



Quality Rating and Improvement System (QRIS) for West Virginia: Revised Cost Evaluation

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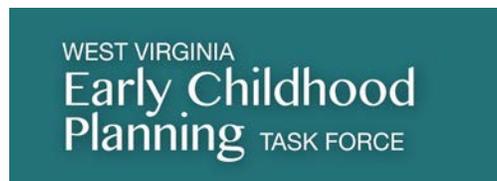
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Report Highlights

Recently, the West Virginia Early Childhood Development Task Force (Task Force) recommended improving the quality of and expanding access to early childhood options for families. A key component of the Task Force's overall recommendations is implementation of the Quality Rating and Improvement System (QRIS) as previously proposed. The Center for Business and Economic Research (CBER) revised and updated estimates to its 2011 report examining the QRIS as proposed at that time. The current report documents changes to the economic and policy environment in West Virginia that may impact implementation and cost and provides revised cost estimates where possible.

Updated QRIS and Related Cost Estimates

The proposed QRIS for West Virginia consists of administrative oversight by the West Virginia Department of Health and Human Services, incentives to childcare providers, and incentives to childcare employees. Compared to the 2011 estimates, **total program costs** for the first five years are **11.1 percent lower**.

Total costs for the first ten years are predominantly provider incentives (48 percent) and quality implementers and evaluators (24 percent).

While estimated costs for the QRIS have decreased, additional complementary costs have increased since 2011. For the first five years of implementation:

- **Increasing the subsidy eligibility** to 200 percent of the Federal Poverty Line (FPL) requires **28 percent more funding**.
- **Market rate increases needed** to bring state payment rates to the 75th percentile are **60 percent higher**.

Relevant Changes since 2011

Changes to the demographics and economics of West Virginia have largely driven changes to the estimated costs of a QRIS and the complementary payments and subsidies.

- **More subsidy-eligible families and children**, despite decline in the number of children overall in West Virginia.
 - 2,400 fewer children age 14 and younger
 - 1,760 more children qualifying for subsidies based on parental income and employment
- **Average co-pays** for subsidy-eligible families **have increased** since 2011, and currently range from \$4.29 for a four-person family to \$8.61 for a family of two.

- The co-pay burden on families is about \$2 million more than in 2011.
- There are **fewer providers overall** in West Virginia, but increased capacity statewide among licensed child care centers.
 - **400 fewer providers** including family child care homes, family child care facilities and licensed child care centers
 - 32 percent increase in total capacity at licensed child care centers, with infant and toddler capacity increasing 24 percent
- **Child care costs have increased 2.5 percent annually** since 2006, particularly among family child care facilities and licensed child care centers.
 - The gap between the 75th percentile of market rates and state payment rates for subsidy-eligible children is currently \$316 per child.
- Employment and wages have grown modestly.
 - Employment in relevant occupations has increased about 6 percent since the previous study.
 - Wages have increased about 16 percent on average for relevant occupations.
- Child care workers are the most likely to be impacted by the minimum wage increase.
 - About 64 to 70 percent of childcare employers may be affected.
 - Estimated additional wage costs are between \$180,000 and \$203,000.

Introduction and Motivation

In 2011 the Center for Business and Economic Research (CBER) outlined the need for and components of a Quality Rating and Improvement System (QRIS) for early child care in West Virginia, and estimated the total cost of implementation for these components.¹ While the legislation to implement QRIS was passed, funding was not available. Elements have since been enacted or implemented by the West Virginia Department of Health and Human Resources (WVDHHR); though the full implementation is still pending.

In 2013, Governor Tomblin created the West Virginia Early Childhood Development Task Force to examine the needs in the State and create a development plan for early childhood programs.² Among the Task Force recommendations were improving access; defining and tracking progress and outcomes; and improving quality. Implementing QRIS is a specific recommendation of the Task Force with regards to quality improvement. Additional aspects of QRIS as described in 2011 relate to other major goal areas.

To inform the Task Force and stakeholders about the implementation of QRIS within the current economic and policy environment, CBER updated the estimates and analysis contained within the 2011 report. This update entails a description of changes since 2011 and revised estimates of program cost for the QRIS as described in 2011. Relevant changes include not only the eligibility and participation of families in West Virginia, but also changes to WVDHHR's current programs and changes to state and federal regulations that may impact implementation and cost.

Background on QRIS and 2011 Report

The Quality Rating and Improvement System (QRIS) is intended to improve access to and overall quality of childcare options for families with children under the age of four.³ Challenges with the childcare sector stem from the high cost of providing care, particularly for infants. This high cost often means that many families cannot afford quality child care, particularly low-income families.⁴ Thus, many families do not participate in the formal child care market, and for those who do fees paid solely by the parents are often insufficient to sustain high-quality programs. As a result, fewer

¹ CBER. 2011. *Quality Rating and Improvement System in West Virginia: Implementation Cost Study*. Huntington, WV: Center for Business and Economic Research, Marshall University.

² West Virginia Early Childhood Planning Task Force. 2014. *Building a System for Early Success: A Development Plan for West Virginia's Early Childhood System*. Charleston, WV: West Virginia Early Childhood Planning Task Force.

³ CBER. 2011. *Quality Rating and Improvement System in West Virginia: Implementation Cost Study*. Huntington, WV: Center for Business and Economic Research, Marshall University.

⁴ Child Care Aware® of America. 2013. *Parents and the High Cost of Child Care—2013 Report*. Arlington, VA: Child Care Aware® of America.

facilities are in operation than are needed. Among facilities that do operate, revenues can only support modest staffing costs, which leads to high turnover and lack of advanced training and further credentialing among child care workers.⁵

Several states have implemented a QRIS, each with their particular variations.⁶ All share the common characteristics of attempting to address several challenges with the current childcare market by defining quality standards and providing a variety of financial supports and incentives to providers and employees. A QRIS serves more than one function. In addition to supporting child development through focusing on defining and monitoring implementation of quality programs, these systems also provide labor force support for working families. As such, a QRIS may rely on complementary incentives such as subsidies for families with employed parents.

For West Virginia, the QRIS includes:⁷

- Administrative oversight by the Department of Health and Human Resources, which entails:
 - Staffing costs
 - Technical assistance training and equipment for facility evaluators and quality monitoring
 - A state-level management information system to collect and maintain relevant data
 - Periodic evaluation of QRIS
 - Public education and awareness campaign
- Incentives to facilities and providers, which includes:
 - Tiered reimbursements, with higher quality programs receiving larger per-child subsidies
 - Grants to providers to assist with quality improvements and assist with national accreditation
- Incentives to childcare employees, such as:
 - Wage supplements for those with higher education
 - Health care benefits to workers with professional degrees
 - Scholarships to pursue further education and credentials
 - Salary increases to staff hired at providers who received grants for quality improvement or accreditation.

⁵ CBER. 2011. *Quality Rating and Improvement System in West Virginia: Implementation Cost Study*. Huntington, WV: Center for Business and Economic Research, Marshall University.

⁶ Mathematica Policy Research. 2011. *Measuring Quality across Three Child Care Quality Rating and Improvement Systems: Findings from Secondary Analyses*. Washington, DC: Office of Planning, Research and Evaluation.

⁷ CBER. 2011. *Quality Rating and Improvement System in West Virginia: Implementation Cost Study*. Huntington, WV: Center for Business and Economic Research, Marshall University.

The QRIS is primarily focused on providing a structure to define, implement and evaluate quality child care programs. Thus, most of the costs of implementation are to promote and monitor quality. However, West Virginia already provides some subsidies to childcare providers and families. These subsidies, while not explicitly part of the QRIS nonetheless are costs incurred by the state for supporting access to child care.

