



# PARENTS AND THE HIGH COST OF CHILD CARE

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**10**  
YEARS  
ANNIVERSARY





## 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. To learn more about our mission, visit [www.usa.childcareaware.org](http://www.usa.childcareaware.org).

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# FROM THE EXECUTIVE DIRECTOR

Child Care® Aware of America is pleased to present the 10<sup>th</sup> edition of our signature *Parents and the High Cost of Child Care: 2016*. This year's report not only summarizes the cost of child care across the country, it provides an overview of the child care landscape and the strategies that states and communities are using to help parents afford child care.

Unfortunately, it's a landscape where parents across the country are struggling to afford one of the most significant expenses in their family budget - child care. Over the past decade, the child care affordability story remains unchanged - in many homes across the country, child care costs exceed the cost of housing, college tuition, transportation, or food.

**Many families are hurting and looking for solutions, such as:**

- ▶ Millennial parents who are saddled with mountains of debt.
- ▶ Grandparents who have to work and contribute significantly to child care.
- ▶ Families who need child care coverage during the night shift or weekends.
- ▶ Immigrant parents, documented and undocumented, who have a desire to raise their young children to appreciate both their culture of origin and their new country.
- ▶ Low income parents who desire quality child care as a means to better their child's long term outcomes but struggle to afford it.
- ▶ Parents of children with special needs who can't find access services to help their children at an affordable cost.

- ▶ Parents from rural areas where they experience child care deserts (areas of the country where the supply of quality child care doesn't meet the demand for quality child care).



And so many more families across the nation are faced with difficult decisions when it comes to child care. But unaffordable and inaccessible child care isn't just an issue for working families. When quality child care is not affordable and accessible, the negative impacts are felt by the child care workforce, parents in the workforce, the economy overall, and ultimately our children's future.

**Unaffordable child care impacts the business community.**

Access to high-quality child care increases morale and employer loyalty, but businesses suffer when child care is unavailable for working parents - to the tune of over \$4 billion annually!

Ensuring child care is high-quality, affordable, and accessible for families is crucial to our nation's ability to produce and sustain an economically viable, competitively positioned workforce in the future. Children who start kindergarten behind too often stay behind. Among children who arrive at school without the skills needed for success, over 85 percent are still behind in 4<sup>th</sup> grade.



Dr. Walter Gilliam, leading expert on implicit bias in child care settings, explains it succinctly in the following quote:

*The intended purpose of early education is to help close the school achievement gap by promoting equitable access to the school readiness opportunities afforded by high quality early education. Access means affording all our children the opportunity to enter through the front door of early education, and it also means keeping them from being pushed out the back door.*

When our most vulnerable children are able to participate in quality early educational settings, the benefits can be significant to not only the children themselves, but also to society, and to the U.S. economy. Some of the potential long-term benefits: higher test scores, increased high school graduation rates, a greater likelihood of gainful employment, and a decreased likelihood of being incarcerated or using illegal drugs.

The way forward is clear—**America needs a 21<sup>st</sup> Century Child Care System that supports 21<sup>st</sup> century families in an ever changing workforce.** Child Care Aware® of America's

ultimate goal is the expansion of quality, affordable and accessible child care for all—regardless of race, ethnicity, socioeconomic status, or location.

We are encouraged by the improvements required in the Child Care and Development Block Grant and believe that the legislation represents an enormous step forward in establishing access to quality, affordable child care across the country. The Trump administration has included child care and family-friendly workforce policies in their plan for the first 100 days in office. All of us need to work together to hold all the Administration and policymakers accountable to create meaningful solutions that support working families. It is an exciting time and we are on the cusp of great leaps toward improving child care in this country. This report will help inform the important work to be done.

My best,

Lynette M. Fraga, Ph.D., Executive Director,



Child Care Aware® of America





# EXECUTIVE SUMMARY

During the 2016 Presidential race, voters and candidates agreed on one thing – Congress and the incoming president should attend to the unaffordability and inaccessibility of quality child care for families of all walks across this country. In a [poll](#) by The First Five Years Fund, researchers found 80 percent of voters said making sure children start life with early childhood education is a top priority, regardless of political party affiliation.

*In today's economy, when having both parents in the workforce is an economic necessity for many families, we need affordable, high-quality child care more than ever. It's not a nice-to-have -- it's a must-have. So it's time we stop treating childcare as a side issue, or as a women's issue, and treat it like the national economic priority that it is for all of us.*

*- President Barack Obama, State of the Union Address, January 20, 2015*

For over a decade, Child Care Aware® of America's groundbreaking research has studied the high cost of child care and the consequent impact on families across the country. Since then, we were joined by many others in the study of this important issue. For example, Economic Policy Institute has developed a free, online [Family Budget Calculator](#) to demonstrate the income a family would need in order to cover costs of food, housing and, of course, child care. We provide links and introductions to several other tools, reports, and studies from organizations like New America, Centers for American Progress, Center for the Study of Child Care Employment at Berkeley, and several others throughout this report.

A [recent poll](#) by NPR, Robert Wood Johnson Foundation, and the Harvard Chan School found a considerable discrepancy between parents' views on the child care they use and expert's findings. While most experts agree that the majority of child care in the United States is "fair" quality, nearly 60 percent of parents reported their

child receives "excellent" child care. Despite this, parents reported they had limited options and cost was the most common challenge in finding child care.

The 10<sup>th</sup> edition of *Parents and the High Cost of Child Care: 2016* includes a comprehensive literature review which describes key concerns underlying the complex issue of the high costs surrounding child care for families across the country. We provide an overview of at risk populations adversely affected by high child care costs as well as a general lack of available high-quality options. A review of child care provider workforce statistics reveals a significantly underpaid population of early educators all too often unable to cover the costs of child care for their own children. In a world where parents are unable to pay the high cost of care, child care providers are often simultaneously unable to keep their doors open – a review of cost modeling and child care financing literature is also included.

As in previous years, we provide the average cost of care for each state and the percent of median income married and single parents pay for child care. This year, we found child care to be unaffordable in 49 states plus DC - Louisiana is the only state with affordable center-based infant care. Louisiana has done a great deal to make care more affordable for parents - for more information, see the Solutions section of this report. Costs and affordability percentages are reported for center-based and family child care. In addition, analyses of county-level data have been included for four states: *Arizona, Massachusetts, Minnesota, and New Hampshire.*

As our nation's leading voice for child care, Child Care Aware® of America provides a full review of solutions and policy recommendations. While solutions go into greater detail, each is related to key recommendations which are to invest in child care, decrease the cost burden on families, streamline eligibility standards and procedures related to tax incentives, provide support to parents pursuing higher education, and to prioritize professional development for the child care workforce.





# THE IMPORTANCE OF CHILD CARE

## Child Care is a Sound Investment

Early childhood programs have been shown to have a profound effect on disadvantaged children. Governors and legislators,<sup>1</sup> law enforcement officials,<sup>2</sup> and business leaders<sup>3</sup> see quality child care as vital to the nation's economy and security. Investments made when children are very young will generate returns that accrue over a child's entire life.<sup>4</sup> Research has shown that high-quality early childhood programs contribute to stronger families, greater economic development and more-livable communities.<sup>5</sup> The White House Report on the Economics of Early Childhood Investments<sup>6</sup> describes the following benefits of quality early education:

- ▶ **Increase in tax revenue and decrease in transfer payments.** Child care allows parents, especially mothers, to return to work sooner, generating an estimated \$79,000 lifetime earnings increase for mothers and reducing case assistance payments by \$220 per participant.<sup>7</sup>
- ▶ **Remedial education and system-wide savings.** A decrease in remedial education can save more than \$11,000 per student through grade 12 depending on program type and duration.<sup>8</sup>
- ▶ **Reduced involvement in criminal justice system.** Several programs with long-term follow-ups found early education programs reduce juvenile arrests and criminal records of participants. Analyses find that cost savings from these reductions are substantial and often make up the largest portion of potential benefits.<sup>9</sup>
- ▶ **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.

Economists have estimated the rate of return for high-quality early intervention to be in the range of 6-10 percent per annum for children in disadvantaged families,<sup>10</sup> and long-term returns on investment as high as 16 percent.<sup>11</sup> Research suggests that, although early education benefits all children, the greatest benefits accrue to children from low-income families. Investments to raise the quality of and increase access to child care programs for low-income families is vital for these children who stand to gain the most from higher quality programs.<sup>12</sup>

*If all families were able to enroll their children in preschool at the same rate as high-income families, enrollment would increase nationwide by about 13 percentage points and yield net present value of \$4.8 billion to \$16.1 billion per cohort from earnings gains alone after accounting for the cost of the program. In the long run, these earnings gains translate into an increase in GDP of 0.16 to 0.44 percent.*

- *The Economics of Early Childhood Investment, report by the White House*

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. Significant numbers of retired generals, admirals, and other military leaders have concluded that America needs early care and education to ensure national security because quality early learning programs address each of the issues that are decreasing readiness.<sup>13</sup>

## Quality Child Care is Early Education

Early childhood is a period of rapid development and learning. Young children learn (among other things) how to think and reason, how to acquire knowledge and skills, and how to interact with others.

*I'm really big on teaching and learning, and actually learning things, and I worry sometimes that [child] care is kind of like watching videos or something and not like actually learning like counting and colors and concentrating enough on reading.*

- Parent with nontraditional schedule<sup>14</sup>

Children flourish when the important adults in their lives are aware of how the brain develops and learning occurs, and know how to support children's growth in these areas. Various research studies have documented the far-reaching effects of early learning and caregiving experiences. The findings include:

- ▶ Caregivers influence children's cognitive and school performance outcomes, with the greatest positive effect on vulnerable children. Among vulnerable children, high-quality programs provide more benefits and low-quality programs have a greater negative impact.
- ▶ Children who receive high-quality child care have shown better outcomes in socio-economic and health conditions as an adult.<sup>15</sup>
- ▶ Child care benefits children's behavioral development: high-quality and responsive child care "provides emotional support, offers reciprocal communication, accepts the need for growing independence, and provides cognitive stimulation that scaffolds the young child's early learning."<sup>16</sup>
- ▶ Long-term analyses suggest that enrollment in early childhood education can increase earnings in adulthood by 1.3 to 3.5 percent.<sup>17</sup>

The relationships with caring, informed adults are a key factor in the healthy development of young children—emotionally, intellectually, and physically. 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.

Research shows that the effectiveness of a program is contingent on program quality. High quality programs such as the Perry Preschool Program and Abecedarian Preschool Project delivered better education, health-related behavior, and social and economic outcomes for disadvantaged children than those who did not participate

in the programs. Children who participate in high-quality programs demonstrate lasting effects on IQ, boosted academic and economic achievement and lower incidences of childhood obesity and chronic illness. Findings from the Perry Preschool Program show that increased academic motivation creates 30% of the effects on achievement and 40% on employment for females; reduced externalizing behavior creates a 65% reduction in lifetime violent crime, a 40% reduction in lifetime arrests and a 20% reduction in unemployment.<sup>18</sup> Quality matters.

Some states have a Quality Rating and Improvement System (QRIS) with which to set and assess program quality standards. 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 standards and program participation with technical assistance and coaching; professional development, training, and scholarships; and financial supports like grants, bonuses, differential reimbursement, wage supplements and tax credits. QRIS's also provide public education to consumers seeking to better understand what differentiates a quality child care program.

## Child Care Enables Parents to Work and Pursue Education

A lack of affordable, quality child care is a significant drain on U.S. employers' bottom lines. Child care options make it possible for parents to work, and to work more hours, enabling parents to provide additional income for their family in the short term, as well as increased attachment to the labor force and higher earnings in the long-term.

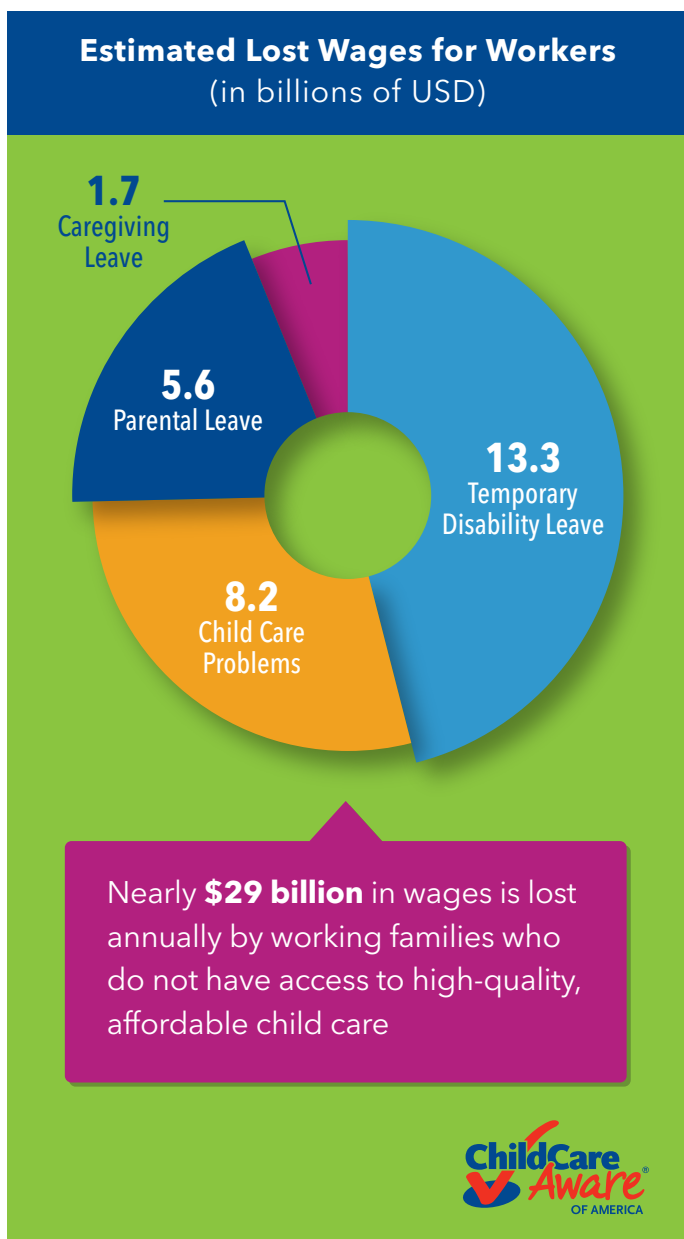
- ▶ Adjusted for inflation, U.S. businesses lose approximately \$4.4 billion annually due to employee absenteeism as the result of child care breakdowns.<sup>19</sup>
- ▶ Over a six-month period, 45 percent of parents are absent from work at least once, missing an average of 4.3 days, due to child care breakdowns. 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.<sup>20</sup>
- ▶ Research shows that child care assistance helps working parents experience fewer missed days, schedule changes, and lost overtime hours. They also are able to work more hours while remaining at the same employer for longer periods, with women



of all education levels being 40 percent more likely to remain employed after two years following the receipt of assistance for child care costs.<sup>21</sup>

- Analyses by Glynn and Corley indicate 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.<sup>22</sup>

Many nations around the world understand the need for and benefits of generous family leave policies. Some European countries offer significant subsidies for new parents in need of care. These efforts have impacted women's workforce participation in those countries; for instance, in the Netherlands, women's workforce participation increased by 3.3 percent, and the number of hours worked by 6.6 percent.<sup>23</sup>



## HIGHER MATERNAL LABOR FORCE ABROAD

When families have access to quality, affordable child care, parents are able to work longer hours and be more productive while at their workplaces. Research done in foreign labor markets demonstrates higher maternal labor participation rates when child care is subsidized and made more affordable for working families.

A 2009 study followed the effects of a \$5/day/child government-subsidized child care program implemented in Quebec in 1997. Initially a program designed for 4-year-olds, the government was later able to expand the program to include 3-year-olds, covering the costs of new child care facilities and spaces and becoming a truly universal pre-K program across the province. Researchers saw strong, significant effects in the increase in rates of less educated (no post-secondary) mothers returning to the labor force in the 10 years the program had been in existence.

Recent reforms in France simplified child care subsidy programs from 4 tiers to 3 and increased the amount of subsidized coverage for low-income families. Research conducted at the time of this systemic change demonstrated that the reform led to a major significant increase in use of paid child care and much subtler significant increase in maternal labor participation; the authors suggest families may have been swapping more informal care situations for paid programs, hence the dramatic increases in utilization of paid care services.

Many working parents in the United States do not have access to paid family leave. Nearly three in ten mothers in the United States return to work within 2 months of their baby's birth; mothers who are young and low-income, and those with lower levels of education, often return to work even earlier.<sup>24</sup> In addition, the United States stands in stark contrast to other nations when it comes to costs of child care, coming in third for highest costs of child care for parents, as measured by percentage of family income, compared with other Organisation for Economic Co-operation and Development, or OECD, countries. The U.S. also spends much less than other countries when it comes to helping families pay those costs.<sup>25</sup>

## COMPANIES WITH FLEXIBLE/FAMILY LEAVE POLICIES

### Patagonia [www.patagonia.com](http://www.patagonia.com)

Patagonia offers new mothers 16 weeks fully paid maternity leave. Fathers and adoptive parents receive 12 weeks of fully paid family leave. These policies are in addition to policies insuring paid leave for serious medical issues, military duty, or a family member's military duty. The company boasts a rate of 100% of mothers who return to work following the arrival of a child (relative to the nationwide rate of 75%).

In addition, Patagonia has offered subsidized child care to their employees for more than 30 years. Between their two centers at their headquarters in Ventura and at a customer service and distribution plan, the company employs 33 child care staff and serves 80 kids. CEO Rose Marcario estimates they are able to recoup 91% of the costs to run the centers through tax breaks, and employee engagement and retention. Center tuition is determined by area market rates and subsidized by Patagonia based on household income.

