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CHILD CARE & EARLY LEARNING

STATE CHILD CARE ASSISTANCE POLICIES FALL SHORT IN MEETING FAMILIES' NEEDS

Affordable, high-quality child care enables parents to work so they can support their families, and helps give children the early learning experiences they need to succeed in school. Yet many families, particularly low-income families, cannot afford child care on their own. The federal Child Care and Development Block Grant (CCDBG) program provides assistance to low-income families to help them with their child care costs. However, gaps in child care assistance policies—which are determined by states within federal parameters—leave many families without the help they need.

- Low state income eligibility limits prevent many families from even qualifying for child care assistance. In 2018, a family with an income above 150 percent of poverty ($31,170 a year for a family of three) could not qualify for assistance in 15 states. A family with an income above 200 percent of poverty ($41,560 a year for a family of three) could not qualify for assistance in 35 states.[1] Yet, in every county and city across the country, a family needs an income above 200 percent of poverty to adequately afford its basic needs, including housing, food, child care, transportation, health care, and other necessities, according to data from the Economic Policy Institute.[2]
- Even if families are eligible for child care assistance, they may not necessarily receive it. Nineteen states had waiting lists or frozen intake (turned away eligible families without adding their names to a waiting list) for assistance in 2018.[3] In a number of states, these waiting lists are quite long—more than 29,500 children in Florida, 20,000 children in Massachusetts, 50,700 children in North Carolina, and 65,400 children in Texas, as of early 2018.[4] Studies show that many families on waiting lists struggle to pay for reliable, good-quality child care as well as other necessities, or must use low-cost—and frequently low-quality—care. Some families cannot afford any child care, which can prevent parents from working.[5]
- In many states, families receiving child care assistance are required to pay high copayments. In 30 states, the copayment for a family of three at 150 percent of poverty was above 7.2 percent of income ($187 per month)—the average percentage spent on child care nationally among families who pay for child care[6]—in 2018.[7] In 13 states, the copayment for a family of three at 100 percent of poverty was above 7.2 percent of income ($125 per month) in 2018.[8] High copayments can create a serious financial strain for families or may discourage families from participating in the child care assistance program.
- Most states have low payment rates for child care providers serving families receiving child care assistance. Only one state set its payment rates at the federally recommended level (the 75th percentile of current market rates, which is the rate designed to give families access to 75 percent of the providers in their community) in 2018.[9] In a number of states, payment rates were significantly below the 75th percentile of market rates. In 31 states, payment rates for center care for a four-year-old were at least 20 percent below the 75th percentile of market rates for this type of care. In 24 states, payment rates for center care for a one-year-old were at least 20 percent below the 75th percentile of market rates for this type of care.[10] Inadequate payment rates deprive providers of the resources needed to offer high-quality care and may discourage high-quality providers from enrolling families who receive child care assistance.

- Even payment rates for higher-quality care are insufficient. Forty-one states had higher payment rates for higher-quality care (tiered rates) in 2018.[11] However, in four-fifths of these states, the rate at the highest quality tier was still below the federally recommended level in 2018.[12] Without a significant rate differential for higher-quality care, providers are not able to cover the additional costs involved in raising quality—including expenses for additional staff in order to reduce child-staff ratios, increased salaries for teachers with advanced education in early childhood development, staff training, facilities upgrades, and/or new equipment and materials.
- Parents searching for work are often unable to qualify for child care assistance. Forty-nine states allowed families receiving child care assistance to continue receiving it for at least some amount of time while a parent searched for a job in 2018. Yet only 11 states allowed families to qualify for and begin receiving child care assistance while a parent searched for a job in 2018.[13] Parents unable to receive child care assistance while searching for a job must scramble to find child care once they get a job, and may not be able to keep their child in the same stable child care arrangement during the job search.

In March 2018, Congress approved a historic increase in child care funding, which will help states address these gaps in their key child care assistance policies. Yet this increase—$2.37 billion—does not fully compensate for years of stagnant funding. As a result, total funding for child care in FY 2018—even after the increase—remained nearly $1 billion short of the total funding level in FY 2001 after adjusting for inflation.[14] At the same time, states are grappling with the additional costs entailed in implementing the Child Care and Development Block Grant Act of 2014, which reauthorized (renewed and updated) the major federal child care assistance program and which established a number of new requirements, including for provider background checks, training, and inspections. Further federal and state investments are necessary to enable states to close existing gaps in their child care policies, fully implement the CCDBG reauthorization law, and expand child care assistance to more families.

For more information, see the National Women's Law Center's report, *Overdue for Investment: State Child Care Assistance Policies 2018.*

1 Karen Schulman, Overdue for Investment: State Child Care Assistance Policies 2018 (Washington, DC: National Women's Law Center, 2018), 9, *available at* http://nwlc.org/resources/overdue-for-investment-state-child-care-assistance-policies-2018/. The report analyzes data on policies as of February 2018.

2 National Women's Law Center analysis of data from Elise Gould, Zane Mokhiber, and Kathleen Bryant, The Economic Policy Institute's Family Budget Calculator (Washington, DC: Economic Policy Institute, 2018), *available at* https://www.epi.org/resources/budget/; and from Sylvia Allegretto, Basic Family Budgets: Working Families' Incomes Often Fail to Meet Living Expenses Around the U.S. (Washington, DC: Economic Policy Institute, 2005), *available at* http://www.epi.org/page/-/old/briefingpapers/165/bp165.pdf.

