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Childcare Subsidies

Over 60 percent of the nation's youth under the age of six are in some sort of childcare. As a result, demand for all types of care has increased, triggering prices to rise across the market. Unfortunately, the new cost has left some families unable to participate without assistance. Given that research has proven good educational opportunities in early childhood to be deeply important later in life, the issue is being dealt with in a variety of ways across the country (NCSL 2006).

Currently, the national Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) provides subsidies to families of low-income through the States. The states receive block grants in an effort to aid flexibility that can be used to subsidize childcare centers, preschool programs, family childcare homes, and even care by relatives or friends to those families eligible under welfare (NCSL 2006).

Between the years of 1996 and 2001, the number of children in subsidized programs has doubled to over two million and total spending has tripled. However, concerns linger over who should qualify for such assistance, the rate of reimbursement paid to the provider, and the quality of care the children receive (NCSL 2006).

In early February 2006, with no Democratic support in either the House or the Senate, Republicans included a reauthorization of PRWORA in the Budget Reconciliation Act. The reauthorization of the welfare act imposed tougher work requirements on welfare recipients in the process, which will likely result in a greater need for childcare subsidization (Stateline.org 2006).

TANF

The Welfare Reform Act of 1996 created a program called Temporary Assistance for Needy Families (TANF), which, among other things, required that all welfare recipients must work a certain number of hours, and limited the time that recipients could be on welfare. Because of the new work requirement the legislation also included the Child Care and Development Fund (CCDF). The amount the federal government distributes to a state for childcare is based on "the percentage of children who are under the age of five, the number of children receiving free or reduced-price school lunches, and the state's average per capita income", though parents "on or moving off welfare" are not guaranteed childcare assistance (Lino 1998, p. 42).

The flexibility states have been granted has also increased. Previously, states had to reimburse welfare recipients on any childcare provider, except those whose cost was in the 25th percentile. Currently, there is no regulation on the minimum cost that states have to reimburse. In addition states are no longer required to take into account the costs of childcare based on age and environment. There is still however the same safety and health regulations (Lino, 1998).

There are some exceptions that are made to the work requirements when a young child is present. If a welfare recipient has a child under the age of six, the work hour requirement is decreased to 20 hours per week. If the welfare recipient cannot work because childcare is unavailable (due to “distance, suitability and appropriateness and affordability”) the state cannot withhold funds (Lino 1998, p. 43).

Need for Childcare

A study by the Urban Institute stated that “only one-third of children in need of child care assistance [will be] served” (Lino 1998, p44). States, therefore, must balance between putting a cap on who is considered eligible for state assistance, which would decrease the *quantity* of those receiving child care assistance but increase the *quality*. Or, states can widen who is eligible for child care subsidies but this would most likely decrease the level of care those families would get for their children. Clearly, it also important to note that the overall economy will play a huge role in how well this system works. Obviously, when jobs are available, states should have no trouble having welfare recipient’s work. However if unemployment rises, more families will be out of work, leaving welfare recipients unable to find jobs and more people needing welfare to survive (Lino 1998).

States currently have only a certain amount of money allocated to them from the federal government that is used for childcare subsidies. Therefore, if the economy shrinks, the states do not necessarily get more money for childcare. States will have to pick and choose which families to give subsidies too. As one researcher notes, “Under the previous system, child care assistance was an entitlement (all who qualified were served) for families on or transitioning off welfare (Lino 1998, p45).

Quality of Care

The quality of childcare available to parents on welfare is concluded to have been less than adequate. In 1995, just a year before this new welfare program was initiated, a study done in multiple states concluded that the “quality of child care as poor or mediocre in 86 percent of the centers surveyed” (Lino 1998, p46). In order to combat this problem, several states in particular have provided higher childcare reimbursements. For example, Wisconsin pays 50 percent of the market rate to those that are untrained childcare providers and 75 percent to those that underwent training. Ohio and Maine also have similar reimbursement strategies (Lino 1998).

In conclusion, speculation still arises as to whether funds will adequately provide the funds needed for child care under the new regulation to work while on welfare. One study concluded,

“That child care demand increased more rapidly than administrators had forecasted” (Lino 1998, p47).

