

Increasing Access to Affordable Child Care

An Investment in Healthy Children, Families, Businesses, and Communities

Access to affordable, reliable, and safe child care is essential for thriving children, families, businesses, and communities. Yet, for many parents, quality child care is far from affordable. A 2018 report from Child Care Aware of America found that, for many families in the United States, child care costs exceed costs for housing, college tuition, transportation, or food.¹

For working parents, access to affordable, reliable child care is often a necessity for getting or keeping a job. Among low-income families, for whom the burden of child care's high costs hits hardest, the ability to access child care could be the difference between achieving greater prosperity or dropping deeper into poverty.

Furthermore, the number of families facing the challenges of working and raising a family on a low income are not distributed evenly across racial and ethnic lines. In 2016, 12% of white, non-Hispanic children under the age of 13 were living in low-income working families.² In contrast, 34% of black children and 21% of Hispanic children were living in low-income working families. Therefore, increasing access to affordable child care could also play an important role in addressing broader racial and ethnic disparities in employment, income, and other key measures of prosperity.

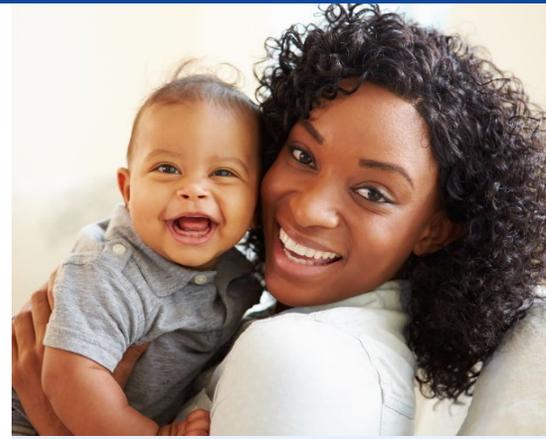
Recognizing the importance of accessible child care, the federal government began a significant investment in improving access to child care among low-income working families with the passage of the Child Care and Development Block Grant Act (CCDBG) of 1990 (42 U.S.C. 9858 et seq). The block grant provides states with funding to subsidize the cost of child care for eligible low-income families.

Despite the fairly substantial investment of public funds,³ assistance only reaches a small fraction of the children who meet eligibility requirements. For example, in 2016, the average number of children per month who qualified for child care subsidies was approximately 8.4 million.⁴ However, the monthly average number of children receiving subsidized care was only 1.4 million, or 16% of those who were eligible.⁴

Michigan's Child Care Market Rate Study

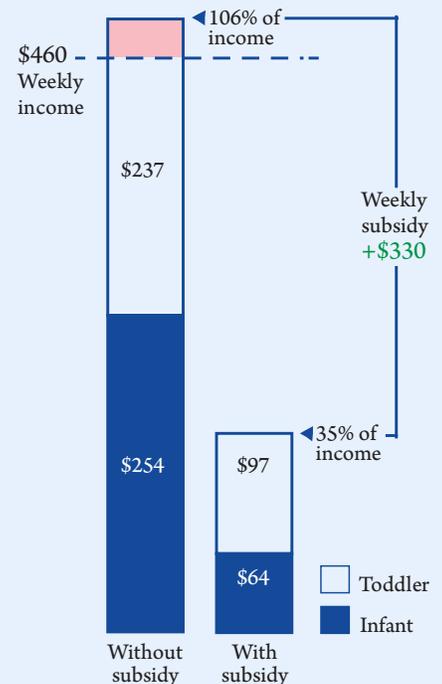
Federal regulations require states receiving CCDBG funding to conduct periodic child care market rate surveys. Market rate surveys are used to determine a payment rate that is sufficient to enable families using the subsidy to enter the child care market in a competitive position to find and afford care across the full range of child care services.

To learn more about Michigan's Child Care Market Rate study or PPA's work on education issues, contact Colleen Graber at [517-485-4477](tel:517-485-4477) or cgraber@publicpolicy.com.