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### Chobani [www.chobani.com](http://www.chobani.com)

Chobani recently announced their new policy to offer all workers, regardless of their position in the company, six weeks of fully paid parental leave. Beginning in 2017, leave can be used by mothers and fathers for birth, adoption or placement of a foster child into the home.

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### Prudential [www.prudential.com](http://www.prudential.com)

Prudential offers employees national daycare discounts and 200 hours of subsidized backup care per year, as well as a savings of \$5,000 annually in pretax dependent-care accounts with a 25% match. When they go on business trips, staff may be reimbursed \$500 toward associated care costs. Staff are eligible for 8 weeks of fully paid maternity leave, four weeks of adoption leave, and \$10,000 in aid (or \$1,000 for foster-care placements).

Even so, prioritizing child care as a critical support for working families is not a new concept in the U.S. The United States 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 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.<sup>26</sup> In 2010, the armed forces' child care system served nearly 200,000 children from birth to age 12.<sup>27</sup> The DOD currently oversees more than 800 Child Development Centers on military installations worldwide.<sup>28</sup> In addition, many federal agencies have subsidy programs with income eligibility ceilings ranging from roughly \$50,000 to almost \$70,000.<sup>29</sup>

Parents are best able to work when they have access to stable, high-quality, affordable child care arrangements.





## COMPANIES WITH ON-SITE CHILD CARE

### Dow Jones [www.dowjones.com](http://www.dowjones.com)

Employees at Dow Jones (Princeton, NJ) have access to on-site daycare, can request 20 days of subsidized backup care each year, or tap a dependent-care reimbursement worth \$600 annually. In 2015, an estimated 94% of employees utilized flextime, and 80% telecommuted at some point. All primary caregivers earn 12 fully paid weeks off for a birth, adoption or foster-care placement.

### Johnson & Johnson [www.jnj.com](http://www.jnj.com)

Johnson & Johnson offers its employees access to six on-site daycare facilities. In addition, all parents are eligible for at least nine fully paid weeks of leave following a birth or adoption, plus 10 paid days of sick leave each year to look after ill family members.

### Prudential [www.prudential.com](http://www.prudential.com)

In 2015, the firm opened a second child care center at its Newark, NJ, office, joining their first in Dresher, PA.

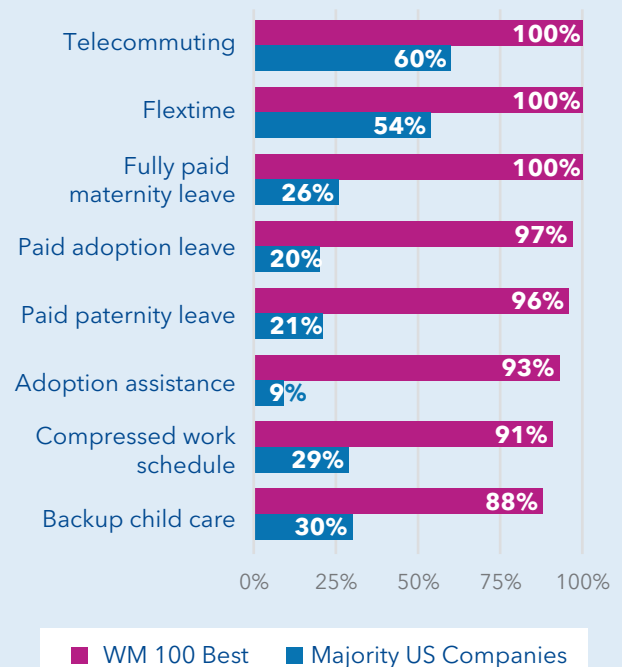
### The Home Depot [www.homedepot.com](http://www.homedepot.com)

The Home Depot offers on-site child care, run by Bright Horizons, at its corporate headquarters. With their summer camp providing an additional 48 slots for school-age children, this center serves up to 326 children. The company also offers up to 10 days of backup care for any dependent of an employee, whether that is a child, an elderly parent, or other family member.

Companies are increasingly 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 for parents. It lists companies that provide on-site child care, but the magazine 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.<sup>30</sup>

While many of the top companies in the country have responded to their workers' child care needs by instituting generous family-friendly policies, it is still not nearly enough. Too many families struggle and too few have options to find affordable care. As Figure 1 shows, the majority of companies in the United States are still not providing support to working families, particularly not in comparison with the identified "bests". But there is good news: although the majority of companies assessed by *Working Mother* only saw mild increases in family-friendly policies, the proportion of companies offering fully paid maternity leave exploded, increasing from 5 percent to 26 percent of companies. While there is still work to do, this demonstrates not only the power of changing state legislation, but also a larger cultural shift for companies in supporting families.

**Figure 1. Working Mother's "Best" vs. Majority of U.S. Companies**



Though many families from all walks of life struggle with lack of affordable child care, it is an exceptional challenge for many low-income parents who want to pursue education and training. Ten percent of low-income parents are enrolled in education and training programs.<sup>31</sup> Access to quality child care can afford opportunities to pursue paid work and education.

*The stakes are high for our country's future when these families must place at risk both the parents' career success and the child's long-term development.*

- CLASP, *Maintaining the Momentum to Reduce Child and Family Poverty: In-Depth Lessons from the 2015 Census Poverty and Income Reports*

In their analysis, CLASP also 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 have access to any paid leave. Forty percent of all workers lack access to paid sick leave.<sup>32</sup>

## Millennial Parents

A recent analysis of the 2015 Census data on poverty by CLASP<sup>33</sup> showed that young adults (under the age of 30) who are parents are very likely to be poor. Among all young adults, one-quarter live in poverty; the figure is more than 30 percent for young adults under the age of 25. Approximately 83 percent of poor young adults also have a child under the age of 6, suggesting this combination makes for a particular vulnerability in the population. Nearly a quarter of undergraduates are raising children, leaving low-income parents who are trying to improve their economic stability with a postsecondary degree to face even greater challenges and hurdles at a time they are more susceptible to higher debt levels and lower completion rates.<sup>34</sup>

Despite all the challenges faced by millennial parents, studies show they hold jobs and bachelor's degrees at higher rates than their childless peers. Millennial parents with a bachelor's degree have taken on 25 percent more student debt than their childless peers<sup>35</sup> even while child care and education costs have gone through the roof. With the added demands of parenthood, millennial parents are fitting more into each day, working odd hours and attending school in the evening and balancing work, tuition and studying, child care and family life on a day-to-day basis.

## LACK OF CHILD CARE COSTS FAMILIES MORE THAN LOST WAGES

For years, families weighed the cost of lost wages against the high costs of child care in making decisions to stay at home with their children or return to work. For many, the cost of child care rivaled the rates and salaries earned by one parent, making the decision to stay at home with children an easy one. Researchers at the Center for American Progress (CAP) suggest the cost to families run much larger than lost wages alone. CAP recently released a [report](#) and [interactive online tool](#), factoring in the accumulated losses from potential wage growth and retirement savings, further demonstrating the long-term effects of a lack of affordable quality child care options for families. In their report, CAP researchers offer an example of a 26-year-old new mother:

*"She started working at age 22 when she graduated from college and currently earns \$40,000 per year. If she decides to take 5 years off from work to stay home with her child in order to avoid paying for child care, she would lose an estimated \$642,000 over the course of her career due to lost wages, depressed future wage growth, and lost retirement savings."*

Researchers estimate a parent who leaves the workforce to become a caregiver may lose as much as four times their annual salary for every year they are not working.





# THE CHILD CARE LANDSCAPE IN THE UNITED STATES

## Child Care Settings

Every week in the United States, nearly 11 million children younger than age five are in some type of child care arrangement (see Table 1). On average, these children spend 36 hours a week in child care.<sup>36</sup> While parents are children's first and most important teachers, child care programs provide early learning opportunities for millions of young children daily and have a profound impact on their development and readiness for school.

**Table 1: Child Care Arrangements for Children Under Five**

Child Care Arrangement	Percentage of Children
Center-based care (child care center, preschool, Head Start)	35%
Grandparent	32%
Other relative (not including fathers)	10%
Family child care homes	8%
Care in the child's home	5%
Care in friend or neighbor's home	5%

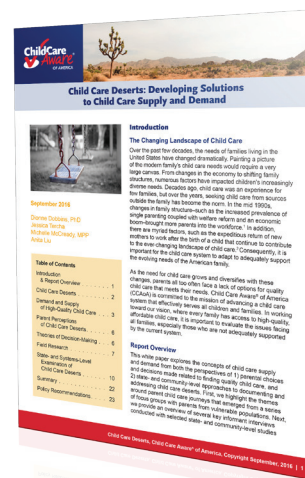
Note: Care by one parent while the other parent is working is not included in this table, so the percentages do not total 100 percent.

The majority of children attend child care centers; the rest are cared for by family child care homes, family members, friends, or neighbors. Twenty-six percent of children are in more than one child care arrangement during the week.

The cost of child care is out of reach for many families and comprises a significant portion of family income. However, even with the high cost of care, most child care settings do not rank high on quality. Nationally, it is estimated that less than 10 percent of child care is of sufficient quality to positively impact children's outcomes. Over 80 percent of child care centers are merely of "fair" quality.<sup>38</sup>

## Child Care Deserts

In a recently released [report](#), Child Care Aware of America introduced the term "child care desert," borrowing from the important work done by the USDA in identifying food deserts. As our first foray into an examination of state-level child care supply and demand, we loosely defined child care deserts as areas where families are faced with limited or no access to quality child care. In our study, we found child care deserts to be especially prevalent in low-income communities, rural communities, among families of color, and among families with irregular or nontraditional work schedules. With the 2014 Child Care Development Block Grant (CCDBG) Act, all states will be mandated to invest in and increase the supply of quality child care options, making it critical for states and communities to understand the nuances behind child care supply and demand at the local and state levels, identify child care deserts, and implement solutions. Child Care Resource & Referral Agencies (CCR&Rs) are called out specifically in the legislation and are a key player in identifying and solutions. The impetus is to identify and examine gaps overall as well as for vulnerable such as parents of children needs, parents who are dual learners, young parents, and low-income families.



## CHILD CARE DESERT STUDY USED TO TARGET FUNDING AND RESOURCES: OHIO

The early childhood advisory council of Ohio funded a child care supply and demand study to gain a better understanding of early learning and development programs in Ohio. To understand where there were gaps in child care supply, the team took an in-depth look at county-level profiles of child care supply and demand. The findings of the report reflected a large dearth of high-quality child care slots as compared to demand, with an average of 7.2 children for every accredited, quality-rated Early Childhood Education (ECE) or Preschool Special Education program space statewide. In addition, the results demonstrated especially large deficiencies in urban areas, which were also often the best funded counties for child care. Rural areas were identified as needing additional support to build quality supply.

Armed with this information on the need for increased high-quality child care spaces, stakeholders in Ohio advocated for increased support for providers in both entering and maintaining financial stability in Ohio's Step Up to Quality Quality Rating and Improvement System (QRIS). These advocacy efforts brought about important policy initiatives in the state. Such changes included requiring publicly funded providers to enter the quality rating system by 2020, as well as modifying subsidy payments in rate categories to better support providers in rural areas and providers in the process of transition into higher quality ratings.

For more information about the work being done in Ohio and for summaries of all seven interviews, see the [full report](#).

## Child Care Deserts: Developing Solutions to Child Care Supply and Demand



### The Changing Demographics

A peek into child care centers and homes in the United States reveals significant diversity among children being cared for and their providers. Demographic trends continue to influence the use of organized child care by families in the United States, as described below.

### Women as Breadwinners

Access to child care allows working mothers to remain in the workforce. Forty years ago, [less than half](#) of all mothers worked outside of the home, and only about a third of mothers with a child under age three worked outside of the home.<sup>39</sup> Now, about 75 percent of mothers with

children six to 17 years old are in the labor force; the figure stands at 61 percent for mothers with children under three years old.<sup>40</sup> The rise in maternal employment has affected the demand for child care as families with employed mothers are more likely than families with non-employed mothers to seek child care. When child care is unavailable, the maternal workforce is impacted; even a 10 percent decrease in availability of early childhood education reduces employment of single mothers by 3 to 4 percent and married women by 5 to 6 percent.<sup>41</sup>

In 2013, 40 percent of all households with children under the age of 18 included mothers who are either the sole or primary source of income for the family. However, this group is further divided: 5.1 million of these breadwinner moms are married mothers who have a higher income than their husbands, and 8.6 million are single mothers. Married breadwinner moms are disproportionately white with a household median annual income around \$80,000, while single breadwinners are largely African American or Hispanic with a median income around \$23,000.<sup>42</sup>

*The U.S. Department of Labor estimates that there would be roughly 5.5 million more women in the labor force if women in the United States had similar labor force participation rates to Canada and Germany, which would result in \$500 billion of additional economic activity.*

*- CAP, The Cost of Work-Family Policy Inaction: Quantifying the Costs Families Currently Face as a Result of Lacking U.S. Work-Family Policies*

### Need for Nontraditional Hours of Care

Over one-fifth of parents with children under age 13 work nonstandard schedules.<sup>43</sup> Most of these workers have lower pay and fewer benefits.<sup>44</sup> With more and more businesses operating around the clock, today's job market requires many employees to work shifts that either start before most child care programs open, or end after the programs close. Employees who work nontraditional schedules may work early mornings, late nights, weekends, holidays, or extended hours. Some employees also face unpredictable and inconsistent schedules that make accessing, arranging, and/or paying for child care difficult.

Restaurant Opportunities Centers United and National Women's Law Center recently released a [report](#) focusing on nightcare for children of tipped restaurant workers, for whom prime shifts and peak earning potential occurs nights and weekends. They report that parents who are

tipped workers earn as little as \$2.13 per hour, making vying for highest-earning shifts a necessity in order to maximize income. Unfortunately, nightcare is largely inaccessible through licensed providers, leading many tipped workers to rely on informal and underground markets, while others leave the industry to engage in child care work, particularly while their children are young.<sup>45</sup>

More low-income workers operate on nonstandard schedules than do other workers: 28 percent compared with 20 percent, respectively.<sup>46</sup> Just as many families must cobble together child care situations to meet their families' needs, many parents must cobble together part-time jobs to pay the bills. Many workers with nontraditional schedules work irregular hours as involuntarily part-time employees, meaning they work one or more part-time jobs 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 low income than those for Americans working 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%; Latino: 16%; white: 14%). Poverty rates are also higher for involuntary part-time workers who are: African American (34%), Latino (28%), parents (34%), or under the age of 25 (23%).<sup>47</sup>

*Mondays she goes to [child care] until my grandparents pick her up, and then they stay at my house until my aunt gets home. She's with me Tuesday, Wednesday. I take her to my mom's Wednesday to Thursday, because those are my mom's two days off. Friday I take her back to daycare. My grandparents pick her up until my aunt gets home. Saturdays she's all day with my aunt, and Sunday she's all day with my dad. It definitely takes a village.*

*- Parent with a nontraditional schedule<sup>48</sup>*

These low-income families face irregular, unpredictable schedules that often require last-minute adjustments to child care arrangements and disrupt family routines so critical to the lives of developing young children.<sup>49</sup> 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.<sup>50</sup>



Although more and more child care providers are extending hours and creating flexible options for parents, the demand still far exceeds the supply of options. Federal and state-based child care subsidies are typically based on day-to-day program attendance, so for many providers, flexible scheduling to accommodate parents' schedules can mean budgetary deficits in their own programs. The problem extends to the 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.<sup>51</sup>

*So, that's the issue right there, working nights, and there's really not child care for that. There is, but it's extremely expensive.*

*- Parent with a nontraditional schedule<sup>52</sup>*

The search for child care can be difficult and the choices few. 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.

### Homeless Children

Supporting the well-being of young children and their families that are homeless is an urgent task and one that is critical to improving the long-term outcomes for children's healthy development. It is essential that quality early care and education is available and accessible to young children experiencing homelessness. Experiencing homelessness in early childhood has been associated with poor early development and poor academic achievement.<sup>53</sup>

Although children under the age of 1 comprise approximately 6 percent of the general population, infants and their guardian(s) make up 12 percent of the population

served by HUD-funded Family  
Shelters; more  
than half of  
children

served by HUD-funded emergency or transitional housing providers in 2012 were 5 years of age or younger.<sup>54</sup> During the school year 2013-2014, U.S. public schools enrolled over 1.3 million homeless children and youth, including 50,000 ages three to five (not including kindergarten).<sup>55</sup> In 2013, HUD-funded programs provided shelter to 301,348 children in families; 123,000 were ages one to five, and 30,100 were under the age of one.<sup>56</sup> Despite the growing number of children in the homeless population, they have low rates of access to and enrollment in early childhood services, including child care. Barriers to access include lack of transportation, insufficient program capacity, complicated enrollment requirements, and difficulty identifying and engaging with this population.<sup>57</sup>

### Cultural and Linguistic Diversity

As with the nation at large, both the children in child care and the adults who care for them are very diverse, and projected to become more so in coming decades. As of 2014, immigrants comprise 23 percent of all parents with young children (ages 0-8 years old) in the United States (8.4 million); 24 percent more of these parents live at or below federal poverty level compared to their native-born counterparts.<sup>58</sup> Children of refugees and immigrants now account for 25 percent of the 23 million children under the age of 6, compared to 14 percent in 1990. California, Texas, New York, Florida, and Illinois account for half of the number of children in immigrant families.<sup>59</sup> Research has shown that these young children, especially dual language learners, benefit from quality child care that is culturally and linguistically responsive. Unfortunately, there is a lack of bilingual child care providers, and many of those in the workforce are substantially underpaid.<sup>60</sup> The continued growth of immigrant populations highlights the need for settings that consider the language and culture of the children being served.