Currently the state provides reimbursements to child care providers, the benchmark for which are set at the 75th percentile of the market rate, as provided for in West Virginia Code of State Rules 78CSR22. This benchmark is consistent with federal guidelines. Additionally, the State already provides subsidies for child care to eligible families, based on employment status and income level. Subsidies to families would continue with implementation of QRIS.

Relevant Changes since 2011

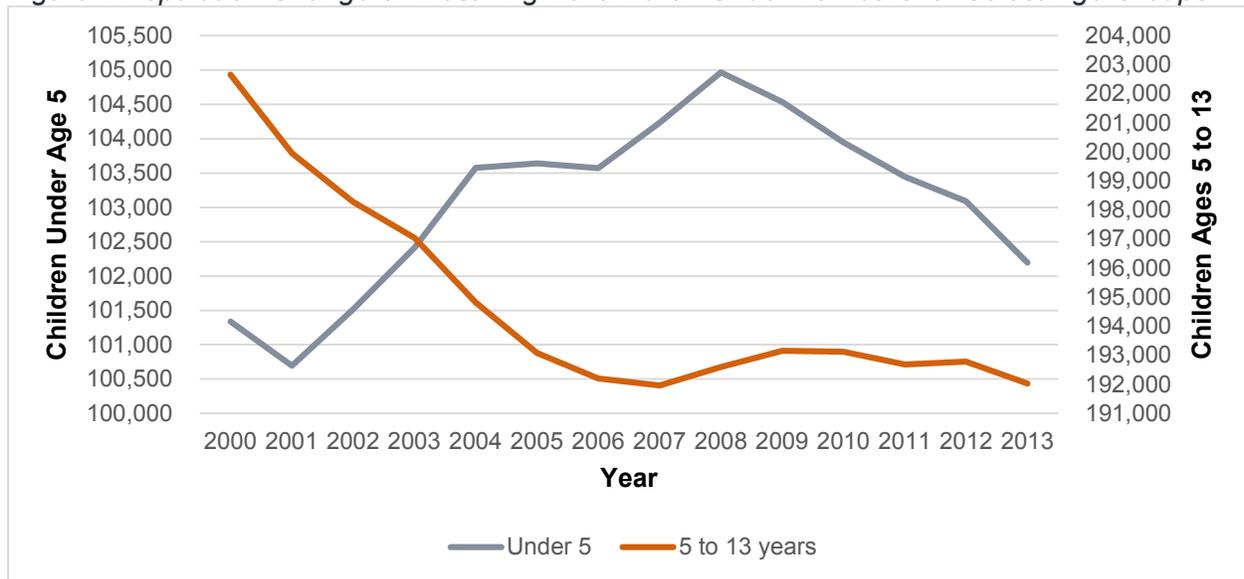
As full implementation of QRIS is still pending, several changes have occurred since the original legislation and analysis which impact the participation and costs of QRIS. In addition to demographic and economic change, which has altered the number of eligible families and available providers, there have also been legislative and regulatory changes, as well as programmatic changes for current initiatives at WVDHHR.

Demographic and Economic Conditions

Population

Since the initial legislation and estimation, the child population in West Virginia has declined. From 2011 to 2013, the population of children aged 13 years and younger decreased by approximately 0.6 percent in total.⁸ Much of this change occurred among children aged 5 years and younger (see Figure 1), which declined by 1.2 percent over the three year period, four times the decline in the child population aged 5 to 13 years.⁹ For comparison, the population of the State of West Virginia declined by nearly 0.1 percent during this time period.

Figure 1 Population Change of West Virginia Children Under 15 Years for Select Age Groups



Source: U.S. Census Bureau.

While population overall has declined, the share of families eligible to receive childcare subsidies has increased. The percentage of West Virginia families between 150 and 185 percent of the Federal Poverty Level (FPL) increased approximately 4.1 percentage

⁸ U.S. Census Bureau. 2014. "Population Estimates." <http://www.census.gov/popest/>

⁹ The population of this cohort decreased by -1.2 percent during this time period.

points between 2011 and 2013.¹⁰ Additionally, the percentage of West Virginia children in families with all parents in the household in the labor force increased by approximately 8.5 percent during this period.

Childcare Sector

Data from West Virginia Kids Count indicate an overall decline in the size of the childcare sector (see Table 1).¹¹ From 2011 to 2013 alone, the total number of centers in the State decreased by nearly 12 percent. The largest decline occurred among family child care homes (approximately -14 percent).

Table 1 Changes in Child Care Providers 2009 to 2013

	2009	2010	2011	2012	2013
Family Child Care Homes	1,938	1,855	1,835	1,741	1,572
Family Child Care Facilities	100	106	111	109	110
Licensed Child Care Centers	367	361	344	339	337
Total	2,405	2,322	2,290	2,189	2,019

Source: West Virginia Kids Count.

Further, between 2011 and 2013, the number of licensed child care centers reporting capacity to WVDHHR increased by 140, or 37 percent.¹² In part this increase was due to the expansion of programs included. In 2011, Head Start and Out-of-School time programs were not included as they were in 2013.

The most recent available data indicate that, while the cost of infant care has risen, child care costs have generally fallen over the past two years (see Table 2).¹³ While it is beyond the scope of this report to determine the factors influencing child care costs, the decline may be partially driven by the decline in the child population in the state, a dynamic that is expected to continue.

Table 2 West Virginia Child Care Costs 2011 to 2013

	Child Care Centers		Family Child Care	
	Infant	School Age	Infant	School Age
2011	\$6,932	N/A	\$6,269	N/A
2012	\$7,961	\$6,635	\$5,838	\$6,369
2013	\$7,800	\$6,500	\$5,720	\$ 5,200
Annual Percent Change*	6.1%	-2.0%	-4.5%	-18.4%

Source: Child Care Aware®, 2012, 2013, 2014

* Annual change for infant costs is compound annual rate

¹⁰ U.S. Census Bureau. 2014. "Poverty." <http://www.census.gov/hhes/www/poverty/data/>

¹¹ Kids Count Data Center. 2014. "West Virginia Indicators." <http://datacenter.kidscount.org/data#WV/2/0>. Provider data reported does not include Head Start or Out of School Time programs.

¹² West Virginia Department of Health and Human Resources (WVDHHR). 2014.

¹³ These costs represent the average child care cost burden as reported by West Virginia child care resource and referral agencies, and do not include copays or subsidies.

Employment

Occupational employment data gathered from the Bureau of Labor Statistics (BLS) for 2008 and 2013 indicate total employment across industries among relevant occupations has increased 6 percent. This increase is due to growth in two categories: *Education Administrators, Preschool and Childcare Center/Program* and *Childcare Workers* occupations (see Table 3). Of the 2,870 childcare workers in the state, 2,080 work in the Child Care Day Services sector, as opposed to public schools, other residential care facilities, and individual and family services.¹⁴

Employment for *Preschool Teachers, Except Special Education* occupations in the State declined by approximately 3.4 percent during this time. Median hourly wage increased by at least 16.2 percent in each of the three occupational groups during this time period.

