

## ***Developing America's Potential: An Agenda for Affordable, High-Quality Child Care*** **Facts on Helping Families Afford Child Care Costs**

In many American families, both parents have to work outside the home to make ends meet, but in order to work and contribute to our economy, parents need reliable child care. Child care is a basic that helps families get ahead by giving parents the support and peace of mind they need to be productive at work. And child care gives children the strong start they need to succeed in school and in life. Yet, families struggle to afford the cost of child care on their own, and frequently need a helping hand. To support children, families, and our nation in reaching their full potential, the Agenda advocates for strategies that will make it possible for every family, including those of children who are English-language learners or have special needs, to afford high-quality child care and keep working.

### **Families Struggle with Child Care Costs**

- The average fee for full-time care ranges from nearly \$3,400 to \$15,900 annually, depending on where the family lives, the type of care (center-based or family child care), and the age of the child.<sup>1</sup>
- Forty percent of poor, single, working mothers who paid for child care in 2001 paid at least half of their cash income for child care; an additional 25 percent of these families paid 40 percent to 50 percent of their cash income for child care.<sup>2</sup>
- On average, the price of full-time care for an infant and a four-year-old in a child care center increased 6.5 percent and 5.2 percent, respectively, between 2006 and 2007—faster than the rate of inflation.<sup>3</sup>

### **Low-Income Families Are Deprived of the Child Care Assistance They Need**

- Only one in seven children eligible for direct child care assistance under federal law receives it.<sup>4</sup>
- Federal funding for the Child Care and Development Block Grant, the major federal child care program that provides this assistance, failed to keep pace with inflation from 2002 to 2008.<sup>5</sup>
- Most states fall short in their child care assistance policies, setting income eligibility limits far below the maximum amount allowed under federal law, reimbursing child care providers at rates significantly lower than the federally recommended level, and/or requiring parents receiving child care assistance to bear a significant share of the costs.<sup>6</sup>
- In 2008, a family of three earning just over \$35,200 a year could not qualify for child care assistance in approximately three-quarters of the states.<sup>7</sup>
- Parents often face bureaucratic obstacles to getting and keeping the assistance they need to help pay for child care. They find it challenging to comply with complex requirements for child care assistance while juggling work and family responsibilities.<sup>8</sup> Many families with limited English proficiency have particular difficulty accessing child care assistance.<sup>9</sup>
- The Child and Dependent Care Tax Credit (CDCTC) covers up to 35 percent of a family's qualifying child and dependent care expenses, up to \$3,000 for one dependent and \$6,000 for two or more dependents.<sup>10</sup> Yet it is nonrefundable, so it is unavailable to families with

incomes that are too low for them to owe income taxes. If the CDCTC were made fully refundable, it is estimated that the proportion of the benefits going to the two-fifths of households with the lowest incomes would increase from 4 to 33 percent,<sup>11</sup> and an estimated additional 1.5 million families with incomes below \$30,000 a year would claim the CDCTC credit.<sup>12</sup>

### **Low Provider Reimbursement Rates Limit Families' Access to Child Care**

- States determine how much they will reimburse child care providers serving children receiving child care assistance. Adequate reimbursement rates encourage providers to serve children receiving child care assistance and give providers the resources they need to support good-quality care.
- Child care providers need reimbursement rates that allow them to cover the increasing cost of basics such as rent and utilities, pay salaries that are sufficient to attract and retain well-qualified staff, and afford the supplies and equipment integral to a good learning environment.
- In 2008, 40 states and the District of Columbia had rates that were based on outdated market rate surveys, or below the level recommended in federal regulations (the 75<sup>th</sup> percentile of current market rates, which gives families access to 75 percent of the providers in their communities).<sup>13</sup>
- In 20 states, maximum reimbursement rates for center-based care for a four-year-old in 2008 were 20 percent or more below the federally recommended level.<sup>14</sup>

### **Increased Access to Child Care Assistance Would Improve Families' Economic Well-Being**

- Child care subsidies increase the probability that families leaving welfare will stay employed<sup>15</sup> and decrease the chances of families returning to welfare.<sup>16</sup>
- Child care assistance increases parents' ability to juggle their commitments to work and family and increases their potential to learn new skills or return to school.<sup>17</sup>

### **Administrative Improvements Would Increase Families' Access to Child Care Assistance**

- Allowing families to remain eligible for child care assistance for one year without having to reapply or renew their eligibility, provided there are no major changes in their income or job status, would make it much easier for eligible families to retain assistance.<sup>18</sup>
- Well-designed computer systems for public assistance programs can reduce administrative workloads and improper payments and simplify application and retention processes.<sup>19</sup>

### ***Developing America's Potential: An Agenda for Affordable, High-Quality Child Care* Includes Provisions to:**

- Enable more low- and moderate-income families to have access to affordable child care by doubling the number of children in low-income families receiving direct child care assistance and by making the Child and Dependent Care Tax Credit refundable, expanding its sliding scale for determining the amount of the credit, and indexing the credit for inflation.
- Require states to reimburse providers caring for children receiving federally funded child care assistance at no less than the 75<sup>th</sup> percentile of the current market rates, with higher rates and bonuses for care that is in short supply.

- Facilitate eligible families' access to the child care assistance system by requiring states to set a one-year eligibility determination period for child care assistance, establish a computer system to streamline administration of the state's child care assistance program, and support outreach to families with limited English proficiency.

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<sup>1</sup> National Association of Child Care Resource and Referral Agencies, 2008 Price of Child Care, *available at* [http://www.naccrra.org/randd/docs/2008\\_Price\\_of\\_Child\\_Care.pdf](http://www.naccrra.org/randd/docs/2008_Price_of_Child_Care.pdf) (last visited Apr. 6, 2009).