Child care programs serving diverse populations need to build their capacity to communicate effectively and convey information in a manner that is easily understood by diverse audiences, including those with limited English proficiency, those who have low literacy skills or are not literate, and individuals with disabilities.

### Children from Low-Income Families

Children from low-income families are more likely than their peers to lack the key resources needed for a good start on the school readiness path. When it comes to math and reading skills, considerable disparities already exist



between children from low socioeconomic status and children from higher socioeconomic status at the start of kindergarten.<sup>61</sup> These disparities are only increasing, making it essential that public policies are developed to ensure that children are readied for school and lifetime success by meeting their educational, developmental, and nutritional needs during these crucial years.

In 2014, 21 percent of children (including nearly one in four children under age five) were living in households with incomes below the federal poverty line (\$19,790 for a family of three).<sup>62</sup> Nearly 64 percent of infants and toddlers receiving CCDBG funding live in families with household incomes below the federal poverty level.<sup>63</sup> In 2014, almost 40 percent of black children and 32 percent of Hispanic children lived in poverty.

### **Children with Special Needs**

As many as one in four children is at risk for a developmental delay or disability.<sup>64</sup> Low-income children are also more likely to have special needs, with 16 percent of low-income families having a child with a disability (nearly 50 percent higher than the rate for higher income families). Research has shown the importance of providing supports to children with disabilities and other special needs in their early years, as quality child care and early education in inclusive settings can benefit both the children and their families. Despite this statistic, the current state of child care centers leaves many families with special needs wanting for adequate support. Studies have shown a lack of child care slots willing to accept children with disabilities or other special needs, and even once accepted, parents have reported that their children are more likely to be let go by caregivers due to behavioral problems.<sup>65</sup>

*My wife and I manage our work schedule where I go to work and I need to be in by 7, and she goes in later. So we are kind of bridging on the edges there, where she has him exclusively in the morning and I have him exclusively in the afternoon. In the middle we have somebody come to the house. It is prohibitively expensive. We did an exhaustive daycare search before; we are doing one now, but because of the developmental delay the physician told us, you know, have somebody devote their care one-on-one.*

- Parent of a child with special needs<sup>66</sup>

## **EXCEPTIONAL FAMILY MEMBER PROGRAM (EFMP) RESPITE CARE**

Child Care Aware® of America has been administering the Exceptional Family Member Program (EFMP) Respite Care to the US Navy and the US Air Force for 9 and 6 years, respectively, to benefit military families who have children with special needs. EFMP Respite Care is high-quality child care for the exceptional children of military members in order to give their parents a break. Finding and paying for high-quality child care for children with special needs presents significant challenges for military parents and they are often away from their extended families' support. Through EFMP Respite Care, eligible parents interview with and select from a pool of appropriately trained and screened providers who are matched to meet the special needs of the family. Respite Care is usually provided in the family's home. Respite Care Providers receive continuous training geared to the special circumstances of the children in their care. EFMP Respite Care is available to eligible Service Members throughout the United States and is provided at no cost to families.

### **Unequal Access for Children of Color**

This stratification in the dramatically increasing group of working mothers may help to explain why child care demand appears to be especially diversified along racial and income lines. For example, among children ages birth through four whose mothers are employed, African-American children are most likely to be enrolled in center-based care (31 percent). Regardless of race, poor children are less likely to be in center-based care and more likely to be cared for by a relative at home –likely in order to keep the costs of child care down in an already strapped budget. Accordingly, increasing levels of maternal employment have grown a demand for child care that has become a pressing issue for many families.

The nation's census data reveals the pressing need for a remedy to the unequal access to quality child care for children of color. According to census data released in 2015, there are approximately 5.5 million<sup>68</sup> children of color ages five years or younger living the U.S. By the year 2050, it is predicted that people of color will be the largest percentage

of all U.S. citizens. Furthermore, it is projected that by 2060, Hispanics will represent 39 percent of the U.S. population under the age of five with whites, African Americans, and Asians at 31 percent, 13 percent, and 7 percent, respectively.<sup>69</sup> Not only is the general supply of child care options lagging, but the options currently available may not fully represent quality child care responsive to the specific cultural and linguistic needs of this growing population. In many communities, particularly more rural areas, access to care may be limited to family child care providers, further limiting choice for families. Although the selection of center-based care versus family child care is not necessarily an indicator of quality, it may be an indicator of access to care deemed more culturally appropriate by parents.

Unfortunately, not all early care and education programs are equal. Studies show that some children of color, particularly African-American preschoolers, are the least likely to gain access to high-quality early care and education. Barnett et al.<sup>70</sup> reported on findings from the National Center for Education Statistics study of observational ratings of preschool settings and revealed that although 40 percent of Hispanic and 36 percent of white children were enrolled in center-based classrooms where quality was rated as “high,” only 25 percent of African-American children were

in classrooms with the same rating. Furthermore, 15 percent of African-American children attended child care centers where quality was ranked as “low”—almost two times the percentage of Hispanic and white children. Hispanic and African-American children in family child care settings were even worse off with over 50 percent in settings rated as “low” compared to only 30 percent for white children. Head Start, designed to serve the children of very poor families, is focused on delivering quality programming with

high program standards and frequent federal monitoring. Quality, however, is inconsistent from program to program, leaving African-American children at a real disadvantage. In fact, only 26 percent of the Head Start programs that serve African-American children are considered high-quality—far below the numbers for both Hispanic and white children (43 percent and 48 percent, respectively).

### **Infant Care**

For many families, the high cost of infant and toddler care in and of itself limits access to an already limited supply of child care options. According to the 2016-2017 Child Care Aware® of America Public Policy Agenda, the average cost of infant care exceeds 10 percent of the state’s median income for a two-parent family. Nearly 64 percent of infants and toddlers participating in CCDBG live in families with household incomes below the federal poverty level, which was \$20,090 for a family of three in 2015. Young children need developmentally appropriate care with higher staff-to-child ratios and smaller group sizes than those for older children, which is a key factor to markedly higher costs for infant care. Infants and toddlers from low-income families are more likely than their peers to lack the key resources needed for a good start on the school readiness path and to ensure they do not fall behind even before arriving at pre-K. These costs are even harder to shoulder for low-income families and single parents. Across all 50 states, the cost of center-based infant care averaged over 40 percent of the state median income for single mothers.

Due to the higher cost of care for infants and toddlers, relative to costs for caring for 3- and 4-year-old children, many providers subsidize the cost of infant care through the cost of preschool care. According to cost models for care, the quickest way to balance a child care budget is for providers to care for more 3- and 4-year-old children and fewer infants and toddlers.<sup>71</sup> This is often an unintended consequence of investments focused on the 3- and 4-year-old age group, like universal or state-funded pre-K.

### **Investments in the Child Care Workforce**

In 2015, the Institute of Medicine (IOM) and the National Research Council (NRC) published a major study<sup>72</sup> about the child care and education workforce. Given what scientists know about how the brain develops and about how children learn, the authors then asked, 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.





## UNDERSTANDING THE EARLY CHILDHOOD WORKFORCE

The Center for the Study of Child Care Employment at Berkeley developed the [Early Childhood Workforce Index](#) to provide a baseline description of the state of early childhood employment conditions across the country. This index provides states with biennial appraisals of their progress toward achieving specific indicators of quality and acts as an invaluable tool to policy makers and advocates. Each state is assigned a category indicating its progress has stalled, is edging forward, or is making headway. Indicators include workforce qualifications, QRIS, compensation strategies, financial resources, and other workforce data.

One factor that contributes to positive learning and development is consistency in high-quality experiences over time. That can be difficult to achieve, given that children spend time in a variety of different child care settings before they enter kindergarten.

How, then, is it possible to provide children with consistent, high-quality experiences? One fundamental way is to ensure that there is consistency among the care and education workforce. In other words, no matter the setting, workers share the same fundamental *knowledge* (about child development and early learning) and *competencies* (their effectiveness in applying that knowledge).

According to the IOM study, all care and education professionals need certain foundational knowledge and core competencies:

### Foundational Knowledge

- ▶ How a child develops and learns
- ▶ The importance of stable and caring relationships between children and adults to healthy child development
- ▶ Biological and environmental factors that can enhance or interfere with children's development

### Core Competencies

- ▶ Engage children in quality interactions that support child development and learning-through everyday interactions and specific learning activities

- ▶ Promote positive social development and behaviors
- ▶ Recognize signs that children may require specialized services
- ▶ Make informed decisions about whether and how to use different technologies to promote learning

What science underscores is the important role played by the care and education workforce in children's healthy development. It also points to the need for this workforce to be well-trained and well-compensated. The current reality is quite different. A bachelor's degree in early childhood education has the lowest projected lifetime earning potential of any major<sup>73</sup> leaving little incentive for child care providers to invest in their own higher education. To help counter this, students enrolled in eligible programs may apply for a TEACH grant to receive up to \$4,000 a year towards course work necessary for a career in teaching. Grants are eligible to those seeking study and a career in a high-need field, and who agree to work at an elementary school, secondary school, or educational service agency that serves students from low-income families.<sup>74</sup>

## Qualified Staff

Young children require individualized attention and thrive best in small groups with consistent caregivers and low adult-to-child ratios. Early learning programs, therefore, need significantly more staff than other settings for children, such as K-12 classrooms. As a result, early care and education is a very labor-intensive industry. Up to 80 percent of child care business expenses are for payroll and payroll-related expenditures.<sup>75</sup>

As the IOM report reveals, providers with strong professional preparation are essential to providing 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 is often prohibitive. With limited funds, child care programs are forced to pay low staff wages and provide only limited benefits, making it difficult to recruit and retain qualified staff.

Compounding the issue are the Standard Occupation Classification (SOC) definitions used by the Federal government to define labor categories for workers providing early childhood care and education. Child care workers are classified separately from educators, falling into the service personnel category with occupations including Amusement and Recreation Attendants; Locker Room, Coatroom, and Dressing Room Attendants; Funeral Attendants; Barbers; and Fitness Trainers and Aerobics Instructors, among others.<sup>76</sup> In its review of this issue, the SOC Policy Committee noted that “workers who care for children perform duties that are distinct from workers who teach children.” While this implies that workers who care for children do not teach them, research tells us this is just not true.

Across the country, child care workers make less than two-thirds the median wage for all occupations in that state. From 2012 to 2013, the Center for the Study of Child Care Employment looked at economic insecurity in a group of 600 childhood teaching staff in one state as part of a larger review of workplace supports. They found nearly three-quarters of teaching staff worried about having enough money to pay monthly bills and one-half expressed worry about having enough food to feed their families. Child care workers often see little to no increase in pay over time. In a review of child care workers wages between 2010 and 2015, 13 states saw small increases in wages with a \$0.50/hour increase in Oregon being the largest (5% increase). In the majority of states, however, there were decreases in wages,

as much as 12 percent in Rhode Island during that time.<sup>77</sup>

*I actually work in the facility my son attends, and have made the same \$7.25 per hour for the 4.5-plus years I have been there. We are NAEYC accredited, non-profit, United Way funded, and I still pay almost \$400 per month, for a nearly five-year-old. I love what I do... and that's why I do it.*

- Child care worker, single mom of one

Despite the labor-intensive costs of running a child care business, according to a new report by the Economic Policy Institute,<sup>78</sup> most child care workers live in poverty. The average hourly wage for child care workers in the U.S. was \$10.72 in 2015, putting wages of child care workers below 97 percent of all occupations in our economy, comparable to fast food cooks. Nearly 15 percent live below the poverty line, and a third have incomes that are below twice the poverty line. They are less likely to receive work-based benefits like health care and they have difficulty making ends meet. Many are unable to afford child care for their own families.

According to our calculations, in every state, child care workers would need to spend more than half of their income in order to afford center-based child care for two children. Further, in fourteen states plus D.C., over 100 percent of the median child care worker's income is required to put two children in center-based (Table 2). However, wage increases are not enough to fix a systemic issue for many. When wages alone are increased, many workers can lose subsidies, housing assistance, health insurance and access to other government assistance programs helping their

**Child care providers don't make enough money to afford child care for their children**



=



In every state in the U.S., a child care worker with **two children pays more than half of their income** toward child care.



**Table 2: Child Care Worker Income Compared to the Cost of Having Two Children in Center-Based Care**

Rank	State	Average annual cost of center-based care <sup>+</sup>		Average annual child care worker income <sup>++</sup>	% of child care worker income required for 2 children in child care
		Infant	4-Year-Old		
1	Hawaii	\$13,584	\$11,232	\$18,860	131.8%
2	Massachusetts	\$17,082	\$12,796	\$24,980	119.7%
3	Minnesota	\$14,826	\$11,420	\$22,470	116.8%
4	Rhode Island	\$12,882	\$10,052	\$19,720	116.4%
5	Connecticut	\$14,079	\$11,669	\$22,410	114.9%
6	Maryland	\$14,726	\$10,039	\$22,120	112.1%
7	Virginia	\$12,220	\$9,256	\$19,510	109.9%
8	Colorado	\$14,950	\$11,089	\$23,870	109.1%
9	Pennsylvania	\$11,978	\$9,119	\$19,590	107.7%
10	Illinois	\$13,176	\$9,758	\$21,830	105.1%

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: Gould

Note: Percentage of income figures based on total cost of having an infant and 4-year-old in child care. Rankings do not include the District of Columbia.

families, leaving too many back where they started in struggling to keep their families fed and cared for.

## The State of Our Child Care Systems

"Fragmented." That is how the IOM study describes the

current status of the country's child care systems. The use of the word *systems* (plural) is intentional, as there is no single entity that governs, and no single set of standards that apply to all child care businesses. Rather, there are many systems with inconsistent standards for how child care settings are staffed, licensed (if at all), and operated.

## DISTRICT OF COLUMBIA IMPROVES QUALITY OF CHILD CARE FOR INFANTS AND TODDLERS

The District of Columbia is leveraging its federal Early Head Start-Child Care Partnership grant to implement a neighborhood-based Early Learning Quality Improvement Network (QIN) to improve and expand the quality of child care for infants and toddlers. Providers may enter into a contract with the District to accept payments on behalf of low-income families eligible for this program. Payment rates are tiered based on program quality ratings: gold, silver and bronze. Higher rated programs receive higher payment rates. This program will allow families in the District to access 75 percent of area providers, opening up access for families across the city. Efforts are currently underway to further improve this system by examining infant and toddler care rates compared to market rate in the District; the District currently reimburses up to 74 percent of the current market rate (tier-based).

In addition to subsidies, three neighborhood hubs provide coaching, professional development, and technical assistance to home- and center-based child care providers to help them meet Early Head Start standards and offer comprehensive services, such as mental health consultation and nutrition support. The QIN is expected to improve care for the 3,300 infants and toddlers currently receiving child care subsidies and add 1,000 new high-quality Early Head Start slots by 2020. The University of Maryland recently began an evaluation to determine the impact of the QIN on infant, toddler, and family outcomes. Read more [here](#).



These include inconsistencies in educational and training requirements, licensing standards, and funding support and related quality requirements.

One result of these inconsistencies is a disjointed care and education workforce. The authors of the IOM study state that nothing less than an overhaul of current child care systems is needed. They provide a blueprint and a set of recommendations for how to achieve a more unified and professional system. It will require “complex, long-term systems change”—starting now. As a whole, [the IOM recommendations](#) address the many faults in the current child care systems. They offer concrete steps to achieve a “stronger, more seamless care and education continuum.”<sup>80</sup> Achieving that will require all stakeholders—

including government, funders, and the higher education community—to work cooperatively. It will also require innovative funding strategies to raise the significant amount of resources needed.

## Child Care Policies Overview

State licensing regulations govern issues related to children’s health and safety while they are in out-of-home care and are crucial to maintaining basic standards for children’s health and well-being. The CCDBG Reauthorization Law of 2014 makes significant advancements over earlier versions of the law by defining health and safety requirements for child care providers, outlining family-friendly eligibility policies, and ensuring that parents and the general public have transparent information about the child care choices available to them. In September of 2016, the Office of Child Care (OCC) published new rules to provide clarity to states on how to implement the law and administer the program in a way that best meets the needs of children, child care providers, and families.

### 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 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 and 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.



Given the very real financial challenges of running child care businesses, states must make difficult decisions about the amount and types of regulations to establish so that the needs of children and the needs of business owners

are balanced. Child care programs may also be forced to make compromises, weighing decisions about quality against what parents can afford. Decisions that can impact the cost of care include:

## Ratios

- ▶ The number of children cared for and educated by one adult.
  - ▶ Having one adult responsible for a smaller number of children allows children to get more individualized attention, but low staff to child ratios requires hiring more staff.
- 

## Group Size

- ▶ The number of children that can be in one setting regardless of adult supervision.
  - ▶ A smaller group size is better for children's development, particularly for very young children where recommended group sizes are six babies with two adults, but more children in a group means a higher income for the program.
- 

## Square Footage

- ▶ The number of square feet required in the building and on the playground for each child.
  - ▶ Larger buildings provide more space for children, however require more maintenance and upkeep and higher rent/mortgages, adding to providers' costs.
- 

## Facilities

- ▶ The building and equipment used by providers and children
  - ▶ Creating warm, welcoming learning environments and engaging outdoor play spaces with adequate square footage is essential for children's learning, but larger spaces and better equipped spaces can drive costs up.
- 

## Activities and Materials

- ▶ The types of activities and materials that support children's academic, physical, social, and emotional growth and school readiness.
  - ▶ Programs and activities take time to prepare and to effectively deliver, but can be worth it in providing education and physical activity for children in care.
- 

## Professional Development and Training

- ▶ The training and ongoing education offered and received by providers, staff, and directors to learn more about providing quality care to children.
- ▶ Training can be expensive to develop and deliver; providers must also consider the cost of sending staff to trainings and providing care while staff are out.



