The

US and the HIGH COST of CHILD CARE

A Review of Prices and Proposed Solutions for a Broken System

2018 Report

usa.childcareaware.org/costofcare

About **Child Care Aware® of America**

Child Care Aware® of America is our nation's leading voice for child care. Our vision is that every family in the United States has access to high-quality, affordable child care. We advance a child care system that effectively serves all children and supports children's growth, development and educational advancement and creates positive economic impact for families and communities.

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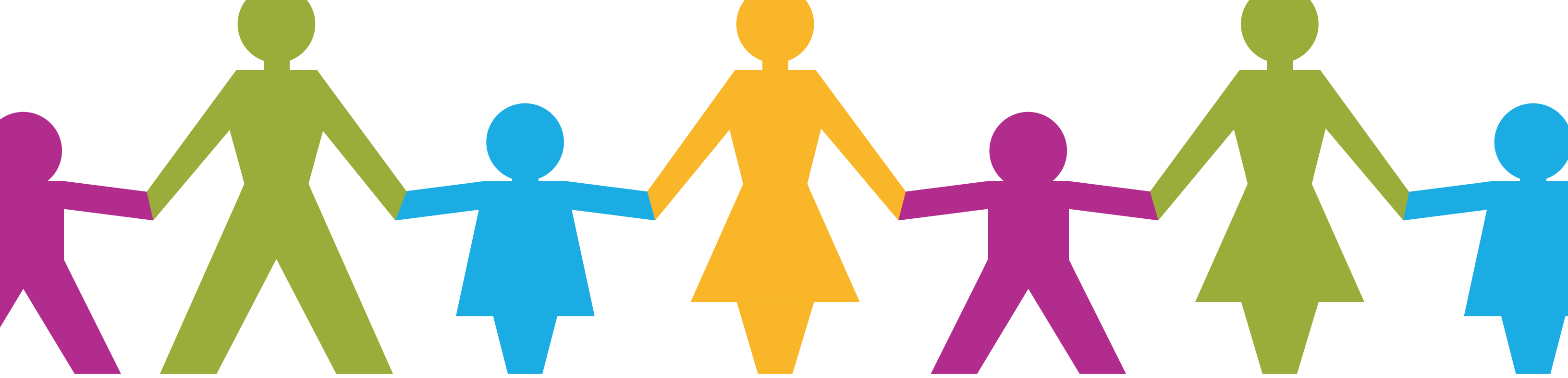

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From the
EXECUTIVE DIRECTOR

Child Care Aware® of America (CCAoA) is excited to release the 12th edition of our annual report about the unaffordability and high costs of child care across the country.

So what can you expect from our 2018 report?

We've changed the title of our report to ***The US and the High Cost of Child Care.*** **We purposely emphasize "US".**

Why? While parents bear the majority of expenditures for child care (and families with lower incomes spend a significantly larger fraction of their income on child care), Child Care Aware® of America believes that parents shouldn't have to take on this burden alone. **It is the responsibility of all of *US*, everyone in the United States, to develop solutions to finance the high cost of child care.**

We aren't the only ones who want ease the burden of the high cost of care on families. The 2018 report from the National Academies of Science, Engineering, and Medicine, *Transforming the Financing of Early Care and Education*, makes the case for fully financing the early care and education system. They argue that current financing for early care and education is piecemeal, not cohesive, and families shoulder a heavy burden in this system. In addition, the patchwork of public and private financing that does exist leads to inequities in access, quality, affordability and accountability. **Simply put, a complex system like child care that relies so heavily on parent fees is not sustainable. Equitable financing will take time and coordination of federal, state and private stakeholders.**

As with previous years' findings, child care still remains unaffordable for most families in 2018. In many homes across the country, child care costs exceed the cost of housing, college tuition, transportation or food. Despite headlines that tout low unemployment and rising salaries, parents are still struggling to afford one of the most significant expenses in their family budget — child care. **Across all states, the average cost of center-based infant care exceeds 27 percent of median household income for single working parents. For parents and families of color, these challenges are exacerbated.**

When child care is unaffordable and inaccessible, it affects the business community and has a significant impact on workforce participation and can be a drain on U.S. employers' bottom lines. As a vital part of community infrastructure, the impact of the unaffordability of child care is felt by the child care workforce, working families, employers, the economy overall and ultimately our children's future. With affordable, accessible care, employers report fewer absent workers, less turnover, increased stability in the workforce and more satisfied workers.

Finally, quality, affordable child care has long-term benefits for everyone. Research shows that quality child care helps children learn and prepare for school and life. The research shows that the potential long-term benefits of quality care are robust and includes adults that are more skilled, better educated, have better employment opportunities and more stable families.

We are excited to offer readers a deeper dive into the child care cost issue. This year, we:

- Updated our popular interactive Cost of Child Care Map.
- Revised our national figures for the cost of child care and provided an explanation of the challenges inherent in calculating a national cost of child care figure.
- Highlighted the benefits of well-funded state systems, like Child Care Resource and Referral (CCR&R) agencies, to support parents, providers, and states with resources and services that address the high cost of child care.
- Highlighted city/county child care costs that vary across the country. New to this year's report, look for our regional examinations.
- Included county-level costs for 10 states in a supplement on our webpage.

Quality, affordable child care should be available and accessible to all children in the ***US*** – regardless of age, race, ethnicity, socioeconomic status or location. We hope you use our report to make the case for accessible and affordable, quality child care. We encourage you to:

- Find out how your state ranks in the various cost tables;
- Reach out to the candidates in your state and district to find out their stance on child care issues; and
- Support candidates that have plans for affordable child care and hold them accountable for their words and their actions.

We remain optimistic that with increased public and private investment and hope for meaningful solutions that support working families, we can ease the burden on American families. Through careful planning by the government at the federal, state and local levels, **all of US** can work toward quality, affordable child care settings available for working parents in every community. ***It is time for US to take significant action for our children and economic future.***

Lynette M. Fraga

Lynette M. Fraga, Ph.D.
Executive Director
Child Care Aware® of America

EXECUTIVE Summary

For the past 12 years, Child Care Aware® of America has kept the nation informed about the cost of child care for families. We have spent more than 30 years advocating for families and partnering with Child Care Resource and Referral (CCR&Rs) agencies, and we are excited that other organizations are now joining us in the call for affordable, quality child care for all families. **CCR&Rs serve as a hub for families, child care providers and business and community stakeholders to access information, resources and services to increase the availability of quality, affordable child care for all.**

Of the 36 nations that are members of the Organisation for Economic Cooperation and Development (OECD), the United States is one of the five least affordable nations for child care, as measured by percentage of family income.[9] The United States also spends much less than other countries on helping families pay for child care costs. The OECD reports that the United States spends just 0.3 percent of gross domestic product (GDP) on early childhood education and care.

Although the United States is divided on many social issues, one issue brings together people from both sides of the aisle – child care. In its 2017 poll of voters, the First Five Years Fund found that 80 percent of those who voted for Donald Trump and 79 percent of those who voted for Hillary Clinton want the federal government to raise the quality of child care and make it more affordable for all families. In February 2018, Congress passed, and President Trump signed, a budget that included an additional $5.8 billion in funding for the Child Care and Development Block Grant (CCDBG). While this is a step in the right direction, due to length of time that this has been a burden on families, more work must be done to ensure that families have access to high-quality, affordable child care.

The *US and the High Cost of Child Care* highlights child care as not just a parental or family issue. As we lay out in this report, when children do not have access to high-quality, affordable child care, families, employers and economic growth suffers. When parents have to miss work or even give up their jobs because they cannot find suitable child care arrangements, the U.S. economy is impacted. And research has shown that children who attend high-quality early childhood education programs have better outcomes later in life, including increased education and earnings and less contact with the criminal justice system. These kinds of outcomes save the government money in the long run. Investing in child care is not just an investment in children and families, it is an investment in all of ***US***. And it takes all of US to solve the child care cost dilemma.

As in previous years, we report on a variety of data related to the cost and affordability of child care. We provide statistics on the average cost of care for each state and the percent of median income married and single parents pay for child care. Cost and affordability percentages are reported for center-based and family child care; top 10 rankings (see page 29) are provided within the body of this report, and all rankings, reported costs and affordability percentages are provided in the Appendix. Also, for the second year, we calculated the national average child care cost.

Our interactive Cost of Child Care map allows you to browse states for costs and affordability by child care type and find out how county and regional costs vary in Arizona, Delaware,

Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri and Nevada. This year we included several regional examinations. In focusing on these smaller communities, we learned a lot about the complexities and variables that can affect the price of child care.

Finally, we conclude this report with a brief review of financing solutions and policy recommendations. We emphasize the importance of increasing the investment in child care from both public and private sources, decreasing the cost burden on families through a variety of strategies, providing support to parents struggling to afford child care while working or pursuing higher education and prioritizing professional development for the child care workforce. We also explore the role that CCR&Rs can play in the future of child care. They support the workforce and have historically been the only nationwide entity designed to build the supply of quality child care.

"Since 60 percent of children under age six have both parents in the workforce and working mothers make up 40 percent of the workforce, the lack of access to quality, affordable care hurts most children and all communities—this is not an issue reserved only for parents and families."

-Dr Lynette M. Fraga

Child Care Aware® of America's Child Care Cost Data: Fueling Our Partners' Policy Tools

CCAoA's data and research has been used in the research and reporting published by the Economic Policy Institute (EPI), the Center for American Progress (CAP) and Massachusetts Institute of Technology (MIT), among others. In addition, various organizations, academics and our state-level partners at CCR&Rs have joined our efforts to map child care supply and demand data. We continue to assemble and partner with leaders in the early childhood education community to support and inform ongoing initiatives in child care licensing and database development. As the leading voice for child care in the United States, we will continue to gather and report this valuable data as we work to make child care more affordable for all families.

Living Wage Calculator (MIT). Shows cost of living by state or locality based on the costs of household items, including child care.

Family Budget Calculator (EPI). Shows household budget, including child care, for location and different household scenarios.

Child Care Costs State Fact Sheets (EPI). Visualizes child care cost comparisons to demonstrate unaffordability of child care.

Early Learning in the U.S. Fact Sheets (CAP). Reports economic status of working parents, child care costs, and statewide supports for families.

Introduction to CHILD CARE and the Importance of QUALITY

Simply put, quality matters. From birth to age five, young children learn and develop at an astonishing rate. Among other things, they learn how to think and reason, how to acquire knowledge and skills and how to interact with others. It is especially important during this time that young children be surrounded by adults who understand their growing brains and can offer appropriate support for that development. Also essential are high-quality learning settings and experiences. Together, positive adult relationships and positive learning environments can boost a child's success in later learning and in life.

Decades of research have documented the far-reaching effects of early learning and caregiving experiences. The findings include:

- Children who receive high-quality child care have better outcomes in socioeconomic and health conditions as adults.[1]
- Child care benefits children's behavioral development; high-quality and responsive child care "provides emotional support, reciprocal communication, accepts the need for growing independence, and provides cognitive stimulation that scaffolds the young child's early learning."[2]
- Long-term analysis suggests that enrollment in early childhood education can increase earnings in adulthood by 1.3 to 3.5 percent.[3]
- Access to higher-quality care, along with organized activities in middle childhood, have been associated with higher academic achievement at age 15.[4]
- Children who participate in high-quality programs have positive lasting effects on IQ scores, and lower incidences of childhood obesity and chronic illness.[5]

Access to Quality Requires **Access to Child Care**

CCAoA's vision is that all children have access to high-quality child care. However, in many communities, families struggle to find any child care at all. Over the past few years, states have noticed an alarming trend: a significant decline in the number of child care providers. This is particularly true of family child care providers. Here are a few examples:

- In Minnesota, the number of family child care providers dropped by 25 percent between 2006 and 2015.[6]
- Researchers at the Federal Reserve Bank of Minneapolis estimate that in the last five years, total child care capacity – that is, the number of child care slots – for all licensed providers in Minnesota and Wisconsin declined by 5 percent.[7]
- CCAoA's recent Mapping the Gap™ work in the state of Arizona found an overall decline in child care providers who accept Child Care and Development Fund (CCDF) vouchers (i.e., one type of federal child care subsidy).
- Between 2014 and 2017, the number of family child care slots in the state of California declined by 9 percent.[8]

Many states have now implemented a Quality Rating and Improvement System (QRIS) to set and assess program quality standards across child care programs in the state. In the late 1990s, some state QRIS programs used national accreditation status to distinguish quality programs; however, it became clear that without additional supports and funding, many child care programs would struggle to attain this status. In an effort to recognize the incremental steps between getting licensed and being designated a high-quality program, states began to pilot and implement QRIS with multiple levels (e.g., one-to-five stars), promoting more manageable shifts in quality for child care programs. Some states also began offering professional development and, in some cases, financial incentives to participating child care providers.[9]

Measuring quality is fundamental to delivering quality child care and QRIS is just one method to assess, improve and communicate program quality to providers, parents and administrators. Many statewide QRIS's link program participation and achievement of quality standards with technical assistance and coaching; professional development, training and scholarships; and financial supports like grants, bonuses, higher provider reimbursement rates, wage supplements and tax credits. QRIS's also provide public education to consumers seeking to better understand what differentiates a quality child care program. QRIS's provide one key method to determine access to quality and make the case for rewarding quality child care providers. That way, communities can retain and promote high-quality programs and, hopefully, stem the loss of qualified providers across the country.

Inequitable Access to Quality Child Care

Child care enables parents to work and pursue education. Parents with low incomes who want to pursue higher education and training find it especially difficult to access affordable, high-quality child care. Ten percent of parents with low incomes are enrolled in education and training programs.[10] Yet, only 15 percent of those parents receive child care subsidies.[11] In a survey of parents with low incomes, the Urban Institute found that over 50 percent of those attending school full-time relied primarily on family members for child care. Education can be a gateway out of poverty for many families; however, they need support to balance the demands of work, school and parenting.

U.S. employers could not function without a reliable workforce. Access to quality child care options make it possible for parents with low incomes to work – and to work longer hours, enabling them to earn more for their families.

However, the reality is that parents often miss work due to issues related to child care. It impacts the bottom line for families and employers.

- Over a six-month period, 45 percent of parents are absent from work at least once due to child care breakdowns (e.g., provider is sick or closed, child is sick and unable to go to child care[22], missing an average of 4.3 days. In addition, 65 percent of parents' work schedules are affected by child care challenges, an average of 7.5 times over a six-month period.[12]
- An estimated $28.9 billion in wages is lost annually by working families who do not have access to affordable child care and paid family and medical leave.[13]
- U.S. businesses lose approximately $4.4 billion annually due to employee absenteeism as a result of child care breakdowns.

The U.S. Armed Forces **Child Care Model**

Prioritizing child care as a critical support for working families is not a new concept in the United States. The U.S. Armed Forces' child care system is a model for the nation with high standards, strong accountability and positive outcomes for children and families. Since the late 1980s, the U.S. Department of Defense (DOD) has developed a comprehensive child care system as a core strategy to increase military readiness, improve job satisfaction, and increase rates of re-enlistment, saving the military significant amounts of money annually. In 2010, the armed forces' child care system served nearly 200,000 children from birth to age 12. The DOD currently oversees more than 800 Child Development Centers on military installations worldwide. In addition, many federal agencies have subsidy programs with income eligibility ceilings ranging from roughly $50,000 to almost $70,000. Parents are best able to work when they have access to stable, high-quality affordable child care.

The Cost of Quality

Quality doesn't come cheap. But how do we measure the real cost of quality care? A number of interactive tools exist to demonstrate how much it costs a program, the community, and parents for quality care. The QRIS Cost Estimation Model was developed to be a guide, based on the best data available, to project the key elements and cost of implementing a QRIS in a state or community. Developed from an earlier spreadsheet-based tool created by Anne W. Mitchell, the Cost Estimation Model is designed for policy makers and quality care advocates. A more recently developed interactive online tool, the Provider Cost of Quality Calculator (PCQC) was also designed for state policymakers as well as child care providers to help them understand the costs associated with high-quality early childhood education and child care. The PCQC calculates the cost of care by levels of quality based on site-level provider data.

When Child Care Breaks Down: Measuring the Economic Impact

In 2017, the Losing Ground: How Child Care Impacts Louisiana's Workforce Productivity and the State Economy report called attention to the impact on a state's businesses, workforce and economy when families experience child care break downs. This seminal report found that child care issues result in more than $1.1 billion in losses for Louisiana's economy. More than 16 percent of respondents quit their jobs because of child care issues, and nearly 14 percent turned down a promotion, either to maintain their current schedule or to ensure they did not lose access to a child care subsidy due to an associated pay raise.

In 2018, Maryland Family Network released Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System, calling attention to comparable concerns for families and businesses in Maryland. They reported an estimated loss of $2.41 billion to Maryland businesses due to absences and turnover due to child care breakdowns. Nearly 15 percent of respondents reported a long-term disruption (e.g., moving from full-time to part-time work) because of issues with child care.

Following in the footsteps of these groundbreaking reports, ReadyNation will be releasing the results of a nationally representative survey of parents' experiences with child care challenges for children birth to age 2, and the impacts of those challenges to their employment. In addition, states like Pennsylvania, Colorado, Maine, Tennessee, Texas and Georgia are expected to replicate these impact studies. We look forward to the release of reports from these states, as well as ReadyNation's report in the coming months!

According to the Bureau of Labor Statistics (BLS), only 16 percent of civilian workers have access to paid family leave benefits. Nearly 3 in 10 US mothers return to work within two months of their babies' birth; Mothers who are young and have low incomes, and those with lower levels of education, often return to work even earlier.[14] In an analysis, the Center for Law and Social Policy (CLASP), found that nearly 80 percent of workers earning less than $15,000 per year and approximately half of workers earning between $15,000 and $34,999 per year do not receive paid leave.[15]

Some employers are recognizing the need for policies that allow parents to find and afford quality care for their children. *Working Mother* ranks companies based in part on supportive benefits they offer parents. The magazine lists companies that provide on-site child care, and also highlights companies that offer a variety of family-friendly services including child care resource and referral; paid family leave policies; and flexible work schedules like telecommuting, flextime and a compressed work day. On average, the top 100 companies for working mothers offer 11 weeks of paid time off for new mothers and six weeks paid leave for new fathers. Also, 91 of the top 100 companies listed by *Working Mother* offer back-up child care to assist families when gaps in care occur.

When businesses recognize the importance of child care services and assistance for their employees, both parents and employees benefit:

- 54 percent of employers report that child care services had a positive impact on employee absenteeism, reducing missed workdays by as much as 30 percent.
- Access to reliable child care can reduce employee turnover by 60 percent.
- Women who receive assistance for child care costs are 40 percent more likely to still be in the job two years later[16]

While it is encouraging that some of the top employers in the United States are offering more family-friendly policies, it is not enough to alleviate the burden on families, especially those with few options to find quality, affordable child care. CCAoA looks forward to more businesses adopting these policies that will strengthen not only the child care workforce but the U.S. economy as well.

Women as Breadwinners

Each day, working mothers in the United States face enormous pressure as they strive to balance family and work. Even though many fathers are taking on more responsibilities in raising their children, mothers are still expected to do the lion's share of childrearing.[17] A study by the Henry J. Kaiser Family Foundation found that over 50 percent of mothers surveyed responded that they are primarily responsible for making health decisions for their children. Furthermore, 39 percent reported that they are solely responsible for staying home when their children are sick.[18] The typical American school schedule can also disrupt the productivity of working mothers. The Center for American Progress found that the largest school districts in the nation closed an average of 29 days each school year, not counting summer holidays.[19] This may explain why only 53 percent of women with elementary-age children are employed full-time.[20] When children stay home due to illness or school closings, it is often the mother who must take time off from work to stay home with them.

When working mothers are unable to find affordable child care arrangements, the US workforce is impacted. One study found that even a 10 percent decrease in the availability of early childhood education reduces the employment of single mothers by 3-4 percent, and married women by 5-6 percent.[21]

Single mothers in the workforce are most affected by a lack of access to affordable and reliable child care. It is estimated that 25 percent of American households with children are headed by women who are the sole providers for their children.[22] Single breadwinner moms are largely African American or Hispanic with a median income of approximately $23,000. Low income severely limits a single working mother's ability to afford high-quality child care. Many have to rely on patchwork child care arrangements consisting of family, friends and neighbors.

From 1962-2000, the number of women in the workforce nearly doubled.[23] However, between 2000 and 2016, their workforce participation declined.[24] One possible cause of this trend is the high cost of child care. Many working families simply cannot afford child care, and one parent may have to leave the workforce to care for the children. Also, women are having children at later ages.[25] If they decide to leave the workforce after having children, they may be leaving relatively senior-level positions that are more difficult and costlier for employers to fill. Labor force participation is a factor in economic growth.[26] If women continue to leave the workforce due to a lack of affordable, high-quality child care, the U.S. economy could suffer. It is in everyone's best interest to support working mothers by increasing access to child care.

Supporting **Veteran Parents**

Launched in 2017, the Tiny Boots Child Care Program reflects a partnership between the YWCA and the Illinois Department of Veterans Affairs (IDVA) to support Illinois veterans in need of child care during scheduled medical or counseling appointments and job interviews. The program is free for veterans and is funded through a grant from the IDVA Vet Cash Grant Program, which receives money from the proceeds of the Illinois Lottery.

This program is viewed as a triple win; it helps veterans find quality affordable care, helps child care providers fill empty slots and supports the work of the YWCA Metropolitan Chicago. Currently there are 77 providers approved to provide care and the program has covered 87 appointment dates for veterans. For more information about this program, contact Shelley Bromberek-Lambert with the Chicago YWCA.

