CAPITOL RESEARCH

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HUMAN SERVICES

THE CHILD CARE DILEMMA: AFFORDABILITY

Child care is a major expense for most families across the country. Federal, state and local governments recognize the financial burden that child care places on parents, offering subsidies to those hardest hit—low-income families. This research brief is the second in a five-part series about the state of child care and its implications. In the first brief, we introduced child care as a state policy area, the demographics of families with young children, and the federal legislative landscape for improving the quality of child care and subsidizing costs.

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Some of the key takeaways to keep in mind as affordability is examined:

- Most children under the age of 6 do not live in a household with married guardians.[1]
- Households with small children are more likely to live in poverty.[2]
- Single mothers with small children are even more likely to be in poverty—in every state and the District of Columbia, the poverty rate for this group is higher than the overall state poverty rate.[3]
- Mothers who have higher levels of education have higher rates of employment.[4]

The cost of child care varies widely across care settings, child age groups and states.[5] However, in all states, child care can represent one of the single largest expenses a family can face. For instance, depending on state of residence, a family could expect to pay, on average, between $4,822 and $22,631 a year for infant care at a child care center. The fee for child care for an infant represents at least 9 percent of median household income, as is the case in South Dakota and Wyoming, or as much as 36 percent in the District of Columbia. For a single parent with one child living at the poverty line, infant child care at a center will eat up at least a quarter of the family's income.

