

Families Find Affordable Child Care Scarce

Number of states meeting recommended subsidy rates falls to 9

Affordable child care remains out of reach for many low-income U.S. families at a time when demand is running high due to federal welfare-to-work rules that have moved greater numbers of families into the workforce, according to a recent a 50-state analysis of child care assistance.

The study by the Washington, DC-based National Women's Law Center (NWLC) reports that most states fall short of adequately compensating providers who serve low-income children, raising concern that many families may chose unregulated child care that, while less expensive, may be of poor quality. The number of states meeting recommended child care reimbursement rates fell from 22 in 2001 to nine in 2006, according to the study.

State income eligibility requirements, co-payments and waiting lists were among the other issues examined. The findings in those policy areas are more mixed. Some states made small improvements in 2006, but most states have lost ground since 2001.

Although Pennsylvania has taken steps in recent years to make quality child care more accessible to low-income families, the study found room for improvement. The state still has a waiting list for child care assistance of several thousand children and reimbursements to child care providers still fall below recommended levels.

The NWLC warned that these problems are likely to worsen if, as ex-

pected, welfare work requirements enacted by Congress in 2006 increase the demand for child care assistance.

"The new federal welfare-to-work requirements create more demand for child care assistance without providing enough funding to meet that demand," said Nancy Duff Campbell, NWLC co-president. "States that have fallen behind in the last several years will have to work even harder to both make up for lost ground and ensure that low-income parents and children have the child care support they so desperately need."

Federal funding that states rely heavily on to support child care has failed to keep up with rising demand in recent years.

A major source of funding for child care subsidies is the federal Child Care and Development Block Grant (CCDBG). Even before adjusting for inflation, CCDBG funding fell slightly from a peak of \$4.82 billion in fiscal 2002 to \$4.8 billion in fiscal 2005.

A state can also transfer up to 30% percent of its Temporary Assistance for Needy Families (TANF) block grant to support child care.

Pennsylvania's share of federal funds for child care services slipped from \$408 million in 2005-2006 to \$406 million in 2006-2007.

"We need more subsidy money out there so that families who are struggling to make a living will have the access to the resources that will point them toward quality programs. And we need more quality programs in the

neighborhoods where these people live," said Laurie Mulvey, director of the University of Pittsburgh Office of Child Development's Division of Service Demonstrations.

Provider Reimbursements

Compensating child care providers for serving low-income children is considered a critical factor in giving them access to the kind of high quality programs that research shows improve their chances of succeeding in school and enjoying better outcomes as adults.

"The basis of all program quality starts with reimbursement rates," said Terry Casey, executive director of the Pennsylvania Child Care Association. "The biggest cost factor in a child care program is staff. If you don't have adequate reimbursement rates, you cannot recruit and retain qualified staff."

The NWLC study bases each state's rate for child care reimbursement on a percentile of the highest private fees that all of the child care programs in a county charge. The federal government recommends that the child care reimbursement rates be set at the 75th percentile, meaning that 75% of the early childhood programs in a county charge less than that rate and 25% charge more. Only nine states met the recommendation in 2006 – six fewer than the previous year and a significant drop-off from 2001.

Pennsylvania's compensation of child care providers falls below recommended level. However, the trend in Pennsylvania is one of improvement at a

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time when most states are falling further behind. The state's 2006 maximum payment, for example, was set at the 60th percentile for center infant/toddler/preschool rates and the 70th percentile in the counties with a high concentration of young children in poverty. These rates, which are set by the Department of Public Welfare's Office of Child Development and Early Learning, are higher than rates in 2005, which were set at the 52nd percentile for centers and at least the 60th percentile for the 13 counties with a high concentration of young children in poverty.

"Despite no increase in federal dollars, Pennsylvania has been committed to raising reimbursement rates for providers and has increased funding each year in our efforts to move closer to the 75th percentile," said Stacey Ward, Department of Public Welfare spokesperson.

She added that the state is expected to move closer toward achieving the federal recommended reimbursement rates in the future.

Income Eligibility

Annual increases in a state's income eligibility requirement are necessary to prevent low-income families from losing eligibility for child care subsidies when their incomes rise just enough to keep pace with inflation.

The NWLC study reported that from 2005 to 2006, about two-thirds of the states raised their income eligibility limits enough to keep pace with, or exceed, increases in the federal poverty level. But when the comparison is made to 2001, fewer than one-third of the states increased their income cutoffs enough to keep pace with, or exceed, increases in the federal poverty level.

In Pennsylvania, the state's income cutoff rose \$840 in 2006 to \$32,180 for a family of three, or about

194% of the \$16,600-a-year poverty level income. The 2005 income cutoff of \$31,340 was 195% of the poverty level. In 2001, Pennsylvania's income cutoff of \$29,260 was 200% of the poverty level income for a family of three, according to the NWLC.

Many Still Waiting

The NWLC reported that 18 states had waiting lists or had frozen intake for child care assistance in 2006, a slight improvement over 2005 and 2001. Some of those states had hefty waiting lists, such as Florida, where 54,000 children were on the list.

Such waiting lists are fluid, fluctuating by season and often peaking during summer months when school is out. And some children on a waiting list may, in fact, be enrolled in child care as a result of scholarships and other non-government support.

In February 2006, there were 7,350 children on Pennsylvania's child care assistance waiting list. That number fell by about 1,000 a year later, according to the Department of Public Welfare.

Family's Share

States generally require families who receive child care subsidies to pay at least a portion of their child care costs. The NWLC reported that in more than two-thirds of the states, families receiving child care assistance paid the same or a lower percentage of their income in co-payments in 2006, compared to 2005. However, in more than one-third to one-half of the states – depending on the family's income – co-payments in 2006 were higher as a percentage of income than in 2001.

In Pennsylvania, the percentage of family income spent on co-payment costs held steady at 8% from 2001 to 2006 for a family of three with an income at 150% of poverty.

Keeping such co-payments manageable for struggling families is important, said Casey. "When we saw high co-pays, we saw a lot of kids having to go into unregulated care or families having to go back on welfare because they just couldn't afford it."



references

This report is based on the following publications:

State Child Care Assistance Policies 2006: Gaps Remain, With New Challenges. Washington, DC: National Women's Law Center. This report is available online at: www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport2006

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