge for non-subsidized children receiving the same type of care. This is confirmed annually by local Child Care Resource & Referral or Alternative Payment Programs. With that overarching policy in mind, there are two main categories of rate reimbursement: the Standard Reimbursement Rate (SRR) and Regional Market Rates (RMRs).

The Standard Reimbursement Rate is utilized for agencies that have direct contracts with the California Department of Education (CDE), such as state preschool programs. **It is important to note that as part of their contract, these providers are required to meet additional training and program standards which are not required of non-contracted providers.** Despite this fact, CDE contracted providers in some regions receive less pay for the same type of care than their non-contracted counterparts. This greatly inhibits the expansion of contracted child care programs.

Regional Market Rates¹ are used for child care programs paid through voucher-based programs. RMRs are based on aggregate child care provider rates analyzed using market profiles as determined by

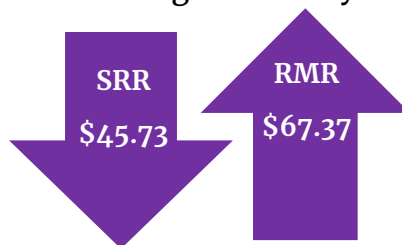
¹ Prior to the implementation of RMRs, reimbursement rates were set at fixed statewide levels. The use of statewide rates was less complicated, however it was decided that they did not appropriately take into account the significant socioeconomic diversity within the state, making most child care options unavailable for subsidized families in more expensive communities. Implementation of county-wide RMRs was the chosen compromise; not as specific as other methods that have been considered (such as utilizing zip codes), but relatively more simple to calculate and appropriately inclusive for most of the state's subsidized families.

biennial Regional Market Rate Surveys of California Child Care Providers. **Currently, rates are reported on a county level creating 58 reimbursement rate sheets organized by type of care (licensed center, licensed home, and license-exempt), age of child (infant, preschool, and school-age), and hours of care (full-time and part-time).** Rates collected through the RMR survey are used to set maximum reimbursement ceilings by type, age, and hours of care. RMR ceilings are set so that licensed providers are reimbursed up to the 75th percentile of the rates charged by private providers in the area offering the same type of child care. This means that parents should be able to access 75% of providers in their market. If a parent chooses a provider above the maximum ceiling then the parent would need to pay the additional cost of care². The purpose of the maximum ceiling was to increase parental choice for low-income families so that they would have quality child care options in the face of a limited supply of licensed care and consistent with the choices available for private-pay families.

The RMR also calculates reimbursement ceilings for license-exempt care (TrustLined or Family/Friend/Neighbor). The ceiling for license-exempt care is capped at 70% of the 75th percentile of licensed care rates. However, they currently receive only 30% or less, equating to about \$3 per hour.⁴

Over the past decade, the lasting and positive impact quality child care has on the lives of children has received increasing attention in multiple research studies. Wages paid to child care teachers and providers have been historically low, and attracting and keeping a well-trained and capable child care workforce is impacted by the adequacy of wages paid. State reimbursement rates for child care have a profound impact on those wages.

Daily Center-Based Preschool Age Subsidy Reimbursement Rates Los Angeles County³



² Currently the federal minimum is the 75th percentile of rates charged by private providers for the same type of care; however the higher level has been maintained in California in order to preserve access for children of income-eligible families to more appropriate levels of quality child care in their communities.

³ Full-time Daily Rate Los Angeles, 75th percentile of the 2016 Regional Market Rate Survey and Budget Act 2016 State Standard Reimbursement Rate.

⁴ California Department of Education: Reimbursement Ceilings for Subsidized Child Care <http://www3.cde.ca.gov/rcsccl/>.