



Child Care Subsidy Policy: Access to What?

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Introduction

The cost of child care today is unaffordable for many families. For most parents, regardless of income, child care is hard to find, harder to afford, and often of questionable quality.

For low-income families, the task of finding and affording child care is even more daunting. Yet, studies show that child care can help families move from welfare to work to become self-sufficient and help other parents avoid the need to turn to welfare.

This paper takes a critical look at child care subsidy policy throughout the nation. It provides an overview of the reality parents face in finding child care under current state assistance approaches. It concludes with recommendations to ensure parents have choices among affordable, quality child care settings in their community – in short, recommendations to improve the accountability of federal funds used to assist low-income families in affording the cost of child care.

Child Care Costs are High

Child Care Aware[®] of America released a report in August, [Parents and the High Cost of Child Care: 2012 Report](#),¹ which reviewed the cost of child care in every state for infants, preschool-age children and school-age children in child care centers and family child care homes.

The report found the cost of care was high compared to family income, high compared to other household expenses, and out of reach for single parent families.

The report found that annual costs in 2011 ranged from about:

- \$4,600 in *Mississippi* to nearly \$15,000 in *Massachusetts* for center-based infant care.
- \$3,900 in *Mississippi* to nearly \$11,700 in *Massachusetts* for center-based care for a 4-year-old.
- \$4,500 in *South Carolina* to nearly \$10,400 in *New York* for an infant in a family child care home.
- \$4,100 in *South Carolina* to about \$9,600 in *New York* for a 4-year-old in a family child care home.

While the high cost of child care puts licensed programs out of reach for families living in poverty, care is still not affordable for families living at twice the poverty level (200 percent of the poverty threshold, or about \$37,060 for a family of three in 2011).

According to Child Care Aware[®] of America's cost report,² the annual cost of child care compared to the income of a family of three living at 200 percent of the poverty level is:

- More than one-quarter (about 26 percent) of income for an infant in center-based care.
- More than one-fifth (about 21 percent) of income for a 4-year-old in center-based care.

In some states, the cost of care is extraordinarily high – families at 200 percent of the poverty level pay about 40 percent of their income for center-based infant care in Massachusetts.

The reality is that many families have two young children. The average annual cost of center-based care for two children (an infant and a 4-year-old) is almost half (46 percent) of the income of a family of three at 200 percent of the poverty level.

This is significant because the Census Bureau recently released new data that shows nearly half of children (47.4 percent) under age 5 live in families below 200 percent of the federal poverty level. Over 80 percent (82.1 percent) of children under age 5 living with a single mother live below 200 percent of the federal poverty level. These parents struggle to find affordable, quality child care.

The Child Care and Development Block Grant

The Child Care and Development Block Grant (CCDBG) allocates funds to the states to help make child care more affordable for low-income families and sets the framework for state child care laws.

States set family eligibility levels for assistance. Eligibility ranges from a low of 119 percent of the federal poverty level in Nebraska to a high of 293 percent of the federal poverty level in Alaska.

States with Income Eligibility Below 150 Percent of the Federal Poverty Level³

State	Eligibility as a % of Poverty	State	Eligibility as a % of Poverty
Nebraska	119%	Florida	148%
Idaho	125%	Kentucky	148%
Indiana	126%	Montana	148%
Missouri	127%	Ohio	148%
Alabama	128%	South Carolina	148%
Michigan	129%	West Virginia	148%
Iowa	143%		

The reason that eligibility for assistance is important is that the cost of child care is high, yet states set eligibility at very low levels, which leaves many low and moderate income families unable to afford quality care on their own.

Beyond eligibility, states determine the amount of assistance that will be paid.

CCDBG does **not** require specific payment levels for subsidies. The act requires that a current market rate survey be conducted, but it does **not** require the use of that survey in setting subsidy rates (payments to providers to care for children receiving assistance). **As a result, many states set their subsidy rates based on outdated market rate surveys.**

The U.S. Department of Health and Human Services (HHS) recommends that provider payment rates be set at the 75th percentile of the market rate – meaning that parents would have a choice among 75 percent of providers within a community.

The reality is that few states set their child care subsidy rates at the 75th percentile or higher of market rates in 2011.⁴

For example, the 2012-2013 child care state plans submitted to HHS under CCDBG show:

- Georgia payment rates fall in the percentile range of 6.3 percent to 38.8 percent.
- Kentucky payment rates fall in the range of the 10th percentile to the 63rd percentile.
- Ohio payment rates are at the 21st percentile.

North Carolina reports as part of its state plan, *“across all rates for centers and homes by age and star levels, the current market rates will purchase care at the 75th percentile of private rates an average of 31 percent of the time.”*