Joint Finance Committee Purchase of Care Background Document for Providers and Advocates

WHAT HAPPENED

- State of Funding: Advocates requested $60 million in ongoing, sustainable funding for the Purchase of Care subsidy for children and families. **Governor Carney and the Joint Finance Committee are committing no increase in state funding**, instead authorizing the state to spend $5 million in one-time contingency funds, 8% of what was requested, to be used only if needed.
    - ***Contingency?*** Gov. Carney and the Joint Finance Committee agreed to move to the 2021 market rate study at a reimbursement rate of 70%, up from the former 65% of the 2018 market rate study. This was done without adding any new funds to the ongoing budget allocation—which was possible in part due to the current, lower-than-normal POC enrollment. Up to $5 million was authorized if POC enrollment increases at a rate higher than anticipated. If the $5 million is not needed, those funds will revert back to the General Fund at the end of the year.

WHAT IT MEANS

- **Why is $60 million new funding needed?**
    - $40 million for Purchase of Care, to reach 100% of the 75th percentile of the 2021 Market Rate, which is still lower than the true cost of care
    - $20 million to pay based on enrollment to provide stability for families and providers
    - We need to make child care a "door-opener" in the budget process to ensure it's funded at the level of need each year for this essential service.
    - Without significant investments, the state's child care industry will collapse. Families are already being turned away from care, and those slots may not become available again.

WHAT IS PURCHASE OF CARE? WHY IS IT IN JEOPARDY?

Purchase of Care (POC) is a state subsidy for child care that helps low-income parents who work, are enrolled in training or school, or have a medical need.

But POC doesn't come close to covering what it costs to care for a child. In fact, POC only pays 65 percent of the 75th percentile of the surveyed market rate. The market rate is the figure that providers charge private pay families for care.

Today, fewer families are utilizing Purchase of Care, in part because providers cannot afford to enroll these children due to extremely low reimbursement rates.

In order for Delaware to fully invest in our youngest learners, it must increase investments in POC to cover the cost of care rather than just a percentage of the market rate.

WHAT HAPPENED TO THE $200 MILLION IN FEDERAL AID ALLOCATED TO CHILD CARE?

- The temporary federal stimulus dollars kept the doors open and staff employed, and allowed essential workers to fight COVID-19 in 2020, and that money has been spent to preserve the child care industry in Delaware. It was spent on keeping workers off unemployment (and therefore preventing other expenses), PPE supplies, covering parent co-pays, and fixed costs like rent and utilities. Expenses have been up 40-200% during COVID-19 due to smaller ratios and increased cleaning needs.

. . .

PUBLIC MESSAGE

- **"Delaware's Child Care Crisis Has Already Arrived; It Could Get Much Worse"**
    - Today in Delaware, families are struggling to find child care. Due to underinvestment, providers must decide whether to accept children from low-income families without the funding needed to provide care. As a result, providers are turning families away.
    - The Joint Finance Committee has allocated 8% of what was needed to sustain the industry.

- **"Lawmakers Drop the Ball on Child Care: Make No New Investments in Early Childhood During Crisis"**
    - Advocates requested $60 million in ongoing, sustainable funding for Purchase of Care subsidy for children and families. **Governor Carney and the Joint Finance Committee are committing no increase in state funding**, instead authorizing the state to spend $5 million in one-time contingency funds, 8% of what was requested, to be used only if needed.
    - Low-income families, rural families, and primarily Black and brown children to suffer the worst.
    - Child care deserts will increase, more children and families will lose access to early care, limiting families' economic mobility and leaving children unprepared for kindergarten. Early childhood providers with workforce shortages and closed classrooms receive no sustainable state funding.
    - The early childhood workforce will continue to suffer through low wages, lack of benefits, and no chance for growth.