Need for Nonstandard Hours of Care

More and more parents are finding employment that doesn't adhere to the standard Monday-Friday, 9-to-5 work schedule. Besides working outside of normal business hours, a subsection of these parents may also work hours that vary week to week. National Guard members and reservists train on weekends, when child care may be practically non-existent in their communities. Because disasters and emergencies strike without warning, emergency personnel cannot go to work without a safe place to leave their children. Unfortunately, families across the country struggle to find child care providers who operate outside of standard business hours and who can accommodate erratic work schedules and emergency care.

In 2016, Restaurant Opportunities Centers United and the National Women's Law Center (NWLC) released a report focusing on night care for children of tipped restaurant workers, for whom prime shifts and peak earning potential occurs on nights and weekends. Parents who are tipped workers earn a base salary as low as $2.13 per hour, so they prefer night shifts in order to maximize their income from tips and support their families. Unfortunately, night care is largely unavailable through licensed providers, leading many tipped workers to rely on informal or unlicensed "underground markets," while others leave their chosen industry to engage in child care work for others, particularly while their children are young.[27]

Those who work nonstandard hours are more likely to have low incomes relative to other workers.[28] Many workers with nontraditional schedules work irregular hours as involuntarily part-time employees, meaning they work one or more part-time job because they are unable to find or keep a full-time position, often due to family or caregiving demands. This group of workers often experiences higher rates of poverty and lower incomes than Americans who work a regular schedule: about 22 percent of involuntary part-time workers are poor and nearly half are low income. Low-income workers of color are more likely to be working part-time involuntarily than their low-income white counterparts (African American: 20 percent; Latino: 16 percent; white: 14 percent). Poverty rates are also higher for involuntarily part-time workers who are: African American (34 percent), Latino (28 percent), parents (34 percent) or under the age of 25 (23 percent).[29]

Women are more likely than men to work nonstandard hours, especially women with incomes below 200 percent of the Federal Poverty Line (FPL). Single parents are especially affected by unpredictable work schedules; they often rely on relatives and neighbors for child care.[30]

Approximately 25 percent of post-secondary students are also parents.[31] And one in four of these parents lives below the federal poverty line.[32] As they struggle to balance work, school and family in the pursuit of a degree and higher income in the future, they face extremely limited child care options. On average, child care centers on university campuses have wait lists that are nearly double their total capacity.[33] Often the only jobs that these student-parents can find have nonstandard hours. The Child Care Access Means Parents in School (CCAMPIS) program was created to provide funding that subsidizes child care for low-income student-parents. While this program has demonstrated success at student retention, funding was cut by $10 million from 2004 to 2014.[34]This has resulted in decreased availability and a shortfall of over 1 million child care slots on college campuses.[35]

In our recent Mapping the Gap™ efforts with the state of Massachusetts, we focused on nonstandard hours — specifically, the current supply of child care providers around the sites of two proposed casinos and one existing casino.[36] Casinos tend to operate 24 hours a day, so the likelihood that employees will need child care during nonstandard hours is high. Around one of the proposed casino sites, child care providers who operate on weekends had capacity for just 54 children, while those who were open after 8:00 p.m. had a combined capacity of 64 children. Yet the proposed casino plans to hire 3,000 employees. The current child care providers in this community could not accommodate even a fraction of the casino workers who likely would require child care during nonstandard hours.

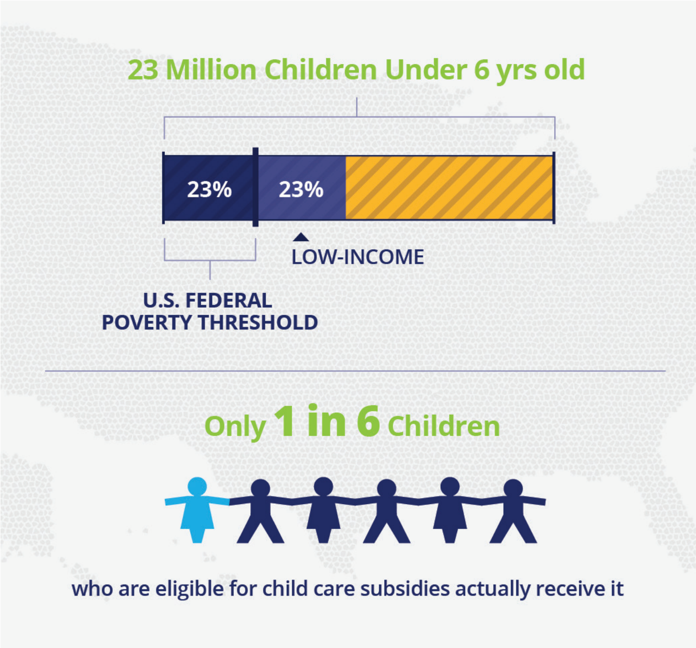
Although an increasing number of child care providers are extending hours and creating flexible options for parents, the demand for these services still far exceeds the supply. Federal and state-based child care subsidies are typically based on daily program attendance, so for many providers, offering flexible scheduling to accommodate parents' schedules can mean a loss in program revenue when children do not attend the program. The problem extends to parents as well; low-income parents working irregular schedules may be less likely to seek child care subsidies because such subsidies may require a minimum and consistent number of work hours per week.[37]

Despite the growing need for nonstandard-hours care, there has been very little research on how states and communities are supporting families in this situation. Later this year, CCAoA will release a comprehensive report on nonstandard hours, including how families struggle with this issue and potential solutions.

Children from Families with Low Income

Child care is a crucial workforce support; without it, parents cannot go to work and support their families. Yet many working families struggle to pay the high cost of quality child care. They are forced to choose child care that is of a lower quality or further from their home or work than they would like simply because they cannot afford their preferred program. Child care subsidies can make a world of difference to families in need. In fact, studies have shown that low-income parents, particularly single mothers, who receive child care subsidies have an increased probability of finding employment.[38]

Under CCDBG, states have flexibility to set policies regarding income eligibility requirements for families who apply for subsidies and reimbursement rates for providers. Eligible families may receive a subsidy which covers all or just a portion of the cost of child care. Just as families must apply to receive a child care subsidy, child care providers must apply for eligibility to accept child care subsidies. To be eligible, child care providers must be licensed or registered with the state and, in some cases, must meet a particular level of quality on the state's QRIS. Some states, like Arizona, are noticing a



particular gap in the supply of child care: providers who accept subsidies. Further research is needed to understand why.

Of the 23 million children under age 6 who live in the United States, 23 percent live under the federal poverty threshold and an additional 23 percent are considered low income (between 100-199 percent of the federal poverty level).[39] While the number of poor and near-poor children has decreased by 4 percent since 2009, they still account for nearly half of the total under-six population.

While the need for child care assistance is great, limited funding prevents federal and state governments from assisting all families who need it. The U.S. Department of Health and Human Services (HHS) estimates that only one in six children who are eligible for child care subsidies actually receives it.[40] Several reasons for this disparity have been proposed – from a complicated application process that families find difficult to maneuver, to a lack of providers who accept subsidies, to parents being unaware that this assistance exists.[41] The U.S. Government Accountability Office (GAO) found that states do not have adequate funding to serve all eligible children; nationally, only 1 in 6 eligible children receive a CCDF child care subsidy.[42] This results in wait lists or the freezing of new intakes.[43]

Millennial Parents

Millennial women, or those women born between 1980 and 1996, are responsible for 80 percent of the babies born today, and are a growing part of the American workforce. CCAoA's Millennials and the High Cost of Child Care report found that child care is unaffordable for millennials in every state.[44] Over four million young parents live below the federal poverty line.[45] However, millennial workers increasingly recognize the importance of work-life balance. Eighty-three percent of millennial parents reported they would leave their job for one with more family-friendly benefits.

In the United States, fertility rates have declined to an average of 1.76 births per woman.[46] In a recent survey conducted by The New York Times, 64 percent of young adults reported that the high cost of child care is the biggest reason that they expect to have fewer children than they would consider ideal.[47] Declining fertility rates could result in a nation where the number of deaths outpace the number of births. This could have grave implications for the entire population, as the number of adults who can work and pay taxes decreases while the number of retirees who collect Medicare grows.

Infant Care

As noted in our recent Infant and Toddler Mapping the Gap™ work, children's brains develop most rapidly between birth and age three.[48] Child care for infants and toddlers is so much more than a workforce support for working parents. Quality child care is a crucial piece to healthy child development. Infants require constant attention and a nurturing relationship with a caregiver. Consequently, there are smaller staff-to-child ratios for providers who care for infants. The National Association for the Education of Young Children (NAEYC) recommends a child care program that serves infant have a maximum ratio of one adult per four infants.[49] The need for more staff increases labor costs for infant child care providers, which are passed along to parents.

"I love being a parent. But the cost of child care for a child under the age of two is so expensive in the Washington, DC metro area. More than half of my paycheck goes to child care."

– Typhani, millennial parent

The cost of infant care weighs heavily on parents. In 2016, CCAoA conducted focus groups with parents of young children to understand how they find and access quality care. Some key findings include[50]:

- **Availability is an issue.** Families with infants and toddlers have an especially difficult time finding licensed child care in their communities. Many focus group participants reported that they had to cobble together a child care plan, including relying heavily on family and friends to fill in the gaps.
- **Affordability means compromise.** Parents often have to make compromises when choosing affordable care for infants and toddlers.

The American Academy of Pediatrics (AAP) recommends that infants and toddlers have 10+ well-child visits with their pediatricians in the first two years of life.[51] On top of this, most infants and toddlers will likely have to make additional doctor visits for routine illnesses such as the common cold. Working parents whose benefits include paid sick leave can focus on their children during these moments and not worry about lost income. Parents without paid sick leave are more likely to stay at work to not lose income, and take sick children to expensive emergency care that is available outside of regular business hours.[52]

Two organizations that advocate on behalf of young children, CLASP and ZERO TO THREE, partnered to develop a set of policy recommendations that fully address the needs of infants and toddlers. Their recommendations include:[53]

- Low-income families with infants and toddlers should get child care assistance to afford safe, stable, high-quality child care that promotes children's development and parents' education, training, and work.
- Vulnerable infants, toddlers, pregnant women, and families should have access to comprehensive early childhood services through Early Head Start.
- Infants and toddlers with developmental delays or disabilities should be identified and receive early intervention services in a timely manner.

Another barrier to providing high-quality care to infants and toddlers is that early childhood educators are paid very low wages. In fact, 86 percent of infant and toddler teachers earn less than $15 per hour and, on average, earn less money than preschool teachers who serve children ages three to five.[54] This low wage makes it next to impossible to recruit and retain a qualified infant/toddler workforce. And while half of center-based preschools report that they receive public funding, only 15 percent of centers that serve infants and toddlers receive this type of funding.[55] Child care is grossly underfunded for the age group that needs it most.

CCR&Rs throughout the country report that due to the high cost of child care, some families choose to move their children from licensed programs to informal/unlicensed child care settings. Informal care is typically subjected to few, if any, regulations. As child care costs have risen since 2008, it is estimated that 33–53 percent of children under the age of five are cared for in informal family, friend and neighbor (FFN) settings.[56]

Child Care Regulations and Licensing: **Steps to Quality Care**

Providers, advocates and policymakers have cited multiple possible reasons for the decline in the number of family child care providers, including increased regulations (usually without supplementary supports for providers), low pay, and the retirement of older providers who have not been replaced by an influx of younger providers.[60] Recently, there has been a disturbing push to deregulate child care settings. Proponents argue that child care is so expensive because providers are saddled with onerous regulations.[61] They have also argued that relaxing child-to-staff ratios would result in lower child care costs for parents.[62] Further examination of licensing regulations across child care settings and the unintended consequences of those regulations is needed, not to deregulate, but to identify resources and supports that can be offered to all providers.

More study is needed to determine why providers are leaving and, more importantly, identify actionable solutions that will keep child care providers in business and encourage new child care businesses. For example, in many states, child care subsidy reimbursement rates have not increased in years, even though child care costs have. That leaves child care providers and families to fill the gap. In 2017, just two states set their reimbursement rates at the federally recommended 75th percentile of child care providers' rates in the state, with the majority of states setting their reimbursement rates at much lower levels.[63] Many early childhood educators across the country keep their rates low for families in need and/or keep their doors open late for families working nonstandard schedules. These practices cost money, and many providers choose to absorb the cost themselves in order to serve families in their community. This may be a factor in the decline of child care businesses.

While regulations can be costly for providers, especially those providing family child care, they were designed to protect children. Instead of rolling back important and potentially life-saving health and safety regulations, we should invest in

The Cost of **Unregulated Child Care**

In 2016, New America, a DC-based think tank, examined the increasing concern of "gray markets" for child care, where struggling families utilize FFN care in order to make ends meet. Child care is expensive; even when providers (regulated and unregulated) charge very minimal hourly fees, costs mount up quickly for parents despite most child care providers receiving poverty-level wages.

Many states allow informal care to operate legally. Twenty-seven states do not require a license for family child care providers until five or more children are cared for in the same home. Eight states allow family child care providers to care for six or more children for pay without a license or any oversight.[57] In 11 states, it is illegal to provide care for even one child for compensation without a license and monitoring.

While the costs of unregulated care may be less expensive than care in formal settings, the quality of care in unregulated facilities in consistently lower than regulated sites. Unlicensed care is not subject to basic health and safety requirements, minimum training requirements or background checks for providers. Unlicensed care is also not inspected; however, *For License-Exempt CCDF Providers (except those serving relatives)*, the state must conduct annual inspections for compliance with health, safety and fire standards. The law does not require that these monitoring visits be unannounced, but CCDF recommends that states consider unannounced visits for licensed-exempt providers since experience shows they are effective in promoting compliance.[58]

Although child care in informal settings may be more financially affordable in the short run, there may be hidden costs that show up later, such as a child being insufficiently prepared to enter school, which only becomes evident when children enter kindergarten. In Maryland, for example, assessments have consistently found that children who attend regulated child care programs do better when they enter kindergarten than children who had child care in informal or unregulated settings.[59]

supporting and retaining existing child care businesses, and recruiting qualified providers to the field. Trainings and technical assistance should be made available to providers outside of the hours they typically care for children to promote maximum participation in every community. Child care providers and other community- and state-level key stakeholders should be consulted and engaged in discussions about regulations and licensing. Further, quality should be incentivized; providers who take steps to incrementally increase the quality standards for their programs should be adequately compensated for these efforts. By sufficiently supporting the child care workforce to comply with child care licensing regulations, our field can take a big step toward keeping children safe.

Support for Family Child Care Providers

All Our Kin, a family child care network in New Haven, Connecticut, offers training, support and other resources to family child care programs in New Haven, Bridgeport, Stamford, and Norwalk. All Our Kin provides resources to unlicensed family child care providers in order to elevate the quality of child care available to families in the community, and enable quality providers to ultimately obtain their child care license and participate in the state's QRIS. Over the years, research on their model has demonstrated higher quality programming and benefits to the local economy. In a 2016 study, researchers compared family child care providers from the All Our Kin network to non-All Our Kin family child care providers. They found that All Our Kin providers significantly outperformed non-All Our Kin providers on observational measures of environmental quality. In addition, 50 percent of All Our Kin providers indicated that they intended to stay in the field of family child care "as long as possible," compared to seven percent of the comparison providers. Intention to remain in the field has been shown to be an important correlate of quality.

Investments in the Child Care Workforce

Quality requires higher wages

Roughly 1.3 million people in the United States work in the child care profession. These individuals care for and promote the health and wellness of our nation's children, but in doing so, struggle to make healthy choices for themselves.

Child care workers in the U.S. provide an invaluable service for families. They are responsible for the most vulnerable members of our society for many hours each week. And yet, wages for child care workers are among the lowest in the U.S. workforce. According to the Bureau of Labor Statistics, the average wage for child care workers is $10.72 per hour.[64] The child care workforce is mainly comprised of women, 40 percent of whom are women of color.[65] Nearly 15 percent of child care workers live in households with an annual income below the federal poverty line, and 36 percent have household incomes below 200 percent of the federal poverty level.[47,66] A significant portion of the child care workforce has children of their own. Low wages and a lack of benefits results in these families not being able to afford high-quality child care for their own children.

The Center for the Study of Child Care Employment (CSCCE) found that 86 percent of providers who work with infants and toddlers are paid less than $15 per hour, compared to 67 percent of those who work with 3- to 5 year olds.[67] The CSCCE Childhood Workforce Index also looks at how much each state has progressed on such indicators as compensation, qualifications and work environments. Between 2016 and 2018, there was no significant change in compensation for the early childhood workforce in 44 states.

In 2015, the Institute of Medicine (IOM) and the National Research Council (NRC) published a major study[68] about the child care and education workforce. One of the questions the authors investigated was: Given what scientists know about how the brain develops and about how children learn, is critical brain science being applied in child care settings? Their answer was no, and that 1) the care and education workforce is under-respected and under-trained, and 2) an overhaul of our nation's child care systems is urgently needed. As the IOM report reveals, providers with strong professional preparation are essential to a high-quality early learning program, and the quality of adult-child interactions is one of the most powerful predictors of children's development and learning. However, in an industry with staff turnover rates as high as 25 percent, the cost of training new staff on best practices when working with young children is often prohibitive. In addition, because of limited funds, child care programs are forced to pay low staff wages and provide only limited benefits, if any, making it difficult to recruit and retain qualified staff.

Wages for early childhood educators have remained stagnant,[69] even though more child care workers have bachelor's degrees now than ever before. While they may find the work rewarding, many have to leave the field because they simply do not make enough money. Children enrolled in early education programs with low turnover and higher staff compensation witness and experience more positive interactions that are crucial to their healthy development. They also spend more time engaging in developmentally positive activities.[70] High turnover can result in young children not getting the interactions they need in order to thrive in early childhood programs.

Quality requires investment in provider wellness

Recent data from a study of family child care providers in North Carolina[71] found that:

- Close to one-third (29.3 percent) of providers did not have health insurance.
- Almost all providers (89.8 percent) were overweight or obese with approximately half not meeting guidelines for physical activity, fruit and vegetable consumption and sleep.
- Over half reported a "high" stress score.

In 2017, CCAoA conducted focus groups with child care providers across the country. We found that there are three main barriers to providers' health and wellness: *money, time* and *access*.

- **Money.** The low wages of child care workers restricted their healthy choices. Financial constraints made it impossible for many to purchase fresh, nutritious food or a gym membership.
- **Time.** This was an issue for all providers but especially for those in family child care settings, who often work 12-

hour shifts to accommodate families. After work, many providers rushed home to meet responsibilities for their own family. They did not have the time to prepare healthy meals or engage in physical activity.

- **Access.** Various participants reported that their child care facilities lacked one or more of the following: a lunch or break room; adequate indoor space for physical activity; a safe outdoor environment in which to walk (due to being located in an unsafe community).

Two historic and ground-breaking studies of early education programs – the Carolina Abecedarian Project and the Carolina Approach to Responsive Education Projects, both in North Carolina –found that the following elements contributed to quality outcomes for young children: continuous care, parent engagement, health-related components (such as wellness screenings), and emphasis on the importance of nutrition, a well-trained staff and practices that help children develop a full range of skills.[7]

These barriers negatively affect a child care provider's ability to maintain healthy eating habits, physical activity routines, and stress management practices. Many focus group participants acknowledged they knew that many of their food and lifestyle choices were not healthy; however, their challenging schedules and lack of adequate compensation left them with few or no options.

The health and health behaviors of the child care workforce impacts not only the workers themselves, but the millions of children for whom they care. Quality care requires providers who are able to keep up with young children, and who serve as role models for healthy behaviors such as eating well and being physically active.

Research in other industries has shown that worksite wellness programs benefit workers and employers (e.g., reduced absence due to illness, increased job satisfaction), so as we consider approaches to improving the wage conditions for child care professionals, we also need to consider that higher pay is not the only investment needed. Child care professionals deserve to work in environments that promote their health, as they promote and protect the health of the young children in their care. A better, healthier work environment must be part of our strategy to reduce attrition in the child care workforce.

Solutions to this problem will require a coordinated approach by the federal government, state and local governments, nonprofit organizations, providers and families. We must work together to ensure that the child care workforce is fairly compensated and their health and well-being valued — for our children's future.

Quality Child Care is a Sound Investment

High-quality early childhood programs benefit not only young children, but also society as a whole. A reduction in crime rates, increased earnings and better physical health are just three outcomes that have been associated with adults who attended quality early care and education programs in childhood.[72] These outcomes can result in lower public expenditures for health, criminal justice and assistance programs. Cost-benefit analyses of high-quality programs such as the Perry Preschool Project, the Chicago Child-Parent Centers program, and the Carolina Abecedarian Project show returns of between $4 and $16 for every dollar spent.[73] Researchers studying the life-cycle benefits of high-quality programs found a 13 percent rate of return on investment.

Law enforcement leaders have supported an increase in access to high-quality early care and education, stating that these programs help children stay in school, achieve better educational outcomes and lower the likelihood they will be involved in the criminal justice system.[74]

Research has shown that high-quality early childhood programs contribute to stronger families, greater economic development and more livable communities.[75] The White House Report on the Economics of Early Childhood Investments,[76] published in 2015, describes the following benefits of quality early education:

- **Increase in tax revenue for the government and decrease in transfer payments such as child care subsidies.** Child care allows parents, especially mothers, to return to work sooner, generating an estimated $79,000 lifetime earnings increase for mothers and reducing case subsidy payments by $220 per participant.[77]

- **Reduced need for remedial education, resulting in system-wide savings.** Children who attend quality programs are __ percent less likely to need remedial education. That can save more than $11,000 per student through grade 12 depending on program type and duration.

