

Losing Ground in Child Care Assistance

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January, 2009



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This is the third in a series of papers on early care and education by the West Virginia Center on Budget and Policy. For papers on state spending for early care and education and wages of child care workers see www.wvpolicy.org.

Executive Summary

Child care offered by non-family members is a crucial service for many families with young children. The cost of providing such services is expensive and beyond the ability of most parents to pay the true cost. Recognizing the need, federal and state governments provide subsidies for low-income families who need child care. Such subsidies, however, have eroded in recent years. Consequently, parents may have an increasingly difficult time finding child care as the state's child care providers are hard-pressed to keep their doors open and provide the quality of care important for the developing child.

Findings

Child care is a "quiet crisis" in West Virginia. The availability of quality child care is a serious, but largely hidden public issue. Parents do the best they can, and child care providers are not vocal or well-organized enough to make their voices heard. Despite warnings from experts that we ignore the needs of the developing child at our peril, public funding for reliable and quality care is eroding.

After adjusting for inflation, annual federal funding for child care in West Virginia has declined by about \$8 million since 2001. The lack of growth in child care funding means that many child care providers in West Virginia are struggling to stay in business and maintain quality services.

In 2008, federal and state government subsidized child care services in West Virginia at a cost of \$58.8 million. This subsidy helps to pay for child care for an average of 13,000 children per month, according to data from the West Virginia Department of Health and Human Resources. The average payment for children in subsidized care is \$4,500 per year. In comparison, the average cost per child in West Virginia public schools is close to \$10,000 per year.

We are guilty of many errors and many faults,
but our worst crime is abandoning
the children, neglecting the fountain of life.

Many of the things we need can wait.
The child cannot. Right now is the time his
bones are being formed, his blood is being
made, and his senses are being developed.

To him we cannot answer 'Tomorrow,'
his name is 'Today.'

—*Gabriela Mistral*

West Virginia is serving fewer low-income families with child care subsidies. West Virginia has 66,000 children under age six who live in families earning less than 200 percent of the federal poverty level. Current subsidies are less than they were several years ago, when families earning up to 200 percent of the federal poverty level received subsidies. In 2008, West Virginia provided subsidies up to only 150 percent of the poverty level.

Subsidized child care is especially important in West Virginia, where more than half of young children live in families earning less than 200 percent of the federal poverty level, or about \$42,000 for a family of four.

Insufficient funding for child care is a barrier to improving the quality of care that child development experts believe is necessary to assure the social, emotional and cognitive development of young children, especially those who live in poverty.

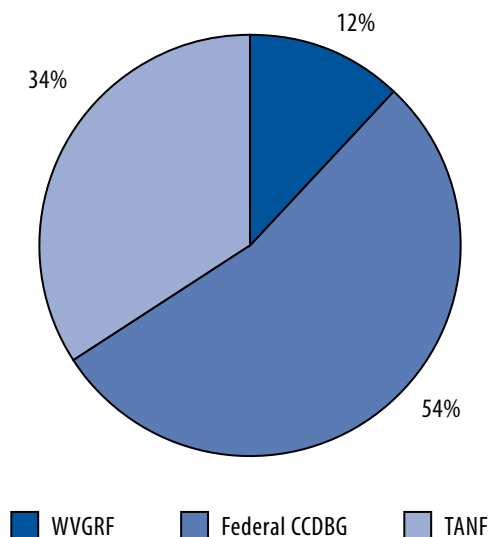
Quality child care is an important workforce issue in more than one way. It supports the ability of parents to work and gives them peace of mind that their children are well cared for. In addition, quality child care has been shown to improve the social, emotional and intellectual skills of young children – West Virginia’s future work force.

Child care helps low-income parents work and contribute to the economic well-being of their communities. Quality child care helps children learn and develop skills that allow them to succeed in school and in life. Research suggests that children of low-income families experience the largest developmental gains from child care. More than half (55%) of all young children in West Virginia live in families earning less than 200 percent of the federal poverty level, or about \$42,000 for a family of three. Consequently, the availability and quality of child care is especially important in our state.