<sup>2</sup> Richard Wertheimer, Poor Families in 2001: Parents Working Less and Children Continue to Lag Behind (Washington, DC: Child Trends, 2003), 3, *available at* <http://www.childtrends.org/files/PoorFamiliesRB.pdf> (last visited Jan. 10, 2008).

<sup>3</sup> National Association of Child Care Resource and Referral Agencies, Parents and the High Price of Child Care: 2008 Update (Arlington, VA: NACCRRRA, 2008), 2.

<sup>4</sup> Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000 (Washington, DC: Center for Law and Social Policy, 2002), *available at* [www.clasp.org/publications/1in7full.pdf](http://www.clasp.org/publications/1in7full.pdf) (last visited Jan. 10, 2008).

<sup>5</sup> Karen Schulman and Helen Blank, State Child Care Assistance Policies 2008: Too Little Progress for Children and Families (Washington, DC, National Women's Law Center, 2008), 4, *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>6</sup> State Child Care Assistance Policies 2008.

<sup>7</sup> State Child Care Assistance Policies 2008, 5.

<sup>8</sup> Gina Adams, Kathleen Snyder, and Patti Banghart, Designing Subsidy Systems to Meet the Needs of Families: An Overview of Policy Research Findings (Washington, DC: The Urban Institute, 2008), *available at* [http://www.urban.org/UploadedPDF/411611\\_subsidy\\_system.pdf](http://www.urban.org/UploadedPDF/411611_subsidy_system.pdf) (last visited Oct. 30, 2008).

<sup>9</sup> U.S. Government Accountability Office, Child Care and Early Childhood Education: More Information Sharing and Program Review by HHS Could Enhance Access for Families with Limited English Proficiency (Washington, DC: US Government Accountability Office, 2006), 17, *available at* [www.gao.gov/cgi-bin/getrpt?GAO-06-807](http://www.gao.gov/cgi-bin/getrpt?GAO-06-807) (last visited Aug. 13, 2008); Coalition for Asian American Children and Families, Half Full or Half-Empty? Health Care, Child Care and Youth Programs for Asian American Children in New York City (New York, NY: Coalition for Asian American Children and Families, 1999), 23-25, *available at* [http://www.cacf.org/resources\\_publications.html](http://www.cacf.org/resources_publications.html) (last visited Aug. 13, 2008); Breaking Down Barriers: Immigrant Families and Early Childhood Education in New York City (New York, NY: Coalition for Asian American Children and Families, 2008), *available at* [http://www.cacf.org/resources\\_publications.html](http://www.cacf.org/resources_publications.html) (last visited Nov. 26, 2008); Steven G. Anderson, Dawn M. Ramsburg, and Bari Rothbaum, Illinois Study of License-Exempt Child Care: Interim Report (2003), *available at* [http://www.dhs.state.il.us/newsPublications/plansReports/pdfs/dhs\\_planReports\\_isleccir.pdf](http://www.dhs.state.il.us/newsPublications/plansReports/pdfs/dhs_planReports_isleccir.pdf) (last visited May 29, 2008).

<sup>10</sup> I.R.C. §21(c) (2006).

<sup>11</sup> Jeffrey Rohaly, Reforming the Child and Dependent Care Tax Credit (Washington, DC: Tax Policy Center, 2007), 2, *available at* [http://www.taxpolicycenter.org/UploadedPDF/411474\\_child\\_tax.pdf](http://www.taxpolicycenter.org/UploadedPDF/411474_child_tax.pdf) (last visited May 1, 2008).

<sup>12</sup> Tax Policy Center, Fully Refundable Child and Dependent Care Tax Credit (CDCTC), Returns and Amount Reported Compared to Current Law, 2006 (2007), *available at* <http://www.taxpolicycenter.org/numbers/displayatab.cfm?Docid=1560&DocTypeID=7> (last visited May 1, 2008).

<sup>13</sup> State Child Care Assistance Policies 2008, 8 and 22.

<sup>14</sup> State Child Care Assistance Policies 2008, 8.

<sup>15</sup> Bong Joo Lee, Robert M. Goerge, Mairead Reidy, J. Lee Kreader, Annie Georges, Robert L. Wagmiller Jr., Jane Staveley, David Stevens, and Ann Dryden Witte, Child Care Subsidy Use and Employment Outcomes of TANF Mothers During the Early Years of Welfare Reform: A Three-State Study (Chicago, IL: Chapin Hall Center for Children at the University of Chicago, 2004), *available at* [http://www.chapinhall.org/article\\_abstract.aspx?ar=1370](http://www.chapinhall.org/article_abstract.aspx?ar=1370) (last visited Apr. 30, 2008).

<sup>16</sup> Pamela Loprest, Use of Government Benefits Increases among Families Leaving Welfare (Snapshots of America's Families III, No. 6) (Washington, DC: Urban Institute, 2003).

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<sup>17</sup> Julie E. Press, Jay Fagan, and Lydia Laughlin, "Taking Pressure off of Families: The Impact of Child Care Subsidies on Mothers' Work-Hour Problems," *Journal of Marriage and Family*, 68 (1), 2006, *available at* <http://www.blackwell-synergy.com/doi/abs/10.1111/j.1741-3737.2006.00240.x> (last visited May 29, 2008).

<sup>18</sup> Nancy L. Marshall and Valora Washington, *Child Care Voucher Project Phase II* (Boston, MA: Bessie Tartt Wilson Children's Foundation, 2008), 2-3.

<sup>19</sup> Adams, Snyder, and Banghart, 14.