- **Reduced involvement in criminal justice system.** Analyses find that cost savings from reduced juvenile arrest and criminal records are substantial and often make up the largest portion of potential benefits.

- **Improvements in health outcomes.** Quality child care provides nutritious meals for children and often serves as a safety net to identify instances of maltreatment and abuse. For example, children who were involved in the Abecedarian Preschool Project had less obesity and higher levels of good cholesterol as adults when compared to a control group. Women who were involved in the program as children were more likely to engage in physical activities and eat nutritious foods as adults.

Research suggests that, although early education benefits all children, the greatest benefits accrue to children from low-income families. Economists have estimated the rate of return for high-quality early education to be between six and 10 percent per year for children in disadvantaged families.[78] Long-term returns on investment can be as high as 16 percent. Investments to raise the quality of and increase access to child care programs for low-income families is vital for these children.[79]

Significant numbers of retired generals, admirals and other military leaders have concluded that America needs early care and education to ensure our national security. Military leaders found that 75 percent of young adults are not qualified to join the military due to failure to graduate from high school, a criminal record or physical fitness issues, including obesity. Quality early learning programs address each of these issues that are decreasing readiness.[80]

FINANCING and AFFORDABILITY: The Role of CHILD CARE and RESOURCE AND REFERRAL

Child Care Resource and Referral (CCR&R): A Nationwide Infrastructure

CCR&Rs emerged in the 1960s and 1970s as a grassroots response to the massive entry of women into the workforce and the resulting unprecedented need for child care to support America's working families. As demand increased, CCR&Rs became the primary source of specialized training and technical assistance for child care businesses. Their unique relationship with parents and child care providers allowed CCR&Rs to quickly become a trusted partner for communities, businesses and policy makers interested in making a positive impact on child care for working families.

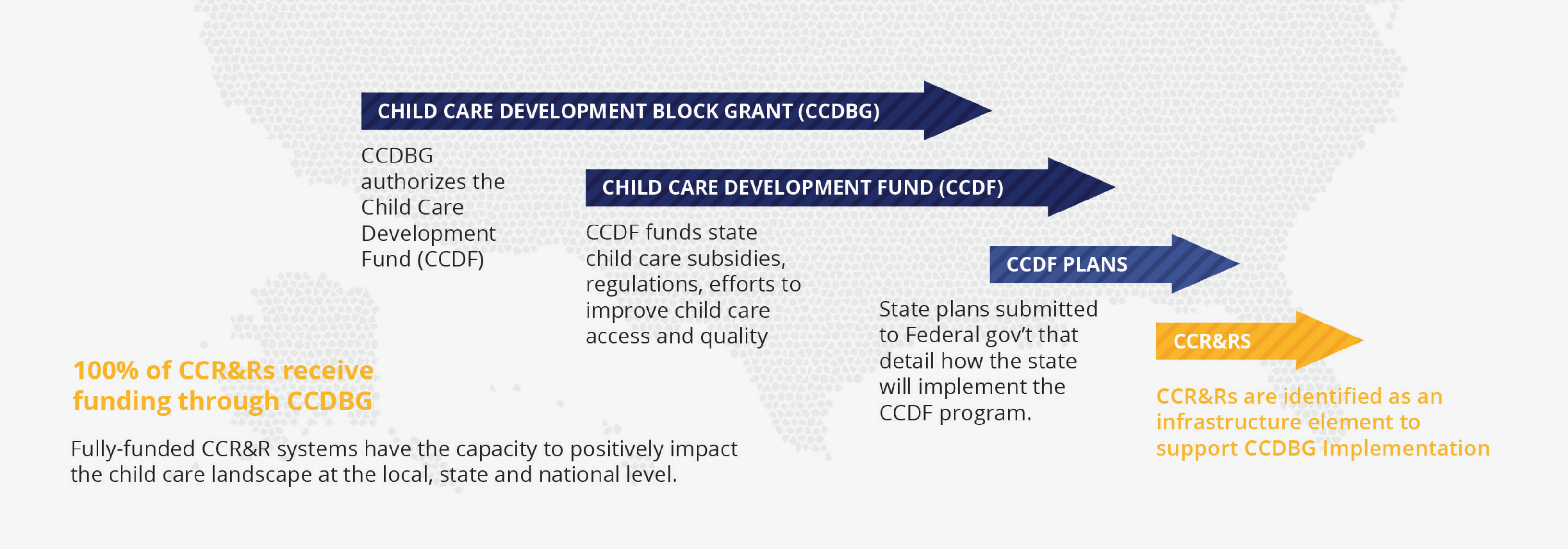
As policy makers, government administrators and other stakeholders move forward in addressing the United States' child care financing shortfalls, we have an opportunity to capitalize on existing systems that can help expedite solutions. Located in 47 states with touch points at the local, state, and national levels, CCR&Rs are a vital resource for families, child care professionals and communities. They help families find child care that meets their needs, work with child care providers to build the supply and increase the quality of child care, and facilitate business and community engagement. As a connector of resources, CCR&Rs serve as a hub for families, child care professionals and business and community stakeholders to access information, resources, and services to increase availability of quality, affordable child care for all.

CCR&Rs' interrelated services to families, child care providers, and communities offers a comprehensive implementation mechanism that can be easily leveraged by government partners at the local, state, and national levels.

CCR&R Target Audiences

FOUNDATIONAL CCR&R SERVICES

✓	Helping families make informed child care choices
✓	Connecting families to resources to help pay for child care and other services
✓	Increasing the supply and quality of care
✓	Collecting, analyzing and disseminating child care data
✓	Establishing and coordinating public/private partnerships that help families afford child care.



CCR&Rs and the Child Care and Development Block Grant

The passage of the Child Care and Development Block Grant of 2014 represented the most significant bipartisan effort to address America's child care needs in history. This was a monumental achievement for CCR&Rs and partners. For nearly 30 years following the initial passage of the CCDBG law in the 1990s, CCR&Rs have continued to serve their communities, collect data and beat the drum for an even more robust national child care system that would address the evolving needs of families and incorporate common sense and evidence-based requirements for all states. The Reauthorization of the Child Care and Development Block Grant of 2014 solidified the role of CCR&Rs even further by specifically calling out several ways a strong CCR&R system can be leveraged.

How CCR&Rs Engage Business and Community Stakeholders

CCR&Rs are the leading source of child care data

CCR&Rs collect detailed information about the child care landscape through their relationships with families and providers – both sides of the child care supply and demand equation. These efforts not only ensure that families have access to reliable information, but it also allows CCR&Rs to inform policy makers, government officials, and community stakeholders about the local, state, and national child care landscape.

CCR&R DATA SERVICES TO INFORM DECISION MAKING

✓	Collect, analyze, and disseminate child care supply, demand, cost and quality data
✓	Collect and share child care rate data for the market rate survey required by CCDBG
✓	Lead or contribute to studies of compensation rates for the child care workforce
✓	Administer or collaborate with state professional development workforce registries
✓	Compile data from the Census Bureau on young children and working families to help understand the demand for child care in communities
✓	Contribute data to fuel national data sets and publications, including CCAoA's annual State Child Care Fact Sheets and ongoing Mapping the Gap™ work.

CCR&R data services are used to better understand the challenges and opportunities that exist related to child care costs, financing, availability of high-quality programs and overall shortages of child care slots.

COMMON CHILD CARE PROVIDER DATA COLLECTED BY CCR&RS

✓	Location, including geographic coordinates	✓	Quality Rating
✓	Days and Hours of Operation	✓	Accreditation Status
✓	Ages Served	✓	Participation in Public Programs – Pre-K, Head Start and Early Head Start
✓	Type of Care – Centers, Family Child Care, Faith-Based, etc.	✓	Transportation Options Available for Children
✓	Regulatory Status – Licensed vs. Exempt	✓	Languages Spoken
✓	Licensed and desired capacity of child care programs	✓	Whether staff have specialized training on supporting children with Special Needs
✓	Rates (child care fees)	✓	Curriculum and program offerings
✓	Availability of care during nonstandard hours work and emergency situations	✓	Types of financial assistance accepted - CCDF vouchers and other discounts

92 percent of CCR&Rs participate in local or state partnerships or initiatives to identify and develop strategies to address gaps in services and systems

CCR&Rs are a valuable community convener and planner because of their ability to collect, analyze and share real-time child care needs of working families. They are credible partners because of their ability to draw upon historical and innovative approaches to child care services. Businesses have long valued CCR&Rs' ability to help employees find appropriate child care and support them with meaningful parenting coping strategies. This benefits businesses because, when parents do not have to worry about their children, they become a more productive and dependable workforce. CCR&Rs recruit stakeholders from a variety of businesses and other key stakeholders in the community, creating public-private partnerships that can support families and providers, with lasting benefits at the local, state and national levels. Some examples of innovative work being done is highlighted throughout this section.

CCR&Rs: Addressing Affordability for Families

Child care enables parents to pursue work and education. For most families, child care is simply unaffordable. CCR&Rs are positioned to help all families navigate complicated child care systems by providing consumer education and referrals to affordable, quality child care. They believe parents are their child's first teacher, and therefore provide information and resources that will help families to make informed child care choices based on their preferences.

CCR&R Collaboration with the U.S. Chamber of Commerce (Child Care Aware® of Washington)

Child Care Aware® of Washington (CCAoWA), the state-level CCR&R located in Tacoma, WA, capitalized on the U.S. Chamber of Commerce Foundation's pivotal report, Workforce of Today, Workforce of Tomorrow: High-Quality Childcare. CCAoWA recognized the potential of the report to motivate Washington business leaders, economists, and policy makers to make greater investments in child care. CCAoWA ,in consultation with Frameworks, created a series of Washington state-specific tools for business engagement that complements the U.S. Chamber of Commerce Foundation publication, Leading the Way: A Guide for Business Engagement in Early Education. CCAoWA engaged the report's author, Katharine B. Stevens, who presented at a state legislative work session on early education and child care during the 2018 session. CCAoWA and the six community-based CCR&Rs throughout the state have been taking the message to business leaders in communities across Washington State and successfully inspiring new corporate voices to speak up for investments in quality child care.

96 percent of CCR&Rs help families find child care

CCR&R ACTIVITIES TO HELP ALL FAMILIES

✓	Help families identify and recognize the value of high-quality early learning experiences
✓	Help families take advantage of available tax credits and deductions
✓	Explore creative solutions when child care costs exceed a family's ability to pay
✓	Assist families during emergency child care closures, ensuring families are able to find alternative care so parents can continue to work
✓	Support families by encouraging financial planning for child care expenses, including helping families evaluate the costs/benefits of using child care vs. staying at home with children

CCR&Rs help families with low incomes access financial assistance to help pay for child care. More than half of all local CCR&Rs directly administer at least one child care fee assistance program, and 37 percent administer CCDF child care subsidy vouchers and scholarships to eligible families. When CCR&Rs do not directly administer these programs, they connect families directly to eligibility offices.

CCR&R ACTIVITIES TO HELP FAMILIES WITH LOW INCOMES

✓	Administer and/or connect families to public resources like CCDF vouchers
✓	Connect families to child care programs that offer sliding fee scales or sibling discounts
✓	Raise funds to support CCR&R-sponsored scholarships
✓	Connect families to additional resources such as housing, fuel and food assistance

Many families who are not considered low income, and are therefore ineligible for public child care assistance programs or other income-based resources, struggle to afford child care. CCR&Rs are available to explore creative solutions in these cases. All families with children are eligible for tax credits – and those using child care are eligible for further deductions. CCR&Rs can help families take full advantage of these benefits and more.

How CCR&Rs Support the Child Care Workforce

CCR&Rs have historically been the only nationwide infrastructure designed to build the supply of quality child care. They support all types of licensed and legally licensed exempt care, including child care centers, family child care homes, faith-based programs, Head Start and Early Head Start, preschools, and school-age programs.

Nearly 9 out of 10 CCR&Rs recruit new child care programs, yet only 44 percent receive public funding for this work.

CCR&Rs have the data and knowledge necessary to determine where child care is in greatest demand and identify strategies to build the supply. With the influx of new federal funding, such as increases in CCDBG, many states have shifted their focus from building the supply of child care to improving the quality of care. One results of this shift has been a reduction in the funding available for CCR&Rs to build the supply of licensed child care. CCR&Rs need increased funding to continue improving quality and revitalize strategies to address child care shortages.

82 percent of local CCR&Rs deliver basic health and safety training for providers

Many CCR&Rs are actively involved in improving the quality of child care programs across their state. The quality improvement activities CCR&Rs are most commonly engaged in, and the percentage of CCR&Rs involved in each, are listed here:

CCR&R ACTIVITIES TO IMPROVE QUALITY

91%	Deliver technical assistance in person
82%	Help child care providers understand state licensing requirements
78%	Offer ongoing support to help child care providers maintain their licensing status
74%	Respond to licensors' requests to help providers with violations or corrective actions
72%	Offer mentoring to help child care providers increase quality, including programs participating in QRIS

CCR&Rs also work to increase programs' access to financial resources and higher compensation. They often administer scholarships and grants, administer financial and material incentives for Quality Rating and Improvement Systems (QRIS) and connect child care programs to resources and trainings to improve their business practices.

CCR&R Administration of CCDF Vouchers (Massachusetts Child Care Resource and Referral Network)

In 2017, Massachusetts CCR&Rs distributed a combined $258 million in CCDF voucher reimbursement to child care programs, while simultaneously maintaining fiscal oversight on the 5,389 licensed and licensed exempt programs who accept subsidy. – 2017 *Massachusetts Child Care Resource and Referral Network* Annual Report.

For more information, contact Kim Dion at the Massachusetts Child Care Resource and Referral Network.

Often those who enter the child care workforce are driven by their passion to support the development of children. Few enter into the child care profession with formal experience and training in business practices and financing. CCR&Rs offer resources and guidance to address these challenges.

CCR&R Shared Services Model (Child Care Aware® of Missouri)

Child Care Aware® of Missouri (CCAoMO) is one of many State CCR&R Networks that currently operate low-cost shared services platforms to support the business of child care. Subscribers have access to resources that can save them time and money. These include collective buying discounts, business resources, and other valuable information to help support business operations. Resources are communally added based on input from child care businesses.

- ✓ Marketing Materials
- ✓ Administrative Tools and Templates
- ✓ Sample HR Policies
- ✓ Discounts on books, toys, paper, and other supplies

For more information, contact Robin Phillips, CEO/ Executive Director of CCAoMO.

CCR&R's Role in **Supporting Family Child Care Providers**

Family child care providers play a critical role in our nation's child care system. Nationally, about one in four children receiving child care funded by the CCDF program are cared for in a licensed family child care setting. This statistic doesn't include children cared for by family, friends, or neighbors (also known as FFN care) or families who choose family child care but do not use CCDF vouchers.

There are many reasons parents choose home-based child care. Some families turn to family child care as the preferred setting for infants and toddlers, children with disabilities and sibling groups. These providers also play an important role for families who work nonstandard hours, for families that include members of the military and for families who may be experiencing emergency child care needs. In many cases, family child care may be the only option available for families who live in rural communities.

What is a **Family Child Care Network?**

Family Child Care Networks offer resources and supports specifically tailored to the needs of family child care providers. Often family child care networks include access coaching and consultation, professional development, peer-to-peer interactions, business services and training, and other operational supports.

40 PERCENT OF LOCAL CCR&RS FACILITATE FAMILY CHILD CARE SUPPORT NETWORKS

Often, family child care providers report feeling isolated. This is where CCR&Rs are of tremendous value as sources of professional support and encouragement. With additional resources, CCR&Rs could have an even greater impact recruiting and retaining family child care businesses.

CCR&R Pilot Project to Support Better Child Care Business Practices (Child Care Resources, Neptune, New Jersey)

Child Care Resources, a local CCR&R in Neptune, NJ, is collaborating with the Small Business Development Corporation (SBDC) to pilot a business training program targeting family child care programs in underserved communities throughout a five-county area in New Jersey. The project will be open to both centers and family child care programs, but will have specialized support for family child care providers throughout its 12-hour business boot camp training. Topics to be covered include: 1) Understanding tax business laws, credits and deductions; 2) Calculating business costs and setting appropriate rates; 3) Financing and budgets; 4) Developing a business plan; 5) Risk Management and 6) Fundraising and Shared Services. Programs completing the curriculum will receive an entrepreneur's certificate and FCC providers will receive a year of paid professional liability insurance. Ongoing business coaching will be available to all providers who complete the program at little to no cost.

In some states, FFN caregivers can participate in the CCDF voucher program if they meet minimal health and safety training requirements. Often CCR&Rs are the only source of training and technical assistance for FFN caregivers.

PERCENT OF CCR&RS THAT OFFER ACTIVITIES TO SUPPORT FFN) CARE

78%	Offer technical assistance
67%	Provide health and safety training
56%	Provide first aid and CPR training
26%	Facilitate Play & Learn or other coordinated group interactions

The extensive CCR&R system offers policy makers and administrators a national network of state and local CCR&Rs and the support of its national organization, CCAoA. As a whole, the CCR&R infrastructure offers nearly every state in the country the necessary data, experience and services to improve access to quality, affordable child care for all families.

Average **COST OF CHILD CARE** in the States

Methodology

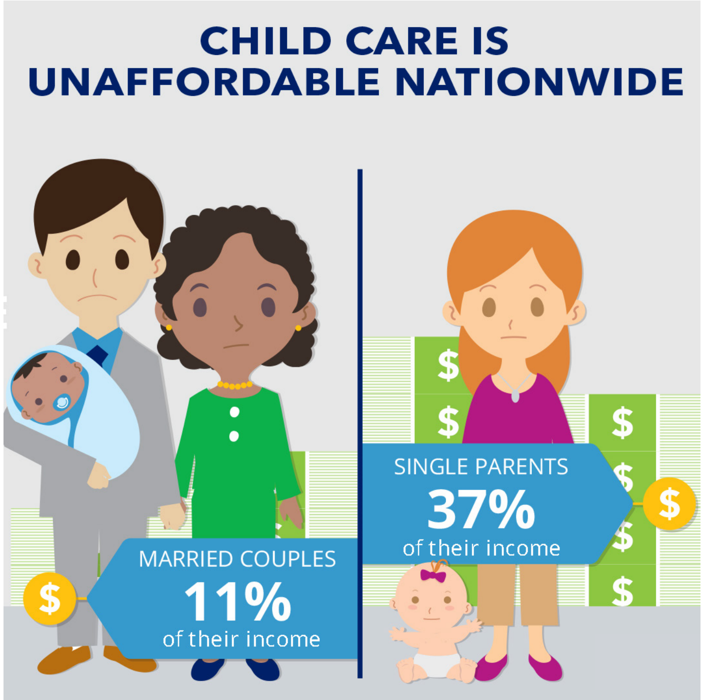
Each year, CCAoA conducts a survey of CCR&R State Network offices and local CCR&Rs. As part of the survey, respondents are asked to provide statewide data on the cost of child care, which is used in this report. This year, the annual survey was sent to states in January 2018. States were asked to provide 2017 cost data for infants, toddlers, 4-year-old children, and school-age children in legally operating child care centers and family child care (FCC) homes. Legally operating programs include licensed programs and child care programs that are legally exempt from licensing. CCR&Rs reported this data based on both state Market Rate Surveys, as well as the databases maintained by the CCR&Rs. For school-age programs, we went a step further and reported separate costs for before-/afterschool care (nine months a year), full-time summer care (three months), and part-time summer care (also three months). This report does not include data on child care provided by a relative, nanny or informal child care provided by a neighbor or friend.

The Appendix includes notes on information specific to the data submitted by states. For example, 10 states plus the District of Columbia did not report information this year (Alabama, Rhode Island, Montana, Kentucky, South Carolina, New Jersey, Texas, Mississippi, West Virginia and Maine). For these states, cost data collected prior to this year were adjusted using the Consumer Price Index Inflation Calculator.

The National Cost of Child Care: What Gets Lost in Translation

Each year, CCAoA generates state-based rankings by affordability — the amount of median household income it would take to cover the average cost of child care in that state. As we did in last year's *Parents and the High Cost of Child Care* report, we formulated estimates for the national cost of child care. We calculated that number using 2017 data and the results are presented on the next page.

It is important to understand the following caveats when considering a national average cost for child care. Each year, extraordinary efforts are involved in making sure that each state is represented accurately; our team works very closely with CCR&R agency staff to ensure that data is collected as uniformly as possible. However, each state's child care landscape is nuanced and unique; distinctive differences are lost when attempting to calculate a national average. We generally do not recommend using a national average of child care costs, and particularly not as a standard of comparison with any state's average costs of child care. Despite these reservations, we are reporting these cost estimates in response to a demand for a national average. Three approaches are reported for child care costs for infants, toddlers and 4 year olds in center-based and family child care homes. Each methodology is discussed in more detail below. We have not included school-age costs at this time because of the enormous variability in this data set across the country.



Methodology #1. "Average of Averages"

The first methodology is simply an average of averages. This method does not take into account either care type or the number of child care spaces reported by states. This method completely ignores any differences between states, even at the most fundamental level.

METHOD #1	CENTER	HOME
Infants	$11,314	$8,358
Toddlers	$10,189	$7,777
4 year olds	$8,893	$7,508
Average	**$10,132**	**$7,881**
Overall Average	$9,006	

Methodology #2 "Average of Space-Weighted Averages"

The second methodology is an average weighted by the number of licensed child care spaces reported by state for each age group. However, for our survey, not all states reported capacity by age group and program type. In those instances, ratios of each capacity by age group or by program type were applied accordingly to approximate the number of spaces by age group, and by program type. Using these calculated estimates for the number of spaces by age group and program type, average costs were weighted and compiled to produce the overall average.