Table 3 Changes in Employment and Median Hourly Wage for Select Occupations 2008 to 2013

Occupation	Employment			Median Hourly Wage		
	2008	2011	2013	2008	2011	2013
11-9031 Education Administrators, Preschool and Childcare Center/Program	70	80	150	\$14.39	\$15.31	\$16.82
25-2011 Preschool Teachers, Except Special Education	1,450	1,860	1,400	\$10.48	\$12.75	\$12.38
39-9011 Childcare Workers	2,700	2,770	2,870	\$7.42	\$8.55	\$8.62

Source: US Bureau of Labor Statistics

Median hourly wages have increased since 2008 for all employment categories. Childcare workers comprise the largest occupational group and generally receive closest to the minimum wage, with the median hourly wage just above the newly mandated state minimum of \$8.00. Median wages for other employment categories are well above the minimum, likely reflective of the additional training, credentials and experience required.

For the 2011 analysis, West Virginia child care costs for one child were estimated to be \$4,260 in 2011.¹⁵ A recent report by Child Care Aware® of America (2013) suggests that actual child care costs may be higher.¹⁶ The weighted average of costs for infants and school-aged children in both child care center and family child care locations was calculated based on the proportion of children in family child care and child care center

¹⁴ U.S. BLS Occupational Employment Estimates Research Statistics.

¹⁵ CBER. 2011. *Quality Rating and Improvement System in West Virginia: Implementation Cost Study*. Huntington, WV: Center for Business and Economic Research, Marshall University.

¹⁶ Child Care Aware® of America. 2013. *Parents and the High Cost of Child Care—2013 Report*. Arlington, VA: Child Care Aware® of America.

settings. This cost was estimated to be \$6,330 in 2012.¹⁷ Future annual costs are estimated using this cost as a base and a growth rate of 2.5 percent per year.

Market Rate

As noted previously the 75th percentile of the market rate, as determined biennially through a market price survey, determines the benchmark for base payment child care rates from WVDHHR. These base payments range across provider types and child ages from the 20th percentile of market rates to the 75th percentile. Table 4 displays the market rates for child care by provider type and age for four market price survey rounds. Market rates have remained fairly stable in family child care home settings, but have increased for both family child care facilities and child care centers in West Virginia. While these market rates have been increasing, base payments from the state have remained constant since 2009.¹⁸

Table 4 75th Percentile Monthly Market Rate Comparison

Type of Child Care	Age of Child	2006	2008	2011	2013	Average Annual Change
Family Child Care Home	0-24 months	\$20	\$20	\$20	\$22	1.4%
	25-36 months	\$20	\$20	\$20	\$20	0.0%
	37-60 months	\$20	\$20	\$20	\$20	0.0%
	61 months & up	\$20	\$20	\$20	\$20	0.0%
Family Child Care Facility	0-24 months	\$20	\$25	\$25	\$29	5.5%
	25-36 months	\$20	\$20	\$25	\$25	3.2%
	37-60 months	\$20	\$20	\$25	\$25	3.2%
	61 months & up	\$20	\$20	\$24	\$25	3.2%
Child Care Center	0-24 months	\$25	\$28	\$29	\$30	2.6%
	25-36 months	\$21	\$24	\$26	\$27	3.7%
	37-60 months	\$20	\$23	\$25	\$26	3.8%
	61 months & up	\$20	\$22	\$24	\$25	3.2%

Source: WVDHHR

¹⁷ The weighted average cost estimate was compared to the 75th percentile annual market rate cost estimate from WVDHHR. As insufficient information is available on costs for the remaining 25 percent of children, this estimate is used as a proxy for child care costs in this analysis.

¹⁸ West Virginia Department of Health and Human Resources (WVDHHR). 2014.

Quality Tiers and Reimbursements

While the number of facilities and centers overall has fallen, participation in the tiered reimbursement program has increased among child care facilities by about 10 percent, or five additional centers (see Table 5). In contrast, fewer family homes and facilities are participating in the tiered reimbursement program.

Table 5 Child Care Facilities and Centers Currently Participating in Tiered Reimbursement

Type of Care	2010		2013	
	Number	Percentage	Number	Percentage
Family Child Care Homes and Facilities	13	0.7%	10	0.6%
Child Care Centers	51	14.0%	56	15.8%

Source: WVDHHR

Table 6 compares Tier I and Tier II base rates at the 75th percentile of the market rate and daily rate increases needed in 2011 and 2013. Changes appear in bold.

Table 6 2011 and 2013 Rate Increases Required for 75th Percentile

	Age Groups	2011 Rate Increase Needed	2013 Rate Increase Needed	Percentage Change
Tier I				
Family Child Care Homes	Infant	N/A	\$2.00	*
	Toddler	N/A	N/A	*
	Pre-School	N/A	N/A	*%
	School-Age	\$4.00	\$4.00	0%
Family Child Care Facilities	Infant	N/A	\$4.00	*
	Toddler	\$5.00	\$5.00	0%
	Pre-School	\$5.00	\$5.00	0%
	School-Age	\$6.00	\$7.00	17%
Child Care Centers	Infant	\$1.00	\$2.00	100%
	Toddler	\$2.00	\$3.00	50%
	Pre-School	\$2.00	\$3.00	50%
	School-Age	\$5.00	\$6.00	20%
Tier II				
Family Child Care Homes	Infant	N/A	N/A	*
	Toddler	N/A	N/A	*
	Pre-School	N/A	N/A	*
	School-Age	\$2.00	\$2.00	0%
Family Child Care Facilities	Infant	N/A	\$2.00	*
	Toddler	\$2.00	\$3.00	50%
	Pre-School	N/A	\$3.00	*
	School-Age	\$3.00	\$5.00	67%
Child Care Centers	Infant	N/A	N/A	*
	Toddler	N/A	\$1.00	*
	Pre-School	N/A	\$1.00	*
	School-Age	\$3.00	\$4.00	*

Source: WVDHHR

* Rate increase unavailable in one or both years.

As shown in the tables above, rate increases are needed to bring most age groups and types of care to at least the 75th percentile. Consistent with the previous data on child care costs in West Virginia, for all age groups and both tiers, Family Child Care Homes need very little increase with the exception of infants and school-age children in Tier I and school-age children in Tier II. Family Child Care Facilities requires more increases (age groups and monetarily) for both Tiers and would require an overall larger rate increase to bring current rates to the 75th percentile. It should be noted that any rate increases needed in 2011 were still needed in 2013 and in some cases, to a much larger extent.

State Minimum Wage Increase

Beginning in January 1, 2015, the West Virginia minimum wage increased to \$8.00 per hour.¹⁹ This increase applies to private and public business establishments who employ at least six employees during any calendar week.²⁰ Employers may also qualify for credits to the minimum wage. Employers may reduce the minimum wage paid to gratuity-earning employees by 70 percent provided that they can document the employees are making at or more of that 70 percent difference in gratuities.²¹ A similar credit is allowed for employers who provide employees with room and board; this credit is not specified. An additional minimum wage increase to \$8.75 will be effective beginning January 1, 2016.

Programmatic and Structural Considerations

Co-pay Schedule

Childcare subsidy programs, such as those funded under the Child Care and Development Fund (CCDF), help low-income families pay for care.²² For families that obtain subsidies, child care assistance programs cover some or all of the price of care, with families contributing a copayment. Lower-income families pay a lower co-payment, which at times can be reduced to zero cost.

Co-payments in West Virginia are offered as a daily fee per child, with the fee charged only on the first three children in a family. Co-pays depend on family size and income level, with the copay amount increasing for higher income and larger families (see Table 7). Families at 40 percent of the Federal Poverty Level (FPL) or lower are fully subsidized and can obtain child care without paying a daily fee. Since 2011 in West Virginia, co-pays increased for all family sizes, with a two-person family experiencing a dramatic increase (117 percent) as compared to the other family sizes.

¹⁹ West Virginia Code §21-5C-2(a)(4).

²⁰ West Virginia Code §21-5C-1(e).

