



CHILD CARE & EARLY LEARNING

## CHILD CARE IS FUNDAMENTAL TO AMERICA'S CHILDREN, FAMILIES, AND ECONOMY

High-quality child care is essential to enable parents to get and keep a job and to give children a strong start toward success in school and life. As a result, child care strengthens our country's economy. Yet many families—particularly low-income families—lack access to the high-quality child care that parents need to work and children need to grow and thrive. The major federal child care program received a historic funding increase starting in 2018, but additional investments are needed to ensure all families can find and afford the child care they want for their children.

### *Women need child care in order to work.*

- **Today, the majority of women with young children are working.** Nearly two-thirds (65.1 percent) of women with children under age six, including 58.5 percent of women with children under age one, are in the labor force.<sup>1</sup>
- **Working women's incomes are critical in supporting their families.** More than two out of five mothers (42 percent) were sole or primary breadwinners, bringing in at least half of family earnings, and another 22 percent were co-breadwinners, bringing in between 25 percent and 49 percent of earnings, in 2015 (the most recent year for which data are available).<sup>2</sup>
- **Many working mothers earn low wages.** One in five working mothers with very young children (ages three and under) work in a low-wage job.<sup>3</sup>
- **Families with working mothers rely on a variety of types of child care.** Children under age five with employed mothers are in the following types of child care as their primary arrangement: 25.2 percent are in a center or preschool; 26.6 percent are cared for by a relative (other than a parent); 19.6 percent are cared for by their father; 9.8 percent are

in family child care (a non-relative who cares for a small number of children in the provider's home); 3.1 percent are cared for by a non-relative in the child's own home; and the remainder are in some other arrangement or no regular arrangement. Many children have a secondary arrangement as well—26.7 percent of children under age five with employed mothers are in multiple arrangements.<sup>4</sup>

- **Families may choose care based on considerations such as cost, convenience, and comfort with the provider.** A range of factors go into families' choice of care. Some families can rely on a grandparent or relative to provide care, while others do not have a close relative nearby who is available and capable of providing care. Some families are able to place their child in a high-quality child care program, while others have to settle for lower-quality care because they cannot afford better options.<sup>5</sup>

### *High-quality child care benefits children, but it is hard to access for many families.*

- **High-quality child care gives children the opportunity to learn and develop skills they need to succeed in school and in life.** Studies demonstrate that high-quality child care has positive impacts on children's cognitive and social development.<sup>6</sup>
- **The high cost of child care can put it out of reach for many families.** The average annual cost of full-time care for one child ranges from nearly \$3,000 to over \$20,000, depending on the age of the child, the type of care, and where the family lives.<sup>7</sup>
- **Families, particularly low-income families, spend a large portion of their income on child care, creating a tremendous financial strain.** Among families that pay for child care, families with incomes below 100 percent of poverty spend 30.1 percent of their income on care and families with incomes from 100 to 200 percent of poverty spend 17.9 percent of their income on care, compared to 6.9 percent of income for families with incomes at or above 200 percent of poverty.<sup>8</sup>



- **In many neighborhoods, parents have few child care options because the supply of care is very limited.** Care for infants and children with special needs is particularly hard to find, especially in low-income communities.<sup>9</sup>
- **Parents in low-wage jobs with nonstandard or variable schedules often have great difficulty finding child care options that match their work hours.** Parents with challenging work schedules frequently must rely on informal child care options because formal child care programs do not operate during the hours that they need. A national study found that 82 percent of unlisted unpaid home-based providers and 63 percent of unlisted paid home-based providers caring for children under age six offered some care during nonstandard hours (evenings, overnight, and/or weekends), compared to 34 percent of listed home-based providers and just 8 percent of center-based providers.<sup>10</sup> While some parents may prefer having their children cared for by a friend or relative they know and trust, other parents would prefer to have a broader range of options that accommodate their needs.

***Child care assistance helps families afford high-quality child care and enables women to work.***

- **The major federal child care program, the Child Care and Development Block Grant (CCDBG), provides funding to states to help families afford care and to improve the quality of care.** Through CCDBG, low-income families can receive assistance to help pay for the child care of their choice. The Child Care and Development Block Grant Act of 2014—which reauthorized the program and which aims to ensure the health and safety of children in child care, improve the quality of care, and make it easier for families to get and keep child care assistance—passed with overwhelming bipartisan support.
- **When mothers receive help affording child care, they are more likely to get and keep a job, which enables them to support their families and gain increased financial security.** One study found that single mothers of young children who received help paying for child care were 39 percent more likely to still be employed after two years than single mothers of young children who did not receive any help paying for child care.<sup>11</sup> Another study that analyzed data on a group of predominantly single, low-income parents found that, after controlling for individual, family, and other characteristics, parents receiving child care assistance were less likely to have work disruptions than parents not receiving child care assistance.<sup>12</sup>
- **Despite the benefits of child care assistance, only a small fraction of eligible families are receiving help due to insufficient funding.** Only 16 percent of children eligible for federal child care assistance received it in 2013 (the most recent year for which data are available).<sup>13</sup> For several years, the nation did not make progress in addressing this unmet need and left an increasing number of low-income families without help paying for child care. In 2016, 1.37 million