Most states, including West Virginia, are witnessing a decline in public support for child care at a time when working families need it most.

Funding for child care comes from several sources: federal government, state government and private payments. In West Virginia, public funding for child care totaled \$58.8 million in 2008. Nearly 90% of the public funds come from two federal sources: the Child Care and Development Block Grant and Temporary Assistance for Needy Families. Federal subsidies have remained stagnant in recent years and have not kept up with inflation.

CHART 1
Public Funding for WV Child Care in 2008



Source: WV Bureau for Children and Families, DHHR, 2008

Child care is expensive and beyond the reach of most low-income families. In West Virginia, for example, the typical cost for a four-year-old in full-time center care is \$4,560 a year. For an infant, the typical cost for center-based care is \$6,000 per year.¹ In comparison, college tuition in 2008 for an in-state resident at West Virginia University ranged from \$5,100 to \$6,100.²

Federal support for child care assistance was at its highest level in 2001. Since then, federal funding in most states has remained level or slipped backward. After adjusting for inflation, federal child care support in 2008 declined by more than \$700 million over the last seven years.³ The impact in West Virginia has been a loss in purchase power of about \$8 million.

This report analyzes child care assistance in West Virginia, including comparisons with surrounding states. The analysis is based on a September 2008 report published by the National Women’s Law Center.⁴ It examines four policy areas and their impact on working families.

- **Income eligibility limits:** Determine which families qualify for child care assistance.
- **Waiting lists:** Reveal whether families who qualify for assistance actually receive it.

- **Parent co-payments:** Determine out-of-pocket costs for care for parents receiving child care assistance.
- **Reimbursement rates:** Determine the rates paid to providers and reveal the extent to which families receiving assistance may be limited in both their choice of child care providers and the quality of care the providers offer.

Income Eligibility Limits

A family’s access to child care assistance depends on the state’s income eligibility guidelines. Between 2001 and 2008, West Virginia reduced the family income limit from 200 percent to 150 percent of the federal poverty level at the time of enrollment into the child care assistance program. Families already enrolled in the program may earn up to 185 percent of the FPL before they lose subsidies. The National Center for Children in Poverty recommends that states provide subsidies up to 200 percent of the federal poverty level.⁵

2008 Federal Poverty Level (FPL)

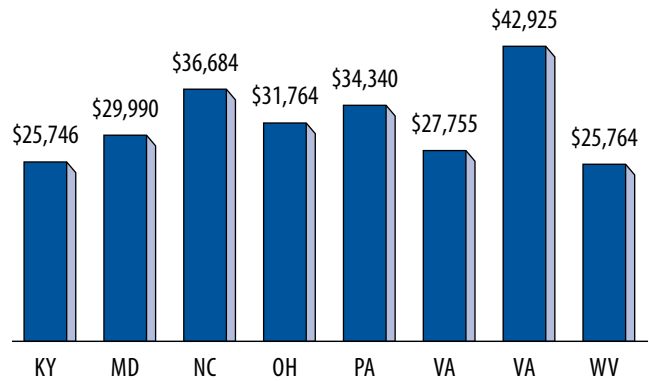
| Persons in Family or Household | 100% of the FPL |
|--------------------------------|-----------------|
| 1 | \$10,400 |
| 2 | \$14,000 |
| 3 | 17,600 |
| 4 | 21,200 |
| 5 | \$24,800 |

Source: Federal Register, Vol.73, No. 15, January 23, 2008, pp.3971-3972

Chart 2 shows how West Virginia compares to surrounding states regarding eligibility for child care assistance. It shows that West Virginia has one of the lowest income limits in the region. North Carolina is the most generous, providing child care assistance up to 208 percent of the federal poverty level. Reduced eligibility levels mean that fewer families receive assistance and more must pay the entire cost of child care out of their own pockets. Virginia has two columns in the chart representing different payment rates in different parts of the state.