²¹ West Virginia Code §21-5C-4.

²² Minton, Sarah and Christin Durham. 2013. *Low-Income Families and the Cost of Child Care: State Child Care Subsidies, Out-of-Pocket Expenses, and the Cliff Effect*. Washington, DC: The Urban Institute.

Table 7 Average Co-pay by Family Size

Family Size	2011 Average	2014 Average	Percentage Change
Two	\$3.96	\$8.61	117%
Three	\$4.96	\$5.38	8%
Four	\$3.96	\$4.29	8%
Five	\$4.67	\$5.00	7%
Six	\$5.38	\$5.75	7%

Source: CBER Calculations of data provided by WVDHHR

Legislative and Regulatory Changes

Revisions to the original QRIS legislative framework have been proposed since 2012, including comprehensiveness of the program and the potential inclusion of Head Start within the System; although no legislative action has been taken. The West Virginia Early Childhood Planning Task Force proposed the following recommendations.²³

- Elimination of the word “**voluntary**” from Code. This revision would allow for possible future changes in participation requirements of the QRIS.
- Removal of **quality standards** from the legislative rule. This revision would allow for changes to quality standards as needed, such as updates to regulations, best practices research and policy changes across sectors.
- Reduction of **specification of requirements** for such components as financial incentives and supports offered, tools used for program evaluation and those related to the structure and/or processes of the QRIS. This revision would allow for changes to occur more easily as dictated by best practices research and the development of evaluation tools.
- Inclusion of all **early childhood sectors in the QRIS program under the representation of the QRIS Advisory Council** and assurance of **quality standard applicability** across sectors and child care settings. This revision would encourage collaboration and participation of all early childhood programs and improve system effectiveness and usefulness.

Block Grant Funding and Eligibility

On November 19, 2014, President Obama signed the Child Care and Development Block Grant (CCDBG) Act of 2014 into law, thus reauthorizing the child care program for the first time since 1996 and further promoting the Child Care and Development (CCDF) program. The CCDF program helps fund child care for over 1.4 million children each month. Originally enacted in 1990 and last reauthorized in 1996, the authority for the

²³ West Virginia Early Childhood Planning Task Force. 2014. *Building a System for Early Success: A Development Plan for West Virginia’s Early Childhood System*. Charleston, WV: West Virginia Early Childhood Planning Task Force.

CCDBG program expired in 2002 but funding has been continued through the annual appropriations process. The reauthorization makes important statutory changes which promote families' economic self-sufficiency by making child care more affordable and fostering healthy child development.²⁴

Among the significant policies as required by the CCDBG include the changes in eligibility. The CCDBG establishes a 12-month eligibility re-determination period for CCDF families regardless of changes in income or temporary changes in participation in work, training or education activities. Prior to reauthorization, a 6-month eligibility re-determination period was required for a family to receive any child care assistance.

Methodology and Assumptions

The basic structure and components of the Quality Rating and Improvement System (QRIS) laid out in the 2011 report were assumed to still be relevant. Lack of detailed data for most items necessitated assuming that many original costs were largely based on the initial anticipated size of the child care sector. Data were compiled from the U.S. Census Bureau, Bureau of Labor Statistics, Workforce West Virginia, West Virginia Department of Health and Human Resources, data on West Virginia T.E.A.C.H. scholarships and Kids Count West Virginia.

At this time, system growth rates have not been adjusted; however, market rate increases incorporate projected child care costs and expected changes to number of subsidized children. Subsidy costs for families reflect expected population growth.

QRIS Components

For many items, updated data could not be obtained. Items for which no new data or information, could be obtained include: competitive salary increases, technology supplies (notepad, pcs, etc.), training at UNC, the QRIS public relations campaign, tiered reimbursements, wage supplements, and grants to providers. Grants initially included incentives for voluntary participants. No additional adjustments to grant amounts have been made at this time to account for removal of “voluntary” language from code.

Components of QRIS related to the quality improvement—tiered reimbursements, wage supplements, grants to providers—were assumed to be a per-center cost. Similarly, components related to quality monitoring—technology supplies and training for evaluators—were also assumed to be a per-center cost from the 2011 report. Hence the best revised estimate uses the original per-center cost and adjusts for the necessary system size, as measured by the current number of centers.

²⁴ ACF Office of Child Care. 2014. “Child Care and Development Block Grant Act (CCDBG) of 2014 Basic FAQs.” *United States Department of Health and Human Services*.

<http://www.acf.hhs.gov/programs/occ/resource/ccdbg-reauthorization-basic-faqs>

Revised staffing costs for QRIS were estimated from original per-center costs adjusted by average annual public employee staff salary; adjusted per-center cost applied to new base number of facilities. Anticipated staffing requirements were assumed constant to those articulated in the original report.²⁵

T.E.A.C.H West Virginia Scholarships currently offered represent a savings relative to the scholarship amount estimated in 2011. Revised scholarship estimates for QRIS are based on assuming that the T.E.A.C.H WV scholarship recipients would increase at the same rate as the scholarships for QRIS. Using the 2013 recipient total and grant amount, future T.E.A.C.H scholarship amounts were estimated and deducted from the original QRIS scholarship estimate.

Health care estimates were based on information collected and compiled from the Kaiser Foundation Subsidy Calculator²⁶, the Center on Budget and Policy Priorities²⁷ and the Child Care Services Association²⁸. Not factoring in potential discounts and/or credits, child day care workers with professional degrees are estimated to pay 9.5 percent of their annual salary for health care. While the 2011 report only accounted for health care benefits in the 5th year of implementation, the current estimate assumes health care benefits would begin in the first year.

MIS costs were developed by analyzing existing systems in other states. The analysis focused on the purpose and goals of such systems in states such as Maryland, Washington, Texas and Massachusetts. Estimates in these states ranged from \$8 million to \$11 million and while some states aimed to enhance old systems, our analysis focused on developing new systems and included maintenance costs as well. Timing of spending has been updated in accordance with spending in other states. Estimates for West Virginia have allocated the full cost of an MIS system to QRIS, however adjustments may be made if there is information to support that QRIS would not be the only state agency using the system.

Revised evaluation cost estimates are based on costs of replicating existing evaluation frameworks, and information from QRIS Evaluation Toolkit document.

²⁵ CBER. 2011.

²⁶ KFF. 2015. "Health Insurance Marketplace Calculator. *The Henry J. Kaiser Family Foundation*. <http://kff.org/interactive/subsidy-calculator/>

²⁷ CBPP. 2013. *Making Health Care More Affordable: The New Premium and Cost-Sharing Assistance*. Washington, DC: The Center on Budget and Policy Priorities.

²⁸ T.E.A.C.H. Early Childhood National Technical and Quality Assurance Center. 2013. *The Affordable Care Act – for Child Care Employers: A Basic Question and Answer Overview*. Chapel Hill, NC: The T.E.A.C.H. Early Childhood National Technical and Quality Assurance Center.

Market Rate Increases

The market rate increase captures the additional subsidy required from WVDHHR to meet federal guidelines. To assess the additional subsidy required to meet the 75th percentile benchmark CBER analyzed data on current rates, subsidies, number of providers, numbers of children served and population growth.