METHOD #2	CENTER	HOME
Infants	$11,502	$9,345
Toddlers	$9,900	$8,081
4 year olds	$9,139	$8,905
Average	**$10,181**	**$8,777**
Overall Average	$9,479	

Methodology #3. "Average of Program-Weighted Averages"

In the third methodology, we calculated an overall average by weighting state child care cost averages by the number of programs by type (i.e., centers, family child care homes). The average cost of child care, by age group, was weighted by the number of programs, by type, reported by each state. Most states reported the number of programs incorporated into their average child care costs, so this method required much less approximation for comparable weighting.

METHOD #3	CENTER	HOME
Infants	$11,959	$9,321
Toddlers	$10,096	$8,729
4 year olds	$9,170	$8,617
Average	**$10,408**	**$8,889**
Overall Average	$9,649	

None of the above methods is fool-proof or ideal for determining one number that would accurately describe how unaffordable child care is for families across the country. Though the three methods produce similar numbers, none of them provides the clarity needed to understand this complex social problem. Costs of a service like child care must be understood in the context of household income, by state and by regions within states.

What is the Take-Away?

By these methods, we are left with a national average of around $9,000–$9,600. Without the context explained above, this doesn't mean much, particularly in a child care landscape that varies so dramatically from state to state. However, if you take those figures and compare them to the national median income for married couples with children under 18, you can determine it would take more than 10.6 percent of household income to cover the child care costs for one child. That is well above the HHS recommendation that child care cost no more than 7 percent of household income. For a single parent, the picture is bleak – 37 percent of household income would be used to cover child care costs for one child.

Affordability: Child Care Costs and Family Income

Each family's budget is unique and dependent on many different factors such as annual income, number of dependents and geographical location. In order to determine the affordability of child care costs in each state, we took the average cost of child care based on provider type and child age and compared it to the state household median income in. For instance, here is how we calculated the affordability of toddler care in family-based settings: For each state, we divided the average annual cost home-based toddler care by the median income for married couple families. We also made the same calculations for single parent families.[81] The least-affordable state had the highest child care costs relative to family income. This statement does not mean that the least-affordable state had the most *expensive* child care, only that the cost of care as a percentage of income was higher than any other state.

For example, while the average cost of family child care for infants in the District of Columbia is higher than in the state of Nebraska ($16,737 versus $12,480), when you consider the costs in the context of median income for married couples with children, Nebraska was less affordable. This is because median income is higher in the District of Columbia than in Nebraska.

The distribution of types of child care within each state directly shaped the affordability rankings in this report. Minnesota, for example, ranks among the 10 *least* affordable states, when considering the cost of center-based infant care for a married couple with one child. However, this is a state where center care is rare, and family child care predominates in the child care landscape. Using family child care as the cost factor in the equation, Minnesota is among the 15 *most* affordable states.

Child Care Aware® of **America's Interactive Child Care Cost Map**

The Cost of Child Care Interactive Map, which allows users to quickly access a variety of cost data for each state, is available on CCAoA's website. To access the interactive tool, visit: **http://usa.childcareaware.org/costofcare.**

The map shows the most- and least-expensive states for center-based infant care in 2017, considering cost as a percentage of state median income for a married couple with one child in child care. States are separated into four categories by affordability.

In 2016, HHS announced a standard for affordable child care: It should cost no more than 7 percent of family income.[82] Yet, according to our analyses, the average family in every state is paying substantially more than 7 percent of income.

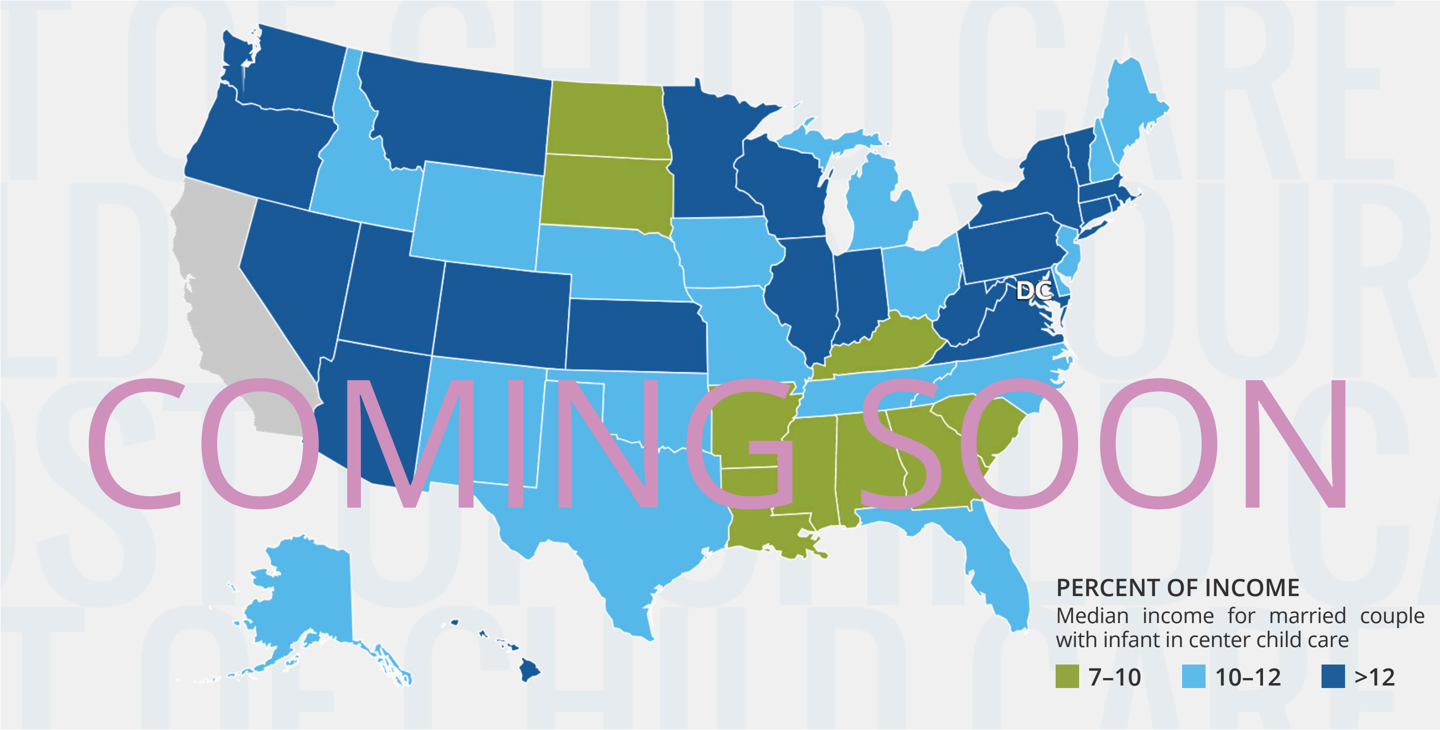
Depending on the state, the average cost of full-time center-based care for one infant ranges from just over 7 percent to more than 18 percent of the state median income for a married couple. In fact, in 41 states and the District of Columbia, the average cost of center-based care for an infant exceeds 10 percent of state median income for a married couple with children. Even for an older child, for whom care is less expensive than for an infant, in all but two states the average annual cost for a 4 year old exceeds 7 percent of the median household income for a married couple with children. This 4 year old care cost exceeds 10 percent of this household income in 23 states plus the District of Columbia.

In addition to state-by-state average child care costs, we are including county-level costs for ten states: Arizona, Delaware, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri and Nevada. For more information about county-level data for these states, visit the **Cost of Child Care Interactive Map** on our website.

$ A Word on the **Cost of Care**

States have different ways of reporting their cost data to. Some states report the average amount that providers charge families while others report data from their annual state market rate survey. Therefore, it is important to understand that we are reporting states' best estimate of the amount that parents are charged, on average, across the state for child care.

Average Cost For Center-Based Infant Care as a Percentage of Married Couple's Median Income



Least Affordable States

In Tables 1 through 8 on the following pages, the 10 least affordable states for each age group and provider type are listed. In each table, the average cost of child care is reported, along with the median income for single mothers[83] and for married couple families with children in the state. The percentage of median income was calculated by dividing average cost by median income. Rankings of affordability are based on the average cost of full-time care in a child care center and for full-time family child care, relative to the state median income for married couples with children. The tables show that child care is particularly expensive for single parents. Across all states for which we have data, the average cost of center-based infant care ranges from 27 to 91 percent of median income for single parents.

Married Couples or **Dual-Income** Households?

Although CCAoA collects average child care cost data to report each year, we rely on publicly accessible data from the U.S. Census Bureau (USCB) in order to calculate child care affordability by state. The USCB breaks households with children into two types: single parents and married couples. Each year we receive requests to relabel our data for married couples to "dual income households" in an effort to maintain statistical integrity, and with regard to the data that is available via USCB, we maintain the current label of "married couples" for consistency with USCB's datasets.

Cost of Infant Child Care by State

See Appendix III for a complete listing of 2017 rankings of affordability for child care for an infant in a center and Appendix IV for rankings of affordability for an infant in family child care.

Table 1: Top 10 least affordable states for center-based infant care in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF INFANT CARE IN A CENTER+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	California	$16,542	$27,367	60.4%	$88,730	18.6%
2	Massachusetts	$20,415	$29,020	70.3%	$121,607	16.8%
3	Oregon	$13,292	$23,796	55.9%	$81,255	16.4%
4	Colorado	$14,960	$30,409	49.2%	$92,889	16.1%
5	Minnesota	$15,704	$29,022	54.1%	$100,992	15.5%
6	Washington	$14,208	$27,523	51.6%	$92,310	15.4%
7	New York	$15,028	$26,983	55.7%	$98,408	15.3%
8	Indiana	$12,312	$22,682	54.3%	$81,001	15.2%
9	Nevada	$11,137	$27,689	40.2%	$74,305	15.0%
10	Nebraska	$12,272	$25,932	47.3%	$85,405	14.4%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
NR: Data was not reported or not available for some categories of care
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Table 2: Top 10 least affordable states for family child care an infant in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF INFANT CARE IN FFC PROGRAM+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Nebraska	$12,480	$25,932	48.1%	$85,405	14.6%
2	Nevada	$8,916	$27,689	32.2%	$74,305	12.0%
3	California	$10,609	$27,367	38.8%	$88,730	12.0%
4	Washington	$10,812	$27,523	39.3%	$92,310	11.7%
5	Colorado	$10,522	$30,409	34.6%	$92,889	11.3%
6	New York	$10,972	$26,983	40.7%	$98,408	11.1%
7	Oregon	$8,990	$23,796	37.8%	$81,255	11.1%
8	Wisconsin	$9,645	$25,093	38.4%	$90,324	10.7%
9	Massachusetts	$12,750	$29,020	43.9%	$121,607	10.5%
10	Rhode Island	$10,433	$26,809	38.9%	$100,192	10.4%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
NR: Data was not reported or not available for some categories of care
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Cost of Toddler Child Care by State

See Appendix V for a complete listing of 2017 rankings of affordability for child care for a toddler in a center and Appendix VI for rankings of affordability for a toddler in family child care.

Table 3: Top 10 least affordable states for center-based toddler care in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF TODDLER CARE IN A CENTER+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Massachusetts	$18,845	$29,020	64.9%	$121,607	15.5%
2	Oregon	$12,442	$23,796	52.3%	$81,255	15.3%
3	Indiana	$12,216	$22,682	53.9%	$81,001	15.1%
4	Colorado	$13,874	$30,409	45.6%	$92,889	14.9%
5	New York	$14,144	$26,983	52.4%	$98,408	14.4%
6	Nevada	$10,266	$27,689	37.1%	$74,305	13.8%
7	Minnesota	$13,676	$29,022	47.1%	$100,992	13.5%
8	Nebraska	$11,523	$25,932	44.4%	$85,405	13.5%
9	Vermont	$12,084	$26,120	46.3%	$90,059	13.4%
10	Washington	$12,312	$27,523	44.7%	$92,310	13.3%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
NR: Data was not reported or not available for some categories of care
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Table 4: Top 10 least affordable states for family child care a toddler in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF TODDLER CARE IN FFC PROGRAM+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Nebraska	$12,480	$25,932	48.1%	$85,405	14.6%
2	Nevada	$8,562	$27,689	30.9%	$74,305	11.5%
3	Colorado	$10,522	$30,409	34.6%	$92,889	11.3%
4	California	$9,984	$27,367	36.5%	$88,730	11.3%
5	Washington	$9,984	$27,523	36.3%	$92,310	10.8%
6	Oregon	$8,784	$23,796	36.9%	$81,255	10.8%
7	New York	$10,244	$26,983	38.0%	$98,408	10.4%
8	Wisconsin	$9,300	$25,093	37.1%	$90,324	10.3%
9	Massachusetts	$12,246	$29,020	42.2%	$121,607	10.1%
10	Virginia	$10,036	$28,872	34.8%	$102,697	9.8%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
NR: Data was not reported or not available for some categories of care
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Cost of 4 Year Old Child Care by State

Appendix VII provides a complete listing of 2016 rankings of affordability for child care for a 4 year old in a center and Appendix VIII provides rankings of affordability for a 4 year old in family child care.

Table 5: Top 10 least affordable states for center-based care for a 4 year old in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF FOUR YEAR OLD CARE IN A CENTER+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Nebraska	$11,148	$25,932	43.0%	$85,405	13.1%
2	Colorado	$12,095	$30,409	39.8%	$92,889	13.0%
3	Vermont	$11,438	$26,120	43.8%	$90,059	12.7%
4	California	$11,202	$27,367	40.9%	$88,730	12.6%
5	New York	$12,064	$26,983	44.7%	$98,408	12.3%
6	Massachusetts	$14,736	$29,020	50.8%	$121,607	12.1%
7	Oregon	$9,822	$23,796	41.3%	$81,255	12.1%
8	Nevada	$8,835	$27,689	31.9%	$74,305	11.9%
9	Minnesota	$11,960	$29,022	41.2%	$100,992	11.8%
10	Washington	$10,788	$27,523	39.2%	$92,310	11.7%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Table 6: Top 10 least affordable states for family child care for a 4 year old in 2017

			SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
RANK	STATE	ANNUAL COST OF FOUR YEAR OLD CARE IN FFC PROGRAM+	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Nebraska	$12,480	$25,932	48.1%	$85,405	14.6%
2	California	$9,984	$27,367	36.5%	$88,730	11.3%
3	Nevada	$8,188	$27,689	29.6%	$74,305	11.0%
4	Colorado	$9,953	$30,409	32.7%	$92,889	10.7%
5	New York	$10,140	$26,983	37.6%	$98,408	10.3%
6	Oregon	$8,228	$23,796	34.6%	$81,255	10.1%
7	Washington	$9,300	$27,523	33.8%	$92,310	10.1%
8	Massachusetts	$12,066	$29,020	41.6%	$121,607	9.9%
9	Rhode Island	$9,609	$26,809	35.8%	$100,192	9.6%
10	Wisconsin	$8,611	$25,093	34.3%	$90,324	9.5%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.

Cost of School-Age Child Care by State

Families typically pay considerably less for child care for their school-age child – at least during the nine months each year that the child attends school for a full day.

See Appendices IX through X for a complete listing of 2016 rankings of affordability for center-based school-age care for nine months per year, and affordability rankings for school-age family child care for nine months per year.

Table 7: Top 10 least affordable states for center-based care for a school-age child before/after school in 2017

RANK	STATE	ANNUAL COST OF BEFORE/AFTER SCHOOL CHILD CARE IN A CENTER+	SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
			MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Wyoming	$7,017	$25,423	36.8%	$86,840	10.8%
2	Kentucky	$5,524	$19,776	37.2%	$76,414	9.6%
3	Alabama	$5,516	$19,551	37.6%	$77,425	9.5%
4	Nevada	$5,275	$27,689	25.4%	$74,305	9.5%
5	Alaska	$6,934	$34,750	26.6%	$99,244	9.3%
6	West Virginia	$4,997	$18,792	35.5%	$73,670	9.0%
7	Illinois	$6,330	$25,725	32.8%	$94,387	8.9%
8	Arizona	$5,162	$26,066	26.4%	$77,017	8.9%
9	Idaho	$4,239	$22,165	25.5%	$69,559	8.1%
10	Kansas	$4,875	$25,587	25.4%	$83,392	7.8%

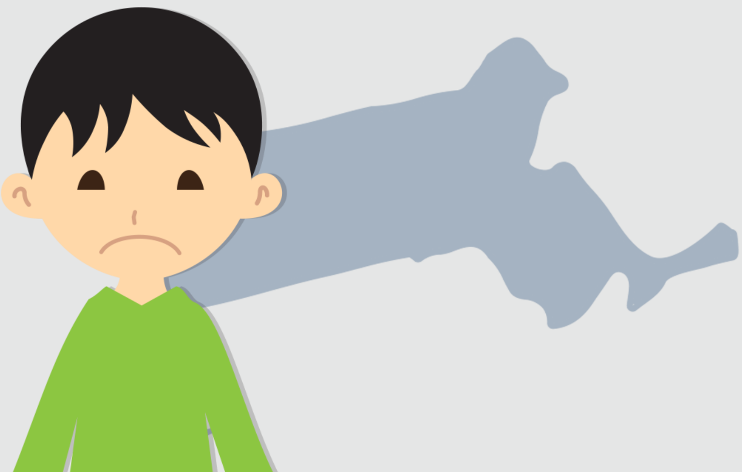
+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
+++Percentage of median income calculated by dividing cost of before/after school care by 75% of median income to reflect that this type of care is not year-round.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.
NR: Data was not reported or not available for some categories of care.

Table 8: Top 10 least affordable states for family child care for a school age child before/after school in 2017

RANK	STATE	ANNUAL COST OF BEFORE/AFTER SCHOOL CHILD CARE IN A CENTER+	SINGLE-PARENT FAMILY		MARRIED-COUPLE FAMILY	
			MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME	MEDIAN INCOME++	PERCENTAGE OF THE MEDIAN INCOME
1	Wyoming	$7,995	$25,423	41.9%	$86,840	12.3%
2	Alabama	$4,948	$19,551	33.7%	$77,425	8.5%
3	Nevada	$4,737	$27,689	22.8%	$74,305	8.5%
4	Arizona	$4,884	$26,066	25.0%	$77,017	8.5%
5	Idaho	$4,041	$22,165	24.3%	$69,559	7.7%
6	Oklahoma	$4,212	$21,722	25.9%	$73,571	7.6%
7	Oregon	$4,626	$23,796	25.9%	$81,255	7.6%
8	West Virginia	$3,998	$18,792	28.4%	$73,670	7.2%
9	Illinois	$5,117	$25,725	26.5%	$94,387	7.2%
10	Michigan	$4,595	$21,828	28.1%	$86,147	7.1%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral state networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
+++Percentage of median income calculated by dividing cost of before/after school care by 75% of median income to reflect that this type of care is not year-round.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.
NR: Data was not reported or not available for some categories of care.

MASSACHUSETTS
is the **least affordable** state for families with a **toddler** in center-based care.



Since 2015, CCAoA has been delving deeper into the costs of care for families of school-age children. We now ask states to report the cost of full-time summer care for three months and the costs of part-time summer care for three months. This is the second year we collected data in this manner and we collected slightly more data than last year:

- Thirty-one states reported full-time center-based summer costs.
- Fourteen states reported part-time center-based summer costs.
- Twenty-seven states reported full-time family child care summer costs.
- Thirteen states reported part-time family child care summer costs.

Rankings for states in which center-based school-aged child care is least affordable are reported below. All school-age costs are listed in Appendix IX.

It is important to note that costs in this report are for licensed child care for school-age children and do not include summer programming like camps. It is also important to note that the calculations in tables 9 and 10 are based on 25 percent of median family income, since summer care is only needed for three months out of the year. For example, in Minnesota, parents can pay 10 percent of their annual income for center-based, full-time summer care. However, when calculating affordability using 25 percent of median income, the percentage of income rises to nearly 40 percent. This methodology is in line with other studies that have examined the issue of summer care. For example, CAP estimates that the average American family will spend around 20 percent of its income earned during summer months towards summer care.[84]

CALIFORNIA
is the **least affordable** state for families with an **infant** in center-based care.

Table 9: Top 10 least affordable states for 3 months of center-based full-time care for a school-age child in 2017

RANK	STATE	ANNUAL COST OF FT SUMMER CHILD CARE IN A CENTER+	SINGLE-PARENT FAMILY: MEDIAN INCOME++	SINGLE-PARENT FAMILY: PERCENTAGE OF THE MEDIAN INCOME+++	MARRIED-COUPLE FAMILY: MEDIAN INCOME++	MARRIED-COUPLE FAMILY: PERCENTAGE OF THE MEDIAN INCOME+++
1	Illinois	$9,031	$25,725	140.4%	$94,387	38.3%
2	Pennsylvania	$8,677	$25,300	137.2%	$93,818	37.0%
3	Colorado	$7,545	$30,409	99.2%	$92,889	32.5%
4	Wisconsin	$7,068	$25,093	112.7%	$90,324	31.3%
5	Ohio	$3,871	$21,697	71.4%	$87,183	17.8%
6	Nebraska	$2,610	$25,932	40.3%	$85,405	12.2%
7	Oregon	$2,034	$23,796	34.2%	$81,255	10.0%
8	California	$2,151	$27,367	31.4%	$88,730	9.7%
9	Vermont	$2,170	$26,120	33.2%	$90,059	9.6%
10	Washington	$2,133	$27,523	31.0%	$92,310	9.2%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
+++Percentage of median income calculated by dividing cost of before/after school care by 25% of median income to reflect that this type of care is not year-round.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.
NR: Data was not reported or not available for some categories of care.