CHART 2

Income Limit for Family of Three for Childcare Assistance

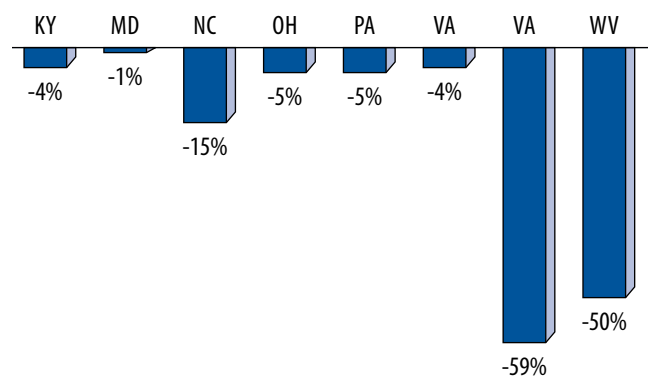


Source: National Women’s Law Center, State Child Care Assistance Policies 2008: Too Little Progress for Children and Families

Chart 3 shows the change in income limits between 2001 and 2008. It shows that West Virginia has experienced the largest reduction of all surrounding states, with the exception of some parts of Virginia. All states in the region decreased income eligibility levels, with West Virginia decreasing eligibility by 50 percent.

CHART 3

Change in Income Eligibility for Child Care Assistance from 2001–2008



Source: National Women’s Law Center, State Child Care Assistance Policies 2008: Too Little Progress for Children and Families

Waiting Lists

Child Care assistance is not an entitlement. If the demand for assistance is greater than dollars available, some states freeze intake or put families on waiting lists. In 2008, two-thirds of states reported not having a waiting list or freezing intake. West Virginia, Kentucky, Maryland, and Ohio do not maintain waiting lists. North Carolina, Pennsylvania and Virginia show that their waiting lists have increased from 2007 to 2008.

In West Virginia, when costs begin to exceed revenues, the state reduces the income limit for new applicants to the program.

Co-payments

Most states require families to contribute toward their child care costs based on a sliding fee scale. Some states, including West Virginia, limit co-payments to a percent of income. **Charts 4 and 5** compare co-payments in the region by considering a hypothetical family of three with an income at 100 percent of the poverty level. **Chart 4** shows the maximum dollar amount for co-payments, and **Chart 5** shows maximum amount as a percent of income. A single West Virginia mother with two children in child care, for example, would not pay \$162 per month for child care, but rather the 6 percent maximum rate, or \$88 per month.⁶

Reimbursement Rates

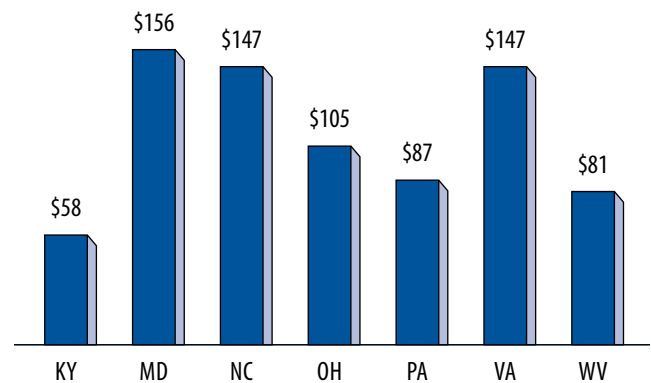
States set the maximum rates at which they will reimburse child care providers. Reimbursement rates may vary by geographic region, age of the child, type of care and other factors. Low reimbursement rates may make it difficult for child care providers to cover the cost of quality care and may discourage quality providers from serving families who receive child care assistance.