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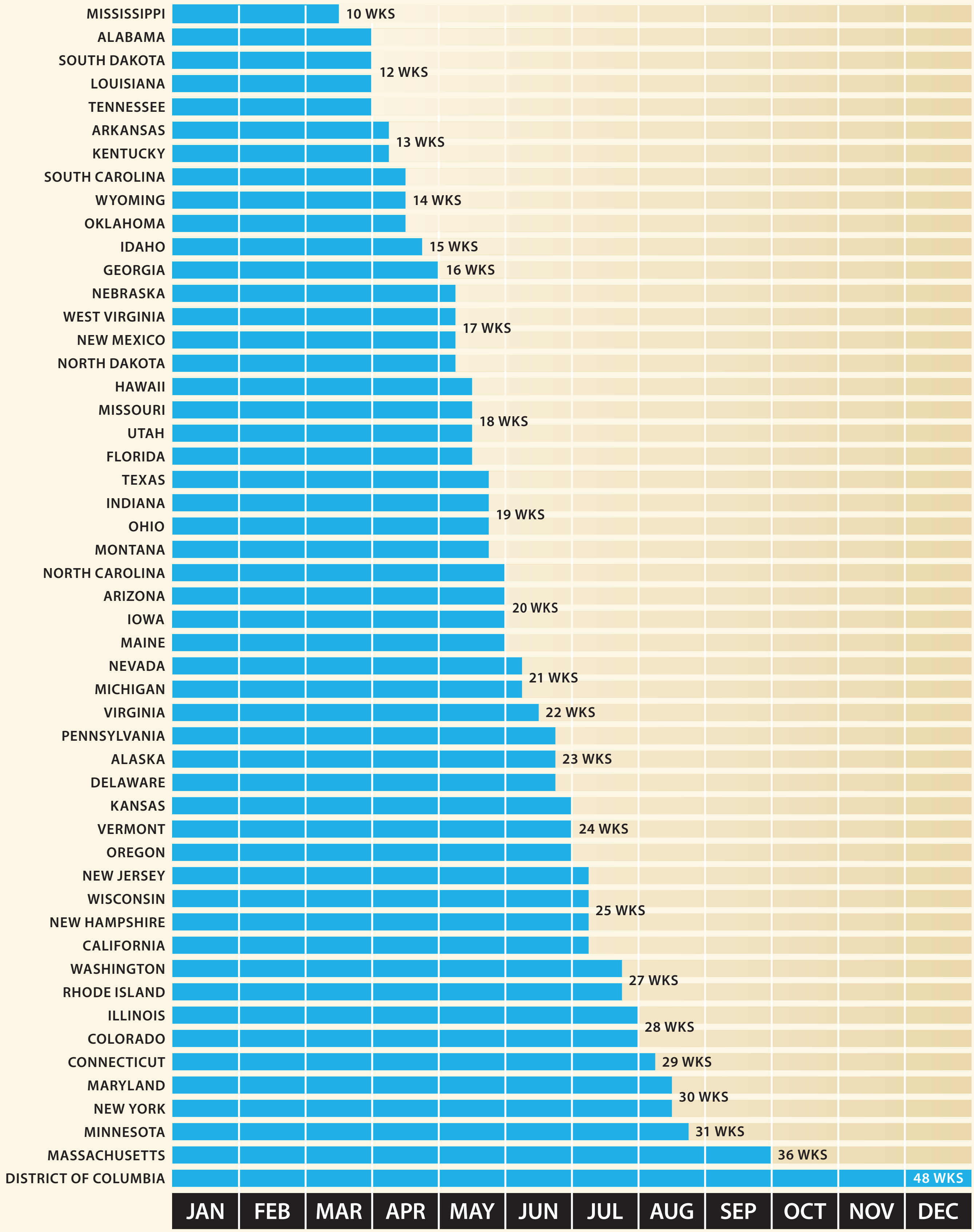
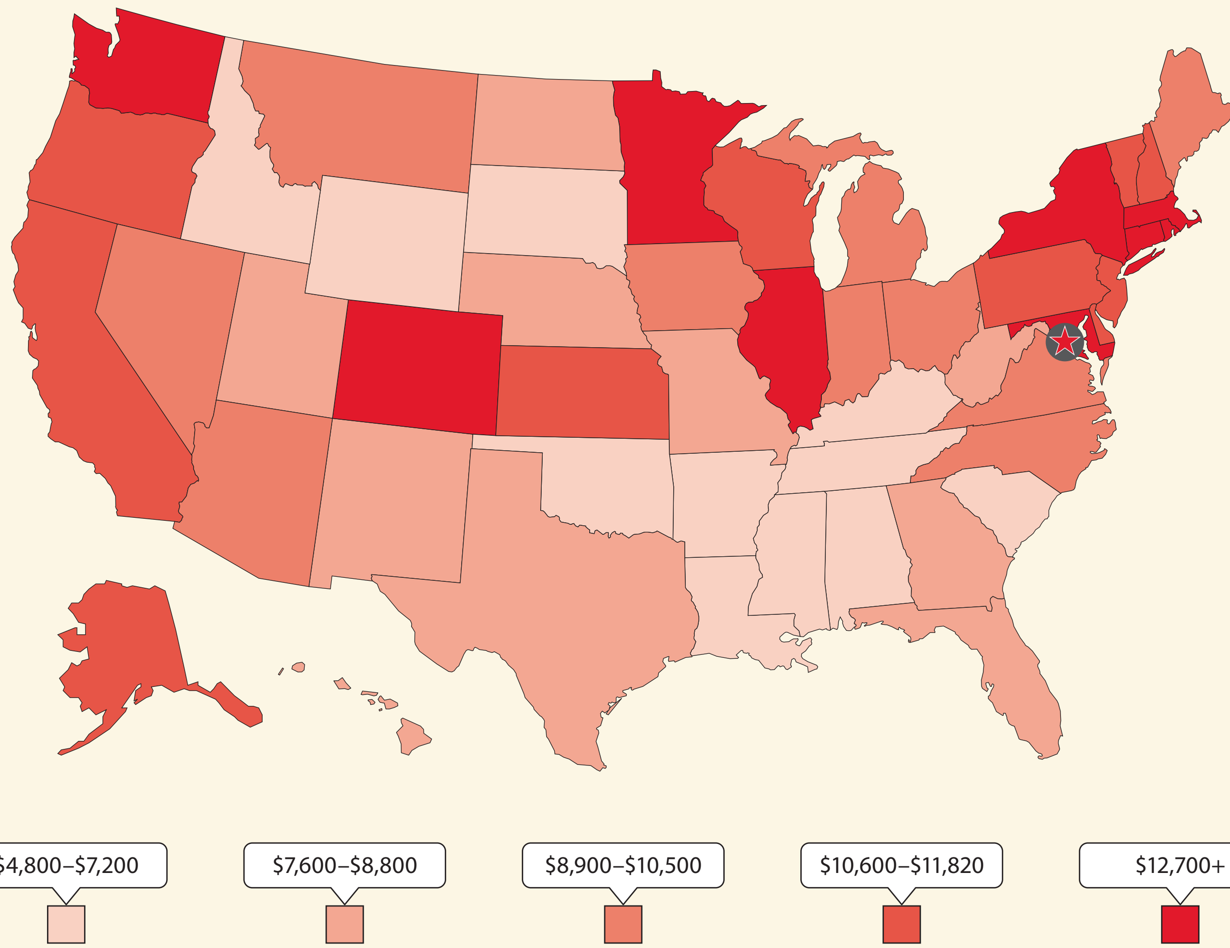
A SINGLE MOM MAKING $24,475.50 WOULD HAVE TO WORK AT LEAST 10 WEEKS OR AS MANY AS 48 WEEKS TO PAY FOR HER INFANT'S CHILD CARE



CHILD CARE FOR THE FIRST YEAR OF LIFE IS MORE EXPENSIVE THAN PUBLIC UNIVERSITY TUITION IN 28 STATES AND THE DISTRICT OF COLUMBIA*

