

# IMPROVING CHILD CARE ASSISTANCE POLICY



Child Care Assistance plays the dual role of improving the quality of care for young children and helping to keep low-income parents working. Frequent changes in care resulting from loss of eligibility for Child Care Assistance undermines the goal of helping low-income parents work or go to school while supporting the health, safety and development of their children. The 2014 reauthorization of the federal Child Care and Development Block Grant, the major source of funding for Child Care Assistance, requires a number of updates to state administrative policies. The new requirements—along with the fact that key provisions of existing Child Care Assistance policy such as provider reimbursement rates have not been updated since 2002—provide an opportunity to make meaningful improvements to the Kansas Child Care Assistance structure.

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## *What is Child Care Assistance?*

Child Care Assistance, also known as the Child Care Subsidy, is one of several federal programs to encourage family self-sufficiency that are administered at the state level. This program is designed to serve the dual purpose of helping low-income parents work or go to school while supporting the health, safety and development of their children. Nearly one in five Kansas children live in poverty with a larger concentration of poverty among younger children. Many additional families live just over the poverty line making child

care difficult to afford given the average annual cost of infant care in the state of Kansas is \$10,518.

The federal government pays for the majority of the Child Care Assistance program through the Child Care and Development Block Grant and the related Child Care and Development Fund, while the state is required to contribute a smaller proportion of matching funds. States are tasked with administering the program and have considerable authority over program details like reimbursement rates, eligibility and parent work requirements.

## *Reauthorization of the Child Care and Development Block Grant in 2014*

The Child Care and Development Block Grant was reauthorized in November 2014 after nearly two decades. The provisions of the reauthorization will require states to update their Child Care Assistance structures to varying degrees. Kansas already has some of the new requirements in place like the specification that licensed child care providers receive annual inspections. Other requirements will necessitate changes to the current structure. Experts and state officials are still determining what changes will be necessary in each state to comply with the new federal requirements. The new law sets out a timeline for states to comply with the various parts of the reauthorization with at least a year provided in most cases.

## *Administrative Flexibility at the State Level*

The federal guidelines provide a considerable amount of administrative flexibility to determine program details at the state level. In particular, states have authority over the following:


- Definition of work, education and training
- Income eligibility and priority for low income families and other groups
- How eligibility is determined
- Teen parent status
- Authorization periods
- Family fee scales
- Provider eligibility and payment rates
- Job search
- Policies and processes

Among other things, this flexibility allows states to establish authorization periods, verification requirements, the number of work hours required and work schedules and authorizations. All of these provisions can have a significant impact on the number of families receiving Child Care Assistance and the quality of the care that is available.

## *Changing Nature of Low-Wage Work Complicates Child Care*

The Great Recession of the late 2000s had a significant impact on the types of jobs available nationally and the prevalence of low-wage jobs. While the number of low-wage jobs increased overall during the recovery, a disproportionate number of low-wage jobs went to women, many of them single mothers. In fact, 35 percent of women's job gains during the recovery have been in the 10 largest low-wage occupations, exacerbating child care issues.

The national trend toward low-wage jobs also is true in Kansas. Of the top 25 fastest growing jobs in the state, 10 of them pay wages that would leave a single mother or father unable to pay child care without assistance. In fact, more than a fourth of working Kansans are employed in these 10 types of low-wage jobs.



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Unfortunately, many low-wage jobs create major challenges for parents to meet eligibility requirements for Child Care Assistance because of involuntary part-time employment and scheduling practices that leave little room to plan for child care.

One of the biggest obstacles to eligibility for Child Care Assistance for low-wage workers in Kansas is the requirement that participants are employed or participating in Temporary Assistance for Needy Families (TANF) work programs for a minimum of 28 hours per week. However, low-wage workers are more likely to work part-time involuntarily than other workers and the number of people working part-time involuntarily has almost doubled since before the Great Recession. This makes it difficult for many low-wage working Kansas parents to meet the 28 hour per week requirement for Child Care Assistance eligibility.

Another obstacle to participation in the Child Care Assistance program is unpredictability in work schedules. Many low-wage jobs have unstable schedules with hours that vary weekly or monthly based on the business cycle. Parents working in these jobs have difficulty maintaining minimum work hours on a regular basis as well as retaining a slot in a child care facility.

### *Addressing Provider Reimbursement Rates*

Under existing federal guidelines states establish their own rate of reimbursement for child care providers based on a percentage of the market rate in the area. Unfortunately, rates in Kansas have not been increased in more than a decade, resulting in a growing disparity between private payment levels and state child care assistance payment levels. For instance, in-home care is paid at a flat rate of \$1.72 an hour statewide, and this rate has not been increased since 2004. This creates a challenge for providers facing increased costs with flat income as well as for

families seeking care with a shortage of providers, particularly for infant care, which is the most costly to provide.

The reauthorization of Child Care and Development Block Grant allows states to either use a market rate survey or approved alternative methodology to establish reimbursement rates. This provides a natural opportunity to revisit child care reimbursement rates and increase them to better reflect current market rates.

### *Improving Child Care Assistance Policy in Kansas*

The Child Care Assistance system is complex and can be difficult for families to navigate. One of the most basic ways to improve the system is to simplify access and retention of child care assistance for eligible families and ensure that policies reflect the realities of low-wage employment in our state. More specifically, the following considerations should be reflected in Kansas Child Care Assistance policy.

#### **ELIGIBILITY**

*Income.* Kansas families earning up to 185 percent of the federal poverty line can qualify for Child Care Assistance. While this is not the lowest income ceiling in the country, according to the Economic Policy Institute in most communities across the country a family needs an income equal to at 200 percent of poverty to meet its basic needs including housing, food, child care, transportation, health care and other necessities.

*Redetermination.* Although Kansas provides for 12 month redetermination, families are required to report a job loss within 10 days at which point the process for ending Child Care Assistance payments is initiated. This system only allows parents to continue receiving Child Care Assistance while searching for a job until the end of the month in which they lost their previous job.

*Hours of Work.* The requirement for parents to work 28 hours per week has created a barrier for many low-wage parents to maintain eligibility for Child Care Assistance in an economy increasingly characterized by involuntary part-time employment and unstable work schedules in low-wage job fields. Some states have addressed this concern by delinking work schedules and child care hours to allow for more continuity of care for the child.

### PROVIDER COMPENSATION

*Tiered reimbursement.* In 2014, 37 states had higher reimbursements rates for child care providers that met higher-quality standards. This system of tiered reimbursement is intended to promote quality of care by providing an incentive and support to providers to improve the quality of their care. In most states tiered reimbursement

goes hand-in-hand with quality rating and improvement systems (QRIS). QRIS provides an instrument to measure quality in child care and help consumers to make better informed decisions about the provider they select. Kansas has a QRIS system that is active in two counties. However, Kansas does not provide tiered child care reimbursement.

*Provider Rates.* Child Care Assistance provider rates in Kansas have not been increased in more than a decade and have not kept up with the actual cost of care. This creates a problem for providers, the majority of whom are small business owners providing in-home care services. It also creates a challenge for eligible families to find care for their children, which is especially difficult to find for infants.

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## Conclusion

The relationships, environments and supports that children experience in their early years have a profound impact on their development. To promote and sustain their developmental gains, children need early, consistent, high-quality care and education. While the state and federal partnership to provide Child Care Assistance is a proven strategy to promote the care and support that young children need, administrative policies at the state level must be updated to address the changing nature of low-wage work and other economic realities, and to promote quality of care. Seizing the opportunity to update the Kansas Child Care Subsidy Program with meaningful improvements will provide a strong start for thousands of Kansas children.