States are required to conduct surveys of child care providers' market rates every two years and are strongly encouraged, but not required, to set their rates at the 75th percentile, which means that at least 75 percent of the providers charge those rates or lower. In 2008, only one-fifth of all states in the nation set their provider rates at the 75th percentile or higher.

In 2008, West Virginia's reimbursement rate was based on the age of the child, type of care (center care or family care) and quality (according to accreditation standards by the

CHART 4

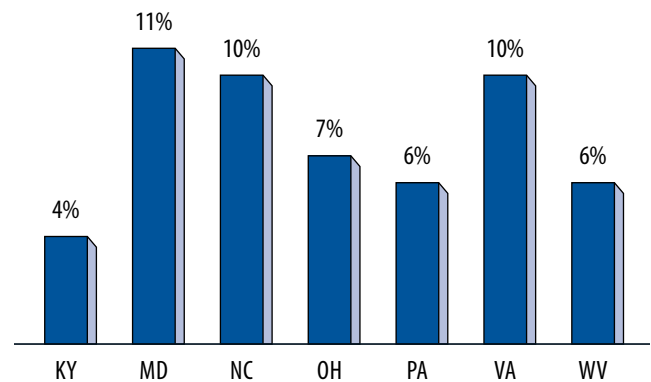
Co-payments for Family of Three at 100% of FPL



Source: National Women's Law Center, *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*

CHART 5

Maximum Co-payments for Family of Three at 100% FPL as Percent of Income



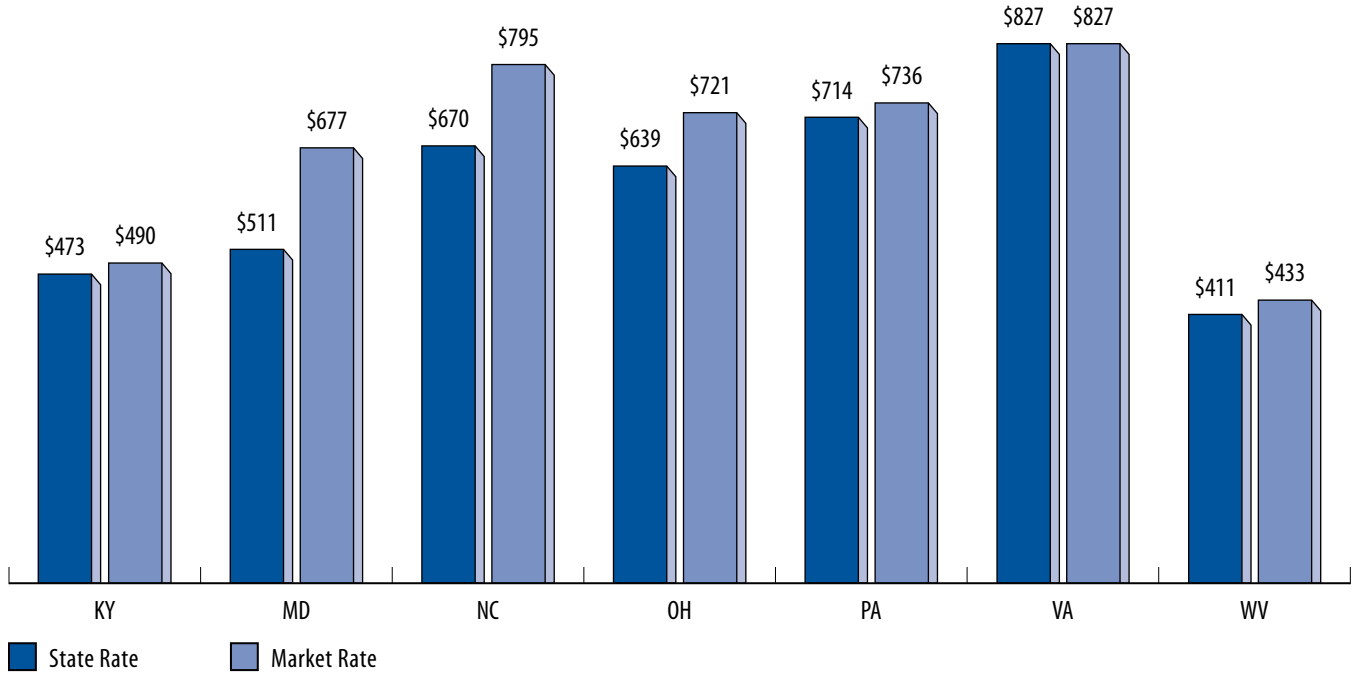
Source: National Women's Law Center, *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*