As noted previously, market rate subsidies from WVDHHR have been stable since 2009, despite increases in the 75th percentile rates. The current gap ranges from \$2.00 per day to \$7.00 per day, depending on provider type and child age. Currently, WVDHHR serves 21,824 eligible children. To calculate a subsidy cost and market rate increase, these children were assumed to be distributed across provider types according to data provided by WVDHHR.²⁹

Table 8 Market Rates, State Subsidies and Estimated Children 2013

Provider Type	75 th Percentile Daily Rate	State Payment Rate	Difference from 75 th Percentile to State	Subsidized Children*
Infants				
Family Child Care Homes	\$25.00	\$20.00	\$5.00	1,040
Family Child Care Facility	\$27.00	\$25.00	\$2.00	247
Child Care Center	\$31.00	\$25.00	\$6.00	2,206
Toddlers				
Family Child Care Homes	\$22.50	\$20.00	\$2.50	699
Family Child Care Facility	\$25.00	\$20.00	\$5.00	150
Child Care Center	\$29.00	\$24.00	\$5.00	1,865
Preschool				
Family Child Care Homes	\$22.00	\$20.00	\$2.00	1,398
Family Child Care Facility	\$25.00	\$20.00	\$5.00	336
Child Care Center	\$27.00	\$23.00	\$4.00	4,066
School Age				
Family Child Care Homes	\$20.00	\$16.00	\$4.00	3,156
Family Child Care Facility	\$25.00	\$18.00	\$7.00	563
Child Care Center	\$25.00	\$19.00	\$6.00	6,098

Source: WVDHHR

*CBER Calculations based on data from WVDHHR.

Data provided from WVDHHR indicate that \$41.5 million in subsidy payments were disbursed to cover the 21,824 children, which is roughly 35 percent of the total

²⁹ Child Care and Development Fund reports on enrollments by age group and provider type were analyzed for the period July 2012 to June 2013.

estimated payment cost if all children were to receive full time care for the full year.³⁰ To assess the market rate increase needed for these children, CBER calculated estimates of the total cost for these children for the approximate amount of time they are in care at the 75th percentile of rates, as well as per child averages.³¹ Table 9 contains the results.

Table 9 Estimated Market Rate Increase Required for 2014

	<i>Annual Total</i>	<i>Per Child</i>
<i>Cost at 75th Percentile Rates</i>	\$48,379,547	\$2,217
<i>State Payment Cost</i>	\$41,482,509	\$1,901
<i>Difference</i>	\$6,897,038	\$316

Source: CBER calculations based on WVDHHR data

If every eligible child receiving a state subsidy received care at the 75th percentile of the market rate, the total estimated cost would be more than \$48 million, an average of \$2,217 per child, resulting in a gap of \$316 per child, or \$6.9 million currently.

The historical change in subsidized children and the change in 75th percentile rates provides the basis for projecting future market rate increases necessary to meet the 75th percentile benchmark. On average, between 2004 and 2014, the number of subsidized children has declined about 3 percent annually. As the child population is projected to decline by 5.2 percent³², the 3 percent decline is assumed to be driven largely by underlying population dynamics.

Analysis of market rates indicates that prices on average have increased 2.5 percent annually since 2006. This growth rate is used to generate a projected per child market rate. Finally, the market rate analysis assumes that the state payment rate will remain unchanged from current levels.

Subsidy Eligibility

As mentioned previously, families currently receive subsidies for child care based on the income. To calculate revised estimates, updated data from 2013 were used with the original methodology from 2011. Data sources and methods for the Federal Poverty Level (FPL) eligibility calculation involve a multi-tiered process. The number of children aged 13 years and younger were collected from the U.S. Census Bureau and represent the Census population estimate as of July 1, 2013.

Between the 2011 and current analyses, approximately 8,800 additional children in families with incomes between 150 and 185 percent of FPL qualify for subsidies. This increase stems largely from a greater proportion of children falling within these ranges of FPL (approximately 4 percent higher than the 2011 analysis—essentially doubling the

³⁰ The total estimated subsidy cost for all children to receive full time care for the full year would equal approximately \$115 million.

³¹ According to the 2011 report, 95 percent of providers accept subsidized children.

³² According to West Virginia population projections data from the U.S. Census Bureau.

number of children being considered), along with a higher percentage of children living in family households in which all parents in the household are in the labor force (approximately 8.5 percent higher). Assuming an elective use rate of 20 percent, nearly 1,800 additional eligible children are estimated to participate in the program.

Table 10 Changes to FPL Eligibility 2011 to 2013

	2011	2013	Change since 2011
Number of children 14 years and younger	296,627	294,218	-2,409
Estimated children between 150% and 185% FPL	10,679	22,720	12,041
Estimated children qualifying for subsidy	6,098	14,899	8,801
Estimated children participating	1,220	2,980	1,760

Source: CBER calculations based on US Census data

Although not a consideration in the 2011 QRIS cost estimation, raising the FPL guidelines to include children in families between 185 and 200 percent FPL would result in an estimated additional 968 eligible children participating (see Table 10).

Poverty status of families as estimated by the U.S. Census Bureau was used to calculate the estimated percentage of West Virginia families that fall between 150 and 185 percent and 185 and 200 percent of FPL. These data represent estimates as of 2013.

Estimates from the American Community Survey (ACS) were consulted to estimate the percentage of West Virginia families with own children in which all parents in the household are in the labor force. These families include single- and dual-parent households regardless of sex of householder and exclude those families in which one or both parents in the household are not currently in the labor force. These data represent the 2013 1-year estimates.

Recent literature were consulted to determine an average cost estimate per child.³³ The estimated rate for electing to use a child care option remained unchanged from the 2011 analysis.

To calculate cost estimates for Years 3, 4 and 5, the number of West Virginia children under 14 years of age was reduced by the percentage of families between key measures of FPL in the state. This number was further reduced by the percentage of all West Virginia families with own children in which all parents in the household are members of the labor force, and then reduced by the estimated uptake rate for electing to use a child care option. This provided the authors with an estimate of the number of children who would qualify for the subsidy.

³³ Child Care Aware® of America. 2013. *Parents and the High Cost of Child Care—2013 Report*. Arlington, VA: Child Care Aware® of America.

These children were equally distributed, assuming that one-third of these children would come-on-board in each of Years 3, 4 and 5. The average per child cost estimate was applied to one-third of these children, provided a total Year 3 subsidy estimate.

To calculate the total Year 4 subsidy estimate, the authors assume all children eligible in Year 3 will begin a second year in the program. This cost is added to the first-year cost for Year 4 eligible children. In a similar fashion, Year 5 subsidy costs are calculated by considering (1) the third year of the Year 3 cohort; (2) the second year of the Year 4 cohort; and (3) the first year of the Year 5 cohort.

Revised QRIS Program Cost Estimates

Updated QRIS cost estimates for the first five years of the program are provided in Table 11.