children received CCDBG-funded child care assistance in an average month—400,000 fewer children than in 2006, and the smallest number of children served since 1998.<sup>14</sup> This decline in children served resulted from declining funding—CCDBG funding in FY 2017 was far below the FY 2002 funding level after adjusting for inflation,<sup>15</sup> and states’ use of Temporary Assistance for Needy Families funds for child care dropped dramatically between the peak in FY 2000 and FY 2017 (the most recent year for which data are available).<sup>16</sup> The significant boost in CCDBG funding starting in FY 2018—an increase of \$2.37 billion, bringing total federal funding to \$8.14 billion—can help reverse these trends and enable more families to receive child care assistance. However, further federal and state funding will be needed to fully address the unmet need and close other existing gaps in child care assistance.

- **Many families with incomes too low to afford child care on their own are not able to receive child care assistance under their states’ restrictive eligibility limits.** 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.<sup>17</sup>
- **Even if families are eligible for child care assistance, they may not receive it and may instead be placed on waiting lists for months or years.** Nineteen states had waiting lists or frozen intake (turned away eligible families without adding their names to a waiting list) for assistance in 2018.<sup>18</sup> 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.<sup>19</sup> 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.<sup>20</sup>

***Child care providers are not paid sufficiently to support high-quality care.***

- **Payment rates for providers serving families that receive child care assistance are too low to support high-quality care.** Only one state set its payment rates for child care providers serving families receiving child care assistance at the federally recommended level as of February 2018, a sharp decline from 2001, when 22 states set their payment rates at the recommended level.<sup>21</sup> Low rates deprive child care providers of the resources necessary to pay adequate compensation to teachers and staff, ensure low child-staff ratios, purchase toys and books, maintain facilities, and cover other costs involved in offering children a good learning experience. Low rates may discourage high-quality providers from even enrolling children receiving child care assistance.



- **The providers teaching and caring for our children earn very low wages.** The average salary for child care workers is just \$11.42 per hour, or \$23,760 per year.<sup>22</sup> These low wages make it difficult to attract and retain well-qualified child care teachers and staff, and make it very challenging for child care workers—94 percent of whom are women<sup>23</sup>—to support their own families. Nearly two-thirds (63 percent) of child care teaching staff with at least one child age 18 or younger report accessing one or more public support programs in the previous three years.<sup>24</sup>

**Current federal tax benefits provide little help with child care expenses for working families who need it the most.**

- **The federal Child and Dependent Care Tax Credit (CDCTC) allows parents to claim a tax credit for part of their work-related child or dependent care expenses.** The credit is equal to between 20 and 35 percent of allowable expenses: up to \$3,000 in expenses for one child or dependent and up to \$6,000 in expenses for two or more children or dependents. Families with an Adjusted Gross Income (AGI) of \$15,000 or less can claim 35 percent of allowable expenses; this percentage declines as family income rises, to 20 percent for families with AGI above \$43,000. While, on paper, the lowest-income families are eligible for the largest credit—up to \$2,100 for expenses for two or more eligible children—many receive little or no benefit because they have little or no federal income

tax liability and the CDCTC is not refundable. For 2018, it is estimated that families making less than \$30,000 will receive only 1 percent of the tax benefits from the CDCTC, while families making over \$100,000 will receive almost 70 percent of the benefits from this credit.<sup>25</sup>

- **Employees whose employers choose to offer Dependent Care Flexible Spending Accounts (FSAs) can elect to set aside and exclude from income up to \$5,000 for work-related child and dependent care expenses.** Employers may allow their employees to contribute up to \$5,000 to a Dependent Care FSA through salary reduction.<sup>26</sup> Because the contributions are excluded from the employee’s salary, they are not subject to payroll or income taxes. The value of the tax benefit to the employee varies according to the employee’s marginal tax rate, with higher-income employees receiving more tax benefits than lower-income employees. Low-wage workers are far less likely to have access to a Dependent Care FSA at work, or be able to afford to contribute to an FSA. For these and other reasons, low- and moderate-income families receive only a small share of the tax benefit of Dependent Care FSAs. For 2016, families with AGI below \$75,000 were estimated to receive just 10 percent of the tax benefits, while families with incomes above \$200,000 received 38 percent of the tax benefits, according to the U.S. Treasury Department.<sup>27</sup>

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  - 20 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).
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