National Association for the Education of Young Children). Child care centers accredited by the NAEYC receive a higher rate of reimbursement. Rates range from the 45th to 90th percentile of market rates for non-accredited care and from the 65th to 95th percentile for accredited care. About 10 percent of all child care providers in West Virginia are accredited.

Chart 6 shows reimbursement rates at the 75th percentile compared to state reimbursement rates for a 4 year old child. **Chart 7** makes the same comparison for a 1 year old child. Children age one and under require higher staff to child ratios, consequently reimbursement is higher for those children.

CHART 6

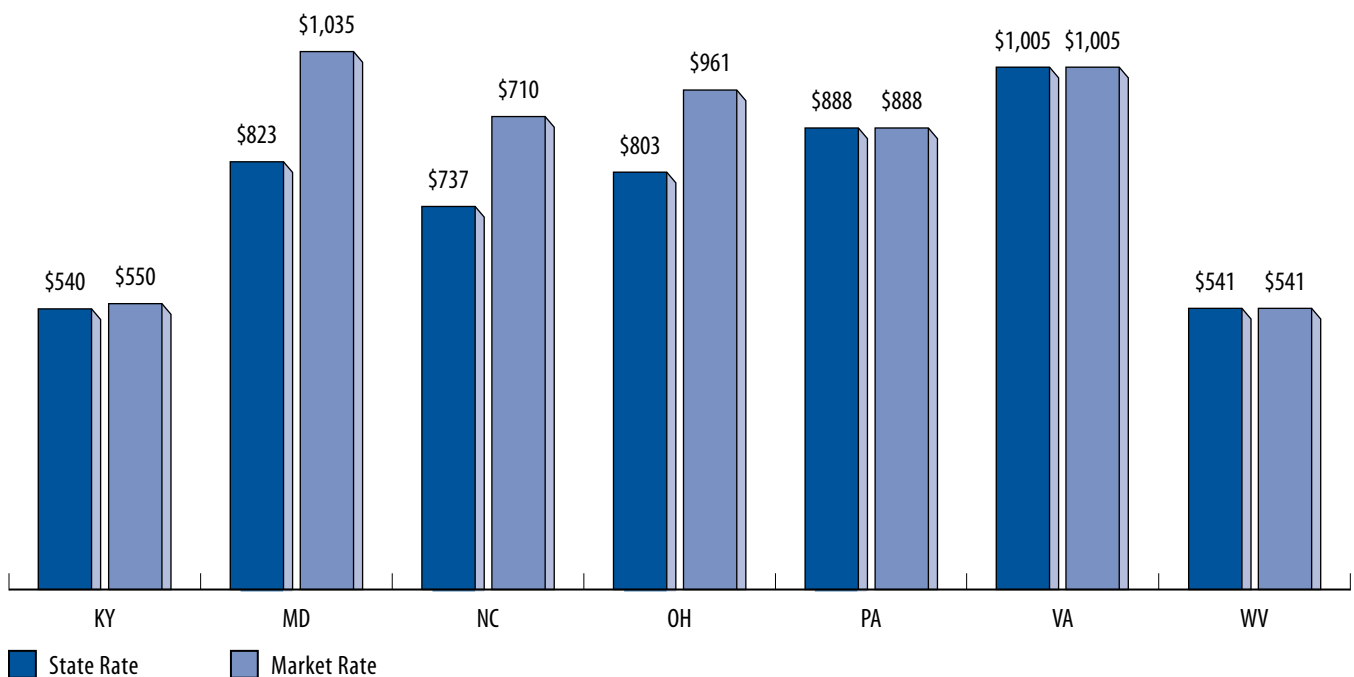
State Reimbursement Rates Compared to Market Rates at the 75th Percentile for 4 Year Old