Table 10: Top 10 least affordable states for 3 months of full-time family child care for a school-age child in 2017

RANK	STATE	ANNUAL COST OF PT CHILD CARE IN A CENTER+	SINGLE-PARENT FAMILY: MEDIAN INCOME++	SINGLE-PARENT FAMILY: PERCENTAGE OF THE MEDIAN INCOME+++	MARRIED-COUPLE FAMILY: MEDIAN INCOME++	MARRIED-COUPLE FAMILY: PERCENTAGE OF THE MEDIAN INCOME+++
1	Pennsylvania	$7,148	$25,300	113.0%	$93,818	30.5%
2	Illinois	$7,086	$25,725	110.2%	$94,387	30.0%
3	Wisconsin	$6,275	$25,093	100.0%	$90,324	27.8%
4	Ohio	$3,234	$21,697	59.6%	$87,183	14.8%
5	Nebraska	$3,120	$25,932	48.1%	$85,405	14.6%
6	Nevada	$1,666	$27,689	24.1%	$74,305	9.0%
7	Montana	$1,722	$22,061	31.2%	$78,810	8.7%
8	California	$1,808	$27,367	26.4%	$88,730	8.2%
9	Washington	$1,866	$27,523	27.1%	$92,310	8.1%
10	Massachusetts	$2,417	$29,020	33.3%	$121,607	8.0%

+ Source: Child Care Aware® of America's January 2018 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.
++Source: U.S. Census Bureau, American Community Survey, 2016 five-year estimates. Table B19126.
+++Percentage of median income calculated by dividing cost of before/after school care by 25% of median income to reflect that this type of care is not year-round.
Note: 1=least affordable and 51=most affordable. Rank is based on cost of child care as percentage of state median income for married-couple families. Income is based on single-parent and married-couple families with own children under the age of 18.
NR: Data was not reported or not available for some categories of care.

Child Care is One of the Highest Budget Items for Families

Overall, working families across the country are paying a large percentage of their annual earnings to cover the costs of child care. Figure 1 is a regional breakdown of the average annual cost of full-time care in a center for two children (an infant and a 4 year old) compared to other household costs. Those costs include housing, transportation, food and health care. The comparison to college tuition is included in the chart because, in many states, the cost of a year's tuition and fees at a four-year public college is comparable to the average cost of child care.

In the Midwest, Northeast and South, the cost of full-time center-based care for two children is the highest category of household expenses. In the West, the cost of child care for two children is surpassed only by the high cost of housing. In every region in the United States, the cost of housing and the cost of child care far outweigh other major household expenses.

The cost of child care for two children exceeds mortgage costs for homeowners in 35 states and the District of Columbia. Child care fees for two children in a child care center also exceeds annual median rent payments in every state.

In all regions of the United States, average child care fees for an infant in a child care center exceed the average amount that families spend on food and transportation combined.

Appendix XI has information about child care center costs and median housing costs by state.

Figure 1: Average Annual Household Expenses by Region

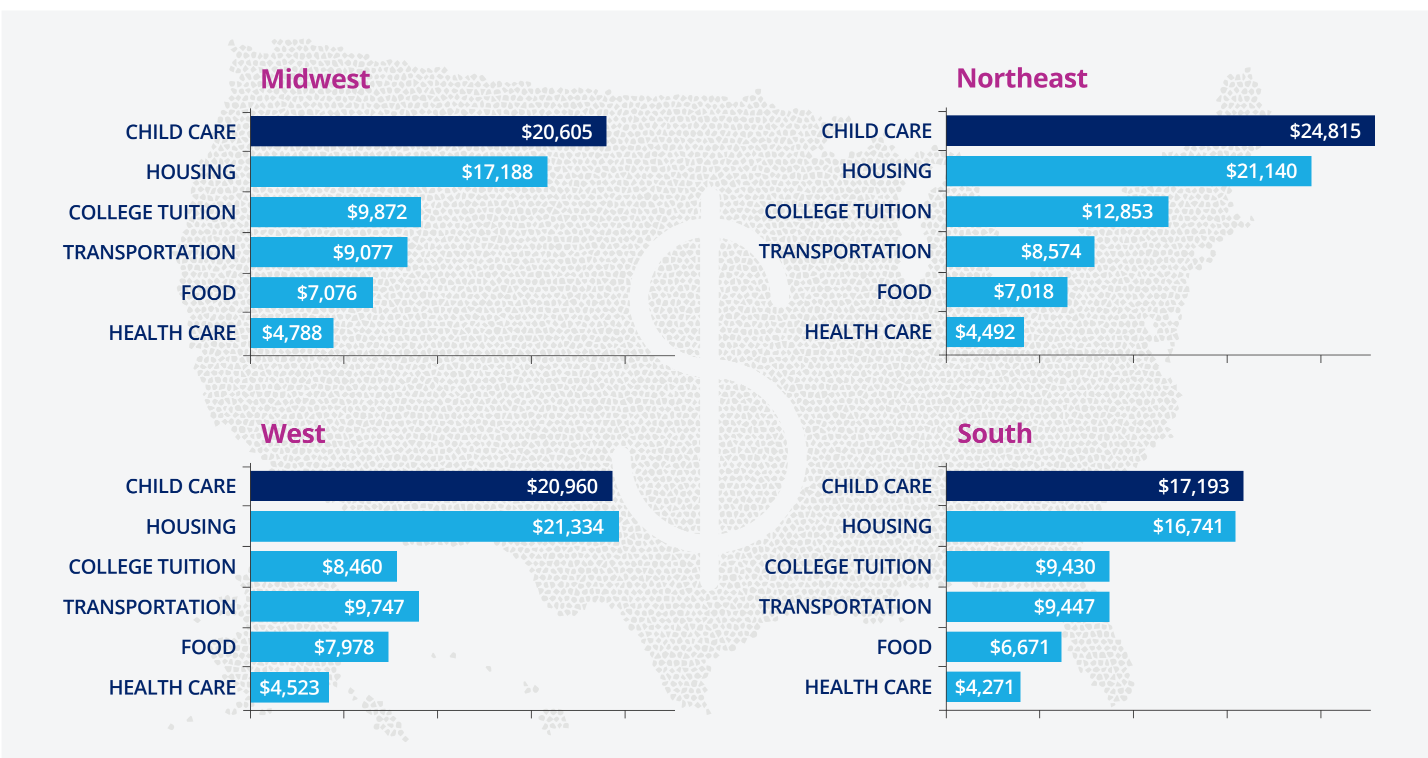
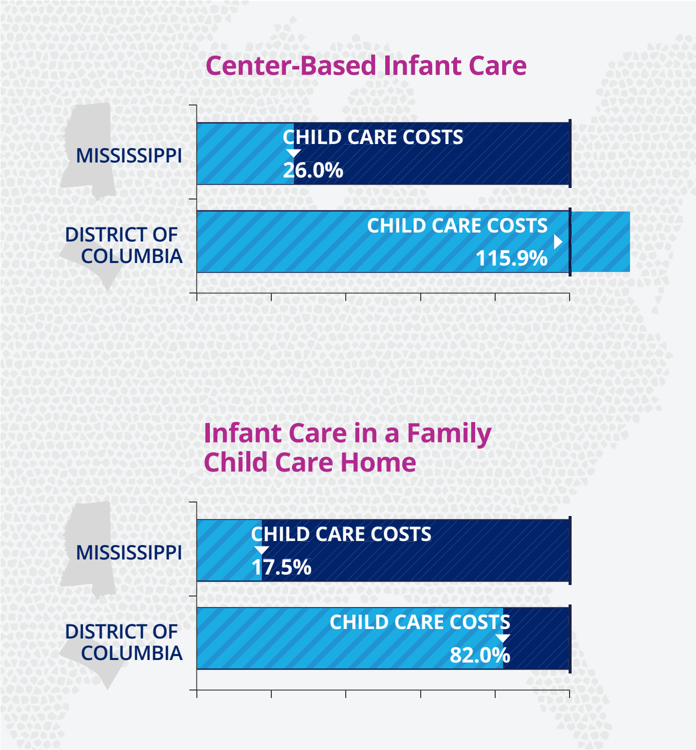


Figure 2: Key Facts on Child Care Costs and Poverty



Child Care is **Unaffordable for Families with Low Incomes**

Families who are living at or below the federal poverty level are especially burdened with the high cost of child care. In 2017, the federal poverty level for a family of three in the continental United States was $20,420. Figure 2, Key Facts on Child Care Costs and Poverty, shows where families who live at the poverty level would pay the highest and lowest percentages of their annual income on child care for an infant.

Figure 2 illustrates that a family of three in the District of Columbia who live at the federal poverty level would not be able to afford center-based infant care, as it exceeds 100 percent of annual income. This same family would pay 82 percent of annual income for family-based child care for an infant.

The story is only marginally better for families who earn double the federal poverty threshold ($40,840 in the continental United States). A family of three who earns double the federal poverty threshold pays an average of 13 percent of income on center-based infant care in Mississippi and over 57 percent of income on the same type of care in the District of Columbia. Likewise, the child care costs for infants in a family home setting for these families ranges from 8 percent in Mississippi to 41 percent in the District of Columbia.

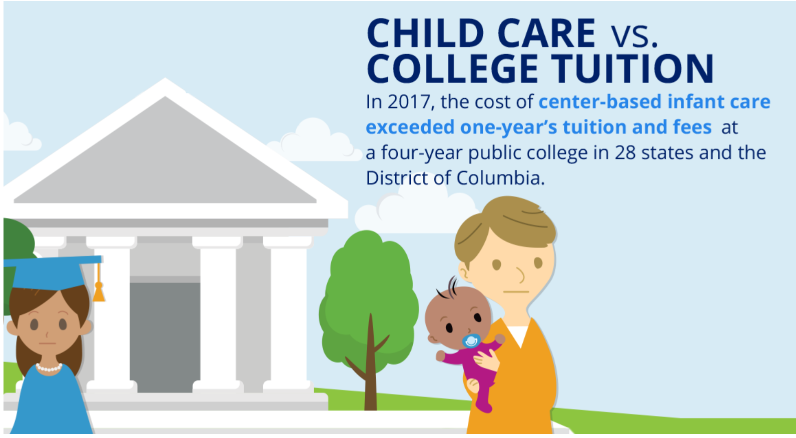
Appendix XV (infants and two children) and Appendix XVI (4 year olds and school-age) show the average annual cost of center-based child care in every state as a percentage of: the federal poverty level, 150 percent of the federal poverty level, and 200 percent of the federal poverty level.

Child care workers represent one of the low paid sectors of the American workforce. Nationally, the median hourly wage for child care workers was $10.72 in 2017.[85] They are less likely to receive work-based benefits like health care, and often have difficulty making ends meet. According to our calculations, child care workers in every state we received data from would need to spend more than half of their annual income in order to afford center-based care for two children. Furthermore, in eight states, the average cost for center-based care for two children exceeds 100 percent of the median income for child care workers.

Child Care Costs versus **College Costs**

Overall, the cost of center-based child care is comparable to or exceeds annual tuition at a four-year public college. In 28 states plus the District of Columbia, the annual cost for center-based infant care exceeded the cost of in-state tuition at a public university. The difference between child care costs and tuition ranged from $46 to over $15,000 per year. Annually, costs for center-based care for 4 year olds exceeded in-state tuition at a public university in 17 states plus the District of Columbia. For this group, the difference between annual child care costs and tuition ranged from $36 to over $10,000.[86]

Appendix XII shows the 2017 average annual costs of full-time center-based care for an infant, a 4 year old child, and a school-age child compared to public college tuition and fees by state.



REGIONAL EXAMINATIONS
of Child Care Costs

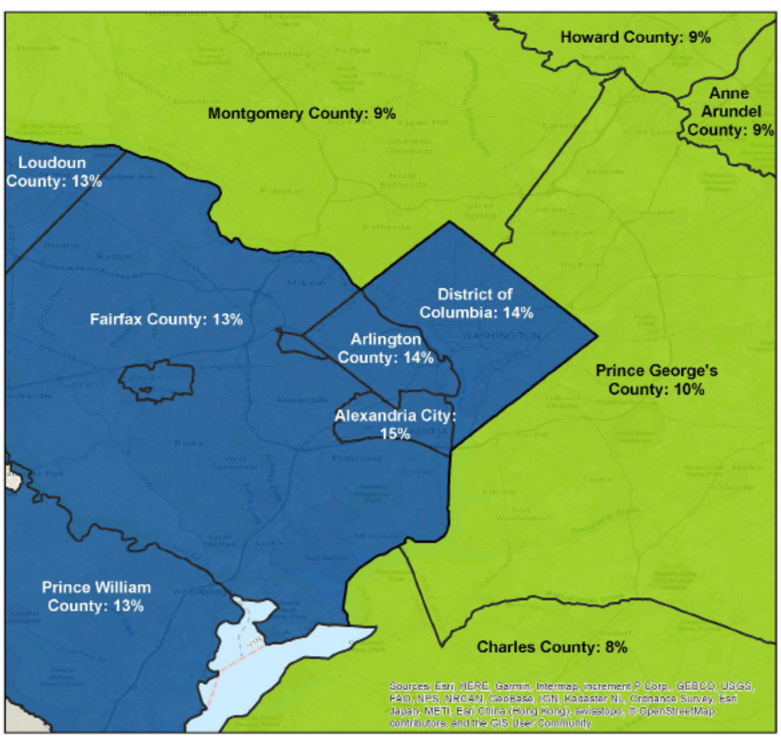
Washington, D.C. Metro Area

Washington, D.C. is consistently one of the most expensive cities for child care in our annual report. This year, we wanted to investigate the D.C. Metro Area to find out if these high costs exist outside the nation's capital. With support from Child Care Aware® of Virginia and Maryland Family Network, we were able to analyze county and municipality cost information from the Virginia and Maryland suburbs just outside D.C.

Our findings indicate that families living in the suburbs are paying similar child care costs as those living in D.C. Families with infants living in the Virginia suburbs looking for center-based care can expect to pay between 13-15 percent of their median income on child care alone. These prices are directly comparable to child care costs in Washington, D.C. Having two children puts a uniquely different strain on families living outside the District. Because of Washington, D.C.'s universal Pre-K program, 70 percent of D.C. families with 3 year olds and 90 percent of families with 4 year olds who use this program get some relief from high child care costs. Those living in Maryland and Virginia are not eligible.

At first glance, child care costs in Maryland counties appear to be much more affordable than those in Virginia, but this can be misleading. Two of Maryland's counties -- Prince George's and Montgomery -- are quite large and show a lot of variation in cost. Areas closest to D.C. have much higher child care costs than areas of the counties that are more distant. In the future, we plan to explore the variation across the zip codes of these counties. Based on anecdotal knowledge, we expect that the costs of child care in close-in Maryland cities like Bethesda, Silver Spring, Chevy Chase and College Park would be on par with the suburbs of northern Virginia. We hope to have concrete numbers for future reports.

Infant Child Care Costs: D.C. Metro Area



Child Care Aware® OF AMERICA

Percentage of Median Income Spent on Infant Care

7–10% | >10–12% | >12%

Baltimore City vs. Baltimore County: Two Different Perspectives

Baltimore City and Baltimore County are two of 24 jurisdictions in the State of Maryland. There are a number of distinctions between these two jurisdictions:

- Baltimore City has a population of 614,664 people and a median income of $89,764 for families with children. Between 2015 and 2016 the population of Baltimore City declined by 1.16 percent while its median household income grew at a 7.21 percent increase. The population of Baltimore City is 62 percent Black, 27.5 percent White, and 5.07 percent Hispanic. Baltimore City is the fourth most populated jurisdiction in Maryland and borders Anne Arundel County and Baltimore County.

- Baltimore County has a population of 831,026 people and a median income of $109,010 for families with children. Between 2015 and 2016 the population of Baltimore County declined by 0.01 percent while its median household income grew at a 5.8 percent increase. The population of Baltimore County is 57.95 percent White, 28.45 percent Black, and 5.9 percent Asian. Baltimore County is the third most populated jurisdiction in Maryland and borders Anne Arundel County, Carroll County, Harford County, Howard County, and Baltimore City. Baltimore County also borders Pennsylvania.

These numbers show that while bordering one another, Baltimore County and Baltimore City are two very different places to grow up. Even with the disparities in income and demographics, child care is unaffordable for most families in Baltimore County and Baltimore City: the average cost of center-based infant child care consumes 13.2 percent of median income in Baltimore County and 14.5 percent in Baltimore City. While the average price of child care is more expensive in Baltimore County than in Baltimore City ($14,381 compared to $12,979, respectively), child care consumes a higher percentage of a family's median income in Baltimore City, according to Maryland Family Network's annual Child Care Demographics report*. Through partnership with the Maryland Family Network, Child Care Aware® of America was able to dig deeper into child care affordability by analyzing child care costs at the zip code level in both areas, as well as analyze indicators such as race, poverty and health disparities. While CCAoA hypothesized that center-based child care would be less affordable for those living in Baltimore City as compared to those living in Baltimore County when analyzing the data at the zip code level, we did not expect the large disparities in affordability percentages that were found.

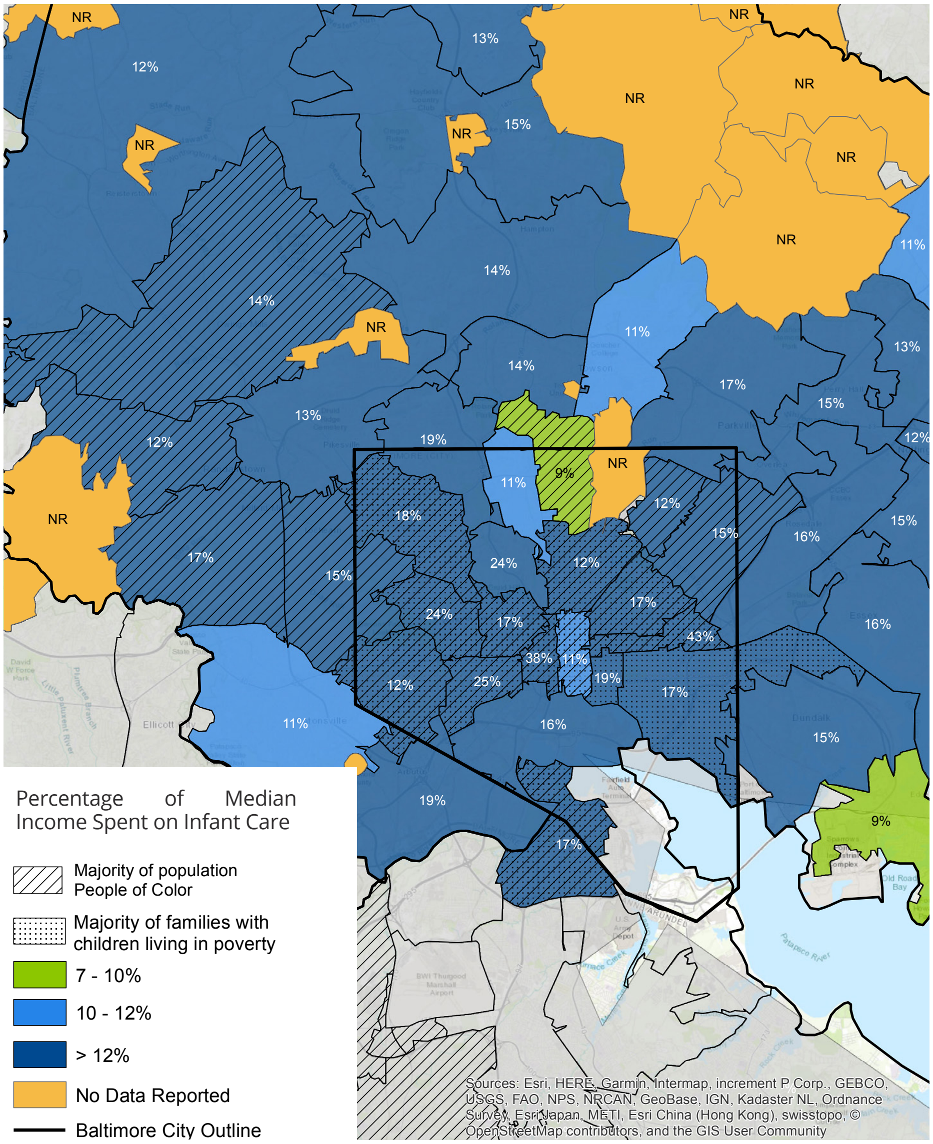
The map shows that in many zip codes in Baltimore City where the majority of families with children live below 185 percent of the Federal Poverty Level (FPL), families are paying more than 12 percent of the zip code's median income on child care, with some paying more than 25 percent. These high child care costs are mostly clustered west and northwest of Baltimore's Inner Harbor. In each of these zip codes, the majority of families are both living below 185 percent of the FPL and have a majority population that are People of Color**. Families living in these zip codes west and northwest of the Inner Harbor are paying up to 38 percent of their income on infant child care.

CCAoA's findings differed in the city suburbs in Baltimore County, where child care is slightly more affordable than in the city. While families are still spending large percentages of their income on infant care – up to 17 percent of the median income on child care – there are no zip codes in which the majority of families are living below 185 percent of the FPL. Therefore, the data indicates that families making less money are spending a higher percentage of their incomes on child care are concentrated in the city, and are more likely to be People of Color.