State Activity

New Jersey

The New Jersey Department of Human Service gives support to working families who need money and resources to achieve and sustain a livable and self-sufficient environment. The department works together with Unified Child Care Agencies in every county to provide information to assist parents with any questions they may have about certain types of child care, how to pay for child care, and help find suitable child care resources. This Department monitors 3,800 licensed child-care centers and over 5,100 family day care homes, which are all registered with the state voluntarily. Every year the DHS Division of Youth and Family Services Licensing Bureau inspects the child-care centers that are licensed within the state to ensure that safety, health, and educational requirements are met (Working Families). The state provides child care subsidies to low- and moderate- income working parents for preschool instruction, after-school programs for children 13 and younger, and for children and teenagers who have special needs. The government provides free child-care to children whose families collect cash assistance from the state welfare program. Families who have left the welfare program and are now working receive child-care subsidies for up to two years, making co-payments depending on family size and income. Families who have never been on welfare, but who earn up to 200% of the federal poverty level, are eligible to receive child-care subsidies from the New Jersey for Kids program, and after one year the families qualify with an income up to 250% of the federal poverty level (Family Development).

New York

The Child Care and Development Fund Plan in New York, which is updated every two years, use federal funds to improve the quality of child care, make it more accessible, and to subsidize low income families in order for them to have access to these programs (Office of Children and Family Services). Over the past decade, childcare subsidies have more than doubled. In 1994 the number was 72,000 and in 2005 it was over 185,000. Also, families have more freedom to decide the suitable amount of childcare support with help from the Flexible Fund for Family Services, which was proposed by Governor Pataki (The Pataki Record). “This new fund incorporates TANF (Temporary Assistance for Needy Families) funding into a \$1 billion flexible allocation for counties” (Flexible Fund for Family Services, http://www.ocfs.state.ny.us/main/FFFS_FAQ.asp).

Pennsylvania

Pennsylvania’s childcare program assists families whether the parents are working or unemployed. The Child Care Works Subsidized Child Care Program provides guidelines to help families figure out what kind of childcare assistance and subsidies they are able to receive from their state. A family is eligible to receive a subsidy if their yearly family income is 200% or less of the Federal Poverty Income Guideline. For example, for a family of four that amount would

be roughly \$38,700 and for a family of five it would be roughly \$45,022. Each parent must work either 20 hours a week or work 10 hours a week and partake in 10 hours of training a week, and the subsidized childcare that is received must coincide with the time that the parents are working.

The child receiving the childcare subsidies must be of the age 13 or younger and the parents must be able to help pay for some of the childcare. This co-payment may range from \$5.00 per week to \$25.00 per week. Through this program parents are able to choose what kind of childcare service they prefer for their child; childcare centers, a small family day care home, a group day care home, or a relative/neighbor.

In order to guarantee that the care a child is getting is safe and reliable, there are background clearances and CareChecks. CareCheck is part of the Department of Public Welfare's program, which requires background clearances for all relatives and neighbors providing childcare to ensure that they are qualified and capable (Child Care Works Subsidized Child Care Program).

Wisconsin

Wisconsin has a Child Care Section in the Department of Workforce Development in the Division of Workforce Solutions. It consists of a Child Care Subsidy Program and Child Care Initiatives. The Child Care Subsidy Program provides childcare assistance to families of low-income parents who are currently working or joining the workforce. The budget for this program in 2005-2007 is \$624 million and is managed through a statewide automated system. Families who receive subsidies first must have an income below 185% of poverty and can continue receiving until their income reaches above 200% of poverty, and all waiting lists for child care subsidies were eradicated in March 1997. Childcare settings range from licensed childcare centers to more informal types of childcare and all settings have to meet certain health and safety standards. Usually, the subsidy program covers around 90% of the childcare costs, while parents pay the remaining 10%. The costs typically do not go above 12% of a family's income, and is usually much lower. As of February 2006 there were 30,688 families and 53,145 children who were receiving childcare subsidy assistance. Due to funding from the state to help with childcare, the number of children receiving assistance has tripled since 1996 (Wisconsin Department of Workforce Development).

Child Care Initiatives manages grants and programs to help raise the quality and supply of child care services around the state. A main focus is the assurance of qualified childcare staff and offering a large amount of high quality childcare services to the families that need them. The budget in 2005-2007 for childcare improvements is over \$14 million (Wisconsin Department of Workforce Development).

Resources

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