3 Overdue for Investment: State Child Care Assistance Policies 2018, 10.

4 Overdue for Investment: State Child Care Assistance Policies 2018, 36.

5 *See*, e.g., Karen Schulman and Helen Blank, In Their Own Voices: Parents and Providers Struggling with Child Care Cuts (Washington, DC: National Women's Law Center, 2005), 10; Children's Action Alliance, The Real Reality of Arizona's Working Families—Child Care Survey Highlights (Phoenix, AZ: Children's Action Alliance, 2004); Deborah Schlick, Mary Daly, and Lee Bradford, Faces on the Waiting List: Waiting for Child Care Assistance in Ramsey County (Ramsey County, MN: Ramsey County Human Services, 1999) (Survey conducted by the Minnesota Center for Survey Research at the University of Minnesota); Philip Coltoff, Myrna Torres, and Natasha Lifton, The Human Cost of Waiting for Child Care: A Study (New York, NY: Children's Aid Society, 1999); Jennifer Gulley and Ann Hilbig, Waiting List Survey: Gulf Coast Workforce Development Area (Houston, TX: Neighborhood Centers, Inc., 1999); Jeffrey D. Lyons, Susan D. Russell, Christina Gilgor, and Amy H. Staples, Child Care Subsidy: The Costs of Waiting (Chapel Hill, NC: Day Care Services Association, 1998); Casey Coonerty and Tamsin Levy, Waiting for Child Care: How Do Parents Adjust to Scarce Options in Santa Clara County? (Berkeley, CA: Policy Analysis for California Education, 1998); Philadelphia Citizens for Children and Youth, et al., Use of Subsidized Child Care by Philadelphia Families (Philadelphia, PA: Philadelphia Citizens for Children and Youth, 1997); Greater Minneapolis Day Care Association, Valuing Families: The High Cost of Waiting for Child Care Sliding Fee Assistance (Minneapolis, MN: Greater Minneapolis Day Care Association, 1995).

6 U.S. Census Bureau, Who's Minding the Kids? Child Care Arrangements: 2011, Detailed Tables, Table 6: Average Weekly Child Care Expenditures of Families with Employed Mothers that Make Payments, by Age Groups and Selected Characteristics: Spring 2011 (2013), *available at* http://www.census.gov/data/tables/2008/demo/2011-tables.html.

7 Overdue for Investment: State Child Care Assistance Policies 2018, 12.

8 Overdue for Investment: State Child Care Assistance Policies 2018, 12.

9 Overdue for Investment: State Child Care Assistance Policies 2018, 13.

10 Overdue for Investment: State Child Care Assistance Policies 2018, 14.

11 Overdue for Investment: State Child Care Assistance Policies 2018, 14.

12 Overdue for Investment: State Child Care Assistance Policies 2018, 15.

13 Overdue for Investment: State Child Care Assistance Policies 2018, 16.

14 Total child care funding—including CCDBG funding and Temporary Assistance for Needy Families (TANF) funding used for child care—was $10.964 billion in FY 2018 and (in FY 2018 dollars) $11.918 billion in FY 2001. The CCDBG funding amount in FY 2018 included $5.226 billion in discretionary funding and $2.917 billion in mandatory (entitlement) funding, for a total of $8.143 billion. Consolidated Appropriations Act, 2018, H.R. 1625, 115th Cong. 381-382 (2018) (enacted), *available at* https://www.congress.gov/115/bills/hr1625/BILLS-115hr1625enr.pdf; Office of Management and Budget, Appendix, Budget of the U.S. Government, Fiscal Year 2019 (2018), 464, *available at* https://www.whitehouse.gov/wp-content/uploads/2018/02/appendix-fy2019.pdf. The TANF funding amount used for FY 2018 assumes the use of TANF funds for child care in FY 2018 was the same as the amount spent in FY 2017 (the most recent year for which data are available), adjusted for inflation. States' use of TANF dollars for child care in FY 2017 included $1.288 billion transferred to CCDBG and $1.464 billion spent directly on child care (including both that categorized as "assistance" and "non-assistance"), for a total of $2.753 billion ($2.821 billion in FY 2018 dollars). National Women's Law Center analysis of data from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Fiscal Year 2017 TANF Financial Data, Table A.1.: Federal TANF and State MOE Expenditures Summary by ACF-196 Spending Category, FY 2017, *available at* https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2017. The CCDBG funding amount in FY 2001 included $2.0 billion in discretionary funding and $2.567 billion in mandatory (entitlement) funding, for a total of $4.567 billion ($6.713 billion in FY 2018 dollars). U.S. Department of Health and Human Services, FY 2002 President's Budget for HHS (Washington, DC: U.S. Department of Health and Human Services, 2001), 89-90, *available at* https://www.hhs.gov/about/agencies/asfr/budget/budgets-in-brief-performance-reports/index.html. States' use of TANF dollars for child care in FY 2001 included $1.899 billion transferred to CCDBG, $285 million spent on child care categorized as "assistance," and $1.357 billion spent on child care categorized as "non-assistance," for a total of $3.541 billion ($5.205 billion in FY 2018 dollars). National Women's Law Center analysis of data from U.S. Department of Health and Human Services, Administration for Children and Families, Fiscal Year 2001 TANF Financial Data, Table A. Combined Federal Funds Spent in FY 2001 Through the Fourth Quarter, *available at* http://archive.acf.hhs.gov/programs/ofs/data/tanf_2001.html. CCDBG and TANF amounts in FY 2018 dollars calculated by National Women's Law Center using Congressional Budget Office, The Budget and Economic Outlook report series; figures are adjusted for inflation using the average of the Consumer Price Index and the Employment Cost Index.