In addition to these disparities in income, race and child care costs, major health disparities differ from Baltimore City to Baltimore County. As shown in the table on page 53, health disparities are measurable between the two areas. High-quality, healthy child care settings can help to reduce these disparities for children living in communities like Baltimore. See examples of three Baltimore City child care providers working to eliminate these health disparities and create healthy habits for life at usa.childcareaware.org/providersnapshots.

***In this map, People of Color were determined using American Community Survey 5-Year Estimates for 2012-2016 table: B02001 by taking the sum of those who identified as a race other than White alone.*

Infant Child Care Costs: Baltimore City & Baltimore County



	BALTIMORE COUNTY	BALTIMORE CITY	POTENTIAL IMPACT
ADULT OBESITY	30%	34%	Higher obesity rates for those caring for children can impact children's health tremendously, as children's habits are learned from their parents, guardians and child care providers.
FOOD ENVIRONMENT INDEX	8.3	6.5	Lower scores indicate both low access to healthy foods and greater hunger across the measured areas. On a scale of 1 (lowest) to 10 (highest), Baltimore County scores higher in the Food Environment Index than Baltimore City.
VIOLENT CRIME	504	1,309	Higher violent crime in Baltimore City can indicate fewer safe places for children to play and exercise. In high-crime neighborhoods, families often want to keep children safe by keeping them inside, which can impact the amount of physical activity a child receives.

Source: County Health Rankings & Roadmaps

*CCAoA and Maryland Family Network (MFN) use different Census tables for median income when reporting child care affordability. For this reason, the percentage of median income spent on child care differs in this report from Maryland Family Network's Child Care Demographics report. CCAoA uses American Community Survey 5-year Estimates for 2012-2016 table: B19126, while MFN uses data from the Geolytics Report dated October 2017. This data cannot be compared to previous data in MFN Demographics Report.

Business and Child Care Partnership: **Casella Waste Management, Let's Grow Kids and Vermont Birth to Five**

Let's Grow Kids, a Vermont-based campaign about high-quality affordable child care, produces a biannual report on infant-toddler child care supply and demand, titled Stalled at the Start.

Employees of Casella Waste Management, located in Rutland County, VT, were struggling to find quality child care during the hours they worked. Data from *Stalled at the Start* validated these struggles: in Rutland County, 63 percent of infants likely to need care do not have access to any regulated child care programs and 87 percent don't have access to high-quality child care programs. In a county with approximately 10,500 residents, and 1,110 infants and toddlers likely to need care, these numbers highlight a child care crisis. *Stalled at the Start* additionally reported that most child care programs in the county open at 7 a.m. and close at 6 p.m. In an industry that is so crucial to the infrastructure of Vermont, Casella realized they couldn't afford to have employees missing work due to child care options not meeting their employees' needs.

Casella, in partnership with the early childhood community, is piloting two methods to better meet the needs of their employees with children needing child care.

1. **Child care scholarships for employees:** For employees spending more than 10 percent of their income on child care, Casella offers scholarships to high-quality programs that will best meet the needs of children and their families. This program also helps to educate employees about quality child care and the importance of high-quality environments.

2. **Investing in child care quality:** Due to the low number of quality programs near Casella's headquarters in Rutland County, Vermont Birth to Five (VB5) identified this as an optimal community to receive a Make Way for Kids grant for a cohort of child care programs to improve access to and quality of child care programs in the area. Grantees receive technical assistance (TA) from experienced early childhood professionals to increase their level of quality. TA covers a variety of topics, including strategies for sustainable business practices, supporting staff by connecting them to professional development training and curriculum resources, walking them through a QRIS monitoring visit or QRIS paperwork, and anything else a provider may need to increase the program quality. Grantees also receive small grants to subsidize any costs that may hinder them improving their level of quality. These grants are funded from a variety of sources, including state and local dollars and private donors from the business community.

Business and child care partnerships such as these are beneficial to both the child care and the business community. Casella recognized that their business could not reach its maximum potential if its employees were struggling to find quality child care during nonstandard hours. It is important for employers to recognize that investment in a quality, reliable child care system is crucial to the happiness and productivity of their employees and, therefore, the success of their business.

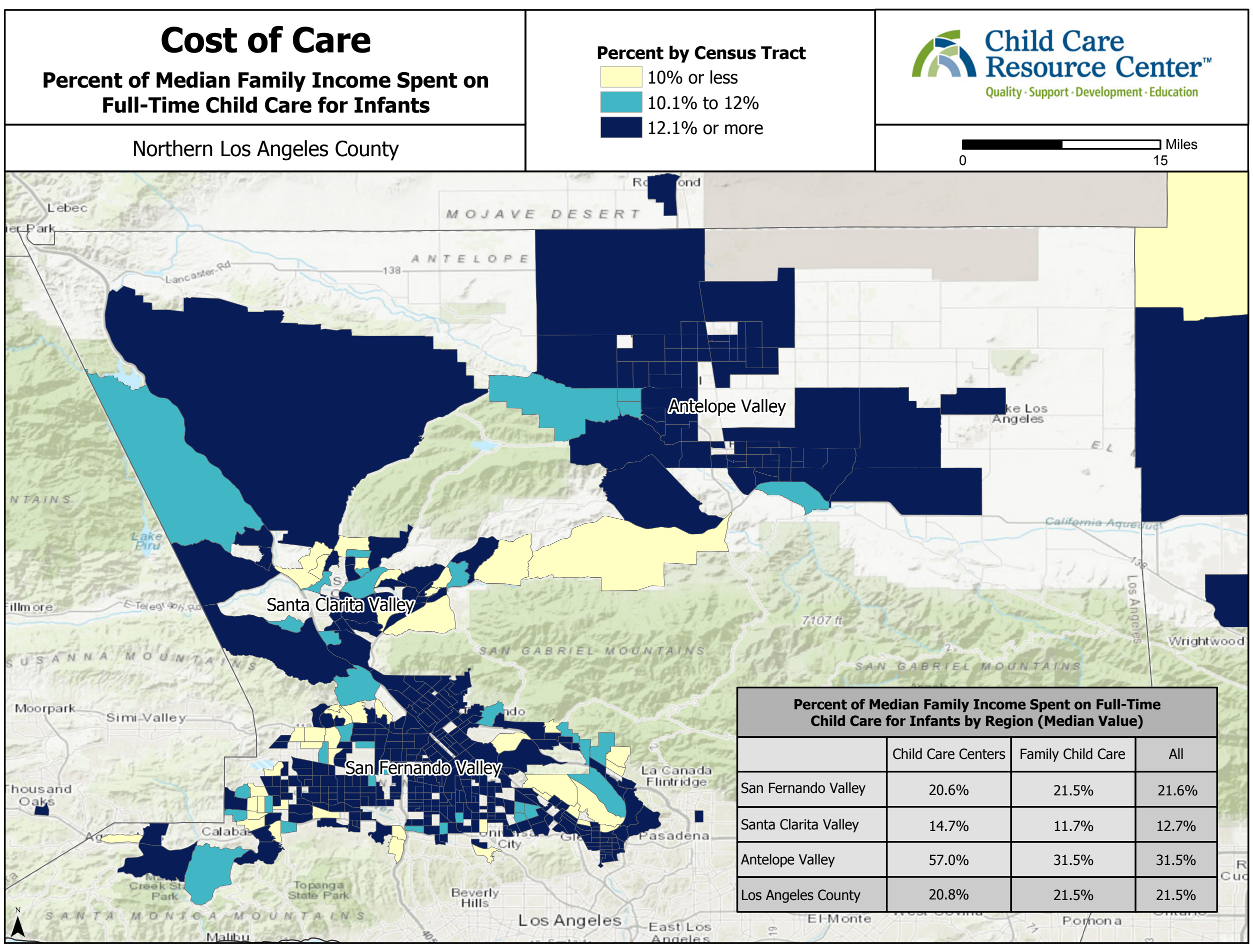
San Bernardino and Northern Los Angeles Counties

Southern California is one of the most expensive places to live in the United States, with some of the largest median income disparities in the country. Families in northern Los Angeles and San Bernardino Counties – those served by [Child Care Resource Center (CCRC)] – struggle with astronomically high child care costs for children at any age. As the largest CCR&R in the country, CCRC serves families from rural, urban and suburban areas who experience variations in child care affordability across their entire service area. As an organization that highly values research, they have been assessing child care cost for many years and have created maps analyzing cost at the census tract-level for this report.

In the San Fernando Valley – the Los Angeles suburbs – many families face costs of over $17,000/year (more than 20 percent of a family's income) for one infant in child care. This is $10,000 more than one year of in-state tuition at the local California State University, Northridge or almost $5,000 more than one year at the nearby University of California, Los Angeles (UCLA). Child care remains unaffordable as children get older in the valley. Families with preschoolers are still paying just less than 20 percent and more than 17 percent for before- and afterschool care in this region. Additionally, in the Antelope Valley (northern Los Angeles desert region), 57 percent of a family's income would be required to afford center-based infant care.

Further east, families in southwestern San Bernardino County see even higher child care costs. Across most census tracts in Greater San Bernardino, families pay more than 20 percent of their median income for both infant and preschool child care. While the actual cost of child care is lower than in many locations mapped in Los Angeles County, the affordability percentage shows that child care costs may be disproportionately impacting families in Greater San Bernardino more than families in northern LA County.

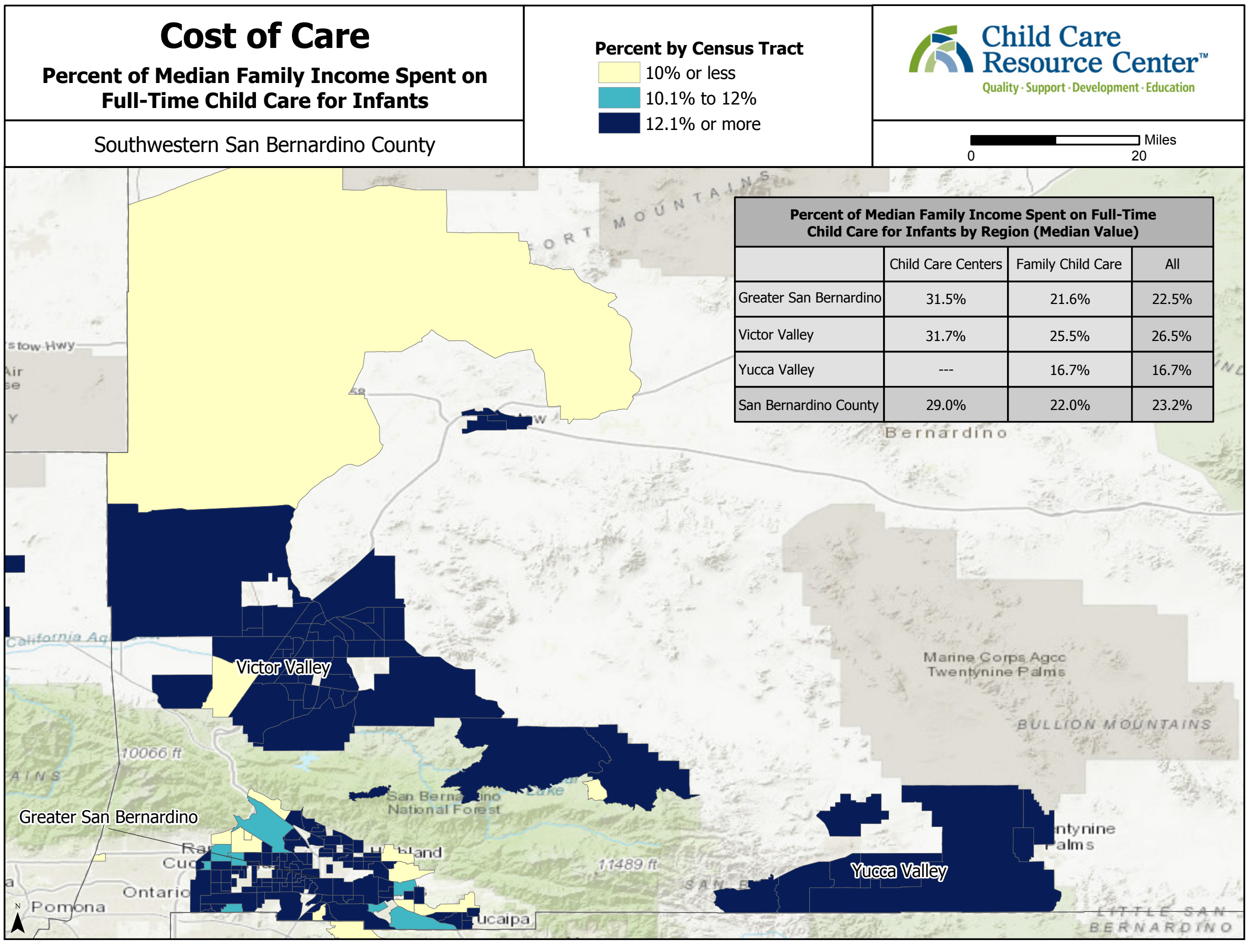
Los Angeles Affordability Map



Percent of Median Family Income Spent on Full-Time Child Care for Infants by Region (Median Value)			
	Child Care Centers	Family Child Care	All
San Fernando Valley	20.6%	21.5%	21.6%
Santa Clarita Valley	14.7%	11.7%	12.7%
Antelope Valley	57.0%	31.5%	31.5%
Los Angeles County	20.8%	21.5%	21.5%

... [see more LA maps.]

San Bernardino Affordability Map



Percent of Median Family Income Spent on Full-Time Child Care for Infants by Region (Median Value)			
	Child Care Centers	Family Child Care	All
Greater San Bernardino	31.5%	21.6%	22.5%
Victor Valley	31.7%	25.5%	26.5%
Yucca Valley	---	16.7%	16.7%
San Bernardino County	29.0%	22.0%	23.2%

... see more San Bernardino maps.

Gaining Ground in Louisiana: Updates on One State's Investments in Quality Child Care

Each year when we release our annual review of child care costs across the country, Child Care Aware® of America strives to elevate how states are working to finance quality child care in innovative ways. We are excited to report updates to tax credits and cost modeling studies in Louisiana in 2018:

School Readiness Tax Credits

Almost 10 years ago, Louisiana enacted a package of five separate tax credits called School Readiness Tax Credits that address families, workforce, and providers. The package of tax credits provide a total of around $16 million in annual funding for early childhood and serve as a state match for federal child care development block grant funds. The package includes:

- **Provider Tax Credit:** A refundable credit for providers that participate in Louisiana's QRIS, and serve children in the subsidy program or foster children.
- **Teacher and Director Tax Credit:** A refundable credit based on education levels to support the workforce.
- **Family Tax Credit:** A refundable credit to families with incomes under $25,000 who choose higher-quality child care. A nonrefundable version of this credit is available to families with incomes over $25,000 who choose higher-quality child care.
- **Business Tax Credit:** A refundable tax credit for businesses that have provided funds to child care centers to support eligible child care expenses, based on the quality rating of the center.
- **Tax credits for donations to Resource and Referral Agencies.** Provides a credit for businesses matched to the amount donated to Resource and Referral agencies up to $5,000.

The Louisiana School Readiness Tax Credits has incentivized ECE teachers to strengthen their credentials, incentivized local investments into ECE via tax credits and has supported small business child care centers. Between 2008 and 2015, teachers achieving a Teacher Level 1 credential increased from 963 to 3,598 – **a 374% increase**. The number of teachers who attained higher credentials (at Pathway Levels 2, 3 and 4) **increased almost eight-fold** from 284 to 2,156.

Despite the tremendous difference the tax credits have made, particularly the Teacher-Director tax credit, in increasing the number of quality early childhood educators across the state, researchers and key stakeholders found it had little to no impact on high turnover rates all-too-typical to the ECE field and did not incentivize directors to improve the quality of their centers. These findings led to the following key improvements for 2018:

- Louisiana recently has created an early childhood ancillary certificate that can be obtained after receiving a CDA (or higher credential); the tax credits were changed so that teachers with as little as this ancillary certificate are now eligible to earn up to ~$3,300 annually for working at a publicly-funded center for more than 2 years.
- Directors can earn tax credits based on their site's performance as well as their own professional credentials. No director will lose their current credit status; changes will only add new options for moving up the director levels.

The Louisiana Department of Education released a guide and several FAQ documents for staff and directors, businesses, parents and for child care providers to make these changes clear and promote their use throughout the state.

Child Care as a **Regional Return on Investment**

As advocates and policy makers at the state level work to make the case for quality early childhood education, they are turning to regional and state research for evidence. The groundbreaking report Losing Ground: How Child Care Impacts Louisiana's Workforce Productivity and the State Economy documented the enormous impact of child care issues on Louisiana's workforce, businesses and the economy. Parents of young children across the state answered a series of questions about their workforce participation and child care issues, and economists used the results to estimate the economic impact of child care instability. They found that child care issues resulted in major economic costs to employers and a large, negative economic impact on the state. Some key findings:

- Almost half of parents, both men and women, missed work regularly due to child care issues during the 3 months prior to the survey.
- Employee absences and turnover costs due to child care issues cost Louisiana employers $816 million a year. Louisiana loses almost $84 million in tax revenue annually due to lost workplace productivity.
- Child care issues result in a $1.1 billion loss annually for Louisiana's economy.

Others are also beginning to release child care economic impact studies of their own. Maryland has replicated this report in **Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System**, and this fall, ReadyNation will be releasing the results of a nationally representative survey of parents' experiences with child care challenges for children birth to age 2, and the impacts of those challenges to their employment.

Researchers at the Louisiana Policy Institute for Children are partnering with the Louisiana Department of Education to further explore the true cost of quality child care in Louisiana. Researchers are surveying a representative group of child care providers to identify key differences in cost drivers based on child care setting type, size, quality rating, etc., revenue streams, and where there may exist gaps that providers and parents are subsidizing themselves. As they finalize their findings and report to the state, we look forward to continuing to elevate the important work being done in Louisiana to promote investment in a quality child care system for all children in the state.

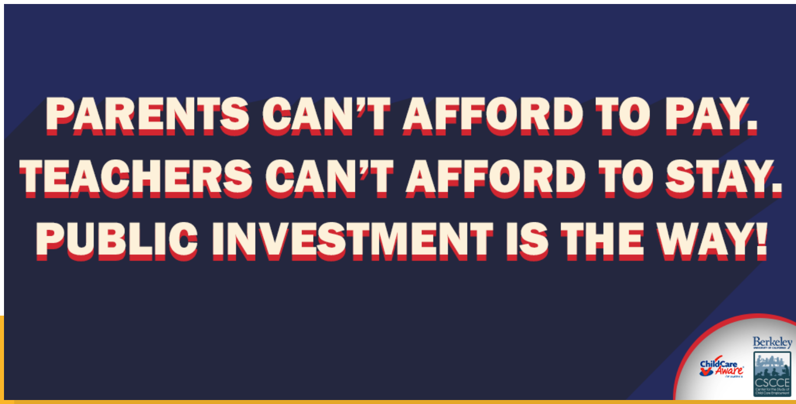
SOLUTIONS & POLICY RECOMMENDATIONS

With an increasing reliance on families to cover the high cost of child care for their children, it is critical that this report act not only as a means for data sharing, but also as a call to action. Families using child care are the backbone on which our economy is built, so the federal government, in particular, has a role to play in developing viable solutions to ensure all families have access to affordable, high-quality child care. We call on policymakers and the Administration to make child care a top priority when working on appropriation and budgets — for families and for the economy.

What it Costs to Run a **Child Care Business**

It is important to note that the true cost of care is more than the prices or fees that parents pay and that child care providers are, in a way, subsidizing child care themselves by offering services to parents below the actual cost of providing care. In many cases, child care providers, particularly at larger centers, offer infant-toddler care at prices below actual cost by averaging expenses across all ages and supplementing parent fees with funds from a range of public and private sources. Smaller family-based programs, as well as unregulated programs, may also undercharge families in need of child care in order to better serve their communities.

Many child care providers say that despite the low wages, long hours, and often minimal-to-no health benefits, they care for children because it is their passion. However, more and more providers are being forced to shut their doors, leading to a lack of access for families in need. Developing a cost model for child care programs can be an invaluable exercise for state policymakers, CCR&R staff and providers; subsidy reimbursement rates are often based on the average cost of care in a state or region. However, if providers are charging less than what it costs to provide care, even an adequate percentage of reimbursement will never be enough for that program to break even, let alone make any profit.



Why do Parents Spend so Much, but Educators Earn so Little?

In Summer 2018, Child Care Aware® of America partnered with the Center for the Study of Child Care Employment to develop a brief video, Why Do Parents Spend So Much on Child Care, Yet Early Childhood Educators Earn So Little? Our organizations combined decades of experience in researching and promoting quality child care practices to dive deeper into the issue by using an animated video that explains the issue with simple language and relatable characters. Using Child Care Aware® of America's national average as the cost of child care for a toddler, we estimated the cost of rent and utilities, classroom materials and labor for lead teachers, teacher assistants and a center director utilizing cost models and reporting. By breaking down the true cost of child care for this example program, our video helped to demonstrate why, with already unaffordable costs to parents, child care providers make so little money. Families cannot afford to bear the financial burden of child care any longer. Child care providers across the country are struggling to stay in business and should have livable wages.