Table 11 Revised QRIS Cost Estimates—Years 1 through 5

Expense Category	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Staffing Cost (5-year period)</i>	\$1,413,180	\$1,578,043	\$1,798,509	\$1,963,373	\$2,183,838
<i>Competitive Salary Increase for Grantees</i>	\$ 365,289	\$ 365,289	\$ 365,289	\$ 365,289	\$ 365,289
<i>Notepad PC with ERS software, extra battery, keyboard and stylus kit</i>	\$ 158,893	\$ 117,756	\$ 130,976	\$ 144,195	\$ 157,414
<i>Training at UNC and California for IT Specialists</i>	\$ 83,400	\$ 88,653	\$ 10,645	\$ 10,645	\$ 10,645
<i>Tiered Reimbursement</i>	\$ 347,877	\$ 608,784	\$ 869,692	\$1,130,600	\$1,391,507
<i>Wage Supplement--salary enhancement to caregivers with higher education</i>	\$ -	\$ 217,423	\$ 565,300	\$1,043,630	\$1,565,445
<i>Scholarships</i>	\$ 135,000	\$ 237,000	\$ 338,000	\$ 440,000	\$ 541,000
<i>Health Care benefits for caregivers with professional degrees*</i>	\$ 526,418	\$ 525,335	\$ 524,252	\$ 523,168	\$ 522,085
<i>Management Information System--new web-based data system & annual maintenance*</i>	\$2,375,000	\$3,800,000	\$1,900,000	\$ 950,000	\$ 475,000
<i>Grants to Providers</i>	\$ 217,423	\$ 260,908	\$ 304,392	\$ 347,877	\$ 391,361
<i>Public Relations campaign (QRIS Committee)</i>	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
<i>Subtotal before evaluation</i>	\$5,872,480	\$8,049,192	\$7,057,054	\$7,168,776	\$7,853,585
<i>Evaluation to determine the effectiveness of the system*</i>	\$ 90,000	\$ 325,000	\$ 325,000	\$ 875,000	\$ 875,000
Program Cost (Annual)	\$5,962,480	\$8,374,192	\$7,382,054	\$8,043,776	\$8,728,585
<i>Market Rate Increases*</i>	\$7,492,438	\$8,363,361	\$9,213,456	\$10,022,996	\$10,811,138
<i>Subsidy Eligibility moved from 185 to 200% FPL</i>	\$ -	\$ -	\$2,131,462	\$ 4,395,031	\$ 6,795,924
Total Costs	\$13,411,433	\$16,81,037	\$18,857,426	\$22,679,226	\$26,640,039

Source: CBER calculations

* Denotes methodology adjusted from 2011 analysis.

Revised cost estimates indicate a variety of changes between the 2011 and current analyses. Many of these cost estimates have decreased in the current analysis, due to the decline in the number of childcare providers. Health care benefits is the only program element to display expected increases over 2011 estimates, due in large part to the assumption that benefits would be offered in all five years, in contrast to the 2011 report. While programmatic costs for the QRIS are smaller overall, due largely to the smaller number of providers in the state, the complementary assistance—market rate increases and income-based subsidies to families—have greater anticipated costs than in 2011 (see Table 12).

Table 12 Percentage Changes in Total Costs since 2011 for first Five Years

<i>Expense Category</i>	<i>Percentage Changes in 5-Year Total Costs</i>
<i>Staffing Cost (5-year period)</i>	-17.1%
<i>Competitive Salary Increase for Grantees</i>	-13.0%
<i>Notepad PC with ERS software, extra battery, keyboard and stylus kit</i>	-13.0%
<i>Training at UNC and California for IT Specialists</i>	-13.0%
<i>Tiered Reimbursement</i>	-13.0%
<i>Wage Supplement--salary enhancement to caregivers with higher education</i>	-13.0%
<i>Scholarships</i>	-32.4%
<i>Health Care benefits for caregivers with professional degrees*</i>	74.8%
<i>Management Information System--new web-based data system plus annual maintenance*</i>	0.0%
<i>Grants to Providers</i>	-13.0%
<i>Public Relations campaign (QRIS Committee)</i>	0.0%
<i>Subtotal before evaluation</i>	-6.8%
<i>Evaluation to determine the effectiveness of the system*</i>	-37.0%
<i>Program Cost (Annual)</i>	-11.1%
<i>Market Rate Increases*</i>	59.6%
<i>Subsidy Eligibility moved from 185 to 200% FPL</i>	28.1%
<i>Total Costs</i>	17.8%

Source: CBER calculations

* Denotes methodology adjusted from 2011 analysis.

Cost estimates were also projected for an additional five years. Using Year 5 estimates as a base, each cost category was adjusted by anticipated changes to pertinent factors. These factors included employment projections³⁴, child care costs and subsidized children³⁵, medical care and population. For expense categories without a corresponding adjustment, the Consumer Price Index (CPI) was used. Table 13 below contains the growth rates used to adjust different cost categories. Table 14 outlines cost projections for program Years 6 through 10.

Table 13 Growth Assumptions for Years 6-10

<i>Factor</i>	<i>Growth Rate</i>	<i>Costs Adjusted</i>
<i>Under 5 population growth rate for West Virginia</i>	-5.2%	FPL subsidy cost
<i>Child care costs</i>	2.5%	FPL subsidy cost; market rate increase
<i>Subsidized children</i>	-3.0%	Market rate increase
<i>Employment growth rate</i>	-0.3%	Staffing costs; competitive salary increases; scholarships.
<i>Medical Care CPI</i>	3.0%	Health Insurance
<i>CPI-U</i>	2.0%	Training and technology for evaluation; wage supplement ³⁶ ; MIS; PR; evaluation

³⁴ Employment projections were calculated from Workforce West Virginia occupational projections for relevant occupations.

³⁵ Calculated from market rate data provided by WVDHHR.

³⁶ The wage supplement only applies to professionals with higher education. Data from Workforce West Virginia indicates -0.4 percent decline in the number of relevant workers, thus the general rate of inflation is assumed for projecting future wage supplements required.

