

## **Child Care is Essential to Economic Recovery**

### ***Child care helps parents work, which helps our economy.***

- A study found that single mothers of young children who received child care assistance were 39 percent more likely to still be employed after two years and former welfare recipients were 82 percent more likely to still be employed after two years than those who did not receive any help paying for child care.<sup>1</sup>
- A national study of families who had left welfare found that families receiving child care subsidies were less likely to return to welfare. Twenty-eight percent of families who did not receive child care assistance within three months of leaving welfare returned to welfare, while 19 percent of those who did receive child care assistance returned to welfare.<sup>2</sup>
- By making it possible for parents to work, the licensed child care sector allows Americans to earn more than \$100 billion annually.<sup>3</sup>

### ***In these difficult economic times, when they are struggling to pay their bills, more families need help paying their rapidly increasing child care costs.***

- 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>4</sup>
- In 2007, the average fee for full-time, center-based child care ranged from over \$3,800 to \$14,600 annually, depending on where the family lived and the age of the child.<sup>5</sup>

### ***States need help maintaining their child care investments in the face of growing budget pressures.***

- Several states have instituted cutbacks in their child care assistance policies since February 2008.<sup>6</sup> For example:
  - Arkansas reduced its income eligibility limit from \$35,724 a year for a family of three (203 percent of poverty) to \$28,345 a year for a family of three (161 percent of poverty) as of July 1, 2008.<sup>7</sup>
  - Nevada began a waiting list for child care assistance on July 1, 2008. Any new applicants for child care assistance with incomes above \$22,880 a year for a family of three (130 percent of poverty), up to the income limit of \$38,916 a year for a family of three (221 percent of poverty), are automatically placed on the waiting list.<sup>8</sup> Beginning February 1, the state plans to cut child care assistance for 450 children currently receiving help.<sup>9</sup>
  - Rhode Island eliminated state-sponsored health care insurance for child care center providers and family child care providers serving children receiving child care assistance as of July 1, 2008.<sup>10</sup>

- Ohio cut \$4 million in funding for child care assistance in September.<sup>11</sup>
  - Pennsylvania's waiting list grew from 8,424 children early in 2008 to approximately 15,000 children in January 2009.<sup>12</sup>
  - In Oregon, there is discussion about reducing reimbursement rates paid to child care providers who serve children receiving child care assistance from the 75<sup>th</sup> percentile of market rates (the rate that gives families access to 75 percent of the providers in their communities), which is the federally recommended level, to the 65<sup>th</sup> percentile of market rates.<sup>13</sup>
- According to a survey of state child care administrators conducted in spring 2008, several anticipated that they would have increasing difficulty in meeting the need for child care assistance—and this was even before the recent financial collapse:<sup>14</sup>
    - Alabama expected an increase in the number of children on the waiting list for child care assistance.
    - Florida anticipated that the state would have to reduce the number of children receiving child care assistance by an estimated 2,500 to 5,000 (1,500 to 3,000 families) due to a decline in state and federal funding. As a result, the state expected an increase in the number of children and families on the waiting list for child care assistance. The state's waiting list had grown to approximately 60,000 children as of January 2009.<sup>15</sup>
    - New Hampshire anticipated that it would implement a waiting list for child care assistance in July 2009.
    - North Carolina expected its waiting list for child care assistance to increase because the number of families receiving assistance exceeded the number that could continue to be served with available funding.
    - South Carolina had recently seen a substantial increase in the number of families receiving welfare who were applying for child care assistance. Since these families are given priority for assistance, the state anticipated that it might need to freeze intake for child care assistance for families not receiving welfare.

***The Economic Downturn Affects Families and Child Care Providers Across the Country<sup>16</sup>***

- In Frederick, Maryland, a mother that lost child care assistance was no longer able to have all three of her children attend a child care center. She withdrew her two older children from the center, and her eleven-year-old now watches her seven-year-old before and after school. Another center reported that after the county froze child care assistance, the center lost five families. The center's teachers had their hours reduced from 40 hours to 25-30 hours.
- In Canton, Michigan, a parent whose company cut everyone's pay by 10 percent could no longer afford to have her four-year-old child attend the center full-time. The child now only attends the center part-time while her 84-year-old grandmother watches the child two days a week.

- A child care center in Ashburn, Virginia reported that its enrollment has dropped 25 percent in the previous three months, and had to write off large losses when parents abruptly disenrolled their children and could not pay.

The economic recovery package should include an increase of \$3 billion for the Child Care and Development Block Grant. This will allow states to provide child care assistance for approximately 480,000 children in low-income working families who have been hit hard by the economic crisis, and create paid work for an estimated 190,000 caregivers.

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<sup>1</sup> Heather Boushey, *Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth* (Washington, DC: Economic Policy Institute, 2002), 10-12, *available at* <http://www.epi.org/briefingpapers/128/bp128.pdf> (last visited Feb. 1, 2008).

<sup>2</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).

<sup>3</sup> M.Cubed, *The National Economic Impacts of the Child Care Sector* (National Child Care Association, 2002), *available at* <http://government.cce.cornell.edu/doc/pdf/UnitedStates.pdf> (last visited Feb. 1, 2008).

<sup>4</sup> National Association of Child Care Resource and Referral Agencies, *Parents and the High Price of Child Care: 2007 Update* (Arlington, VA: NACCRRA, 2007), 1.

<sup>5</sup> National Association of Child Care Resource and Referral Agencies, *Parents and the High Price of Child Care: 2007 Update* (Arlington, VA: NACCRRA, 2007), 1.

<sup>6</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), *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>7</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), *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>8</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), *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>9</sup> Tammy Krikorian, "State cuts child care subsidies," *Reno Gazette-Journal*, Dec. 31, 2008.

<sup>10</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), *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>11</sup> Alan Johnson, Mark Niquette, and Darrel Rowland, "Budget cuts will hurt Ohio Families," *The Columbus Dispatch*, October 1, 2008.

<sup>12</sup> Email from Terry Casey, President, Pennsylvania Child Care Association, to Helen Blank, National Women's Law Center, January 14, 2009.

<sup>13</sup> AFSCME Local 132 Newsletter, December 2008.

<sup>14</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), *available at* <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf> (last visited Oct. 20, 2008).

<sup>15</sup> Email from Phyllis Kalifeh, President/CEO, The Children's Forum, Inc., to Helen Blank, National Women's Law Center, January 14, 2009.

<sup>16</sup> Stories collected by the Early Care and Education Consortium, 2008.