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February 18, 2019

TO: The Honorable Senator Russell E. Ruderman, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SCR 6 and SR 6 – URGING THE DEPARTMENT OF HUMAN SERVICES TO
INCREASE THE ELIGIBILITY CRITERIA FOR RECEIVING CHILD CARE SUBSIDIES**

Hearing: Wednesday, February 20, 2019, 3:15 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of these resolutions and provides comments on the department's progress on implementing the requirements of the federal Child Care and Development Block Grant (CCDBG) and Child Care and Development Fund (CCDF) federal grant that include new rules for child care (subsidy) payments.

PURPOSE: These resolutions request the DHS to increase the eligibility criteria for receiving child care subsidies.

The CCPO is working to finalize seven (7) sets of proposed administrative rule chapters, which includes the rules for child care (subsidy) payments, and is targeting adoption by summer of 2019. The drafts are currently under review by the Department of Attorney General. Once the draft proposed rules are finalized, DHS will be routing the seven (7) chapters for preliminary approval by the Governor and publishing of the notice for the public hearing on the proposed rules.

The priority of the department's Child Care Program Office (CCPO) is to bring the state into compliance with changes in federal law and regulations. Hawai'i receives \$20-30 million

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annually in CCDF grant from the U.S. Department of Health & Human Services, Administration for Children and Families, Office of Child Care (ACF OCC). The CCDF grant funds provides for Hawai'i's child care licensing, quality initiatives, and federally funded child care subsidy programs.

The CCDBG Act of 2014, Public Law 113-186, was signed on November 19, 2014, reauthorizing the CCDF. The CCDBG Act made significant changes to improving the health and safety of children in child care, prioritizing access to consumer information to make informed choices, supporting equal access to stable, high quality child care for low-income children, and enhancing the quality of child care and better support the child care workforce. Final regulatory changes, 45 Code of Federal Regulations (CFR) Part 98, were issued September 30, 2016 and became effective on November 29, 2016.

The deadline for DHS to complete most of the required changes, except for some provisions of the background checks, is September 30, 2019. DHS is focused on complying with these federal law and regulatory changes to preserve Hawai'i's access to the federal CCDF grant funds.

The draft rules for child care (subsidy) payments includes provisions that align with the CCDBG law and CCDF regulations of supporting equal access to stable, high quality child care for low-income children, including:

1. Increasing the gross income eligibility limits for eligibility for child care (subsidy) payments to be 85% of the 2018 State Median Income (SMI), as recommended by ACF OCC; and
2. Revising the family co-payment sliding fee scale to 3-tiers to provide for lower co-payments than the current 10-tier structure of the child care subsidy program, where co-payments will be established per family instead of per child and:
 - a. Families whose gross monthly incomes are less than 100% of the 2018 federal poverty level for their family size will not have a family co-payment up to the eligible DHS maximum child care payment rate for the type of child care chosen by the family;

- b. Families whose gross monthly incomes that are between 101% and 150% of the 2018 federal poverty level for their family size will have a family co-payment of 5% of their gross monthly income and up to the eligible DHS maximum child care payment rate for the type of child care chosen by the family; and
 - c. Families whose gross monthly incomes that are between 151% of the 2018 federal poverty level up to 85% of the SMI for their family size will have a family co-payment of 10% of their gross monthly income and up to the eligible DHS maximum child care payment rate for the type of child care chosen by the family; and
3. Waiving of a proportion of the family co-payment when families select licensed or accredited group child care homes or group centers or accredited family child care homes, dependent on the number of children needing child care subsidy payments¹.

DHS clarifies that the department's activities currently align with the intent of these resolutions as well as the federal requirements under the CCDBG law and CCDF regulations.

Thank you for the opportunity to provide comments on these resolutions.

¹ National accreditations recognized by DHS are the National Association for the Education of Young Children (NAEYC), the National Early Childhood Program Accreditation (NECPA), or the National Accreditation for Family Child Care (NAFCC) which are specific to requirements focused on early childhood standards.

SCR-6

Submitted on: 2/19/2019 3:11:55 PM

Testimony for HMS on 2/20/2019 3:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

LATE

February 19, 2019

To: Senator Russell Ruderman, Chair
Senator Karl Rhoads, Vice-Chair
Senate Committees on Human Services

From: Laura Nevitt, Policy Director
Hawaii Children's Action Network

Re: **SCR 6– URGING THE DEPARTMENT OF HUMAN SERVICES TO INCREASE THE ELIGIBILITY CRITERIA FOR RECEIVING CHILD CARE SUBSIDIES**
Hawaii State Capitol, Room 016, February 20, 2019, 3:15 PM

HCAN is committed to improving lives and being a strong voice advocating for Hawai'i's children, we strongly SUPPORT SCR 6

Nationwide, 82% of keiki are raised in households where all parents are employed. With the lack of paid family leave policies, many of Hawaii's ohana are forced to choose between a paycheck and childcare. This burden primarily impacts the most vulnerable among us. Low income families spend over 30% of their income on childcare--four times that of wealthier families. These high costs conspire with low access to delay the delivery of services. Income-based disparities are evident as early as 9 months of age.

Hawaii has among the highest average costs of childcare at \$13,469 for center-based infant care and \$8,823 for preschool. In a state with a cost of living that is 157% of the national average, these expenses are insurmountable for many working families.

Native Hawaiian families are the most disadvantaged group with lower median income than that of white and Asian families. Data from 2014 show that more than half of Native Hawaiian or other Pacific Islander children live in low-income families (58.3%), compared to 28.9% of whites, 21% Asians, and 33.3% of children of two or more races. A higher share of Native Hawaiian or other Pacific Islander children live in single-female-headed households (34.8%) compared with other groups (15.5% white, 18.6% Asian, 26.4% two or more races).

Native Hawaiians make up 21.3% of the total population, however, they comprise the largest ethnic population that benefits from CCCH childcare subsidies. In 2017, CCCH subsidies provided support to 13,019 families.

Decrease the family co-payment – Many eligible families decline CCCH subsidies because the benefits are so low and co-payments so high that the program does not provide meaningful support. For example, families above 200% of the Federal Poverty Level (FPL) have a 90% co-pay. For a single parent making \$38,000 a year, the co-payment is \$607/month or \$7,284/year. This is 19% of their annual income, far in excess of national guidelines that recommend families spend no more than 7% on childcare, making Hawaii's CCCH co-pay the worst in the nation. This sliding scale was last changed in February 2010 after a recession. DHS is in support of the community's proposal of a sliding scale with no more than a 10% copay for families. The new 3-level scale will have these criteria:

- 0% co-payment for families at or below 100% FPL
- 5% co-payment for those above 100% FPL – 150%FPL
- 10% co-payment for families above 150% FPL to eligibility max of 85% State Median Income. (Current State median income = \$86,768)

In this proposed scale, families with up to \$73,753 in income will be eligible for CCCH subsidies, and pay a co-pay of \$67/month or \$804/year.

For these reasons, HCAN asks that you pass SCR 6.

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education.