Source: National Women's Law Center, *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*

CHART 7

State Reimbursement Rates Compared to Market Rates at the 75th Percentile for 1 Year Old



Source: National Women's Law Center, *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*

Conclusion

A major goal of child care assistance is to support the ability of parents to work. In West Virginia, almost half of children under age 5 from families earning less than 150 percent of the federal poverty level were in some kind of non-parental child care in 2003.⁷ In the same year, 17 percent of parents reported experiencing job problems due to child care.⁸

Child care assistance is linked to employment stability, according to a 2002 study by the Economic Policy Institute in Washington, D.C. Single mothers of young children who received child care assistance were 39 percent more likely to still be employed after two years than those who did not receive any help paying for child care. Former welfare recipients were 82 percent more likely to still be employed after two years than those who received no child care help.⁹

Federal support for child care has declined during the last six years. Many state child care administrators anticipate that they will have increasing difficulty in meeting the need for child care assistance.¹⁰ The national economic crisis only adds to these difficulties.

West Virginia could take two important steps to improve the availability and quality of child care. The state could provide funds to (1) restore income eligibility for child care assistance to 200 percent of FPL, and (2) increase child care reimbursement rates to the 75th percentile of market rates.

Child care is an important workforce issue in more than one way. It supports the ability of parents to work and gives them peace of mind that their children are well cared for. In addition, quality child care has been shown to improve the social, emotional and intellectual skills of young children – West Virginia’s future work force.

End Notes

- 1 National Association of Child Care Resource and Referral Agencies. 2008 Child Care in the State of: West Virginia. [Naccrra.org/randd/data/docs/WV.pdf](http://naccrra.org/randd/data/docs/WV.pdf) Last accessed on 12/14/08.
- 2 www.arc.wvu.edu/admission/tuition/_fees Last accessed on 12/14/08.
- 3 Shulman, Karen, and Helen Blank. *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*. Washington, D.C.: National Women’s Law Center, September 2008. Data for the report was collected from state child care administrators in the fifty states and the District of Columbia. The data represents state child care assistance policies in effect in February 2008. Inflation adjustment calculated by the Congressional Budget Office (CBO).
- 4 Ibid.
- 5 National Center for Children in Poverty, West Virginia Early Childhood Profile, at www.nccp.org.
- 6 In August 2008, West Virginia adjusted its co-pays so that at 100% of the FPL, a single mother with two children paid a maximum of \$69.00 for a one month (23 days) of care.

- 7 Lippman, Laura, Sharon Vandivere, Julie Keith, and Astrid Atienza, “Child Care Use By Low-income Families: Variations Across States.” Washington, D.C.: Child Trends, June 2008. Page 5.
- 8 Ibid, page 5
- 9 Boushey, Heather. “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth.” Washington, D.C.: Economic Policy Institute, 2002. Pages 10-12.
- 10 Schulman, Karen, and Helen Blank. *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*. Washington, D.C.: National Women’s Law Center, September 2008. Page 3.

The **West Virginia Center on Budget and Policy** is a policy research organization that is nonpartisan, nonprofit, and statewide. It focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families.

Supported with funding from the W.K. Kellogg Foundation, the Claude Worthington Benedum Foundation, Sisters of Saint Joseph Charitable Fund, Service Employees Union International 1199, and the West Virginia Affiliated Construction Trades Foundation.