The Child Care Dilemma: Potential Solutions

There are multiple challenges to the question of child care in the states. Early childhood education can be viewed through multiple policy area lenses, including workforce development, education, health care and economic development. What is at stake for families with young children needing child care?

- Family living arrangements for children under the age of 6 vary by state; one-third of children under age 6 are not living in married-couple homes nationally. Single mothers with young children are much more likely to live in poverty.¹
- Children growing up in economically insecure homes face unique hurdles that can impact their ability to succeed in the future, both at school and in adulthood.
- Mothers of young children sometimes struggle to balance responsibilities at home with those at work.² While gainful employment is a key for economic mobility, many families with young children, particularly those in poverty, are faced with the high cost of child care and a lack of flexibility on multiple fronts, making it difficult to maintain both full-time employment and have access to reliable, high-quality and affordable child care options.³, ⁴

As an intervention, early childhood education programs have a relatively high return on investment.⁵ Diverse stakeholders have recognized that these programs are not only a workforce development opportunity for future workers, but also decrease the chances that a low-income child will need public social supports in the future.⁶ These programs also enable guardians to work outside the home.

- While child care represents a large expense for both low-income and middle class families, child care workers themselves often receive wages that would qualify them for public assistance.⁷ There is a gap in many instances between the pay earned by child care workers and early childhood educators, and that of kindergarten teachers in all states, contributing to the obstacles faced by programs to attract and retain experienced, educated providers.⁸

Policymakers have worked at the federal, state and local levels of government with nonprofits and those in the private sector to devise policy solutions to enable caregivers to work while sending their young children to child care facilities.
Nonprofits & Businesses: Leaders in both the public and private sector are working to engage their communities and stakeholders on the topic of early childhood education.9 States have put together commissions and advisory groups to create awareness among business leaders and policymakers and build partnerships across levels of government. Nonprofits and religious organizations continue to support working parents through offering child care and programming for very young children.

- Many businesses view child care as an important piece of their benefits package.10 Some employers offer subsidies, on-site child care or agreements with providers to offer discounted slots locally. However, a new practice is emerging that may be of particular interest to smaller employers that may not be able to provide the aforementioned on-site child care—a business-supported consortium model.11
  - In Vermont, the Permanent Fund is working with groups of businesses to pilot this model, where businesses pool resources to offer child care to employees.12 Looking to benefits policies of higher education universities in the region as a guide, the nonprofit plans to build a facility that will be supported by member companies that are guaranteed slots through an annual fee schedule.13 The Permanent Fund also is considering creative ways corporate members of the consortium can contribute so that their employees can benefit from the availability of affordable child care—for instance, they may look at ways one corporate member could provide food products in exchange for secured slot(s).14

- PNC Bank’s “PNC Grow up Great” campaign has provided grant dollars to nonprofits targeting early childhood education; they estimate that “the program has impacted approximately 2.3 million children throughout 19 states and the District of Columbia.”15

Tax Credits: The federal government helps families with the cost of child care in two ways.16 The Child and Dependent Care Tax Credit reduces federal income tax liability by between 20 and 35 percent of up to $3,000 in child care costs a year, based on family income. Guardians also can spend pretax dollars set aside in a Dependent Care Account set up through participating employers on child care up to a certain amount.

- Twenty-two states have expanded on the federal child care tax credit for families and added benefits.17 For example, in New York, the tax credit is refundable to parents, alleviating the cost of child care further for those who do not have a tax burden due to low income, and the state credit is calculated as a percentage of the federal tax credit.18

- In Colorado, citizens who donate money to promote child care in the state can claim the Colorado Child Care Contribution Tax Credit, receiving 50 cents to every dollar spent as a tax credit.19

- Louisiana has implemented a number of credits not only targeting families but also businesses and child care providers. The Louisiana School Readiness Tax Credits include tax credits for families based on the quality rating of the facility; tax credits for providers, also based on the quality of the facility; and refundable tax credits for construction expenses of a center and/or payments to child care facilities for services reserved for employees.20
Partnerships & Innovative Funding Models

- **Smart Start North Carolina Partnership for Children Inc.**, a public-private partnership between all North Carolina counties that acts by “giving communities local control” to deliver services for children and their families. Funding comes from the state and private donors to power the organization’s activities, and local partnership boards decide how to spend it to “improve the quality of child care and make child care more affordable and accessible for working families.”