# FINANCING CHILD CARE

## What it Takes to Run a Child Care Business

It is important to note 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.<sup>81</sup>

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. Unfortunately passion is not enough to keep a business running and more and more providers are being forced to shut their doors, leading to child care deserts in many areas. Invaluable cost modeling work by Louise Stoney and Anne Mitchell at the [Alliance for Early Childhood Finance](#) demonstrates for providers and state-level policy-makers what it takes to run a viable child care business. Stoney<sup>82</sup> describes an “Iron Triangle” of early childhood education financing which describes three key components of a successful program:

- ▶ **Full Enrollment.** Because public child care is subsidized on a day-to-day basis, it is imperative that programs are fully enrolled (95%) 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 Solutions section for more information about this model.

States also need to understand that quality has a cost. Cost modeling is also 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 legislated 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 even break even in delivering services.

## 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 lower costs to families. Child care subsidies have been linked to improved employment outcomes for



parents, and particularly single mothers who were more likely to be employed full time when they received a child care subsidy.<sup>83</sup> A [guide](#) released by CLASP and National Women's Law Center provides suggestions for states in implementing the new components of the final rule of the CCDBG Act, 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 Solutions section of this report.

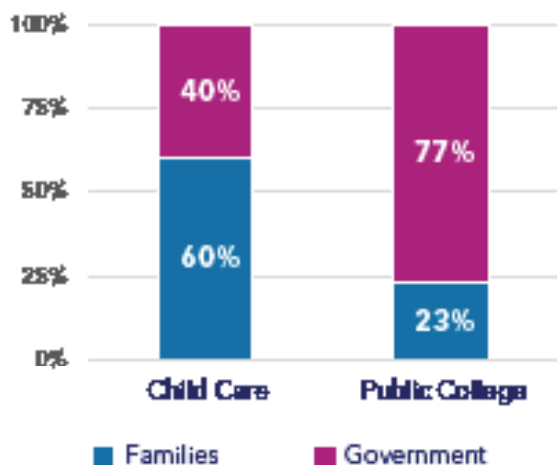
## Burden for Families

About 60 percent of funding for child care in the United States comes directly from parents.<sup>84</sup> 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.<sup>85</sup>

*There is help. I know Maryland has child care vouchers, but being a single parent I somehow still don't qualify for it. I have a full-time job in retail, so it's not like I make a lot of money, and still being a single parent I still didn't qualify for, you know, vouchers. I don't know what is required to get them.*

– Parent with a nontraditional schedule<sup>86</sup>

### Percentage of Parent Cost Burden



## Federal Funding

About 2.6 million children receive federal subsidies through one of several funding sources including the CCDBG Act, Temporary Assistance for Needy Families (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.<sup>87</sup> 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.<sup>88</sup>

These investments have not been enough. CCDBG funding has not kept pace with inflation or the current demand for care across the country. A recent analysis of the CCDBG funding by the Center for Law and Social Policy suggests that patterns of investments have not kept up with demographic shifts. For example, funding has remained relatively flat in the South and Southwest where child populations have experienced rapid growth, particularly among Hispanic and African American children.<sup>89</sup>

In addition, publicly funded programs that offer free early childhood education don't reach nearly enough families in need. In 2014, the number of children served by CCDBG funds reached a 15-year low.<sup>90</sup> Head Start serves less than half of eligible preschool-age children, Early Head Start reaches less than 5 percent of eligible infants and toddlers, and state-funded pre-K programs reach only 29 percent of 4-year-olds and 4 percent of 3-year-olds. Even though there are some public funding options available for early childhood education, the incomplete patchwork of support often does not provide enough assistance for low-income families to access high-quality child care. Only 17 percent of eligible families access these subsidies due to a complex maze of program rules at the state level regarding waitlists, family co-pays, and provider reimbursement rates. For example, families may not receive the subsidies they are eligible for due to long waiting lists or freezes on intakes (turning away families without adding them to a waitlist).<sup>91</sup> Depending on population distribution and the racial distribution of children served in a state, children of color may be disproportionately impacted by these policies. As the gap between those eligible and those served widens, many of these families turn to placing their child in an informal, unlicensed, or low-quality setting.

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. 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 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%) who receive CCDBG assistance is in unlicensed care. In 10 states, 30 percent or more of the children who receive CCDBG assistance are in unlicensed settings.<sup>92</sup> 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.

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, typically 10 percent of the cost of care.

About **1.7 million children receive assistance through CCDBG**— approximately one out of every six eligible children.<sup>93</sup> Fifty percent of the families receiving child care assistance through CCDBG funding had an annual income below the federal poverty level (**\$20,090 for a family of three**). Another 25 percent had income between 100 percent and 150 percent of the poverty threshold.<sup>94</sup> Despite the huge difference federal subsidies makes 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.

## CHILD CARE DEVELOPMENT BLOCK GRANT: 2014 REAUTHORIZATION

In 2014, President Obama signed bipartisan legislation updating and reauthorizing the CCDBG Act for the first time in 20 years. Below is a quick overview of the changes provided for by this law.

- ▶ **Raises health and safety requirements.** The new law established a baseline for health, safety, and quality nationwide to ensure children are protected and are in nurturing environments. New requirements mandate regular inspections of facilities, health and safety standards for licensed and unlicensed programs, and comprehensive background checks for program staff.
- ▶ **Helps parents make informed choices and receive information about supporting child development.** Reaching beyond parents directly served by CCDF, the final rule ensures parents have access to information about providers and their services. It also ensures parents receive information about subsidies they may be eligible for, and developmental screenings and services they are entitled to. They also have access to information about provider incidents as they make their choices about child care.
- ▶ **Supports equal access to high-quality child care for low-income children.** The final rule helps to stabilize child care for families by increasing eligibility for children to a minimum 12-month period. This means that when a parent gets a new job and increases their household income, they don't simultaneously lose their child care. The final rule also ensures the public has a say on reimbursement rates for providers and to factor quality into that rate.
- ▶ **Enhances the quality of child care and the early child care workforce.** Research tells us children learn the most before the age of 5— the final rule requires training and professional requirements for the child care workforce, gradually increases the proportion of funds to be used for quality care, and prioritizes populations with high poverty and unemployment.
- ▶ **Changes for Tribal Grantees.** The final rule identifies the provisions regarding funding and child eligibility which apply to CCDF tribal grantees.

To meet the need, 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.
- ▶ Tightening parent eligibility criteria so that a program serves fewer children.

*I know it's expensive everywhere, but we are a middle class family and so I don't qualify for child care subsidies; you know, there are more needy families, but we are in the same situation.*

*- Parent of a child with special needs<sup>95</sup>*

## Tax Credits

Families bear the majority of the burden for child care costs. 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, the Child and Dependent Care Tax Credit, 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 federal government offers two tax credits eligible parents can utilize: the Child Tax Credit (CTC) is worth up to \$1,000 per child, a portion of which is refundable depending on family size and income; and the Child and Dependent Care Tax Credit (CDCTC), through which families can claim up to \$6,000 in qualified care expenses for two dependents each year. Although small compared to the high costs 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 Solutions section.

## Business and Philanthropic

Less than 1 percent of funding for child care comes from businesses and philanthropic organizations.<sup>96</sup> An unexpected funding source for child care is the low wages teachers earn. If child care teachers and providers earned salaries comparable to those with similar levels of educational attainment, child care costs would rise. In effect, then, the low wages of the early care and education workforce serve as a subsidy for parents and child care businesses.<sup>97</sup> When adjusted for inflation, the wages for child care providers have remained stagnant over the last 20 years.

## Other Support for Child Care Systems Development

The CCDBG program requires states to spend a minimum of 4 percent of the monies 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 must channel a minimum of 7 percent of CCDBG funds into quality improvement. That rises to 8 percent in FY 2018 and FY 2019, and 9 percent in FY 2020 and FY 2021. Additionally, beginning in FY 2017, states must reserve a minimum of 3 percent of funding for activities dedicated to supporting infants and toddlers. 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.

Another support for communities lies in the Child Care Access Means Parents in School (CCAMPIS) program,





designed to provide funds to support or establish campus-based child care programs serving the needs of low-income students. 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 \$15.1 million from 2001 to 2014.<sup>98</sup>

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. In a report from the National Institute for Early Education Research in 2015, they found modest growth in enrollment overall in statewide programs, noting that while some states showed dramatic increases, others showed dramatic decreases in enrollment, likely due to issues in funding. As enrollment rose, so did quality, hitting a new high; six programs gained a quality standards benchmark and no programs lost benchmarks. Total funding for statewide pre-K has surpassed the pre-recession level and states' investments per child continue on an upward trend.<sup>99</sup>

## 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.<sup>100</sup> 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 Solutions section).

Social Impact Bonds (SIBs), also known as Pay for Success financing, relies on a contract with an investor (or

investors) from the public sector. The investor commits to pay for improved outcomes over a specified period of time that result in public sector savings. Repayment to investors is contingent upon specific social outcomes being achieved. To date, SIBs for early childhood investment have focused on home visits and pre-K interventions as research has shown that effective early childhood education results in fairly predictable returns to investors.<sup>101</sup>

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 Solutions section.<sup>102</sup>

## The Cost of Unregulated Child Care

Child Care Resource and Referral agencies (CCR&Rs) throughout the country report that due to the high cost of care, some families choose to move their children from licensed programs to informal/unlicensed child care settings.

As child care costs climb, informal family, friend, and neighbor (FFN) care is becoming more and more widespread in the U.S. Informal care is generally provided by caregivers who are relatives, friends, neighbors, or babysitters and nannies. Informal care is typically subjected to few, if any, regulations. In 2008, estimates ranging from 33-53 percent of children under 5 are cared for in an informal care situation.<sup>102</sup>

New America recently examined the increasing concern of “[gray markets](#)” of child care, where struggling families utilize FFN care in order to make ends meet. Although typically much less expensive than child care providers, this gray market is typically unregistered, unreliable, and unregulated. 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 salaries.



*...So those two days that she's not in [child care], sometimes [the older child] takes care of her, but other times, I leave her with the aunt, sometimes with a very good friend of ours, and so it's also complicated on the weekends, because sometimes I travel for work, and so when I travel I can't go pick her up, so I have to coordinate who's going to go pick her up and who's going to have her [...] we're always calculating like three months in advance what we're going to do.*

*- Latino parent<sup>103</sup>*

New America recently teamed with Care.com, as well as other partners, to develop the [Care Index](#), an online interactive tool which allows users to take a closer look at ratings of cost, quality, and accessibility nationwide. In their report of findings<sup>104</sup> from this index, they noted that child care costs are high for center-based care as well as for in-home care, noting the average annual cost of a full-time caregiver is \$28,353, equal to 53 percent of median household income. They also found that many families across the country do not have ready access to quality care despite the majority of families reporting that all parents in their household work. One-fifth of families who participated in this survey reported they typically have more than one child care arrangement, paid or unpaid, every week. While the costs of unregulated care may be lower than those represented in this report, the quality of care in unregulated facilities is 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. Most parents are, understandably, not willing to ask a friend to let them inspect the cupboard under the sink for poisons or to ask for a criminal history check. In the case of unlicensed care, no one is performing these types of quality inspections. 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 ACF recommends that states consider unannounced visits for license-exempt providers since experience shows they are effective in promoting compliance.<sup>105</sup>

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 unrelated children are cared for in the home. Eight states allow family child care providers to care for six or more children for pay without a license or any oversight.<sup>106</sup> In 11 states, it is illegal to provide care for even one child for compensation without a license and monitoring.

Although child care in informal situations may be more financially affordable in the short run, there may be hidden costs that are paid later. School-readiness 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.<sup>107</sup>







# AVERAGE COST OF CARE IN THE STATES

## Methodology

In February 2016, Child Care Aware® of America surveyed Child Care Resource and Referral (CCR&R) State Network offices and local CCR&Rs about 2015 cost data related to the average price of child care for infants, 4-year-old children, and school-age children in **legally operating** child care centers, and Family Child Care (FCC) homes. CCR&Rs reported this data based on state Market Rate Surveys as well as the databases maintained by the CCR&Rs.

For some states, the cost of care was derived from the latest market rate survey available. Rates collected prior to 2015 were adjusted by the Consumer Price Index; i.e., reported in 2015 dollars, using the Bureau of Labor Statistics Consumer Price Index Inflation Calculator. *Indiana, Maine, Pennsylvania and South Carolina* did not report information. The price of child care in these states was adjusted from prior years' data. *Colorado* was unable to report data in a manner similar to other states and as a result cannot be included in cost or affordability comparisons.

**Table 3: Percent Difference in Affordability from 2011 Compared to 2016**

Although the costs related to child care have remained fairly static, our data shows that child care has become less and less affordable for families in many states across the country. While data for some states indicates child care is becoming more affordable in different child care situations, data for many other states shows child care has become much less affordable for families across the country. The table below shows the percentage change in inflation adjusted child care costs for the top 5 least affordable states as well as the bottom 5 most affordable states. Top 5 states showed the highest increases (meaning child care became less affordable), while the bottom 5 states showed the least change (meaning child care became or stayed more affordable).

	State	2011-2015			
		Centers		Homes	
		Infants	4-Year-Old	Infants	4-Year-Old
Top 5	District of Columbia	6.57%	9.82%	23.35%	NR
	Massachusetts	8.22%	4.07%	8.44%	0.06%
	Minnesota	3.62%	3.51%	-0.81%	-0.34%
	Maryland	8.52%	2.69%	5.14%	2.47%
	New York	-4.18%	-4.15%	-3.28%	-3.56%
Bottom 5	South Dakota	-1.97%	-2.67%	-11.84%	-10.09%
	Arkansas	6.02%	2.22%	8.92%	9.22%
	Louisiana	-7.46%	-12.95%	-4.68%	3.35%
	Alabama	0.01%	-18.34%	-1.43%	-1.45%
	Mississippi	4.29%	7.72%	-19.87%	-33.91%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

\*Source: Child Care Aware® of America's February 2016 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, 2014 one-year estimate. Table B19126.



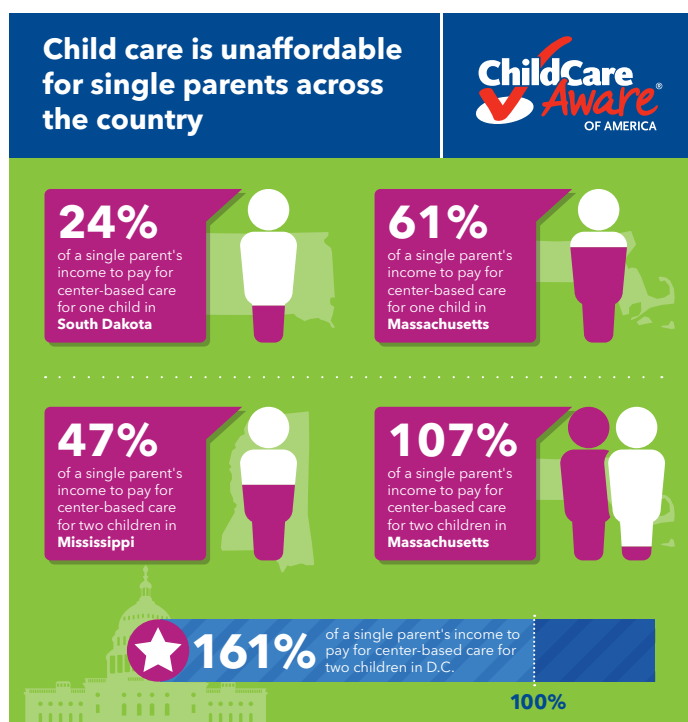
New to the 2016 analyses is the inclusion of **county-level cost data** from the following states: *Arizona, Massachusetts, Minnesota, and New Hampshire*. Child Care Aware® of America identified the states where we had a strong working relationship, and confirmed that county-level data was available within the National Data System for Child Care (NDS) suite and the state was willing to provide this information.

For the 2016 survey, we asked about costs for school-age care for a twelve-month year, a nine-month school year, and care over the summer months. We have reported costs for a twelve-month period. Costs for *Illinois, Mississippi, Vermont, and Virginia* include both the costs for the nine-month school year and for the summer months, as data was not available from these states for twelve-months.

## Affordability: Child Care Costs and Family Income

To better understand the impact of child care fees on a family's budget, Child Care Aware® of America compared the average cost of center-based child care to family income by state. Affordability was calculated by dividing the average cost of care by the state median income.<sup>108</sup>

The least-affordable state had the highest child care cost compared to family income. **This 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 highest when compared to all states.



For example, the dollar cost of center-based care for infants was actually highest in Massachusetts, over \$17,000 per year, compared to over \$13,500 per year in *Hawaii*; however, as a percentage of median income for married couples with children, child care was least affordable in *Hawaii*.

States were ranked from least affordable to most affordable for full-time care for infants, 4-year-olds and school-age children in a child care center and in a family-based child care program. In 2015, *Hawaii* was the least-affordable state for infant and 4-year-old care, while school-age care was least affordable in *New York*. For center-based infant care in *Hawaii*, the average cost was nearly 16 percent of state median income for married couples with children.