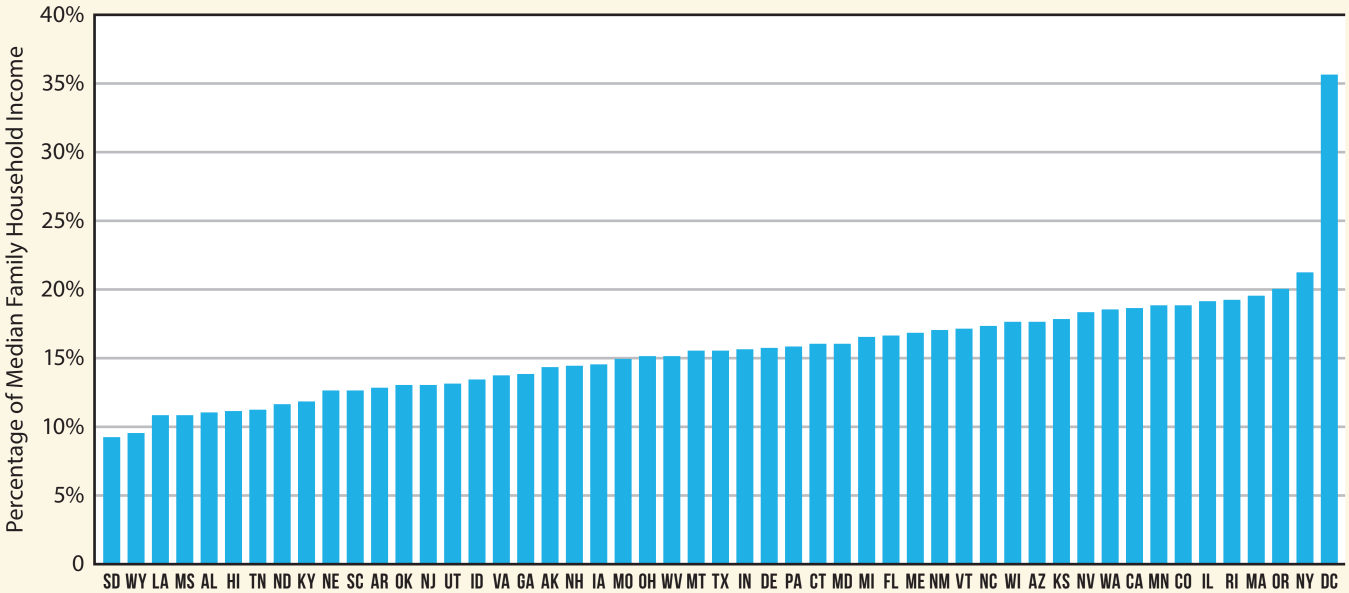


*At a child care center

The burden does lessen as children get older—school-age child care at a center, before and after school, ranges from $1,104 in Louisiana to $13,623 in D.C. annually. In six states—Montana, the District of Columbia, New York, Alaska, Wisconsin, and Nevada—the average school-age before- and after-school child care fee is higher than the average tuition at public colleges and universities in the state. To compare with the cost of care for very small children, in 28 states and the District of Columbia, infant child care center fees are higher than public university tuition.

Costs also can fluctuate based on the setting of care. Generally, child care centers are more expensive than care provided from a home-based business. Family child care home fees range from $1,040 to $16,006 a year for infants, and from $3,675 to $13,668 a year for children age four. The average across states for infant care in a family child care home was $7,165, and the average for children age four was $6,738. In all but 12 states, infant care that is in a family child care home setting is less expensive than care in a center. In only three states is child care for children age 4 more expensive in a home-based business.

THE AVERAGE FAMILY PAYS MORE THAN 10% OF THEIR INCOME FOR INFANT CHILD CARE IN ALL BUT TWO STATES



The Impact of Child Care Subsidies on Affordability

If families have more than one child, the fees add up quickly. As described in the first CSG research brief in this series, states have federal dollars available to them via the Child Care Development Fund, or CCDF, grant program to subsidize the cost of child care for the most economically vulnerable. The CCDF was reauthorized late in 2014, which included updates to the eligibility requirements. (More information about the changes to the law can be found at the U.S. Administration for Children and Families' website.)[6]

California received the largest block grant from the CCDF in 2014, totaling more than half a billion dollars. Per child (newborn up to age 14), the states that received the most money were Oklahoma, North Carolina, Tennessee and West Virginia, plus the District of Columbia. In 2014, between 1 percent and 4 percent of children under the age of 14 was in some way subsidized by CCDF funds in each state.