Based on data from Michigan's Child Care Market Rate Study, the figure below illustrates the potential weekly cost for full-time, center-based child care, with and without the CDC subsidy, for a single parent of two children, ages 9 months and 3 years, living in metro Detroit, working full time, and earning \$24,000 per year.

Child care cost to parent per week



Public Policy Associates, Inc. (PPA) conducted the 2017 Market Rate Survey (MRS) for the Michigan Department of Education, Office of Great Start, which administers the Child Development and Care (CDC) subsidy program. PPA collected and analyzed responses from 2,705 licensed child care providers. The key findings generated from the analysis included the following:

The price of child care is influenced by the setting (i.e., center-based vs. home-based), quality rating, and location. The rates charged by centers were as much as 50% higher than rates charged by home-based providers. Providers with the highest quality ratings charged 20%-50% more than providers with lower quality ratings. Market rates in southeast Michigan were 30%-40% higher than market rates in the rest of the state.

The subsidy reimbursement rate is well below the market rates for most child care situations. Subsidies ranged from \$2.65 per hour to \$5.50 per hour, depending on the child's age and quality rating of the provider. Meanwhile, market rates at the 75th percentile, or the price at or below which 75 percent of child care

providers charged for services, ranged from \$3.75 per hour to \$6.00 per hour.

Parents who qualify for the subsidy may still be left with significant out-of-pocket costs. When subsidies are inadequate to pay the full cost of child care and/or a child is in care beyond the hours approved for the subsidy, most providers billed parents for the balance.

Implications

PPA has identified the following questions and practices for policymakers to consider as they seek to expand access to affordable child care:

Key Questions to Consider

- At what percentage of a family's income are child care costs affordable, and how should that factor when setting eligibility standards for child care subsidies?
- What barriers exist within the systems that administer child care subsidies, and how can those barriers be eliminated or reduced?
- Are planning and development resources in place to identify child care availability gaps and help ensure that child care is available to all families?

- How can employers and workforce development agencies help expand access to child care for working parents?

Suggested Practices and Policies

Increase subsidy rates. To address the gaps between market and subsidy rates, increase the subsidy rates to at least the 75th percentile of market rates across all age groups and provider types.

Structure subsidy rates at daily or weekly rates. The vast majority of providers ask families to pay for child care on a daily or weekly basis. Setting subsidy rates based on one of those structures would help eliminate the challenge of approved hours not matching the true need for time in care.

Support pilot programs to expand access to underserved families. Explore innovative solutions for creating and expanding child care access in rural communities and other places where capacity gaps are identified.

Invest in quality improvement. Ensure providers have the resources needed to access professional development and infrastructure improvements. Ensure subsidies are sufficient to allow all families access to the highest-quality child care available.

References

- ¹ *The US and the High Cost of Child Care; A Review of Prices and Proposed Solutions for a Broken System* (Arlington, VA: Child Care Aware of America, 2018) accessed February 15, 2019, <http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/>.
- ² Author's analysis of data from the Transfer Income Model, Version 3 (TRIM3) and associated databases (TRIM3 project website, trim3.urban.org, downloaded on March 7, 2019). For this analysis, a low-income working family is defined as one with income below 200% of the federal poverty level and both parents working (if in a two-parent family) or the only parent working (if in a one-parent family).
- ³ Between 2010 and 2017, the federal government allocated an average of \$5.3 billion to the program annually, with states kicking in an additional \$2.6 billion annually in matching funds. Source: Office of Child Care, *CCDF Funding Allocations*, <https://www.acf.hhs.gov/occ/resource/ccdf-funding-allocations>.
- ⁴ Author's analysis of data from the Transfer Income Model, Version 3 (TRIM3) and associated databases (TRIM3 project website, trim3.urban.org, downloaded on March 7, 2019).
- ⁵ "Child Care and Development Fund Statistics," Office of Child Care, <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.
- ⁶ The 75th percentile of market rates for child care is the benchmark established by the Office of Child Care for setting setting subsidy rates that provide low-income families with equal access.