

STRENGTHENING AMERICAN FAMILIES BY INCREASING INVESTMENTS IN AFFORDABLE, HIGH-QUALITY CHILD CARE

High-quality child care is crucial for our children to be safe, healthy, and happy, for parents to work and support their families, and for our country's economic success. The federal government, with strong bipartisan support, has long played an important role in making child care more affordable and available to families. But today, many families are still struggling to afford high-quality care for their children.

Congress' failure to adequately fund child care has left parents straining their budgets to pay for child care or unable to work because it's impossible to afford. Today, fewer and fewer low- and moderate-income families receive the help they need to pay for child care. Many parents cannot even find good child care options in their neighborhoods. The child care providers taking care of our children experience serious challenges as well, earning wages too low to support their own families and having too few education and training opportunities. We must fix this now.

All families who need it should have affordable, high-quality child care regardless of their incomes, where they live, or what their work schedules are. Children must have a safe and healthy place to learn and thrive. And their teachers must be well-qualified and well-paid. As first steps, policymakers should significantly increase federal child care funding and improve child care policies to:

1. Expand the Child Care and Development Block Grant (CCDBG), the major federal child care program, to make child care assistance available to all eligible low- and moderate-income families who need it.
2. Increase payment rates to child care providers serving families receiving child care assistance.
3. Ensure states have the resources necessary to implement the reforms required under the Child Care and Development Block Grant Act of 2014.
4. Make the Child and Dependent Care Tax Credit (CDCTC) refundable so that it is available to more low- and moderate-income families, increase the CDCTC's sliding scale so that it provides more assistance to middle-class families, and raise the expense limits so that it covers a greater proportion of families' child care costs.

The Child Care and Early Learning Coalition's recommendations would help to turn our child care and early learning crisis into an American success story that puts high-quality child care within reach for all families and children and supports our child care professionals.

Expand the Child Care and Development Block Grant to make child care assistance available to all eligible low- and moderate-income families who need it. *This action is necessary because:*

- Without assistance, low- and moderate-income families have to spend a significant portion of their incomes on child care. Among families that pay for child care, families with incomes below 100 percent of poverty spend 30.1 percent of their income on care and families with incomes from 100 to 200 percent of poverty spend 17.9 percent of their income on care.¹
- Only one out of six children eligible for child care assistance under federal law is receiving it.²

- As a result of declining spending, approximately 373,000 fewer children were receiving child care assistance in 2015 than in 2006.³
- Under federal law, states may provide child care assistance to all families with incomes below 85 percent of the state median income (\$40,715 to \$76,711 a year for a family of three in 2016, depending on the state). But, because of insufficient funding, most states set their income eligibility limits for child care assistance below the maximum allowed under federal law. In 2016, a family with an income above 150 percent of poverty (\$30,240 a year for a family of three) could not qualify for assistance in 17 states. A family with an income above 200 percent of poverty (\$40,320 a year for a family of three) could not qualify for assistance in 39 states.⁴

Increase payment rates to child care providers serving families receiving child care assistance.

This action is necessary because:

- Without adequate payment rates, child care programs lack the resources necessary to cover the costs of providing high-quality child care—including the costs to hire and retain well-qualified staff who can foster children’s early learning, to purchase toys and books, and to maintain facilities.
- Inadequate provider payment rates make it impossible to improve salaries for child care providers, who currently earn very low wages. The average salary for child care providers is just \$10.72 per hour, or \$22,310 per year.⁵
- As of February 2016, just one state had provider payment rates that were at federally recommended levels.⁶

Ensure states have the resources necessary to implement the reforms required under the Child Care and Development Block Grant Act of 2014. *This action is necessary because:*

- The CCDBG Act of 2014, which was approved with overwhelming bipartisan support, included important improvements aimed at ensuring the health and safety of children in child care, increasing the quality and supply of care, and removing bureaucratic hurdles that could keep families from getting and keeping child care assistance.
- The requirements of the CCDBG Act of 2014 entail significant new costs for states, including costs for implementing criminal background checks for child care providers, annual inspections of providers, and health and safety training for providers. Without additional funding, states are faced with shifting their existing resources toward carrying out these essential reforms and away from other important priorities—and as a result, may reduce the number of children and families able to receive child care assistance.

Make the Child and Dependent Care Tax Credit refundable so that it is available to more low- and moderate-income families, increase the CDCTC’s sliding scale so that it provides more assistance to middle-class families, and raise the expense limits so that it covers a greater proportion of families’ child care costs. *This action is necessary because:*

- Many low- and moderate-income families receive little or no benefit from the CDCTC because they lack federal income tax liability and the credit is not refundable. If the credit were made refundable, over a million additional families would receive tax assistance from the credit.⁷
- The CDCTC allows parents to claim a percentage of their work-related child and dependent care expenses toward the credit. The maximum amount of expenses that can be claimed—\$3,000 for one child or dependent and \$6,000 for two or more children or dependents—falls far short of the average cost of child care.

- The percentage of eligible expenses that a family may claim declines with income. Families with an Adjusted Gross Income (AGI) of \$15,000 or less are eligible for a credit equal to 35 percent of eligible expenses. Families with AGI over \$43,000 only receive 20 percent of their eligible expenses, even though families at this income level struggle to meet the high cost of the child care they need to work.
- Even the maximum value of the CDCTC—up to \$2,100 for two or more eligible children—covers only a fraction of families’ child care costs.
- The expense limits and the income sliding scale are currently not indexed for inflation, so the value of the CDCTC decreases for families over time.

¹ Lynda Laughlin, Who’s Minding the Kids? Child Care Arrangements: Spring 2011 (Current Population Reports, P70-135) (Washington, DC: U.S. Census Bureau, 2013), 15, *available at* <https://www.census.gov/prod/2013pubs/p70-135.pdf>.

² U.S. Department of Health and Human Services, Office of Human Services Policy, Office of the Assistant Secretary for Planning and Evaluation, Estimates of Child Care Eligibility and Receipt for Fiscal Year 2012 (Washington, DC: U.S. Department of Health and Human Services, 2015), *available at* <https://aspe.hhs.gov/sites/default/files/pdf/153591/ChildEligibility.pdf>.

³ Christina Walker and Hannah Matthews, CCDBG Participation Drops to Historic Low (Center for Law and Social Policy, 2017), *available at* <http://www.clasp.org/resources-and-publications/publication-1/CCDBG-Participation-2015.pdf>.

⁴ Karen Schulman and Helen Blank, Red Light Green Light: State Child Care Assistance Policies 2016 (Washington, DC: National Women’s Law Center, 2016), 6, *available at* <http://nwlc.org/resources/red-light-green-light-state-child-care-assistance-policies-2016/>. The report analyzes data on policies as of February 2016.

⁵ U.S. Department of Labor, Bureau of Labor Statistics, May 2015 National Occupational Employment and Wage Estimates, *available at* http://www.bls.gov/oes/current/oes_nat.htm.

⁶ Karen Schulman and Helen Blank, Red Light Green Light: State Child Care Assistance Policies 2016 (Washington, DC: National Women’s Law Center, 2016), 9, *available at* <https://nwlc.org/resources/red-light-green-light-state-child-care-assistance-policies-2016/>.

⁷ Jeffrey Rohaly, Tax Policy Center, Reforming the Child and Dependent Care Tax Credit (June 2007), *available at* <http://www.taxpolicycenter.org/publications/reforming-child-and-dependent-care-tax-credit>.