Table 14 QRIS Cost Estimates—Years 6 through 10

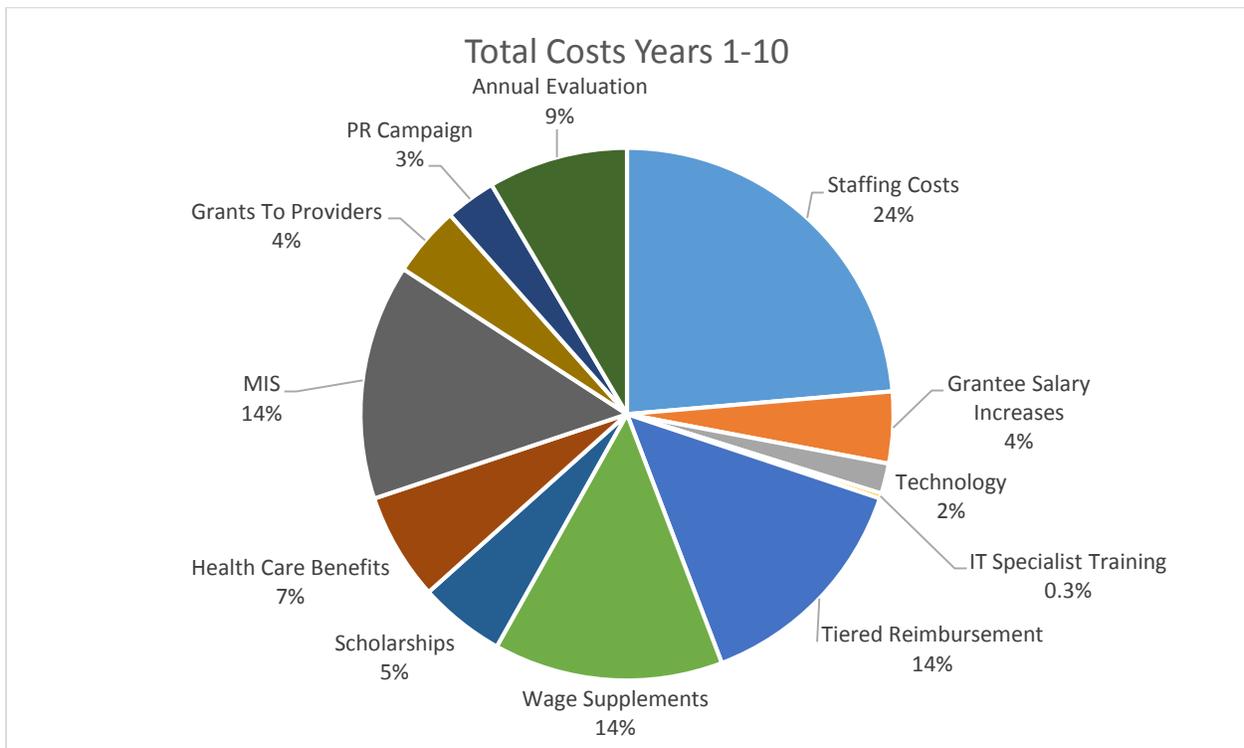
Expense Category	Year 6	Year 7	Year 8	Year 9	Year 10
Staffing Cost (5-year period)	\$2,184,543	\$2,185,248	\$2,185,953	\$2,186,659	\$2,187,364
Competitive Salary Increase for Grantees	\$ 365,407	\$ 365,525	\$ 365,643	\$ 365,761	\$ 365,879
Notepad PC with ERS software, extra battery, keyboard and stylus kit	\$ 160,545	\$ 163,738	\$ 166,994	\$ 170,315	\$ 173,703
Training at UNC and California for IT Specialists	\$ 10,857	\$ 11,073	\$ 11,293	\$ 11,517	\$ 11,747
Tiered Reimbursement	\$1,425,993	\$1,461,333	\$1,497,549	\$1,534,663	\$1,572,697
Wage Supplement--salary enhancement to caregivers with higher education	\$1,596,579	\$1,628,331	\$1,660,715	\$1,693,743	\$1,727,428
Scholarships	\$ 541,175	\$ 541,349	\$ 541,524	\$ 541,699	\$ 541,874
Health Care benefits for caregivers with professional degrees*	\$ 537,711	\$ 553,806	\$ 570,381	\$ 587,453	\$ 605,036
Management Information System--new web-based data system & annual maintenance*	\$ 484,447	\$ 494,081	\$ 503,908	\$ 513,929	\$ 524,150
Grants to Providers	\$ 399,145	\$ 407,083	\$ 415,179	\$ 423,436	\$ 431,857
Public Relations campaign (QRIS Committee)	\$ 254,972	\$ 260,043	\$ 265,215	\$ 270,489	\$ 275,868
Subtotal before evaluation	\$7,961,372	\$8,071,609	\$ 8,184,354	\$8,299,665	\$8,417,603
Evaluation to determine the effectiveness of the system*	\$ 892,402	\$ 910,150	\$ 928,251	\$ 946,712	\$ 965,540
Program Cost (Annual)	\$8,853,774	\$8,981,759	\$9,112,605	\$9,246,377	\$9,383,143
Market Rate Increases*	\$11,560,344	\$12,288,240	\$12,978,471	\$13,647,591	\$14,295,674
Subsidy Eligibility moved from 185 to 200% FPL	\$ 7,004,973	\$ 7,219,434	\$ 7,439,386	\$ 7,664,906	\$ 7,896,065
Total Costs	\$27,419,091	\$28,489,433	\$29,530,462	\$30,558,873	\$31,574,881

Source: CBER calculations

* Denotes methodology adjusted from 2011 analysis.

The breakdown of total costs for the first 10 years of the proposed QRIS is depicted in Figure 2. Incentives to employees and providers—in the form of grants, salary increases, tiered reimbursements, health care benefits, scholarships, and wage supplements—constitute about 48 percent of overall program costs. Staffing costs, which primarily consist of quality evaluators and implementers, account for 24 percent of overall program costs.

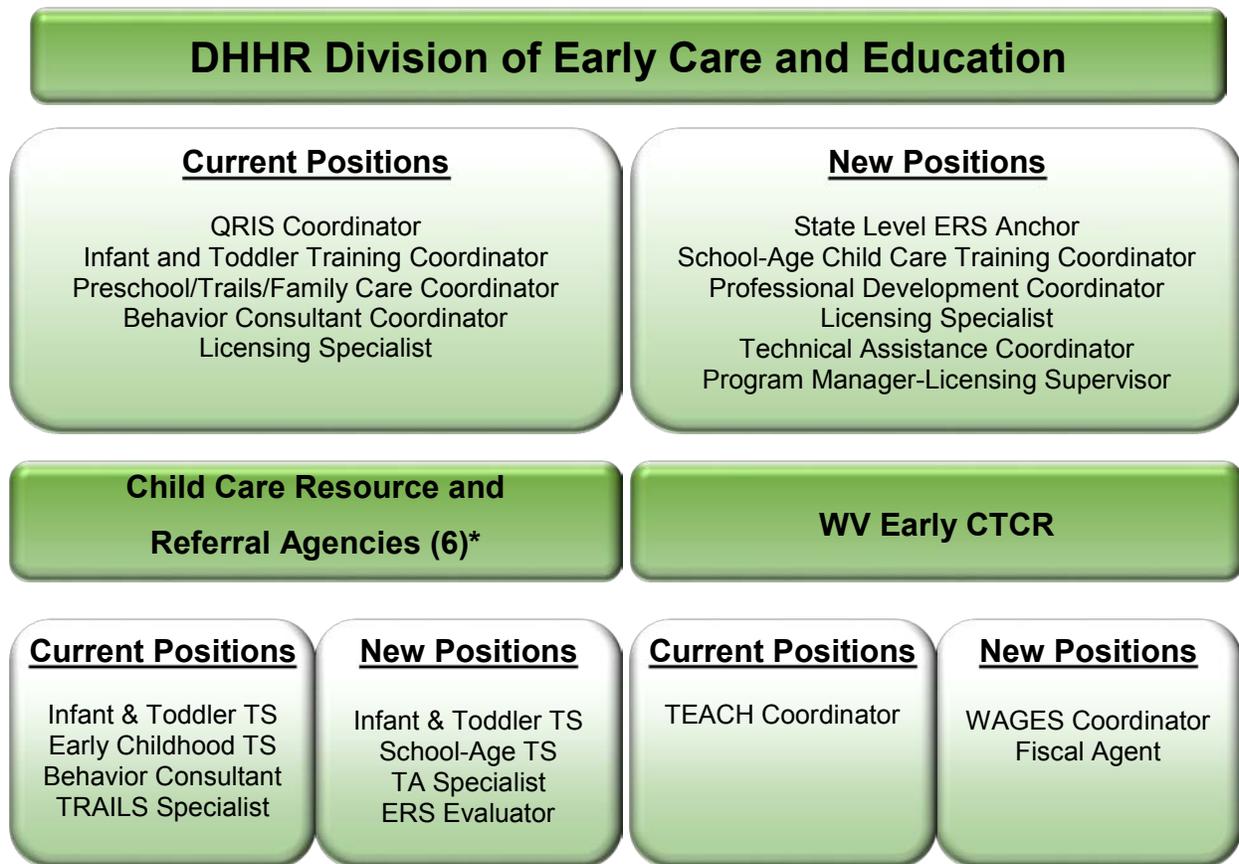
Figure 2 Proportional QRIS Expenses Years 1 through 10



Source: CBER calculations

As illustrated in Figure 3, these staffing costs are principally for quality implementation and evaluation, which includes licensed specialists. This overview of positions is necessary for implementation is based on the original structure for QRIS.³⁷

Figure 3 Existing and Proposed Staffing Structure with QRIS Program



* Includes Child Care Resource Center, Choices CCR&R, Link CCR&R, Connect CCR&R, MountainHeart North CCR&R., and MountainHeart South CCR&R

Discussions and Considerations

As mentioned previously, additional considerations have become relevant to QRIS implementation and participation since 2011. These considerations include the co-pay schedule for families; changes to the legislation setting the structure for QRIS; changes to the federal block grant which funds the relevant DHHR programs currently; and the recent increase in the state minimum wage.