In the past, we have ranked states based on affordability of *center-based* care for families. For consistency, we continue to provide comparisons between center-based costs and other household costs but have included rankings for licensed family child care as well. This is important to keep in mind when reviewing rankings of states. Each state has a unique child care landscape: some states have a predominance of center-based care, while others' landscapes are dominated by family child care programs. The child care landscape in a given state can impact the ranking of cost of care in that state—states with a predominance of family child care may be more affordable for families when ranked by family child care costs and less affordable when ranked by center-based care. For example, when ranked by center-based care, *Minnesota* is the 5<sup>th</sup>-least affordable state for a married couple seeking care for their infant; however when ranked by family child care, *Minnesota* drops to 40<sup>th</sup> for unaffordability. **Later in this report, we delve deeper into affordability costs in Minnesota by examining child care costs at the county level.**

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

The following map shows the most- and least-expensive states for center-based infant care in 2015 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. The U.S Department of Health and Human Services recently announced the new standard for [child care affordability to be at or below 7 percent](#); the cutoff had previously been at 10 percent. States where the average child care cost for an infant in center-based care is less than 7 percent of the median income for that state are shown in gold, between 7 and 10 percent shown in green, between 10 and 12 percent in light blue, and those

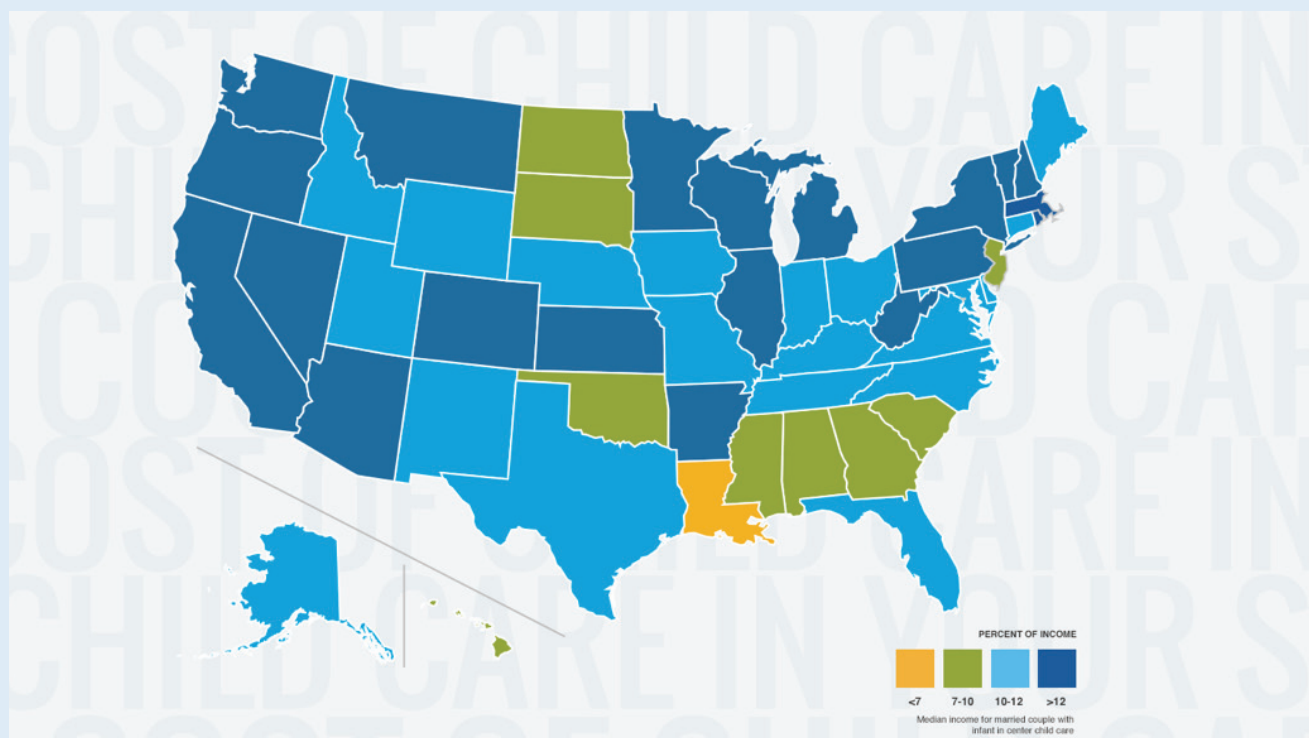
in which the average costs are greater than 12% median household income are shown in dark blue.

This year, we are including a new feature of the Cost of Child Care Interactive map by showing county-level data for 5 selected states: *Arizona, Massachusetts, Minnesota, and New Hampshire*. As noted above, states were selected based on the availability of county-level data in the NDS suite, and a strong working relationship with Child Care

Aware® of America. For more information about county-level data for these states, see *Examining County-Level Data: Spotlight On Child Care Costs In Four States*.

The Cost of Child Care Interactive Map, which allows users to quickly access a variety of cost data for each state, is available on Child Care Aware® of America's website. **Click the map below or visit the following link to access the interactive tool:** <http://usa.childcareaware.org/costofcare>.

**Figure 2: Average Cost For Center-Based Infant Care as a Percentage of Married Couple's Median Income**



## Least-Affordable States

In the tables on the following pages, the average cost of care is compared to the state median income for single mothers and for married couples with children. Rankings of affordability are based on the average cost of full-time care in a child care center and for full-time family-based care as compared to the state median income for married couples with children. As the data shows, the average cost of care is particularly unaffordable for single parents. **Across all states, the average cost of center-based infant care exceeds 24 percent of the median income for single parents.**

According to the HHS standard, any child care that costs more than 7% of a family's income is **unaffordable**.



The cost of a year of **center-based** infant care is **unaffordable** in **49 states** (Plus D.C.)



The cost of a year of **family child care** for an infant is **unaffordable** in **45 states** (Plus D.C.)

## Center-Based Infant Care by State

See Appendix III for a complete listing of 2015 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 4: Top 10 Least Affordable States for Center-Based Infant Care in 2015**

Rank	State	Average annual cost of infant care in a center <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	Hawaii	\$13,584	\$30,001	45.3%	\$86,609	15.7%
2	California	\$13,343	\$26,482	50.4%	\$86,659	15.4%
3	Oregon	\$11,964	\$22,676	52.8%	\$78,000	15.3%
4	New York	\$14,144	\$25,946	54.5%	\$95,033	14.9%
5	Minnesota	\$14,826	\$27,093	54.7%	\$100,317	14.8%
6	Washington	\$13,110	\$26,044	50.3%	\$90,150	14.5%
7	Illinois	\$13,176	\$24,528	53.7%	\$91,630	14.4%
8	Nevada	\$10,317	\$28,573	36.1%	\$71,860	14.4%
9	Massachusetts	\$17,082	\$27,853	61.3%	\$120,309	14.2%
10	Kansas	\$11,482	\$23,662	48.5%	\$82,231	14.0%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

**Table 5: Top 10 Least Affordable States for Family Child Care for Infants in 2015**

Rank	State	Average annual cost of infant care in FCC <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	Nevada	\$8,572	\$28,573	30.0%	\$71,860	11.9%
2	New York	\$10,556	\$25,946	40.7%	\$95,033	11.1%
3	Washington	\$9,741	\$26,044	37.4%	\$90,150	10.8%
4	Wisconsin	\$9,263	\$23,633	39.2%	\$87,677	10.6%
5	Rhode Island	\$10,052	\$25,798	39.0%	\$95,256	10.6%
6	Florida	\$7,642	\$24,463	31.2%	\$73,152	10.4%
7	Virginia	\$10,088	\$26,732	37.7%	\$100,305	10.1%
8	Oregon	\$7,836	\$22,676	34.6%	\$78,000	10.0%
9	Montana	\$7,436	\$19,987	37.2%	\$75,129	9.9%
10	Alaska	\$10,101	\$31,724	31.8%	\$102,102	9.9%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.



## Center-Based 4-Year-Old Care by State

Appendix V provides a complete listing of 2015 rankings of affordability for child care for a 4-year-old in a center and Appendix VI provides rankings of affordability for a 4-year-old in family-based care.

**Table 6: Top 10 Least Affordable States for Center-Based Care for a 4-Year-Old in 2015**

Rank	State	Average annual cost of 4-year-old care in a center <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	Hawaii	\$11,232	\$30,001	37.4%	\$86,609	13.0%
2	New York	\$11,700	\$25,946	45.1%	\$95,033	12.3%
3	Nevada	\$8,768	\$28,573	30.7%	\$71,860	12.2%
4	Vermont	\$10,440	\$24,346	42.9%	\$87,743	11.9%
5	Oregon	\$9,108	\$22,676	40.2%	\$78,000	11.7%
6	Minnesota	\$11,420	\$27,093	42.2%	\$100,317	11.4%
7	Washington	\$9,887	\$26,044	38.0%	\$90,150	11.0%
8	Montana	\$8,299	\$19,987	41.5%	\$75,129	11.0%
9	Wisconsin	\$9,598	\$23,633	40.6%	\$87,677	10.9%
10	Rhode Island	\$10,052	\$25,798	39.0%	\$95,256	10.6%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

**Table 7: Top 10 Least Affordable States for Family Child Care for a 4-Year-Old in 2015**

Rank	State	Average annual cost of 4-year-old care in FCC <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	Nevada	\$8,013	\$28,573	28.0%	\$71,860	11.2%
2	New York	\$9,776	\$25,946	37.7%	\$95,033	10.3%
3	Rhode Island	\$9,258	\$25,798	35.9%	\$95,256	9.7%
4	Alaska	\$9,645	\$31,724	30.4%	\$102,102	9.4%
5	Wisconsin	\$8,274	\$23,633	35.0%	\$87,677	9.4%
6	Montana	\$7,017	\$19,987	35.1%	\$75,129	9.3%
7	Oregon	\$7,248	\$22,676	32.0%	\$78,000	9.3%
8	Washington	\$8,293	\$26,044	31.8%	\$90,150	9.2%
9	California	\$7,859	\$26,482	29.7%	\$86,659	9.1%
10	West Virginia	\$6,370	\$17,102	37.2%	\$70,965	9.0%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

## Center-Based School-Age Child Care by State

See Appendices VII through X for complete listing of 2015 rankings of affordability for center-based school-age care for 9-months and 12-months, and affordability rankings for family-based school-age care for 9-months and 12-months.

**Table 8: Top 10 Least Affordable States for 12 Months of Center-Based Before/After-School Care for a School-Age Child in 2015**

Rank	State	Average annual cost of school-age care in a center <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	New York	\$11,128	\$25,946	42.9%	\$95,033	11.7%
2	Nevada	\$8,056	\$28,573	28.2%	\$71,860	11.2%
3	Montana	\$8,132	\$19,987	40.7%	\$75,129	10.8%
4	Wisconsin	\$8,932	\$23,633	37.8%	\$87,677	10.2%
5	West Virginia	\$6,760	\$17,102	39.5%	\$70,965	9.5%
6	Minnesota	\$9,457	\$27,093	34.9%	\$100,317	9.4%
7	Texas	\$7,462	\$23,892	31.2%	\$79,954	9.3%
8	Alaska	\$9,312	\$31,724	29.4%	\$102,102	9.1%
9	Hawaii <sup>+++</sup>	\$7,740	\$30,001	25.8%	\$86,609	8.9%
10	Kentucky	\$6,500	\$19,230	33.8%	\$72,934	8.9%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

<sup>+++</sup>Hawaii has a subsidized school-age program and those rates were not included.

**Table 9: Top 10 Least Affordable States for 12 Months of Before/After-School Family Child Care for a School-Age Child in 2015**

Rank	State	Average annual cost of school-age FCC <sup>+</sup>	Single parent		Married couple	
			State median income <sup>++</sup>	Cost of care as a percentage of median income	State median income <sup>++</sup>	Cost of care as a percentage of median income
1	Nevada	\$7,804	\$28,573	27.3%	\$71,860	10.9%
2	New York	\$9,620	\$25,946	37.1%	\$95,033	10.1%
3	Montana	\$7,003	\$19,987	35.0%	\$75,129	9.3%
4	Wisconsin	\$7,929	\$23,633	33.6%	\$87,677	9.0%
5	Hawaii	\$7,776	\$30,001	25.9%	\$86,609	9.0%
6	Arizona	\$6,302	\$24,897	25.3%	\$75,515	8.3%
7	Wyoming	\$7,280	\$23,453	31.0%	\$88,483	8.2%
8	West Virginia	\$5,720	\$17,102	33.4%	\$70,965	8.1%
9	California	\$6,759	\$26,482	25.5%	\$86,659	7.8%
10	Nebraska	\$6,215	\$25,188	24.7%	\$82,543	7.5%

Note: Affordability is a comparison of average cost against state median income. State rankings do not include the *District of Columbia* or *Colorado*.

<sup>+</sup>Source: Child Care Aware® of America's February 2016 survey of Child Care Resource and Referral State Networks. Some states used the latest state market rate survey.

<sup>++</sup>Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

## What Families Pay for Child Care

Families pay a significant part of their earnings for child care, making child care an increasingly difficult financial burden for working families to bear.

As previously mentioned, this report analyzes the cost of care in legally operating child care centers and FCC programs. As such, **the report does not describe child care provided by a relative or a nanny or informal child care provided by a neighbor or friend.** Legally operating programs include licensed programs and child care programs that are legally exempt from licensing.

As noted earlier in this report, the U.S. Department of Health and Human Services recently announced a new standard of affordability of no more than 7 percent of family income for child care.<sup>109</sup> Yet, as the survey results show, many families spend significantly more than 7 percent of their income on child care and only one state is affordable by this benchmark.

Depending on the state, the average cost of full-time care for one infant in a center ranges from just under 7 percent to nearly 16 percent of the state median income for a married couple. **In every state, the average cost of center-based infant care exceeds 24 percent of median income for single parents.** In 39 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. **In only one state were the costs of center-based infant care less than 7 percent median income for a married couple - Louisiana.** The average annual cost

of child care for a 4-year-old child exceeds 7 percent of the median household income for a married couple with children in all but four states and exceeds 10 percent in 19 states plus the *District of Columbia*.

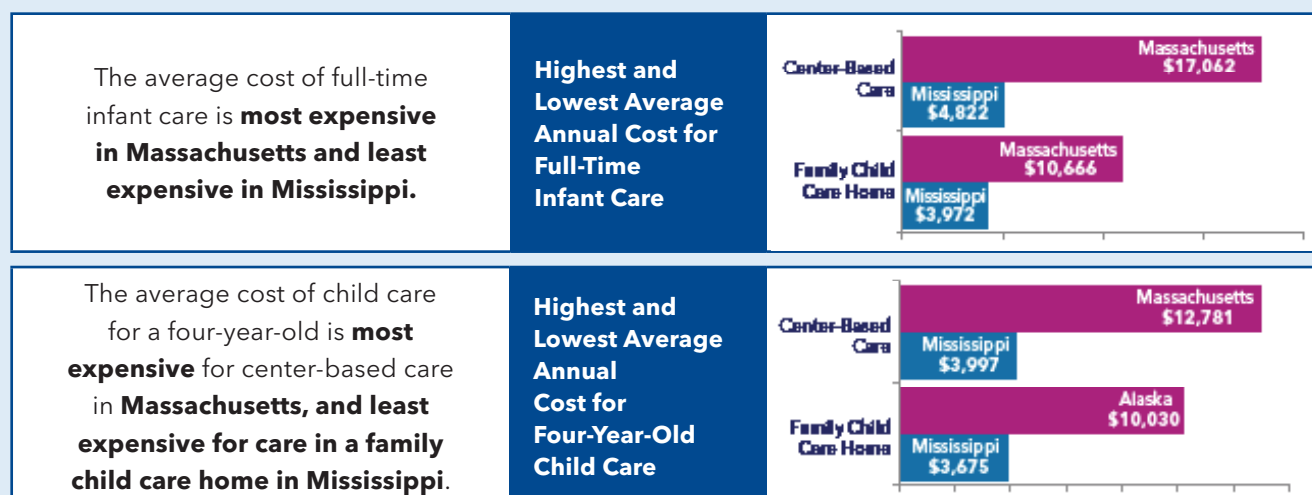
Families paid slightly more for child care in 2015 than in 2014. While annual hourly earnings rose by about 1.1 percent, the cost of living remained unchanged.<sup>110</sup> The average cost of infant care in a center increased by about 5.7 percent, while the average cost of infant care in a FCC program increased 4.5 percent. The average cost of care for a 4-year-old in a center increased 6.6 percent while the average cost of care for a 4-year-old in a FCC program increased 3.4 percent.

*I try to have my fiancé or my mom watch my son, but he works a lot too so that could be kind of hectic. So if neither one of them are available then I use a home daycare. It is not a ton of kids that go there, maybe like seven or eight, but I was referred to that lady and it is not crazy expensive considering where we live, but that is just like a last resort, although I really don't like [it]...because where I would love to send him is like \$2,000 a month and that is not happening.*

- Parent of a child with special needs<sup>111</sup>

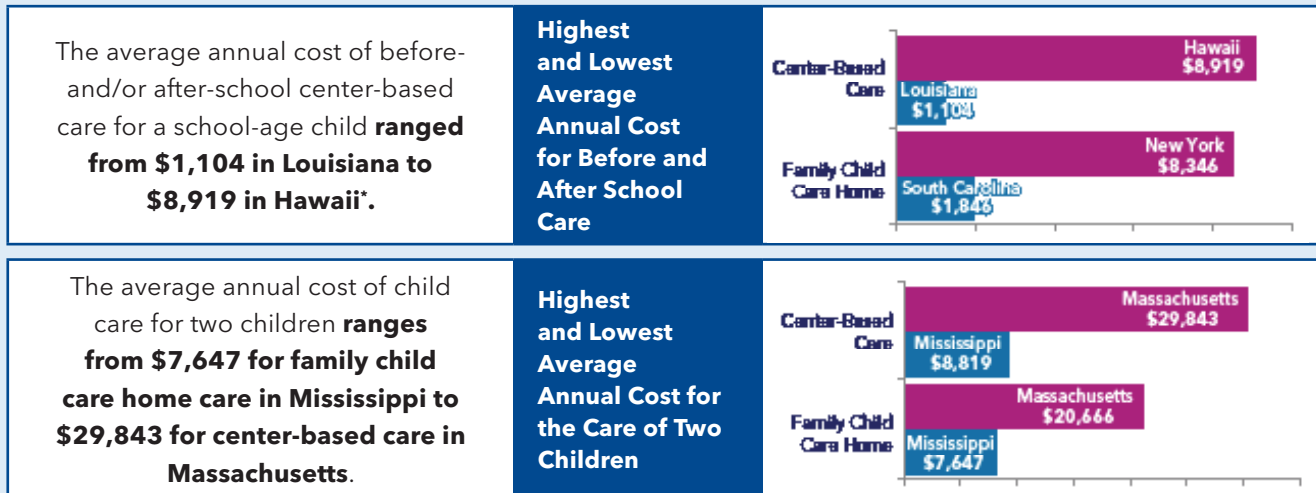
The average cost of child care is high for all types of care. The Key Facts diagram on the following page displays the range of average child care costs among the states for various types of child care.

