

Access to Child Care for Low-Income Working Families

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June 1999

Executive Summary

Out of necessity or choice, mothers are working outside the home in greater numbers than ever before. In 1996, three out of four mothers with children between 6 and 17 were in the labor force, compared to one in four in 1965. Two-thirds of mothers with children under six now work. Reliable, high-quality child care is critical to these mothers' productivity at work, as well as to their children's health and intellectual development.

With the unemployment rate at 4.2 percent, a 30-year low, many employers are having difficulty finding the workers they need. Women are expected to make up over 60 percent of new entrants to the labor force between 1994 and 2005. Welfare reform makes it likely that the demand for quality child care will be even greater in the future. Unfortunately, the cost of child care is often beyond the means of low and moderate-income working families, including those that have never been on welfare.

The Child Care and Development Fund (CCDF) is the major source of Federal child care assistance for low and moderate-income families. The program provides funding to states for subsidizing care of the parent's choice, whether in a family child care home, with a relative, or in a child care center.

This report provides new information on the number of children receiving subsidies through the CCDF in fiscal year 1998 and on the number of children eligible for assistance, by state. Nationally, in an average month in 1998, only 1.5 million of the 9.9 million low and moderate-income children eligible for CCDF assistance actually received help through the program – just 15 percent of eligible children.

The gap between eligibility and receipt of services would be greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law. If all states set eligibility limits at the maximum levels allowed under Federal law – 85 percent of state median income – an estimated 14.7 million children would have been eligible for subsidies in fiscal year 1998, of whom only 10 percent were served.

The percentage of children eligible under state limits who are served with CCDF funds varies across states. About one-fifth (9) of all states are serving less than 10 percent of the eligible children, three-fifths (31 states) are serving between 10 and 25 percent of eligible children, and one-fifth (11 states) are serving 25 percent or more of the eligible population. Differences in state definitions of the eligible population explain some of this variation, which is also caused by differences in funding amounts, local child care costs, reimbursement rates, co-payment policies, and the number of low and moderate-income working parents in each state. If all states expanded eligibility to the Federal maximum limits, over half the states (27 states) would be serving less than 10 percent of eligible children, with the remaining half (24 states) serving between 10 and 25 percent of eligible children.

The CCDF Program. The Child Care and Development Fund (CCDF) is a Federal-state program which enables states to subsidize the child care expenses of low and moderate-income families. The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) consolidated most Federal child care funding, thereby allowing states to serve families through a single integrated child care system. States have tremendous flexibility to design policies and define eligibility guidelines, service priorities, provider payment rates, and family co-payment amounts, in conformance with broad parameters specified under Federal law.

NOTE: The Child Care and Development Block Grant (CCDBG) Act provides discretionary funding for child care assistance. PRWORA consolidated mandatory child care funding under the Social Security Act and applied the CCDBG Act rules to these mandatory dollars. The term “CCDF” refers to the combination of the CCDBG discretionary funds and the Social Security Act mandatory funds, both of which are subject to the provisions of the CCDBG Act.

Large numbers of children remain unserved despite the fact that states drew down all available Federal mandatory CCDF funding in 1998 and transferred \$636 million in Federal TANF dollars to CCDF programs.

In all, states in FY 1998 spent \$3.5 billion in Federal mandatory and discretionary funds (including dollars transferred from TANF) and \$1.6 billion of their own funds on child care assistance through CCDF. As a result of these investments, 250,000 more children were served through CCDF in an average month in 1998 as compared with 1997.

NOTE: Some states provide child care assistance through programs separate from CCDF, but there is no source of consistent and reliable information on the number of children served through such programs. In most states, the bulk of child care subsidies are funded with CCDF dollars.

Affordability. Regular child care arrangements are often beyond the reach of working poor families if they do not have access to subsidies. In fact, child care expenses are often the second or third largest item in a low-income working family’s household budget. In 1993, for example, child care expenses averaged 18 percent of family income, or \$215 per month, for poor working families paying for care for one or more preschool children. For families with income of less than \$14,400 (\$1,200 per month) the average share of income devoted to child care was even higher – 25 percent, or one-fourth of family income.

Two recent studies suggest that increased funding for child care subsidies increases employment rates and earnings for low and moderate-income parents, while other studies find that families on waiting lists for child care assistance cut back their work hours and are more likely to receive public assistance or go into debt (including declaring bankruptcy).

Quality. When families cannot get help in paying for child care, it is harder for them to find quality care that helps prepare their children for success in school. Although this report does not provide new information about child care quality, it does include a very brief summary of quality research and references. As this summary indicates, new research on preschoolers finds that quality child care programs make a difference in children’s cognitive performance, language development, social adjustment, and overall child behavior, with differences found as many as four years after program participation. Existing child care arrangements, however, vary in quality, and too many children are exposed to poor conditions in care. Studies of investments in quality have found that state-wide quality initiatives, such as those undertaken in Florida and North Carolina, have resulted in improved quality of child care programs and enhanced child development.

Information Sources. The new information reported here comes from two sources. The average monthly estimate of children receiving CCDF subsidies – 1.5 million in 1998 – is a preliminary estimate based on state administrative data reported to HHS for the months of April – September 1998. These administrative data reflect children served (at least in part) through CCDF programs, not those served by other Federal, state, or local programs.

The eligibility estimates were generated from the Urban Institute’s TRIM3 microsimulation model, based on three years’ worth of Current Population Survey (CPS) data. The estimate of 9.9 million children eligible under state-set limits includes all children under age 13 (or older disabled children in certain states) who are living in families where the family head (and spouse if present) work or are in education and training programs and family income is below the states’ income guidelines for assistance under the CCDF October 1997 state plans.