Co-Pay Schedule Changes

Annual co-pays were determined by considering the average daily rates and

³⁷ Center for Business and Economic Research. 2011

proportionate number of families by family size and assuming 261 working days per year (see Table 15). The data indicate that total copayment amounts decrease as family size increases; this occurs largely due to substantially fewer large-member families in the State.

Table 15 Annual Copay Comparisons by Family Size

<i>Family Size</i>	<i>2011 Copays</i>	<i>2014 Copays</i>
<i>Two</i>	\$1,271,183	\$3,221,582
<i>Three</i>	\$238,887	\$301,822
<i>Four</i>	\$19,322	\$24,416
<i>Five</i>	\$1,071	\$1,337
<i>Six</i>	\$18	\$23
Total	\$1,530,482	\$3,549,181

Source: CBER Calculations

In the span of 3 years, the co-pay burden more than doubled. If the co-pay as provided by the CCDF were adjusted and ultimately reduced back to 2011 levels for all families, the total co-pay burden on families may be reduced by as much as an estimated \$2 million. Expanding access to families is one of the recommendations of the West Virginia Early Childhood Planning Task Force.³⁸ Affordability, which includes both the co-pay and the availability of subsidies, is one aspect of accessibility of child care for families.

Legislative and Regulatory

Several changes to the original QRIS language have been proposed, mostly aimed at allowing for greater flexibility in implementation by WVDHHR and to facilitate moving towards a mandatory system in the future. In their recent analysis, the West Virginia Early Childhood Planning Task Force evaluated the costs, structure, challenges and benefits of the development of a quality early childhood system under an assumption of mandatory participation.³⁹ As a result, participation estimates and associated costs are much larger from the Task Force (2014) report.

³⁸ West Virginia Early Childhood Planning Task Force. 2014.

³⁹ West Virginia Early Childhood Planning Task Force. 2014.

Minimum Wage Impact

It is likely that this wage change will have an impact on some licensed child care centers in the State. Based on 2012 establishments by employment, of the total 381 child care centers reported for NAICS 6244—Child Day Care Services, 116 employ four or less employees, 106 employ between five and nine employees and the remaining 159 employ 10 or more (see Table 16).⁴⁰

Table 16 Number of Child Day Care Services Establishments by Employment Type

Employment Range	Number of Establishments	Proportion of Total Establishments
Under 5 employees	116	30.4%
Between 5 and 9 employees	106	27.8%
10 employees or more	159	41.7%
Total	381	100.0%

Source: U.S. Census Bureau and CBER Calculations

Either all or a portion of the centers employing five to nine people may be subject to the rising minimum wage, providing two potential scenarios.

1—A portion of establishments may be impacted.

Assuming that an equal share of centers are in each size category, 20 percent of establishments employ five individuals, 20 percent of establishments will employ six individuals, and so on. Thus 80 percent of establishments within this employment range would be impacted by the changing wage. This equates to roughly 85 total establishments. Under this assumption, a total of 244 establishments (85 of the establishments employing five to nine individuals plus those establishments employing 10 or more employees) could be impacted. This accounts for **64 percent** of total establishments in NAICS 6244.

2—All establishments may be impacted.

It is plausible that all establishments in this size range employ at least six but no more than nine employees. Under this assumption, all 106 establishments in this employment range would be subject to the rising wage. In this case, a total of 265 establishments (all of the establishments employing five to nine individuals plus those establishments employing 10 or more employees) could be impacted. This accounts for **70 percent** of total establishments in NAICS 6244.

When these proportions are applied to the number of licensed child care centers in 2013, the **range of centers potentially impacted by the change in minimum wage is**

⁴⁰ U.S. Census Bureau. 2014. "County Business Patterns." *U.S. Census Bureau*. <http://www.census.gov/econ/cbp/>.

between 216 and 234.

Analysis of occupational data also suggest the potential impact of the recent minimum wage increase. Data from the U.S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics (OES) indicate that a subset of workers in the Child Day Care sector were paid hourly wages in 2013 below the State-mandated minimum of \$8.00 per hour.

Table 17 Estimated Employment and Hourly Wage Distribution

Occupation	Total Employment	Hourly Wage Percentiles				
		10 th	25 th	Median	75 th	90 th
Education Administrators, Preschool and Childcare Center/Program	110	\$10.45	\$11.76	\$16.33	\$19.30	\$27.32
Preschool Teachers, Except Special Education	790	\$7.85	\$8.48	\$9.62	\$11.98	\$15.18
Childcare Workers	2,080	\$7.62	\$7.97	\$8.55	\$9.13	\$9.95

Source: U.S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics (OES), May 2013.

In particular, approximately 10 percent of Preschool Teachers in Child Day Care services and 25 percent of Childcare Workers in Child Day Services received hourly wages less than \$8.00 per hour in 2013. These workers comprise approximately 10 percent of sector employment. Additionally affected establishments, which account for an estimated 64 to 70 percent of businesses, constitute 87 to 98 percent of these workers. Thus, the analysis assumes that 87 to 98 percent of the relevant workforce will be subject to the increase. The estimated incremental wages required to meet the \$8.00 minimum for workers operating below the threshold is from \$180,000 to approximately \$203,000 (see Table 18).

Table 18 Estimated Additional Wage Cost

	Minimum	Maximum
Previously Below \$8.00 per hour	\$180,946	\$203,697

Source: U.S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics (OES), May 2013.

Further, while workers earning below the minimum wage will receive a raise by definition, employers may feel pressured to increase wages for those workers earning just above the minimum wage. In these industries, such workers potentially include preschool teachers between the 25th and 75th percentiles of earnings, and child care workers at or above median earnings. While the data do not permit an estimate of additional costs, as only the percentile boundaries can be assessed, Table 19 on the following page contains the incremental hourly increases that would be required to roughly maintain those percentile boundaries and the wage distribution from 2013.

Table 19 Incremental Hourly Wage Cost

Workers Just above the Threshold	<i>Hourly Wage Percentiles</i>				
	10th	25th	Median	75th	90th
<i>Preschool Teachers, Except Special Education</i>	-	\$0.32	\$0.34	\$0.37	-
<i>Childcare Workers</i>	-	-	\$0.03	\$0.03	\$0.04

Source: U.S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics (OES), May 2013.

Block Grant Funding and Eligibility

The impact of changes to block grant funding and eligibility determinations will likely impact the number of families DHHR can serve. However, the extent of this impact is dependent on funding levels. According to WVDHHR, this change in eligibility will require a redistribution of the current \$41.5 million budgeted for child care programs in West Virginia.⁴¹ If full-year, full-time care were required, and families retain the subsidies for 12-months until eligibility is reviewed, DHHR could only continue to support 30 percent of children currently receiving services with current funding levels.

Conclusion

Several changes have occurred since QRIS was originally proposed in 2011. Many changes—such as a decline in population and decline in number of providers—are likely to lead to lower costs for implementation over a smaller system.

While the system itself may be smaller to administer and manage, the economic condition of the population may result in higher costs to complementary initiatives such as the current childcare subsidies offered to families and providers. In particular, more families qualify for the subsidy based on income and labor force participation. While more families are eligible, changes to the requirements of the block grant funding used to provide the subsidies may result in fewer supported families. Childcare costs, as measured by 75th percentile market rates, continue to increase while state payment rates have remained stagnant since 2009. Childcare costs may be further impacted by the recent increase in the state minimum wage.

⁴¹ West Virginia Department of Health and Human Resources (WVDHHR). 2014.

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