**Figure 3: Key Facts on the Average Cost of Child Care**





**Figure 3: Key Facts on the Average Cost of Child Care**



\*Hawaii has a subsidized school-age program and those rates were not included.

## Child Care is one of the Highest Budget Items for Families

The following chart shows how the average total cost of full-time care for two children (an infant and a 4-year-old) in a center compares to other typical household costs (housing, transportation, food, and health care) by region. 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 4-year public college is comparable to the average cost of child care.

The cost of full-time center-based care for two children is the highest single household expense in the Northeast and Midwest. In the West and the South, the cost of child care for two children is surpassed only by the high cost of housing in these regions.

The cost of child care fees for two children (an infant and 4-year-old in full-time center-based care) exceeds housing costs for homeowners with a mortgage in 24 states and the *District of Columbia*. Child care fees for two children in a child care center also exceed 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 are more than the average amount that families spend on food.

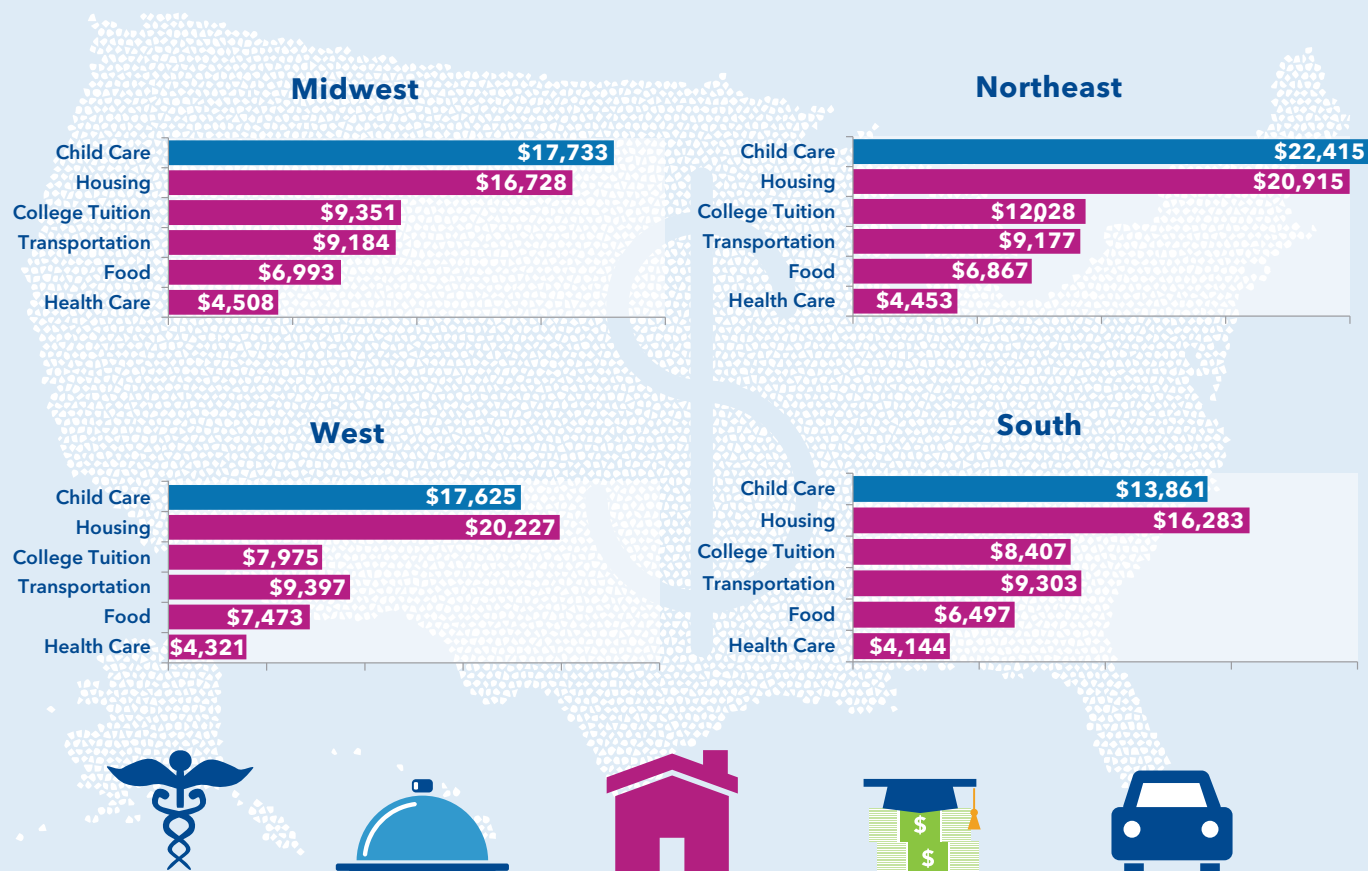
*I remember when child care was \$100-and-something a week, and it went from \$100-and-something to \$200, \$300 a week, and that's why I have to drive so far to pick up my kids, because it's expensive.*

– Parent with a nontraditional schedule<sup>112</sup>

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



**Figure 4: Center-Based Care Costs for Two Children Compared with Other Major Household Expenses by Region**



Sources: Child care costs per region based on unweighted averages across states per region, 2015 costs for an infant and 4-year-old in full-time care in a center, Appendix I. Other household expenses reported by U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey 2014-15. <http://www.bls.gov/cex/csxregion.htm>

\*The term "Housing" incorporates costs associated with living in a shelter including utilities, household operations, Housekeeping supplies and household furnishings and equipment. College tuition is from Trends in College Pricing: 2015. <http://trends.collegeboard.org/sites/default/files/2015-trends-college-pricing-final-508.pdf>

## Child Care is Unaffordable for Low-Income Families

The cost of child care is particularly difficult for families living at or below the federal poverty level. The federal poverty level in 2015 was \$20,090 for a family of three in the continental United States. The figure below, Key Facts on Child Care Costs and Poverty, displays the states where families at the poverty level would pay the highest and lowest percentages of their total income on child care for an infant.

**Families of three in Massachusetts living at the poverty level would have to pay nearly 85 percent of their income for full-time center-based care for an infant.** For family

child care, families of three in *Massachusetts* living at the poverty level would have to pay 53 percent of their income for full-time care in family child care for an infant.

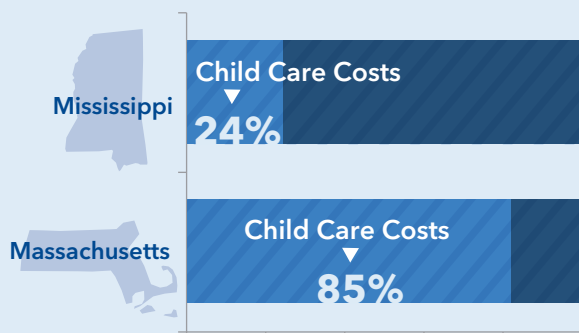
*I would see a child care, and I'd go with my husband, and, wow, so much money. The cheapest one that I found to be able to put him there, just regular child care [...] was \$1,600 a month, but for me that's a lot of money, so we decided against that. But it's a certain point where it's necessary that kids have to go to child care, because that's the reality, but, it can't be too expensive.<sup>113</sup>*

- Latino parent

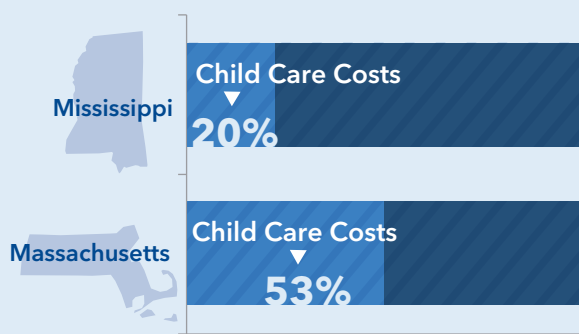
**Figure 5: Key Facts on Child Care Costs and Poverty**

### Highest and Lowest Average Child Care Costs as a Percentage of Income for Families at the Poverty Level

#### Center-Based Infant Care



#### Infant Family Child Care



Even for families of three earning an income **double** the federal poverty threshold (or \$40,180), child care is a significant burden. **The cost for center-based infant care ranges from almost 17 percent of income for a low-income family in Mississippi to over 42.5 percent of family income in Massachusetts.** Likewise, the cost for care for an infant in family child care ranges from 8.5 percent of income for a low-income family in Mississippi to 26.5 percent of family income in Massachusetts.

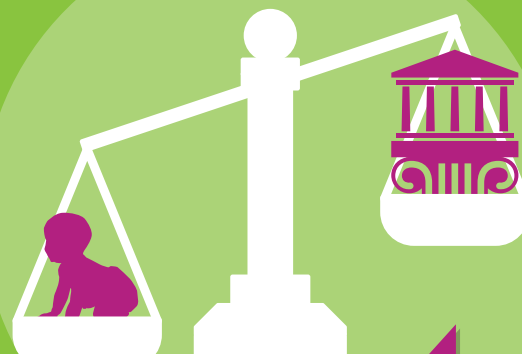
Appendix XIV (infants and two children) and Appendix XV (4-year-olds) show the average annual cost of center-based child care in every state as a percentage of: the federal poverty level; 150 percent of the federal poverty level; and 200 percent of the federal poverty level.

## Child Care Costs versus College Costs

As noted in the previous charts, the cost of child care is comparable to or exceeds college tuition. **In 2015, the average annual cost for an infant in center-based care was higher than a year's tuition and fees at a 4-year public college in 30 states and the District of Columbia.** Even the annual average cost of care for a 4-year-old in a center, which is less expensive than care for an infant, was higher than public college tuition and fees in 19 states and the District of Columbia.<sup>114</sup>

Appendix XII shows the 2015 average annual costs of full-time child center-based care for an infant, a 4-year-old child, or a school-age child compared to public college tuition and fees by state.

**For many families, child care is less affordable than college tuition or the annual cost of a home mortgage.**



Center-based infant care is **more expensive** than one year of **college tuition** at a 4-year public university in 30 states plus D.C.



Center-based care for two children is **more expensive** than the **median mortgage** in 35 states plus D.C.



## The District of Columbia Child Care Landscape

**The cost of care in the *District of Columbia* continues to be higher than in any of the 50 states.** Due to the unique nature of costs for child care in the *District of Columbia* (explained below), costs are shown in the Appendices but are not included in rankings of affordability and tables of cost ranges.

The *District of Columbia* is an exclusively urban area, with a large income disparity between single parent and two-parent family incomes. The *District of Columbia* has a very high median income for two-parent families—higher than any of the 50 states at over \$156,000 per year—and a very low median income for single parent families at just \$25,194 per year. The median income for single parent households is just 16.1 percent of that for two-parent households. A year of center-based care for an infant costs \$22,658, or 14.5 percent of the median income for a married couple. However, because the median income for a single parent family is so low, a single parent would have to spend 89.9 percent of their income on child care for their infant.

The high incomes of this region combined with the cost of care being higher than any of the 50 states makes it difficult to draw comparisons between the 100-percent urban *District of Columbia* and the 50 states.

## Modeling the Cost of Care in the District of Columbia

The District of Columbia's Office of State Superintendent of Education (OSSE) recently worked with Stoney and colleagues to [model](#) the cost of delivering services at each level of the District of Columbia's current [Quality Rating and Improvement System \(Going for the Gold\)](#).

The Going for the Gold system has three levels – Bronze, Silver, and Gold – built upon licensing requirements and Gold providers must be accredited. They examined both center- and family child care settings and looked at programs that served infant and toddlers, mixed age programs that receive pre-K funding, programs that served significant numbers of special needs children, and programs that

included classrooms for school-age children. They learned the following from their cost modeling approach:

- ▶ Infant and Toddler care is the most expensive of all types of care. The gap between costs and revenue is largest for programs that serve infants and toddlers, and children with special needs.
- ▶ The gap between costs and revenues is greatest in Gold-level programs due to increased requirements for credentialed staff and the need for more staff to cover planning and professional development time. This is also true of centers that serve large numbers of infants and toddlers with special needs as they require additional staff with specialized credentials.
- ▶ Some child care centers and many FCC programs are not fully enrolled and as a result have significant revenue losses.
- ▶ Program size matters. Larger centers (or a network of centers linked by a shared administration) can be more financially stable depending on the age distribution of children served and the quality level.
- ▶ Subsidy rates need to align with licensing ratios. Rates for children 12 to 30 months old are lower than for children birth to 12 months old, but the adult to child ratios are the same.

Early childhood education stakeholders in the city are planning to use the results of the study to inform and guide subsidy policy, innovative practices, and alternative rate-setting solutions.



# EXAMINING COUNTY-LEVEL DATA: SPOTLIGHT ON CHILD CARE COSTS IN FOUR STATES

The cost of care in each county within a state varies significantly from the statewide averages. Child care is often much more expensive in urban settings than in more rural parts of a state, meaning **statewide averages often understate the cost of care in more heavily populated regions and overstate costs in rural areas**. In addition, the costs of child care can also vary considerably based on each county's child care landscape with regard to the number of family-based or center-based child care programs, as cost can differ greatly between program type. Child Care Aware® of America examined the variation by county in four states where we were able to obtain county-level cost data:



In every county except one (*Yellow Medicine County, Minnesota*), the annual cost of care for an infant in a center was greater than the 7-percent affordability threshold for a married couple family. For 4-year-olds, a year of center-based care costs less than 7 percent of married family income in only seven counties.

For a single parent, center-based infant care in the most affordable county examined still costs 16.2 percent of family income. For 4-year-olds, that rate is still nearly double the 7 percent affordability threshold at 13.4 percent of income.

For a breakdown of all county costs in the four states examined, please see the [Cost of Child Care Interactive Map](#).

**Table 10: Child Care Costs as Percent of Married Couple Income in Four States by County**

State	Infants	
	Centers	Family Child Care
AZ	13.2%	9.1%
MA	14.2%	8.9%
MN	14.8%	8.0%
NH	12.2%	9.0%

State	4-Year-Olds	
	Centers	Family Child Care
AZ	10.4%	8.6%
MA	10.6%	8.3%
MN	11.4%	7.3%
NH	10.1%	8.3%

State	School-Age (9 months)	
	Centers	Family Child Care
AZ	4.9%	4.2%
MA	2.8%	3.3%
MN	9.4%*	6.5%*
NH	3.2%	2.8%

\*12 months of care



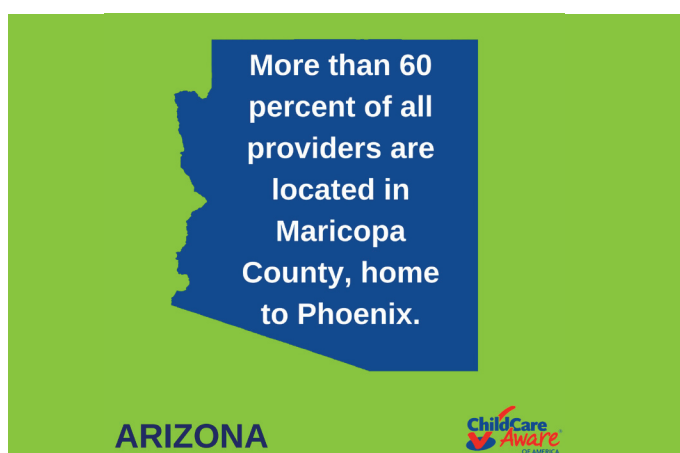
Arizona is unique to our county-level analysis as the only state who includes data on tribal care. At the time of this report, the Arizona CCR&R is working to build partnerships with tribal child care programs throughout the state. However, at this time, data from tribal child care programs in this state represents a very small proportion of our data on county-level child care programs.

Our initial review of the Arizona data revealed an interesting finding – in many counties, the cost of family child care for a 4-year-old was *greater* than the cost of a 4-year-old in center-based care. This stood out to us as center-based care is typically more expensive than family child care. We found that public preschools in Arizona were likely reporting lower rates due to statewide programs offering subsidies on child care in public preschools. When we revised our method of review for Arizona, we found a much lower prevalence of lower cost centers. This confirmed for us that state-funded pre-K can make child care more affordable for families in areas where the cost of child care would otherwise be much higher.

More than 60 percent of all providers in the state are in Maricopa County, which hosts the city of Phoenix. Even though center-based infant costs in La Paz County are relatively low, compared to other counties in Arizona, it

is the least affordable county for families. For family child care, Maricopa County, as well as several other counties, were less affordable across age groups when compared to the statewide average.

The average costs for family child care, as a percentage of married family income, was 9.3 percent for infants and 9 percent for 4-year-olds in Pima County, the most affordable county for family child care. Center care was most affordable in Graham County in which costs were 8 percent of married family income for infants and 9 percent of married family income for 4-year-olds.