- **Michigan, Washington and West Virginia** fund public pre-kindergarten programs that utilize blended funding streams and provide “wrap-around” services. In Washington, the public preschool is similar to Head Start and also has income requirements (families cannot make more than 110 percent of the federal poverty line). In Michigan, income eligibility is a bit more complex. To participate in the Great Start Readiness Program, 90 percent of families must fall below 250 percent of the federal poverty line; ten percent of families can make more than that, but have to pay tuition. While the state’s Department of Education houses the office that manages this program in Michigan, it is the local school district that directly administers it. West Virginia does not have income-dependent eligibility requirements for its pre-kindergarten offering; it is estimated that 75 percent of West Virginian 4-year-olds attended in the 2014–2015 school year.

- **275 community programs across the country** that received federal grant dollars for **Early Head Start—Child Care Partnerships** that are coordinating child care service delivery. As of April 15, 2016, more than 1,300 child care centers and 800 family child care providers were participating in the grant program, which allows providers to “layer funding to provide comprehensive services and high-quality early learning environments for low-income working families with infants and toddlers.”

Professional Development Programs

- **Montana**, aspiring early childhood educators can take advantage of apprenticeship programs, scholarships and professional development incentives. In the Montana Early Childhood Apprenticeship Program, participants are paired with a mentor as they earn college credit and the Child Care Development Specialist credential over the course of two years; sponsoring organizations also have a financial incentive to host apprentices.

- **California**, one of the many states offering professional development opportunities for child care providers, provides Career Incentive Grants for students at four-year universities to cover educational expenses up to $1,500 a year.

- **Georgia** provides scholarships and incentives for aspiring and current early childhood educators. Georgia provides a salary bonus for early childhood educators designed to reward educational attainment and job retention, up to $1,250 for up to four payments, depending on qualification earned. Students pursuing technical certificates, associate degrees, bachelor’s degrees and master’s degrees can receive 80 percent of tuition and a stipend through the scholarship program.
The Race to the Top Early Learning Challenge, which is a federal grant program to increase enrollment of low-income children with high needs in high quality programs, has seen success in its efforts. From 2011 to 2015, the 20 states participating in the program have seen an 86 percent increase in enrollment in high-quality child care programs with child care subsidy funding.

There are a number of organizations that currently use or are exploring projects that utilize social impact bonds to power early childhood education innovations.

In Utah, the United Way of Salt Lake City entered into a pay-for-success contract with Goldman Sachs, J.B. Pritzker and StriveTogether to fund preschool programs in areas identified as “high-need.” Goldman Sachs and J.B. Pritzker provided $7 million in funding; if the program could keep children that otherwise would have needed special education services in elementary school from needing them through high quality early childhood education, then Utah would repay the investors with interest (like a bond).

In Illinois, the city of Chicago is currently implementing a program that will repay private investors if quality early childhood education offered at select Chicago public schools reduces the need for special education, increases kindergarten readiness and increases third-grade literacy levels.

Researchers, nonprofits, policymakers and businesses agree that early childhood education is important. The benefits of high-quality child care run two ways. Engaging learning through child care and into kindergarten is important to success later in life. It also allows parents to more fully participate in the workforce. The federal government and states have implemented some policies to lessen the financial burden of child care. However, it would appear there are opportunities for policymakers and community leaders to find new creative solutions to provide for the needs of young children and their parents as they pursue health, productivity and stability.

In the budget proposal for 2017, President Barack Obama is recommending that Congress increase funding for early childhood education programs, including expanding access to affordable care for 1.1 million more children in the next 10 years, making the child care tax credit more accessible to middle-class families, providing more dollars for Head Start, and championing universal preschool in all states. Both presidential candidates, Hillary Clinton and Donald Trump, have recognized the challenges of providing affordable child care; they both have made proposals to tackle the issue if elected. Regardless of who is elected, we can assume early childhood education will continue to be a focus as the federal government seeks to support state and local efforts.

RESOURCES


3 According to author’s analysis of average child care costs presented in the research brief “The Child Care Dilemma: Affordability,” the average cost of infant care at a child care center could represent at least 17 percent of the income of a single mom with two kids living at 150 percent of the poverty rate in Mississippi, and up to almost 60 percent in Massachusetts and 79 percent in the District of Columbia.

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