States set eligibility requirements for child care subsidies funded by the federal grant, with some stipulations from the federal statute. In 2014, 22 states had minimum weekly work hours for parents to qualify for subsidies. Prior to changes to the law, 13 states considered searching for a job an "approved activity" for families seeking the child care subsidy. However, the new statute requires all states to provide some coverage for periods of job searching.[7]

No state limits eligibility for child care subsidies to families with incomes below the poverty level. In fact, in 19 states, the cutoff is above 200 percent of the federal poverty guideline for a family of three.[8] Looking at the thresholds in 2014, 14 states required families of three that were initially applying for the subsidy to have an income of less than half the state's median household income of all families with children. Five states had thresholds for families of three that were above 75 percent of the state's median household income for all families with children.[9] Income thresholds are set by monthly income and many states use a tiered system, which changes the threshold for those applying to continue the subsidy. For example, at benefit renewal, states may allow a family to have earnings above the initial income eligibility threshold in order to reward increased earnings from work.

All states require copayments, but families may be exempt if they meet certain criteria, such as living below the poverty line. Of those families qualifying for child care subsidies through the federal fund, many paid a copayment. Overall 77 percent of families had a copayment, and the mean copayment across the country was 7 percent of family income.[10] In 30 states, the average copay fell between 5 and 10 percent of yearly income. In 15 states and the District of Columbia, the average copay was less than 5 percent of family income. The average copay was greater than 10 percent of family income in 5 states—Colorado, Hawaii, Mississippi, Oregon and South Dakota.

IN ALL STATES, FAMILIES RECEIVING A CHILD CARE SUBSIDY HAD A COPAYMENT, AVERAGING 7% OF THEIR ANNUAL INCOME

CoPay < 5% of Yearly Income	CoPay 5%–10% of Yearly Income	CoPay > 10% of Yearly Income
15 STATES*	**30 STATES**	**5 STATES**
Arizona, California, Connecticut, Dist. of Columbia, Iowa, Michigan, Minnesota, Montana, Nevada, New Jersey, New Mexico, North Dakota, Ohio, Rhode Island, Utah, West Virginia	Alabama, Alaska, Arkansas, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, MIssouri, Nebraska, New Hampshire, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, Wisconsin, Wyoming	Colorado, Hawaii, Mississippi, Oregon, South Dakota
*And the District of Columbia		

How Do Parents Choose?

Child care can represent an enormous investment decision, not just for low-income families, but also for those in the middle class. How do families choose, keeping not only the quality and safety of a program but also the cost in mind? The next brief in this series will highlight the availability and accessibility of child care options in the states.

RESOURCES

[1] Author's analysis of U.S. Census ACS 2014 estimates; see "The Child Care Dilemma: Overview" brief for further information.

[2] Ibid.

[3] Ibid.

[4] Ibid.

[5] All data on average fees for child care, unless otherwise noted, come from Child Care Aware of America's 2015 State Fact Sheets, *http://www.usa.childcareaware.org/advocacy-public-policy/resources/reports-and-research/statefactsheets/*.

[6] U.S. Department of Health & Human Services Administration for Children & Families Office of Child Care. FY 2014 CCDF Allocations (Including Realloted Funds). August 22, 2014, *http://www.acf.hhs.gov/occ/resource/fy-2014-ccdf-allocations-including-realloted-funds*. Allocation and program participation data are from 2014, prior to the re-authorization, which is the latest data available for program utilization statistics as of June 21, 2016.

[7] Stevens, Kathryn; Minton, Sarah; Blatt, Lorraine. U.S. Department of Health & Human Services Administration for Children & Families Office of Planning, Research & Evaluation. Implications of Child Care and Development Block Grant Reauthorization for State Policies: Changes to Job Search Policies. April 2016, *http://www.acf.hhs.gov/sites/default/files/opre/ccdbgreauthandjobsearch_508compliance.pdf*.

[8] Minton, Sarah; Stevens, Kathryn; Blatt, Lorraine; and Durham, Christin of the Urban Institute. U.S. Department of Health & Human Services Administration for Children & Families Office of Planing, Research & Evaluation. The CCDF Policies Database Book of Tables: Key Cross State Variations in CCDF Policies as of October 1, 2014, *http://www.acf.hhs.gov/sites/default/files/opre/ccdf_policies_database_2014_book_of_tables_final_11_05_15_b508_3.pdf*. October 2015.

[9] Calculated using data from OPRE's "CCDF Policies Database 2014 Book of Tables," table B-1, *http://www.acf.hhs.gov/sites/default/files/opre/ccdf_policies_database_2014_book_of_tables_final_11_05_15_b508_3.pdf*. Multiplied monthly initial income thresholds for each state by 12, divided by median household income for families with children projected by the U.S. Census ACS 2014 5 Year projections, S0901.

[10] U.S. Department of Health & Human Services Administration for Children & Families Office of Child Care. Characteristics of Families Served by Child Care and Development Fund (CCDF) Based on Preliminary FY 2014 Data, *http://www.acf.hhs.gov/occ/resource/characteristics-of-families-served-by-child-care-and-development-fund-ccdf*. October 22, 2015.

Sarah Smith, CSG Graduate Fellow, *ssmith@csg.org*