**Table 11: Top 5 Least Affordable Counties for Married Parents with an Infant in Arizona**

Rank	County	Average annual cost of infant care*	Percent median income	Difference between county-level and statewide (13.2%) affordability**
<b>Center-Based</b>				
1	La Paz County	\$6,760	17.3%	+4.1%
2	Pinal County	\$9,590	14.4%	+1.1%
3	Maricopa County	\$11,079	13.9%	+0.7%
4	Yuma County	\$7,153	13.8%	+0.6%
5	Pima County	\$9,673	13.5%	+0.2%
<b>Family Child Care</b>				
1	Gila County	\$7,596	13.2%	+4.1%
2	Yuma County	\$6,325	12.2%	+3.1%
3	Greenlee County	\$7,800	11.9%	+2.8%
4	Mohave County	\$6,088	11.5%	+2.4%
5	Navajo County	\$6,296	11.4%	+2.3%

Note: Affordability is a comparison of average cost against county median income.

\*Source: NDS and Arizona Child Care Resource and Referral

\*\*Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.





In *Massachusetts*, there is no county in which the average annual cost of care was at or below the 7 percent affordability threshold for any care arrangement or age group.

Center-based infant care is least affordable in *Suffolk County*, where the city of Boston is located. *Suffolk County* is also historically one of the most expensive places in the state to find care. This is due to the higher costs of doing business, primarily from the high cost of rent.

*Dukes County* comes in as the least affordable county for family child care for all ages. Because this county plays host to Martha's Vineyard, where many residents are seasonal and particularly wealthy, the affordability measure may be skewed lower than year-round residents may expect.

**Due in part to the high rates for child care and the impact on accessibility for voucher families, Massachusetts recently increased the voucher reimbursement rates for providers. Educators were given a 3.6% increase retroactive to July 1, 2016.**

In *Massachusetts*, the cost of center-based and family child care for 4-year-olds is lower than the state average in half of counties. However, when it comes to infant care, while the cost of center care is *lower* than the state average for a third of counties, the cost of family child care is *higher* than the state average in a third of counties.

Care in *Massachusetts* is less affordable at the county level than the statewide average for all age groups and care arrangements. Exceptions to this include infant center care in *Bristol County*, and 4-year-old family child care in *Essex County*.



**Table 12: Top 5 Least Affordable Counties for Married Parents with an Infant in Massachusetts**

Rank	County	Average annual cost of infant care*	Percent median income	Difference between county-level and statewide (13.2%) affordability**
<b>Center-Based</b>				
1	Suffolk County	\$19,326	20.3%	+6.1%
2	Barnstable County	\$16,817	16.7%	+2.5%
3	Middlesex County	\$22,296	16.7%	+2.5%
4	Essex County	\$19,023	16.5%	+2.3%
5	Hampden County	\$14,960	16.4%	+2.2%
<b>Family Child Care</b>				
1	Dukes County	\$12,622	13.1%	+4.7%
2	Nantucket County	\$11,700	12.5%	+3.2%
3	Franklin County	\$10,003	11.2%	+3.3%
4	Barnstable County	\$11,363	10.8%	+3.0%
5	Hampshire County	\$11,540	10.7%	+2.5%

Note: Affordability is a comparison of average cost against county median income.

\*Source: NDS and Massachusetts Child Care Resource and Referral Network

\*\*Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.



In *Minnesota*, there are many parts of the state that rely primarily, if not exclusively, on licensed family child care. A very large portion (73%) of centers in the state are in eight of the 87 counties; these eight counties are located in urban areas such as the Twin Cities. Accordingly, the cost of center child care at the county level exceeds the statewide average in only 21.5 percent of counties for infants (n = 19) and in 22.9 percent of counties for 4-year-olds (n = 20). For family child care, the cost of care exceeds the statewide average in 11.5 percent of counties for infants (n = 10) and 12.6 percent of counties for 4-year-olds (n = 11). As with centers, urban counties make the costs of family child care appear less affordable statewide, although the difference is not as pronounced.

Average costs of center care in nearly 70 percent of counties in *Minnesota* are more affordable than the statewide average of 14.8 percent of median income for married couples. However, statewide unaffordability of child care cost seems to be driven by two key factors:

- Higher care costs in urban corridors where incomes are simultaneously lower than in other areas (e.g., in Ramsey County, married couples pay more than 25 percent of their income for a year of center care for an infant); and

- Low numbers of center child care programs in rural areas to balance higher costs reported for urban areas.

Married couples pay 19 percent more of their median income on infant center care in the least affordable counties compared to the most affordable counties in *Minnesota*. The same couples pay a difference of 12 percent of their median income for infant family child care in the least affordable counties when compared to the most affordable counties.



**Table 13: Top 5 Least Affordable Counties for Married Parents with an Infant in Minnesota**

Rank	County	Average annual cost of infant care*	Percent median income	Difference between county-level and statewide (13.2%) affordability**
<b>Center-Based</b>				
1	Ramsey County	\$23,533	25.5%	+10.7%
2	Mille Lacs County	\$17,767	23.0%	+8.2%
3	Anoka County	\$21,751	21.7%	+7.0%
4	Isanti County	\$18,395	21.6%	+6.8%
5	Hennepin County	\$24,219	21.5%	+6.8%
<b>Family Child Care</b>				
1	Cook County	\$9,516	13.4%	+5.4%
2	Ramsey County	\$11,605	12.6%	+4.6%
3	Aitkin County	\$8,342	11.5%	+3.5%
4	Hennepin County	\$12,036	10.7%	+2.7%
5	Itasca County	\$7,486	10.4%	+2.4%

Note: Affordability is a comparison of average cost against county median income.

\*Source: NDS and Child Care Aware® of Minnesota

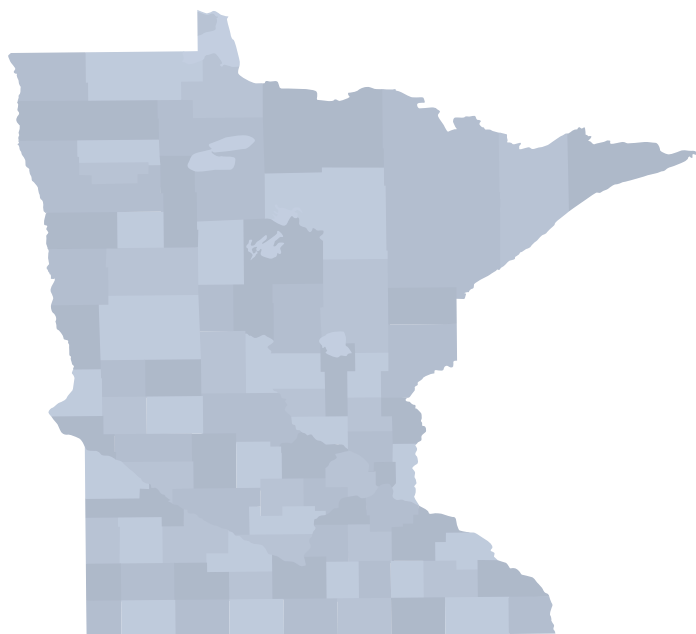
\*\*Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.

## MINNESOTA: A PEEK AT ONE STATE'S CHILD CARE LANDSCAPE

The Center for Rural Policy and Development in Minnesota recently released a comprehensive report examining supply and demand in Minnesota titled [A Quiet Crisis: Minnesota's Child Care Shortage](#). In the report, researchers describe the unique concerns plaguing families and employers statewide: a diminishing supply of child care slots. While almost 260,000 children ages 0-5 have parents in the workforce and are likely to need child care, licensed child care programs in the state have the capacity to care for less than 225,000 children (a capacity gap of about 35,000). Although the number of child care centers has grown by 8 percent over the last 10 years (growing child care capacity by 27%), much of that growth has taken place in the Twin Cities seven-county area (capacity increase of 31% or 19,400 spaces). Meanwhile, in Greater Minnesota, center child care capacity increased by 18 percent, or 5,039 spaces. While this sounds like good news, family child care capacity decreased by 20,400 spaces—an overall decrease of more than 15,000 child care slots. The decline in family child care providers is not unique to Minnesota but is occurring across the country. Data indicates a national decline of 13 percent in the number of family child care providers from 2008 to 2011. Minnesota saw a decline of 7.5 percent during that same period.<sup>115</sup>

As Minnesota is an overwhelmingly rural state, family child care is often a more viable business model in rural areas than is larger center-based care. In addition, many family child care providers participate in a statewide QRIS system, making them a high-quality choice for area families. However, the low wages earned by providers in Minnesota, like those earned by providers nationwide, make it difficult for quality providers to stay in business and leads to many qualified providers seeking other employment.

Finally, there is a shortage of new family child care providers that can replace experienced ones. If current trends continue, there will not be enough new providers entering into licensure to replace the providers choosing to retire or depart from child care over the coming years. Furthermore, new family child care providers may not be opening because young families are less likely to purchase homes and are more likely to live in an environment which may not be as conducive to a family child care business (e.g., apartments, condos, and townhouses). This has created a ripple in the state, leaving many employers struggling to fill their own empty slots when employees can't find child care.





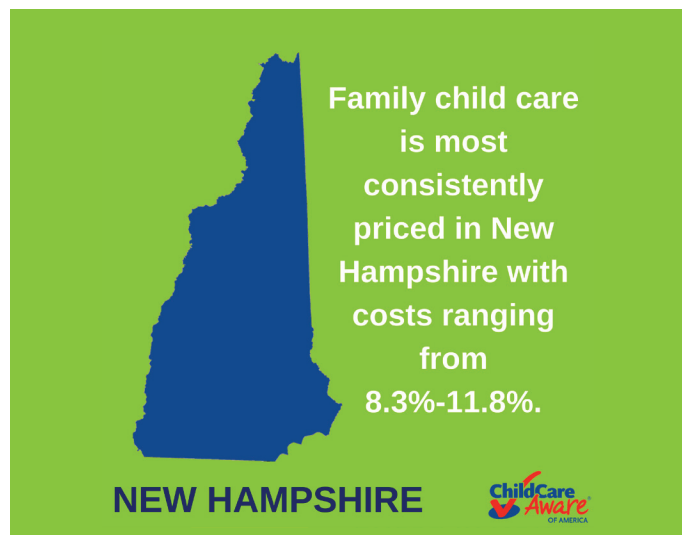


Throughout *New Hampshire's* ten counties the costs exceeded the statewide average for family child care for infants and for 4-year-olds in only three. For center-based child care, this is also true for infant care; however, for 4-year-olds, only one county (*Rockingham County*) had costs higher than the statewide average. Despite these differences, of the states where we reviewed county-level data for this report, *New Hampshire* is the state with the most consistently priced care.

The costs of center-based care across counties follow a normal distribution compared to the statewide average cost of care, meaning half of counties are *more affordable* than the statewide average and half are *less affordable* than the statewide average.

For family child care, *Coos County* is the only county that does not have licensed family child care (Note - *Coos County* does have license-exempt family child care, however we do not have data for these providers).

*Coos County* is very rural - it is the largest county in *New Hampshire* (geographically) with the smallest county-wide population. As such, this may indicate a very particular family child care desert for families in this area.



**Table 14: Top 5 Least Affordable Counties for Married Parents with an Infant in New Hampshire**

Rank	County	Average annual cost of infant care*	Percent median income	Difference between county-level and statewide (13.2%) affordability**
<b>Center-Based</b>				
1	Coos County	\$11,690	17.6%	+1.4%
2	Sullivan County	\$12,313	15.1%	+1.0%
3	Strafford County	\$13,448	14.1%	+1.0%
4	Merrimack County	\$12,660	13.1%	+0.9%
5	Carroll County	\$9,708	12.5%	+0.7%
<b>Family Child Care</b>				
1	Sullivan County	\$8,504	10.4%	+1.4%
2	Carroll County	\$7,800	10.1%	+1.0%
3	Strafford County	\$9,533	10.0%	+1.0%
4	Belknap County	\$8,632	10.0%	+0.9%
5	Grafton County	\$8,556	9.8%	+0.7%

Note: Affordability is a comparison of average cost against county median income.

\*Source: NDS and New Hampshire Department of Health and Human Services, Child Development Bureau, and Child Care Aware® of New Hampshire

\*\*Source: U.S. Census Bureau, American Community Survey, 2014 one-year estimate. Table B19126.



# EXPANDING ACCESS TO QUALITY, AFFORDABLE CHILD CARE

This report described the high cost of child care around the country and included an examination of county-level cost data for Arizona, Massachusetts, Minnesota, and New Hampshire. We also explained the drivers behind the high cost and demonstrated that quality child care is unaffordable for most families, not only those at or below poverty level. Investing in child care means investing in our workforce, building a supply of quality programs, and increasing family access to quality programs. The literature reviewed in the early part of this report suggests that early childhood education for young children leads to better outcomes not only for children and families, but also for the nation at large.

Where do we go from here?  
It's not enough to describe the problem. We at Child Care Aware® of America are dedicated to finding workable solutions.



## THE NEW FEDERAL LANDSCAPE

Although states and localities have pioneered the way in developing workable solutions for child care conundrums, the 2016 presidential election stimulated discussions nationwide about the state of our child care system. Here's a look at President-elect Trump's plan:

The Trump plan proposes to:

- ▶ **Rewrite the tax code** to allow working parents to deduct from their income taxes child care expenses for up to four children and elderly dependents. The deduction is available for taxpayers who take the standard deduction as well as itemize deductions, and will be capped at the average cost of care for the state of residence.
- ▶ **Change the eligibility for deductions.** Individuals earning more than \$250,000 (or \$500,000 if filing jointly) will not be eligible for the deduction. For a family earning \$70,000 per year in the 12 percent tax bracket with \$7,000 in child care expenses, the deduction would reduce taxes by \$840 per year.
- ▶ **Offer child care spending rebates to lower-income taxpayers** through the existing Earned Income Tax Credit (EITC). This could mean almost \$1,200 per year per eligible family.
- ▶ **Ensure stay-at-home parents will receive the same tax deduction as working parents**, offering compensation for the job they're already doing, and allowing them to choose the child care scenario that's in their best interest.

For many years, Child Care Aware® of America has called for increases in federal investment in child care to alleviate the burden of the high cost of care. We were excited to see the Child Care Development Block Grant (CCDBG) Act pass in 2014 with its increased requirements for health and safety and providing stability for low-income families in the child care subsidy system by ensuring that:

- ▶ children who receive CCDBG-subsidized child care are eligible for a minimum of 12 months of assistance regardless of changes in parent employment and education status,
- ▶ reporting requirements are less burdensome so that families do not have disruptions to assistance with small changes in their working or financial status, and
- ▶ family eligibility for assistance is gradually phased out so that parents are not penalized for earning more than their initial qualifying eligibility.

In addition, we support family-friendly policies as part of the federal investment puzzle and advocate for strategies to increase child care assistance, especially to families in poverty, including:

- ▶ paid family leave,
- ▶ refundable tax credits,
- ▶ capped child care costs for parents, and
- ▶ expanded access to all federally funded early childhood education programs like Pre-K and Head Start.

However, while we know federal investments are an important part of the solution, the reality is that most of the creative solutions to the cost of child care occur at the state and local level.<sup>116</sup> Additional public and private investments and creative strategies are needed to strengthen the child care sector. Although by no means exhaustive, this section explores creative strategies being employed around the country to make high quality child care more affordable and available for American families.

## Estimating the Cost of Quality and Building Incentives for Programs to Meet Higher Standards

Child care settings, like any business or non-profit, need to take into account revenues, expenses, and regulations that must be met, such as child care licensing standards, quality improvement investments, and marketing. To strengthen child care as a business sector, policymakers and program directors need estimates of what it costs to, for example, require better staff-to-child ratios –which allow teachers to give more individualized attention to the children in their group.

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 the federal Child Care and Development Block Grant—the main source of federal dollars available to states to assist families to pay for child care—require states to conduct a market rate survey of the prices child care providers charge for care every two years.<sup>117</sup> Federal guidance recommends that states set their rates no lower than the 75<sup>th</sup> percentile of market rate, or high enough to access 75 percent of providers in the market. States are not required to set their payment rates to subsidize providers based on the 75<sup>th</sup> percentile of updated versions of market rate studies.

Though the 2014 CCDBG law requires states to use market rate surveys (or alternative methodology) to set payment rates, these surveys only capture what providers have been able to charge private pay clients, and given that 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.





## Strengthening Child Care Businesses by Forming Alliances for Shared Services

Some child care program directors 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.<sup>118</sup> By joining forces, members are able to boost buying power, share best practices and enhance their programs for children.

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.



Online tools are available to help providers and state child care administrators develop estimates using their own circumstances and data. [The Provider Cost of Quality Estimator](#) and the [Cost Estimator Model](#) are both available through support of the Office of Child Care, Administration for Children and Families, 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.

*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, The Iron Triangle: A Simple Formula for ECE Finance, 2014*



## CONNECTING SHARED SERVICES AND LICENSING

Merage Foundation (a private family foundation in Colorado) was interested in shared service initiatives as a way to reduce the administrative burden on child care small business owners and increase the level of quality that they could provide. Their shared services initiative, Early Learning Ventures (ELV), is innovative as it provides tiers of support for programs that are connected to state child care licensing and facilitates compliance.

Their 3-tier model of shared services is available to child care providers for a nominal fee, though the actual cost is heavily subsidized by the Merage Foundation.

**Tier 1** providers get access to various administrative and human resource templates, as well as training and professional development opportunities.

**Tier 2** providers get access to a proprietary data system that is integrated with the state child care licensing system. Providers can use the system for data collection, analysis, and report generation.

**Tier 3** providers choose from “a la carte” financial assistance ranging from basic bookkeeping via QuickBooks for accounts receivable (AR) and accounts payable (AP) up through tax preparation.

In February 2015, ELV received an Early Head Start-Child Care Partnership grant. They require all their child care partners to purchase a minimum of Tier 1 + Tier 2 services and they receive free training software technology. They report saving up to 15 hours per week of time previously spent on administrative tasks.