Though cost modeling studies may look different from state to state, findings often promote three key components, described by Louise Stoney as an "Iron Triangle" of early childhood education financing:

- **Full Enrollment.** Because public child care is subsidized on a day-to-day basis, it is imperative that programs are fully enrolled (95 percent) in every classroom every day they are open.
- **Full Fee Collection.** Programs may work out payment programs with parents, however full and on-time tuition payment is a necessity for child care programs to be able to pay their own bills.
- **Revenue Covers Per-Child Cost.** When all is said and done, the program's revenue from tuition, fees, and any third party funding (subsidies, philanthropic contributions, etc.) must cover the per-child cost of child care.

Consistently fulfilling each component of the Iron Triangle takes time and resources, a luxury many smaller providers do not have. A shared service model, or shared service alliance is one solution for this issue. A shared service model simply consists of one administrative body ensuring full enrollment and fee collection for a group of providers. See the "Strategies for Financing Child Care" section for more information.

Funding for Child Care

There are multiple funding sources for child care in the United States, but each serves only a fraction of the eligible population; they do not integrate into a coordinated, quality child care system. As a result, depending on who funds them, different child care programs vary widely in the quality options they offer and the fees they charge. Some states are making efforts to use money from different funding streams to provide full-day, full-year and improved-quality early care and education for young children at low or no cost to families. Child care subsidies have been linked to improved employment outcomes for parents, particularly parents with low incomes receiving, or likely to receive, Temporary Assistance for Needy Families (TANF) funds.[87] A guide released by CLASP and the NWLC provides suggestions for states in implementing the new components of the final rule of CCDBG, noting states should determine their overarching goals in addressing child care in their state, identify needed changes and assess the resources needed to overcome the gap between current policies and their goals. Many states have already been working on closing the gap with regard to funding high-quality child care. For examples of how states are working to help fund child care and early childhood education, see the "Strategies for Financing Child Care" section of this report.

Financing Early Care and Education with a Highly Qualified Workforce

The National Academies of Sciences, Engineering and Medicine Board on Children, Youth, and Families convened an ad hoc committee to study how to fund early care and education for children from birth to kindergarten that is accessible, affordable, and of high quality – this includes supporting a highly qualified early education workforce, the backbone of quality care. The committee released their report of findings and recommendations early in 2018. Child Care Aware® of America was excited to host a panel presentation and discussion at our 2018 Symposium and is pleased to participate with other key stakeholders to elevate innovative solutions for financing high-quality child care in the United States.

In the *Transforming the Financing of Early Care and Education report* estimated full financing of high-quality early childhood education would cost $140 billion (or, 0.75 percent of the gross domestic product (GDP)). This sounds like a lot, but is still less than what other economically developed countries like us spend on ECE – on average, 0.8 percent of GDP. **Throughout this section, we have called attention to the committee's recommendations and how the solutions we propose may fit with those recommendations.**

Burden for Families

About 60 percent of funding for child care in the United States comes directly from parents. In comparison, families pay only about 23 percent of the cost of a public college education, with the remainder subsidized by state and federal funds. Parent fees alone cannot support the true cost of child care and relying on parent fees is not sustainable.

Transforming the Financing of ECE: Recommendations

All children and families should have access to affordable, high-quality early care and education (ECE). ECE access should not be contingent on the characteristics of their parents, such as family income or work status.

Many families struggle to cover the cost of child care, regardless of quality. We believe all families should have access to high-quality child care, regardless of their income level, work status, or location.

Federal Funding

Tax Credits

While some public funding is available for child care, the incomplete patchwork of support often does not provide enough assistance for families, particularly low-income families who lack access to high-quality, licensed child care and may therefore place their child in an informal or unlicensed child care setting. Parents and businesses can take advantage of federal tax credits for supporting child care, including the Earned Income Tax Credit, the Child Tax Credit (CTC), the Child and Dependent Care Tax Credit (CDCTC), Dependent Care Flexible Spending Account (FSA) and Dependent Care Assistance Programs. Unlike a deduction, credits don't just lower the amount of taxable income; they actually lower the bottom line of tax liability.

The CTC is worth up to $1,000 per child, a portion of which is refundable depending on family size and income; and through the CDCTC, families can claim up to $6,000 in qualified care expenses for two dependents each year. Although small compared to the high cost of child care, tapping into the tax system can help defray the costs of paying for child care. For more information about federal tax credits to supplement child care costs, see the "Strategies and Tactics for Financing Child Care" section.

Federal Subsidies

CCDBG is the primary source of public funding for child care. Through CCDBG, the federal government provides grants to states to provide monthly subsidies or vouchers to low-income families (those who earn up to 185 percent of the state median income) to help them pay for child care. Parents pay a co-payment that is typically 10 percent of the cost of child care.

About **1.4 million children receive assistance through CCDBG**— approximately one out of every six eligible children.[88] Fifty percent of the families receiving child care assistance through CCDBG funding had an annual income below the federal poverty level (**$20,780 for a family of three**). Another 25 percent had income between 100-150 percent of the poverty threshold.[89] Despite the huge difference federal subsidies make to millions of children, inflation and demand has far outpaced the reach of CCDBG. The number of children supported by this program has reached a 15-year low. Including the federal subsidies from CCDBG, about 2.6 million children receive federal subsidies through one of several funding sources like including the CCDBG Act, Temporary Assistance for Needy Families (TANF), and the Social Services Block Grant (SSBG).

To meet the need for child care subsidies, states implement strategies that negatively affect the care children receive by:

- Paying child care providers lower reimbursement rates so providers lose funding and subsidize the cost of serving children themselves or accept fewer children;
- Increasing the parent co-payment so the same amount of federal funding can be spread further; unfortunately, this makes child care unaffordable for some families, and;
- Tightening parent eligibility criteria so that a program serves fewer children.

Transforming the Financing of ECE: Recommendations

To provide adequate, equitable, and sustainable funding for a unified, high-quality system of early care and education for all children from birth to kindergarten entry, federal and state governments should increase funding levels and revise tax preferences to ensure adequate funding.

Despite the recent increases to CCDBG funding and level funded for other ECE-related funding programs, more funding is required for states to continue to build the supply of quality ECE programs and to make a high-quality system accessible to all families.

Head Start and Early Head Start programs are separate grant programs that support the child care needs of children living below the poverty level or those with disabilities. These funding sources require programs to meet strict quality standards and provide free comprehensive services for eligible families. .In FY 2015, the federal government invested over $8.5 billion in local Head Start and Early Head Start programs, which are required to meet quality standards and provide comprehensive services for children living below the poverty level or those with disabilities. Even with this investment, Head Start programs currently serve only about approximately 42 percent of income-eligible children, and Early Head Start programs serve less than 4 percent of income-eligible children.

Early Head Start-Child Care Partnerships

A 2014 federal initiative–Early Head Start-Child Care Partnerships–made $500 million available to states, localities, or programs to expand access to Early Head Start for infants, toddlers, and families living in poverty, including through partnerships with existing child care programs. In FY19, Congress provided a $805 million to this program. Applicants for funding received extra points for using a partnership strategy for their proposed expansion, and were encouraged to layer child care subsidy funding and the Early Head Start grant together to offer full-day, full-year center or family child care home learning opportunities along with the comprehensive health, social, and nutrition services required in federal Program Performance Standards for Head Start grantees. The initiative drew on the promising results of the Early Head Start for Family Child Care Evaluation that supported the development of partnerships in 22 sites across the country.

The reauthorization of CCDBG in 2014, led to critical changes in the child care landscape. Parents receiving funds from CCDBG are not required to use licensed care. Nearly one in five children (19 percent) who receive CCDBG assistance is in some type of unlicensed care. In 10 states, 30 percent or more of the children who receive CCDBG assistance are in unlicensed settings. Because of the CCDBG reauthorization, states now are required to conduct mandatory annual fire, health, and safety inspections of unlicensed child care businesses, leading to an overall safer experience for children in all care settings.

About 2.6 million children receive federal subsidies through one of several funding sources, including CCDBG, TANF, and the Social Services Block Grant (SSBG). In FY 2015, the federal government invested over $8.5 billion in local Head Start and Early Head Start programs, which are required to meet quality standards and provide comprehensive services for children living below the poverty level or those with disabilities. Head Start programs currently serve approximately 42 percent of income-eligible children, and Early Head Start programs serve less than 4 percent of income-eligible children.

In 2017, the House Appropriations Committee approved the FY 2018 Labor, Health and Human Services, Education Appropriations Bill, including a proposed $5.8 million increase for CCDBG, roughly $2.86 billion for FY 2018 alone. This will help states tremendously in complying with the mandates of the 2014 law, as well as expanding programming to more children and families with low-incomes. In addition, Head Start (including Early Head Start) received a $200 million increase and the Child Care Access Means Parents in School (CCAMPIS) and Preschool Development Grants, were funded at the same level as FY 2018. While CCAoA was excited about increased funding, we know that more is needed to build quality child care programs and relieve families and child care providers of the brunt of the burden to fund the child care system.

Other Support for Child Care **Systems Development**

CCDBG requires states to spend a minimum of 4 percent of funding received on quality improvement, an increase from prior years. While minimal, these funds are important resources for strengthening child care policy and funding quality improvement initiatives. In FY 2016 and FY 2017, states were required to channel a minimum of 7 percent of CCDGB funds into quality improvement. That rose to 8 percent in FY 2018 and FY 2019, and will increase to 9 percent in FY 2020 and FY 2021. State Advisory Councils on Early Childhood Education and Care (SACs)—mandated by the 2007 Head Start legislation—facilitate public and private partnerships. These partnerships vary from state to state. Some have been successful in taking advantage of multiple funding streams, creating efficiencies by modifying conflicting policies among funders, and creating incentives for the private sector to invest in child care.

Child Care Access Means Parents in School (CCAMPIS)

Another support for communities lies in the CCAMPIS program, designed to provide funds to support or establish campus-based child care programs serving the needs of students from low-income backgrounds. At the most recent reporting from 2002-2004, the Department of Education reported that recipients of CCAMPIS funds had an average of 65 percent retention in their schools. Despite great results, funding for CCAMPIS has been cut from $25 million to $15 million from 2001 to 2017.[90]

An Example of CCAMPIS Funding at Work: Northampton Community College in Pennsylvania

Since 2009, Northampton Community College (NCC) in Bethlehem, PA has received CCAMPIS funding, serving more than 40 students each semester. NCC reports these funds allow parent-students to attend classes, create a more flexible class schedule, free up time for studying, and attend group study sessions. CCAMPIS recipients must be Pell-eligible, maintain a 2.5 grade point average and be enrolled in a degree or certificate program. Participants in the program said CCAMPIS funding was crucial to their ability to attend college. Eighty-five percent of NCC CCAMPIS recipients stayed in college through the next semester, and 54 percent graduated within three years.

State-Funded Pre-K

Many states are pushing for state-funded pre-K for 4 year olds (including 3 year olds in some states) in order to further decrease the financial burden on families seeking quality child care for their children. A recent report from the National Institute for Early Education Research found that state-funded pre-K enrollment for 4 year olds totaled more than 1.3 million children – nearly one-third of all 4 year olds in the United States. Ten states served at least 50 percent or more of 4 year olds in their state; only D.C. and Vermont served more than half of 3 year olds. Total state funding for preschool programs exceeded $7.6 billion, an increase of almost $155 million across the 43 states. Although this represents less than one-third of the previous year's increase, seven states reported an increase in total preschool spending and 18 reported an increase in preschool spending per child.[91]

Coordinating **Public and Private Funding Streams**

Cost modeling is an irreplaceable tool to inform policy regarding layering or "braiding" funding streams to help cover the cost of child care for families. Child care funding comes from a number of sources including CCDF child care assistance, quality grants and subsidies, Early Head Start, and other government sources. In addition, many communities are utilizing tax credits (both refundable and non-refundable) to lower the burden on parents. States are also creating special taxing districts, levying relatively minor taxes on communities to a huge effect. For examples of this, see the "Strategies and Tactics for Financing Child Care" section.

Strategies and Tactics for Financing Child Care

PUBLIC INVESTMENT: Estimating the Cost of Quality and Building Incentives for Programs to Meet Higher Standards

Child care programs, like any business or nonprofit, need to take into account revenues, expenses and regulations standards that must be met, such as child care licensing regulations and quality improvement standards investments and marketing. Higher staff-to-child ratios, which allow teachers to give more individualized attention to the children in their group, for example, have an impact on staffing costs, from hiring, to salary and benefits, to training and professional development, to occupancy. The necessary high standards to achieve desired child outcomes, applied in this low-profit service business in which the workforce's wages and expected qualifications are also low, are driving the need for new business models and tools. For example, to strengthen child care as a business sector, policymakers and program directors need accurate cost estimates of proposed quality improvements and what it costs to implement higher staff-to-child ratios.

However, most states do not use true cost estimates to set payment rates for providers that care for children receiving state child care subsidies. The rules that govern CCDBG require only that states to conduct a market rate survey every two years, of the prices child care programs charge for care every two years.[92] Federal guidance recommends that states set their rates no lower than the 75th percentile of market rate, or high enough to enable a family's access to 75 percent of providers in the market. States are not required to set their payment rates to subsidize providers based on the 75th percentile of updated versions of market rate studies. In 2017, just two states set their payment rates at the 75th percentile of current market rates, a sharp decline from 2011, when 22 states set their payment rates at this level.[93]

"When states fail to authorize a full-time child care subsidy, pay for absence days, or re-determine eligibility frequently, child care centers are not paid. Yet the costs of running the program remain, even if every child is not in attendance or every classroom fully enrolled. Cost modeling must take these losses into consideration."

-Louise Stoney (Stoney, 2015)

Though the 2014 CCDBG law requires states to use market rate surveys (or alternative methodology) to set payment rates, a source of data to inform subsidy rates, these surveys are also limited in scope. Capturing only historical fee data (i.e., only what providers have been able to charge private-pay clients) and given that in a market in which so few parents can afford the true cost of quality care, this method of rate setting is not a mechanism for securing access to quality services.

Online tools are available to help providers and state child care administrators develop estimates using the features of their own child care landscapes and their own data. The Provider Cost of Quality Estimator and the Cost Estimator Model are both available through the Office of Child Care, Administration for Children and Families at the Department of Health and Human Services. First developed by the Alliance for Early Childhood Finance, these tools can support better program and policy planning and demonstrate the gap between what parents can pay and the true cost of programming that will support children's growth and development.

State and federal policymakers need to understand that quality has a cost. Cost modeling is a useful tool for examining quality-based subsidies and payment structures. When fee and award structures are not in line with the true costs of delivering quality care at different levels, providers may have little incentive to work to increase the quality of their program. In addition, when providers are not adequately reimbursed for the resources expended in delivering quality care, they are unable to profit or break even in delivering services.

Transforming the Financing of ECE: Recommendations

Federal and state governments should establish consistent standards for high quality across all early care and education (ECE) programs. Receipt of funding should be linked to attaining and maintaining these quality standards. State and federal financing mechanisms should ensure that providers receive payments that are sufficient to cover the total cost of high-quality ECE.

Nearly all states and the District of Columbia have a statewide or regional QRIS; however, definitions of quality by level can differ dramatically from state to state. In addition, although many states provide reimbursement based on quality level of the program, most reimbursement rates are far below the actual cost to provide care at higher levels, leaving child care providers and families to fill the funding gap and consequently making higher quality programs less sustainable and more vulnerable to failure.

In states that have demonstrated a readiness to implement a financing structure that advances principles for a high-quality early care and education system and includes adequate funding, state governments or other state-level entities should act as coordinators for the various federal and state financing mechanisms that support ECE, with the exception of federal and state tax preferences that flow directly to families.

CCR&Rs are poised to support states in demonstrating readiness and for implementing a financing structure for recognizing and reimbursing quality early childhood initiatives throughout the state.

Child Care Cost Modeling:
Examples from Across the Country

Even as the ECE field calls for investment to make quality child care sustainable and affordable for families, it can be difficult to estimate the true cost of such a system. Advocacy organizations, state coalitions and local government are working to understand the true cost of high-quality child care. Researchers and key stakeholders employ cost models, advisory panels, data mining and survey methodology to estimate the cost to deliver high-quality child care, as well as the impact of the ECE system to the state and national economy. In this section, we have highlighted just a couple of examples of studies, noting differences in methodologies and objectives.

Estimating the Cost of Child Care

Estimating the Cost of Preschool for All in California: A Policy Brief. In 2003, IWPR and American Institutes for Research (AIR) received funding from the Packard Foundation to estimate the cost of statewide pre-K for 4 year olds across California. Researchers collected data from the state and federal sources, and convened an advisory panel. Using a cost estimate model developed by IWPR and EFPR, amended by AIR, they determined the annual cost of pre-K for 4 year olds in California to be $1.9 billion for direct services. Today, California State Preschool Program offers full and part-day pre-K for 3- and 4 year olds with family incomes at or below 70 percent of the state median income, and serves about 135,000 children across the state.

Quality Costs How Much? Estimating the Cost of Quality Child Care in New Jersey. In 2017, Advocates for Children of New Jersey released a report of their findings when they sought to answer the question: how much does quality child care cost? In collaboration with ECE financing expert, Anne Mitchell, researchers conducted a cost estimation study using the Provider Cost of Quality Calculator (PCQC) to determine the true cost of operating a child care program at different levels of Grow NJ Kids, the state QRIS system. The team identified cost drivers, one-time and ongoing expenses, and solicited feedback from the field on annual expenses, enrollment, bad debt, revenues, etc. They found that the typical child care program is not sustainable at higher levels of GNJK, even with child care subsidies. They recommended additional and diverse funding streams to support sustainable high quality child care.

The Dollars and Cents of Early Learning: Investing in Success (Ohio). In 2014, Groundwork Ohio partnered with Mitchell, Ohio state officials and county partners to estimate the cost of child care for high-needs children across the state. Using the PCQC tool and a representative sample of six counties, researchers determined the cost of quality for each tier of Ohio's QRIS, Step Up to Quality (SUTQ), validating cost estimates with field survey results and feedback from focus groups with county partners and child care providers. They found that high quality programs are unsustainable, and recommend increasing tiered reimbursement rates to cover the actual costs for each increase in quality, and to provide a "bridge to quality" financial incentive for programs to cover the costs of shifting to and sustaining a higher quality tier while waiting the allotted year to be awarded the higher quality level.

Economic Impact Studies

Bearing the Cost of Early Care and Education in Colorado: An Economic Analysis. As part of the Transforming the Early Childhood Workforce in Colorado project, Early Milestones Colorado reported the economic impact of the ECE sector: $1.4 billion in annual sales and services, 32,000 jobs, and more than $619 million in related statewide earnings. They noted that families and child care providers bear the burden of the child care system. Using an adapted cost model developed by Stoney and Poppick, they determined that ECE revenue sources in Colorado are insufficient to meet the costs of providing high-quality early childhood programming. For example, a typical level 3 business (on a QRIS scale of 1-5) has to cover an annual gap of $37,000 between revenues and expenses.

The Economic Role of Oklahoma's Child Care Industry. In 2012, the Oklahoma Child Care Resource and Referral Agency (OCCRRA) partnered with the Potts Family Foundation and RegionTrack, Inc., an economic research firm in Oklahoma City, to determine the current economic impact of the ECE sector in Oklahoma. They found that child care was responsible for nearly $500 million in revenue in 2012, and that licensed child care programs in Oklahoma provide employment for 20,500 workers with earnings of $290 million annually. In 2012, child care was the 5th highest source of revenue in the state with the highest total labor income. Their model estimates also found that the child care industry further supported an estimated 3,900 existing jobs and $133 million in labor income for workers in other industries across the state.

PUBLIC INVESTMENT: Strengthening Child Care Businesses by Forming Alliances for Shared Services

Child care program directors across the country are realizing they can redirect more of their budgets to quality and teacher salaries when they share the administrative costs of running their businesses with other child care programs. In this innovative approach, multiple programs contribute to overhead costs they all must pay such as: leadership, benefits management, sanitation, food services, and/or insurance plans. By pooling their resources and purchasing goods and services in bulk, these programs are in a better position to leverage lower costs. Savings can then be invested in quality improvements and in the long run, lower prices for parents.

The financial implications of high-vacancy rates, sporadic attendance and inconsistent family-fee collection, can be devastating to child care programs, both small and large. Each of these factors can have a significant effect on costs in voucher-based and subsidized child care that pays on the basis of each child's enrollment (unlike Head Start, which reimburses programs based on average enrollment across a period of time). The implementation of a shared services alliance not only allows a group of programs to share the costs of overhead and management, but also ensures optimum enrollment rates for all. By joining forces, members are able to boost buying power, share best practices and enhance their programs for children. Studies show that family child care providers, who were affiliated with support groups, offer higher quality care to infants and toddlers.[94]

Testimonials from group members boast of significant savings because of the expertise they can tap into to curb operational costs like audits, contracting, property management and taxes. Several of these shared services alliances are operating across the country and there are several places online where you can learn more about them:

- Opportunities Exchange
- San Francisco Early Learning Alliance
- The Georgia Alliance for Quality Child Care
- Sound Child Care Solutions
- Early Learning New Hampshire (formerly Seacoast ELA)

PUBLIC INVESTMENT: Building the Supply of Quality Child Care Settings

Child care businesses often need support to be able to offer nurturing care to children, engage families and manage the business of being a provider.[95] Efforts to build new and stronger child care settings are being implemented in communities across the country, typically by creating staffed networks or community-based partnerships between individual child care business owners and an established agency to help them with quality enhancement and business management.