Several of these shared services alliances are operating across the country and there are several places online where you can learn about them. Below are a few examples:

- ▶ [Opportunities Exchange](#)
- ▶ Merage Foundation’s [Early Learning Ventures](#) program
- ▶ New Hampshire’s [Seacoast Early Learning Alliance \(SELA\)](#)
- ▶ [Shared Solutions Alliance in Ohio](#)

### Building the Supply of Quality Child Care Settings

Some parents prefer that their young children be cared for in a home environment, but family child care providers often need support to be able to offer nurturing care to children, engage families, and manage the business of being a provider.<sup>119</sup> Efforts to build new and stronger family child care settings are being implemented in communities across the country, typically by creating staffed networks or community-based partnerships between individual family child care providers and an established agency to help providers with quality enhancement and business

management.

Staffed family child care programs have at least one paid

staff



person who provides ongoing oversight and support to family child care providers in the network. They provide services like training, technical assistance, and coaching. Research shows that staffed family child care networks found significant differences in quality provided as compared

to quality from non-affiliated providers, especially when the staff that worked with family child care providers had specialized postsecondary level preparatory coursework with a focus on infant and toddler child care.<sup>120</sup>

## BUILDING QUALITY SUPPLY: HIGH QUALITY TAX CREDIT PROPOSAL

The Center for American Progress (CAP) has proposed a High Quality Child Care Tax Credit to help families across the income spectrum afford quality child care. Here are some of the features:

- ▶ Goal is to incentivize the market to increase the supply of high-quality child care offerings and create choice among quality providers
- ▶ For parents with children 0–5
- ▶ Eligibility would extend to up to 400% of the federal poverty line.
- ▶ Utilizes a sliding scale to determine the family's share of costs.
- ▶ Calibrated to reflect the actual cost of that child care and to give parents a choice of providers
- ▶ Targeted to high-quality providers (as rated by state Quality Rating and Improvement Systems)
- ▶ Worth \$14,000 per child and advanced to families on a monthly basis and paid directly to a qualified provider
- ▶ Calls for providers to earn an average annual full-time salary of \$34,000

More information on CAP's proposal is available [here](#).

## LAYERING FUNDING: INDIANA PRE-K

High quality child care programs that are able to tap all available funding streams have a stronger business model and sustainability over time.

Until recently, Indiana was one of the last remaining states in the U.S. without a state-funded pre-K program. Indiana's statewide pre-K program first came on the scene in 2013 when the General Assembly passed legislation to establish the [Early Education Matching Grant](#) program, a program which awards funds to providers across the state to be used to enroll eligible children. Eligible providers had to be rated at a Level 3 or Level 4 in the state's QRIS, [Paths to QUALITY](#), and were required to make a dollar-for-dollar match of state funds. This grant is funding 600 low-income 4-year-olds across 18 counties in Indiana to receive pre-K services in 2016; early evaluations reveal these children are already showing significant improvements in kindergarten readiness skills.

In 2014, then-Governor Pence signed legislation establishing [On My Way Pre-K](#), a voucher-style pre-K program available in 5 counties. Eligible families may earn up to 127% of federal poverty level and may use vouchers to access care at licensed centers, registered ministries, Head Start centers, and public school programs (as long as providers have received a Level 3 or 4 rating in the state's QRIS). In addition, the capital city of Indianapolis has been able to fund its own additional pre-K program for 3- and 4-year-olds in the city, utilizing charitable contributions from the business community and philanthropic groups. The [Indy Preschool Scholarship Program](#) has been extremely popular, drawing over 4,200 applications last year for about 1,600 available slots. The two programs served approximately 2,300 children last year in Indiana.



## FAMILY CHILD CARE NETWORK

Programs like [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. 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, fifty 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.

## Involving Businesses in Supporting Better Child Care for Their Workforce and Communities

Business leaders have become powerful advocates for 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. They also are clear that their current and future workforce depends on high quality child care. 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](#) that provides almost 6,000 scholarships worth up to \$7,500 a year for three- and four-year-olds.

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 both support 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.

## LOCAL EARLY CHILDHOOD EDUCATION FUNDING TOOLKIT: NORTH CAROLINA

The [North Carolina Early Childhood Foundation](#) developed a digital [funding toolkit](#) with an emphasis on helping communities understand the local opportunities. The toolkit provides information on organization of local government, local budget processes, existing funding streams at all levels, and local funding options.

In addition, the toolkit includes profiles of local funding initiatives across the county, lessons learned from communities, readiness tools, and information on other local funding resources.

## 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<sup>121</sup> have passed legislation for minor local tax increases with big results.

In June 2016, the city of Philadelphia implemented an aggressive 1.5 cent-per-ounce tax on sugary and diet beverages, levying this tax on distributors. This tax could add up to 18 cents to the cost of a 12-ounce can, or \$1 to the cost of a 2-liter container, affecting sodas, teas, sports



drinks, flavored waters, bottled coffees, energy drinks, and other products. Although similar tax proposals have failed in more than 30 cities and states in recent years, the success for this proposal is based largely on the estimated

\$90 million this tax is expected to generate in tax revenue over the next year to pay for prekindergarten, community schools and recreation centers. Other tax based examples are highlighted below.

## FUNDING EARLY CHILDHOOD EDUCATION THROUGH TAX REFORM

- ▶ **Seattle, WA: Property Tax Referendum.** In November 2014, voters in Seattle approved a [referendum](#) to increase property taxes by a modest \$0.11/\$1,000 assessed property value in order to fund the Seattle Preschool Program. This increase will raise an estimated \$14.5 million per year for four years, while a homeowner with a home appraised at \$400,000 will only pay an additional \$43 per year.
- ▶ **Miami-Dade, FL: Property Tax Referendum.** In 2002, and again in 2008, voters in Miami-Dade County approved [referendums](#) for modest increases in property taxes to pay for the operation of a children's Services Council, a local entity in charge of awarding funds to programs and services serving local children and families. For 2014–2015, the increase of \$0.50/\$1,000 assessed property value amounted to a small tax increase of \$37 per household (based on the median home value of \$73,157); however, this tax raises a staggering \$100 million annually for the operation of the Children's Trust in Miami-Dade.
- ▶ **San Antonio, NM: Sales Tax Reform.** San Antonio voters approved a [referendum](#) in November 2012 to increase sales tax by 1/8th of a cent to fund Pre-K 4 SA, a voluntary full-day program for 4-year-olds from low-income families. Although the cost per household is an estimated \$8 per year, this tax generates an estimated \$33.6 million per year for pre-K.
- ▶ **Aspen, CO: Sales Tax Reform.** For more than 25 years, Aspen has implemented a 0.45% additional [sales tax](#) within Aspen and Pitkin County (ordinances extending this tax were approved in 1999 and again in 2008). Revenues generated by this sales tax generate about \$1.3 million to be used for a variety of child care-specific purposes, from subsidies to professional development for child care workers.

## 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.<sup>122</sup>

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 QRIS, with higher credits for higher quality-rating levels. There is also a credit of up to \$5,000 available to businesses that donate funding to child care resource and referral agencies.<sup>123</sup>

## Financing High-quality Programs 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.<sup>124</sup> 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.<sup>125</sup> As of February 2016, there are eight funded "Pay for Success Projects" with a total investment of \$107 million.<sup>126</sup>



Initiatives in Salt Lake City and Chicago focus on reducing gaps in academic achievement among early childhood education programs. Some in the early childhood field see the potential to build this type of financing into 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.<sup>127</sup>

## Assisting families ineligible for state child care assistance through creative financing

The higher cost of living in some communities may mean that families are ineligible for child care subsidies but still struggling financially. Although they earn more, these families pay more for housing and food and therefore often struggle to pay for 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% of children under the age of five attended early childhood education in the Parramore neighborhood of Orlando, Florida. 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. That same year, the Parramore Kidz Zone (PKZ) provided the local community childcare council with a matching grant to create a special subsidy pool which expanded access to high-quality early care and education opportunities. PKZ helped families understand and complete eligibility documents to qualify for subsidies, which moved more Parramore children from waitlists into early learning programs. PKZ also helped families ineligible for subsidies by covering the full cost of their child's attendance in early learning programs. These strategies increased the total number of Parramore children enrolled in licensed child care by 30% over five years.<sup>128</sup>

## INDIVIDUALIZED CHILD CARE SUBSIDY PILOT PROGRAM: ALAMEDA COUNTY, CALIFORNIA — UPDATE

Last year, we highlighted the Alameda County individualized child care subsidy pilot program. Here is an update on the first year of the pilot:

In Alameda County, as in many areas of the country with high costs of living, families who earn just enough to meet housing costs are deemed ineligible for subsidized child care, and agencies receiving insufficient state reimbursement rates are unable to cover programming and operational costs. In October 2015, Alameda County passed AB 833, which provided Alameda County limited local flexibility with increased state oversight to address local needs, conditions, and priorities of working families in the county through a child care subsidy pilot plan. Through this pilot, the income limits for families increased from 70% of state median income to 85% of federal state median income. In other words, families can earn 30% more and still receive ECE subsidies. In addition, families receive 24 months of eligibility before they may be transitioned from the system, lending to greater continuity of care for children. Finally, the reimbursement rates increased by 6% for infant and toddler and school-age programs; 7% for preschool programs. Alameda County is currently piloting this program, reporting on results, and exploring legislation to make this change permanent.

*One family with both parents having full time jobs sought child care for their young daughter. Because of the cost of living in Silicon Valley, they are considered low income, yet before the pilot was implemented, their family was also considered over income and ineligible to receive the child care subsidy. Now, because of the program, she is enrolled in a new, quality state preschool program at an affordable cost*

*-Angie Garling,*

*Alameda County Early Care and Education Program Administrator*



## Offering Refundable State Tax Credits for Low- and Moderate-Income Families

As we described earlier, the federal government offers two tax credits eligible parents can utilize: the Child Tax Credit (CTC) and the Child and Dependent Care Tax Credit (CDCTC). Although small compared to the high costs of child care, tapping into the tax system can help defray the costs of paying for child care.

However, states can also create their own CTCs and CDCTC credits to further supplement 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. Tax credits focused on early childhood education tend to be supported by groups on all sides of the political spectrum, are seen as non-stigmatizing, and are often more sustainable over time.<sup>129</sup>

According to the [Corporation for Enterprise Development](#), twenty-two states and the District of Columbia have enacted a CDCTC, eleven are partially refundable. Colorado and New York have enacted a refundable CTC. Eighteen states provide a Child and Dependent Care Tax Credit

that is based on a percentage of the federal credit, with percentages up to 110% 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 lower-income families.

When tax credits are tied to state systems like QRIS, tiered reimbursements, and professional development initiatives and planned correctly, it can support the improvement of programming, staff credentialing, and ultimately improve access to quality programs and teachers for low-income children.<sup>130</sup> However, it can also be challenging. Credits may not fully cover the cost of quality, resulting in a limited quantity of highly rated programs and fewer families accessing the higher tax credits.

### BUDGETING FOR CHILD CARE COSTS: FAMILY BUDGET CALCULATOR

The Economic Policy Institute developed and maintains an [online interactive tool](#) families can use to budget monthly and annual expenditures for their area. This calculator is also a useful tool for policy makers and child care and family advocates to demonstrate the proportion of household expenditures going to pay for child care.

MONTHLY COSTS	
--- adults and --- children	
HOUSING	---
FOOD	---
CHILD CARE	---
TRANSPORTATION	---
HEALTH CARE	---
OTHER NECESSITIES	---
TAXES	---
Monthly Total	---
Annual Total	---



## SCHOOL READINESS TAX CREDITS: LOUISIANA

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 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 centers:

- ▶ Through the Louisiana School Readiness Tax Credits it has been estimated that every dollar spent in the Louisiana ECE sector yields a \$1.78 rate of return.
- ▶ Between 2008 and 2015, teachers achieving a Teacher Level 1 credential increased from 963 to 3,598.
- ▶ The number of staff that attained higher credentials (at Pathway Levels 2, 3 and 4) increased from 284 to 2,156.

The package of tax credits provide a total of \$16 million in annual funding for early childhood and serve as a state match for federal child care development block grant funds.<sup>131</sup> The package includes:

- ▶ **Child Care Provider Tax Credit:** A refundable credit for providers that participate in Louisiana's QRIS (Quality Start) and serve children in the subsidy program or foster children. The tax credits range from \$750/child for two-star rated centers to \$1500/ child for five-star rated centers.
- ▶ **Child Care Director and Staff Tax Credit:** A refundable credit to support the workforce. Staff who have been employed for at least 6 months, work in a QRIS-rated setting, and participate in the state career development system are eligible. The average annual credit per employee is \$2150.
- ▶ **Child Care Expense Credit:** A refundable credit to families with incomes under \$25,000 who choose higher-quality child care. Families can qualify for 200 percent of the cost of child care for a child under age six in a five-star rated program compared to 50 percent in a two-star rated.
- ▶ **Business-Supported Child Care Credits** are refundable tax credits for child care expenses. In 2014, 57 businesses received over \$400,000 in credits.
- ▶ **Tax credits for donations to Child Care Resource and Referral Agencies.** In 2014, 190 businesses received \$370,000 in credits.

Research has shown that The School Readiness Tax Credits have a return on investment that benefits the state economy by generating \$830 million in direct and indirect economic activity annually. Specifically, every dollar spent in the Louisiana ECE sector returns \$1.78 to the economy, and for every job created in ECE, 1.3 jobs are created in the larger economy.<sup>132</sup> In addition, the package of credits is an important work support for low-income parents, many of whom are single parents and now can afford quality care for their children and work toward self-sufficiency.<sup>133</sup>



# CONCLUSIONS AND POLICY RECOMMENDATIONS

## Child Care Aware® of America Recommendations

With greater reliance on families to cover the increasing costs of finding and utilizing care for their children, it's critical that this report act not only as a means for data distribution, but as a reminder that the federal government needs to take into consideration what solutions are at their disposal to assist families' capacity to afford quality child care. We call on federal and state policymakers to make child care a top priority when working on budgets.

In order to better meet the need of America's working families, Child Care Aware® of America recommends that Congress:

- ▶ **Invest in child care.** 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 most effectively done through: **An expansion of funding provided through the Child Care and Development Block Grant (CCDBG)**, our major federal child care program; and an **increase in funding which could be used to expand the supply of child care and promote the quality of care.** Child care employs millions of individuals in small and large businesses. 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.
- ▶ **Limit the cost burden for 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 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.

- ▶ **Streamline eligibility standards and procedures.** Simplify the process whereby families qualify for various child care tax incentives so they can easily access them.
- ▶ **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.
- ▶ **Prioritize professional development for child care workforce.** Provide professional development, workforce support and appropriate compensation for all child care professionals.

Ever-tightening budget and spending constraints threaten to exacerbate the strain on the existing financial patchwork of care options already available for families. We call on parents, concerned citizens, and early care and education professionals to urge federal and state





legislators to address the often overwhelming cost of quality child care by:

- ▶ Providing resources for planning and developing child care capacity to increase the availability of high-quality child care options for working families.
- ▶ Reducing barriers in the subsidy administration process that prevent families from receiving assistance.
- ▶ Requiring states to have more effective sliding-fee assistance phase-out plans to ensure that parents who receive a modest raise do not lose all child care assistance.
- ▶ Providing child care assistance to families who do not qualify for fee assistance but who cannot afford the market cost of child care in their community.
- ▶ Authorizing funds for pilots in high-poverty rural communities to explore strategies that braid multiple funding sources to better meet the child care needs of working parents (meeting the criteria of the strongest funding stream to ensure safe, quality care for children).

Parents can find more information about child care options and learn more about providers in their<sup>134</sup> area by visiting [childcareaware.org](http://childcareaware.org). This website provides resources for parents and child care providers and linkages to state CCR&Rs.

Parents, providers and concerned citizens can also make their voices heard by joining the [Child Care Works](#) movement and taking the pledge to support making child care affordable, ensure quality care for all children, and supporting the child care workforce.



*Parents and the High Cost of Child Care: 2016 Report* details the economic challenge America's working families face in paying for child care. Survey after survey and poll after poll clearly show parents want quality child care and know the importance of safe, stable, stimulating environments for their children.

## Early Opportunities

Yet with child care so expensive, especially when compared to other household costs, most families struggle to pay for

child care, particularly higher-quality care. This challenge to pay for child care is exacerbated for families with more than one child and single-parent families.

Safety, health, and school readiness come at a cost that many parents cannot afford. When parents are priced out of legally operating child care, they are often forced to select unlicensed care or patch together multiple informal arrangements; these options have been shown to be of lower quality overall than licensed settings, which has an impact on children's development and learning.

Through careful planning by the states and Congress, our nation can ensure that quality, affordable child care settings are available for working parents in every community. The status quo is unaffordable. Poor quality child care is simply not working. It is time to do something about it. It is well past time to take significant action for our children and economic future.

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A wicker basket is on the left. To its right, two young girls are sitting at a table, looking down at books or papers they are holding. The girl on the left has long brown hair and is wearing a light blue shirt. The girl on the right has short blonde hair and is wearing a pink shirt. The background is a bright, slightly out-of-focus indoor setting.

# GLOSSARY

**Child and Dependent Care Tax Credit (CDCTC):** Tax credit offered by the federal government, through which families can 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 Tribes. 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/licensed exempt by the state and operates: under a proprietary or not-for-profit status, independently, or as part of a large chain of facilities or a faith-based organization.

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

**Child Care Resource & Referral (CCR&R):** An agency that provides services to the community based on the unique needs of the families in that community and determined by the structures and activities local leaders and planners envision and develop.

**Child Tax Credit (CTC):** Tax credit offered by the federal government, worth up to \$1,000 per child, a portion of which 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):** Tax credit offered by the federal government, worth up to \$1,200 per year per eligible families.

**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/Toddler:** Though there are state-specific definitions, infants are children under 12 months old. Toddlers are children between the ages of 12 and 36 months.

**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 three to five 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 five years and older, are considered to be school age.

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

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

**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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