Up for Vote! Kent County, Michigan's Ready by 5 Early Childhood Proposal

Kent County voters will be asked this November to consider a new 6-year millage that would raise nearly $6 million a year to fund early childhood development services. Proposed by First Step Kent, an early learning commission in Michigan, this millage would provide health and developmental screenings for all Kent County children, support new parents in ensuring their children are healthy, and will increase access to high-quality early learning experiences that build a strong foundation for Kent County kids. Under this proposal, a homeowner with a home value of $150,000 would pay around $18 a year, or $1.50 a month. If approved, Kent County will be the first county in Michigan with a dedicated property millage that supports early childhood programs.

Staffed family child care programs have at least one paid staff person who provides ongoing oversight and support to family child care businesses in the network. These staff provide services like training, technical assistance and coaching. Research found that staffed family child care networks resulted in significant differences in the quality provided, as compared to quality from non-affiliated providers. This difference was even greater when the staff that worked with family child care owners had specialized postsecondary level preparatory coursework that focused on infant and toddler child care.[96]

PUBLIC INVESTMENT: **Funding Early Childhood Education Through Taxes and Fees for Services or Commodities**

Communities across the country recognize the importance of quality early education for their children. Over the years, communities[97] have passed legislation for minor local tax increases with big results. In 2016, Cincinnati city voters approved a referendum to increase property taxes, which will allow a 5-year $48 million emergency levy, $15 million of which is earmarked to expand quality pre-K through Cincinnati Public Schools and community-based providers. This effort is the culmination of the effort begun in 2012 by the Strive Partnership that launched Cincinnati Preschool Promise, which aims to build a system that will offer two years of high-quality preschool to all 3 and 4 year olds.

An online toolkit, Local Funding for Early Learning: A Community Toolkit developed by the North Carolina Early Childhood Foundation provides case examples and informational materials designed to help communities invest in child care and early education. For more information about this toolkit as well as how other states are funding child care, see the "Strategies and Tactics for Financing Child Care" section.

Many states leverage "sin" taxes, or taxes meant to discourage the use of commodities like alcohol, tobacco or gambling, to fund pre-K. Georgia, Virginia, Washington, Nebraska and North Carolina use money from their state lottery programs; Missouri funds pre-K through non-lottery gambling; and Arizona, Connecticut and Kansas utilize funds from tobacco settlements to fund their programs. The downfall to utilizing sin taxes, however, is that if they are effective in dissuading residents from participating in these commodities, the funding may fluctuate or even gradually decrease, leaving programs without funding to continue to serve children in the state.

Business/Private Investment

BUSINESS/PRIVATE INVESTMENT: **Involving Other Business Sectors in Supporting Better Child Care for their Workforce and Communities**

Business leaders have become powerful advocates for the child care needs of their employees and the larger community where they are based. Leading business organizations are actively encouraging the public, their constituencies, and policymakers to support investments in better child care and learning experiences for young children in the interest of the future of the country. These business leaders also are clear that their current and future workforce depends on high-quality child care. In Pennsylvania, the Pennsylvania Early Learning Investment Commission is comprised of a group of business leaders appointed by the Governor who work to secure support for public investment in quality early learning through public investment. To date, their work has secured $117 million in new funding for early childhood education, serving more than 3,000 additional children across Pennsylvania. In Minnesota, a strong coalition of businesses, advocates, funders, and thought leaders called MinneMinds pushed for an increase in public funding for access to high-quality early care and education. They supported and helped gain funding for the Minnesota Early Learning Scholarship Program, which provides almost 6,000 scholarships per year, each worth up to $7,500 to underwrite higher quality programs for 3 and 4 year olds.

Transforming the Financing of ECE: Recommendations

A coalition of public and private funders should support the development and implementation of a first round of local-, state-, and national-level strategic business plans to guide transitions toward a reformed financing structure for high-quality early care and education.

Informing and engaging other businesses in the development of high-quality ECE programs can lead to investments and increased stakeholder buy-in outside of the ECE field. Businesses are a powerful voice in elevating the need for today's workforce to have a safe place for their children while they are at work, as well as their need for a future workforce that has been well-educated and primed for the jobs of tomorrow.

The Committee for Economic Development and Ready Nation are both business-membership organizations that make this argument and provide tools to business leaders on this topic. Many local and state Chambers of Commerce are also actively advocating for increased investments in quality child care, to support both the current workforce and the school readiness of children. For example, the Georgia Early Education Alliance for Ready Students (GEEARS) developed a state-specific toolkit, which provides ideas for how businesses can expand affordability and accessibility of child care and promotes family friendly policies that allow better work-life balance.

BUSINESS/PRIVATE INVESTMENT: Using the Tax System to Provide Incentives for Business Investment

Tax credits defray the tax burden for businesses that support an activity the government wishes to encourage. Unlike a deduction, credits don't just lower the amount of taxable income; they actually lower the bottom line of tax liability.[14] One federal tax credit available to businesses is the Employer-Provided Child Care Credit, a credit for businesses who cover the costs of child care expenses for their employees. The credit is for 25 percent of expenses up to $150,000 per year. However, according to the National Women's Law Center, this credit is utilized far less than the Joint Committee on Taxation projected when the credit was enacted in 2001 – around a tenth of the amount projected.[98]

Some states are looking to the tax system to help build the supply of child care options. In *Louisiana*, a business can be eligible for tax credits for supporting child care centers that are part of the state's Quality Start program QRIS, with higher credits for higher quality-rating levels. A credit of up to $5,000 is available to businesses that donate funding to CCR&Rs.[99]

BUSINESS/PRIVATE INVESTMENT: Using Private Investment through a "Pay for Success" Model

"Pay for success bonds" (also called "social impact bonds" or "social benefit bonds") are bonds that pay for social investments with a public benefit. The goal is to encourage local experimentation on novel ideas, then evaluate results, fund what works, and defund what does not.[100] The government contracts with an intermediary organization to provide the program and sets target outcomes to measure success. Private investors provide the upfront capital to the intermediary, and investors earn back a return on this investment only if an independent evaluator determines that target outcomes set by the government are met. The government then pays the private investors.[101] Some in the early childhood field see the potential to build-in this new type of financing as a component of child care systems as a new financing source, given research showing the long-term positive impact of high-quality programs on child development and future earnings.[102]

As of February 2016, there were eight funded "Pay for Success Projects" with a total investment of $107 million.[103] In 2013, Salt Lake County, Utah, launched a Social Impact Bond that would provide high impact and targeted curriculum to children from low-income communities. These services are intended to increase school readiness and academic performance, and reducing the need for special education later. The county hopes to serve 3,500 preschool children by 2018.[104] The Institute for Child Success published pay for success feasibility studies in Oklahoma City and Tallahassee. They reported that, with technical assistance supporting investments into quality and parent engagement initiatives, the use of pay for success financing had a positive impact on child care family outcomes.

SUBSIDIZE FAMILY INVESTMENT: Offering Refundable Tax Credits for Low- and Moderate-Income Families

The federal government currently offers two tax credits for eligible parents can utilize: the CTC and CDCTC. Although relatively small when compared to the high costs of child care, tapping into the tax system can help defray the costs of paying for child care. In addition, states can also create their own CTCs and CDCTC credits, to further supplement defray child care costs. Although most state versions of these credits are often structured as a percentage of federal credits, states are able to expand family eligibility, adjust income thresholds and introduce other features specifically targeted to working families.[105]

According to Prosperity Now, 22 states and the District of Columbia have enacted a CDCTC, and 23 are partially refundable. Two states have enacted a refundable CTC: Colorado and New York. Eighteen states provide a CDCTC that is based on a percentage of the federal credit, with percentages ranging from 20 percent to 110 percent of the federal credit. Four states—Hawaii, New Mexico, Oregon and South Carolina—offer credits structured as a percentage of child care expenses eligible for the federal credit, but not as a percentage of the federal credit itself. Unlike the federal credit, these state credits are not explicitly targeted to families with low-incomes.[106]

When tax credits are tied to state systems like such as a QRIS, tiered reimbursements and/or professional development initiatives, and are planned correctly, they can support the improvement of programming, staff credentialing, and ultimately improve access to quality programs and teachers for low-income children.[107] However, this mechanism has its challenge, too. For instance, families can only access tax credits once a year, whereas child care must be paid for throughout the year. In addition, credits may not fully cover the cost of quality; families struggling to cover household expenses may ultimately choose a program that is of lower quality simply because it is most affordable. When choice is hampered by affordability, families are less likely to utilize more expensive, high-quality child care programs.

SUBSIDIZE FAMILY INVESTMENT:

Assisting Families ineligible for State Child Care Assistance Through Creative Financing

The higher cost of living in many communities may mean that families are ineligible for child care subsidies but still struggling financially. Although they may classify as a middle income household, these families may pay more for housing and other expenses in their area, and therefore often struggle to pay for child care that may also be more expensive. Based on the analyses reported in the "Average Cost of Care in the States" section of this report, all families struggle to cover the cost of child care.

Some communities have sought to increase access to quality child care by expanding the child care subsidy pool with matching grants. For example, in 2006, only 39 percent of children under the age of five attended early childhood education in the Parramore neighborhood of Orlando, FL. In this predominantly African-American neighborhood, high-quality programs were too costly for most, and families eligible for subsidies either had trouble navigating bureaucratic application processes for those subsidies and/or were relegated to lengthy waitlists. Over the last 12 years, the Parramore Kidz Zone (PKZ) has aimed to "move the needle" on the percentage of children in Parramore ready for Kindergarten. PKZ provides families with child care subsidies so that all Parramore's children have access to high quality child care programs. In 2017, PKZ served 246 children under 5. Program evaluators have found positive longitudinal outcomes for the children they've served - 61 percent decline in juvenile arrests, a 38 percent decline in child abuse cases and across-the-board increases in the number of school-age children performing at grade level in math and reading.

Along with financial considerations, CCAoA has policy recommendations for Congress that can help put some of these in place.

Transforming the Financing of ECE: Recommendations

Family payments for families at the lowest income level should be reduced to zero, and if a family contribution is required by a program, that contribution, as a share of family income, should progressively increase as income rises.

Child care is unaffordable for all families across all income levels. While some families may be eligible for child care subsidies, many who are just above the income threshold are still struggling. States should consider eligibility standards and develop a sliding scale for reimbursement rates based on a family's household income. However, Child Care Aware® of America believes no family should pay more than 7 percent of their household income for child care and that this should be the ceiling for family child care payments.

Policy Recommendations

To better meet the needs of working families, *Child Care Aware® of America recommends that Congress:*

- **Invest in crucial child care funding structures**. Given the importance of child care to our nation's economic strength, any infrastructure investment should include an investment in child care. This can be done most effectively through an expansion of funding provided to states through the Child Care and Development Block Grant (CCDBG). In 2018, Congress agreed to increase funding for this program by $4.8 billion over two years. This was a result of a budget deal that expires after federal fiscal year 2019. Therefore, it is important for Congress to maintain its commitment and continue to provide sustained, long-term funding for CCDBG. Other critical sources of funding for child care for working families that also received significant increases as a result of the congressional budget deal include Head Start, Early Head Start, Child Care Access Means Parents in Schools, and Preschool Development Grants – all of which must remain a congressional priority.

- **Prioritize new child care funding to help states fully meet CCDBG health and safety requirements.** When CCDBG was reauthorized in 2014, it included new health and safety requirements for all states, including background checks for the child care workforce. While the new requirements were necessary, implementing them would be expensive. Yet states received no increase in funding until the FY2018 appropriations process. As a result, between 2014 and 2018 the number of children served by CCDBG dollars dropped drastically. Congress should continue to increase CCDBG funds to ensure states can meet the new requirements and serve the same number of children as they did prior to the reauthorization.

- **Limit the cost burden for working families.** Review and consider available policy options to help families offset the rising cost of child care, including but not limited to: raising dependent care limits for tax deductions and/or providing additional tax credits for families and providers; creating public-private partnerships to invest in child care in local communities; and looking to states that have already developed successful financing models as case examples for other states and communities. Pass laws like the Child Care for Working Families Act, which would address the current early learning and care crisis by ensuring that no family that earns less than 150 percent of state median income pays more than seven percent of their income on child care.

- **Streamline eligibility standards and procedures.** Simplify the process whereby families qualify for various child care tax incentives, so they can easily access them. Pass the Promoting Affordable Child Care For Everyone (PACE) Act of 2017, which will help provide relief for families by offsetting child care costs via tax credits.

- **Upgrade and expand child care infrastructure.** Infrastructure funds can be used to upgrade and expand existing child care centers; build new child care centers; and cover start-up costs for small family, community and faith-based child care businesses. By securing infrastructure funds, Congress can ensure child care facilities are a safe environment for all children.

- **Fully fund state systems, like CCR&Rs, that support provider outreach and retention, and support families in need of child care.** As a system with touchpoints at the local, state and national level, CCR&Rs support families by helping them navigate complicated child care systems, whether they receive subsidies or not, and by conducting initiatives that increase the quality, affordability and accessibility of child care. In addition, CCR&Rs are the primary source of data about child care and are at the forefront of using data to visualize child care needs in their communities. Well-funded CCR&R systems have tremendous capacity to positively impact the child care landscape across their state. Today, CCR&Rs continue to design, implement, and evaluate public and private child care programs, including the federal CCDBG program.

- **Support parents as their child's first teacher.** Focus on family-friendly policies that allow parents to spend time with their children without sacrificing their career. Pass the Family and Medical Insurance Leave (FAMILY) Act, and provide full support for promising programs that promote parents as their child's first teacher.

- **Support parents pursuing higher education.** Ensure that parents who are enrolled in and attend college full- or part-time are permitted to take advantage of the Dependent Care Tax Credit. Pass the Child Care Access Means Parents in School Reauthorization Act (CCAMPIS) and make it a permanent support for families.

- **Prioritize the child care workforce.** Provide professional development, workforce support, and appropriate compensation for all child care professionals. Increase federal support for Tribal training and professional development and support for formula grants for high-quality preschool. Provide funding to statewide and local CCR&Rs and CCR&R-like organizations that currently provide and connect child care program owners, directors, and staff to professional development opportunities. Also provide funding for scholarships and grants to cover the costs of continuing education.

- **Make improvements to child care subsidies provided under TANF.** Ensure that TANF-funded child care meets the same quality standards as CCDBG-funded care. Streamline TANF eligibility to line up with the 12-month re-determination period established in the 2014 CCDBG reauthorization. Ensure sufficient mandatory funding to enable low-income parents who are searching for a job or are in an educational or training program to obtain necessary child care. Provide funding for an adequately staffed state system to ensure that families and providers have supports to navigate subsidy eligibility and reimbursement. And authorize HHS to collect the same data for TANF-funded child care as that required under CCDBG.

- **Support year-round after school programs.** Provide increased funding for the 21st Century Community Learning Centers Program.

Additionally, Child Care Aware® of America **calls on parents, concerned citizens, and early care and education professionals** to urge state legislators and administrators to address the often overwhelming cost of quality child care:

- **Provide resources for planning and developing child care capacity to increase the availability of high-quality child care options for working families.** Ensure that key stakeholders, like CCR&Rs and other state- or community-level organizations, are part of planning sessions and involved in child care initiatives in their state or locality.

- **Improve compensation for the child care workforce.** Establish a wage ladder for the child care workforce, and incentivize and reward programs and workers who reach high levels of performance.

- **Reduce barriers in the subsidy administration process** that prevent families from receiving assistance. Ensure that agencies or organizations administering subsidies are adequately staffed and able to be a resource to families and child care providers.

- **Enact more flexible sliding-fee assistance phase-out plans** to ensure that parents who receive a modest raise in income do not lose all child care assistance.
- **Provide child care assistance for families "in the gap."** These are families that do not qualify for fee assistance but who cannot afford the market cost of child care in their community.
- **Support the educational system for the early childhood workforce.** Ensure the system is designed to promote and guarantee access to programs and services needed by new entrants to the early childhood workforce, as well as by current employees seeking professional development opportunities.
- **Authorize pilot programs to explore strategies to meet the demands in high-poverty rural communities and close the gaps in the supply of child care.** Ensure that key stakeholders like CCR&Rs and other state- or community-level organizations are part of planning sessions and involved in program implementation and assessment.
- **Explore innovative models to reduce the high cost burden to child care providers.** Shared infrastructure and services, child care business forums, and awards or grants for industry innovation are just some of the ideas being considered in the search for better models.
- **Increase capacity for data collection and analysis regarding child care** in order to fully understand gaps and highlights in local child care systems.
- **Find ways to support the more than 100,000 family child care providers nationwide**, who are closing their doors in high numbers. Ensure family child care providers have the support necessary to meet the new CCDBG standards and thrive in an ever-changing child care landscape, and that CCR&Rs and other statewide organizations have resources necessary for recruiting qualified providers into the field.
- **Target Technical Assistance to child care providers** in areas of the country with the lowest levels of compensation to help providers maximize their budgets and keep their doors open. Engage state- and community-level organizations to identify the most effective methods of outreach and dissemination to providers in their region.

CONCLUSION

This report details the economic challenges workers and businesses face when child care is unaffordable, of poor quality or simply unavailable to families across this country. Every family deserves access to high-quality child care for their children and to know that their child is in a safe, stimulating environment.

Yet, when the price of child care rivals other major household expenses – like housing or transportation – families, our economy and the child care workforce suffer the true cost of a broken system. Parents can't afford to pay the high prices of quality child care, but even these prices are not enough to cover the true cost of a quality, labor-intense early education program, something every child deserves. As child care providers struggle to keep their doors open to provide a healthy space for our youngest, businesses around the country are also struggling to staff increasingly common nighttime and weekend shifts – an impossible feat when weekend child care is practically nonexistent.

Our families, our businesses and the passionate people who care for young children every day need relief now. State systems, like CCR&Rs, are in place and are providing invaluable services to their states and communities by linking families to child care, providing technical assistance and outreach to child care providers and collecting and reporting data on their state's unique child care landscape. However, many of these agencies are underfunded and strapped for resources to effect the change needed to truly impact communities.

Through careful planning by the government at the federal, state and local levels, we can ensure that quality, affordable child care settings are available for working parents in every community. The status quo is unacceptable. It is well past time to take significant action for our children and our country's economic future. It takes all of ***US***.

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People Attentive to Children (PATCH) (Hawaii)

The Child Care Resource Center (California)

The Children's Cabinet (Nevada)

GLOSSARY

Child and Dependent Care Tax Credit (CDCTC): A tax credit offered by the federal government allowing families to claim up to $6,000 in qualified care expenses for two dependents each year.

Child Care and Development Block Grant (CCDBG): CCDBG is a $5 billion federal block grant program that provides funding to states, territories, and tribal governments. It is the primary federal funding source devoted to providing access to child care services to low-income working families and to improving the quality of child care.

Child Care Center: An early care and education facility that is licensed or license-exempt by the state and operates under a proprietary or not-for-profit status, independently, as part of a large chain of facilities, or a faith-based organization.

Child Care and Development Fund (CCDF) Final Rule: A rule updating regulations to incorporate, and in some cases clarify, changes made through CCDBG.

Child Care Resource & Referral (CCR&R): An organization that delivers interrelated services to families, child care providers, employers, and community stakeholders based on the unique needs of its community. CCR&Rs help families find child care, build the supply and quality of care, and facilitate planning and policy-making in the public and private sectors.

Child Tax Credit (CTC): A tax credit offered by the federal government, worth up to $1,000 per child, of which a portion is refundable depending on family size and income.

Early Childhood Education (ECE): A branch of education related to teaching young children.

Earned Income Tax Credit (EITC): A tax credit offered by the federal government, worth up to $1,200 per year per eligible family.

Family Child Care (FCC) Homes: Child care offered in a caregiver's own home and, depending on the state's licensing regulations, may be licensed or exempt from licensing.

Family, Friend and Neighbor (FFN) Care: Typically unregulated, unlicensed care performed by a family member, family friend or other caregiver unrelated to a child.

Illegal Child Care: A child care provider who is legally required to have a license but does not have one is operating illegally without a license and may be subject to penalties for violating licensing laws.

Infant: Though there are state-specific definitions, infants are children under 12 months old.

Legally Operating Child Care: Licensed child care programs or programs legally exempt from licensure by state legislation.

Licensed Child Care: Family child care homes and child care centers that are legally required to comply with state standards and to be inspected. Legislation by individual states defines which programs are required to be licensed.

License-exempt Child Care: Child care that can operate legally without a license. License-exempt child care programs are not required to comply with all state standards, and they have few or no inspections. Legislation by individual states defines which programs are exempt from licensure.

Examples of providers that some states choose to exempt from licensure include providers caring only for their relatives; family child care providers caring for fewer children than the number required for state licensing; centers operated by religious or faith-based organizations, state agencies, local governments, or military facilities; programs that operate less than four hours a day; and nannies that care for children in the children's own home.

Preschool Age: Though there are state-specific definitions, children ages 3 to 5 years, who are not yet in kindergarten, are considered to be of preschool age.

Quality Rating and Improvement System (QRIS): A system some states have in place to set and assess program quality standards.

Rural: The U.S. Census Bureau defines areas with a population of less than 50,000 as rural.

School Age: Though there are state-specific definitions, children who have started school, normally 5 years and older, are considered to be school age.

Social Services Block Grant (SSBG): A flexible source of federal funding available to states to support a variety of social services activities.

Temporary Assistance for Needy Families (TANF): A federally-funded program run by states that provides limited cash assistance to families with very low income.

Toddler: Though there are state-specific definitions, toddlers are children between the ages of 12 and 36 months.

Urban: The U.S. Census Bureau defines an urban area as a built-up area with a population of 50,000 or more. It encompasses one or more central places and is adjacent to densely settled surrounding areas, known as urban fringe.

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