

CAHS



ChildWise

Focus on Family Economics

Spring 2004

ChildWise: Focus on Family Economics is a six-part series to promote sound public policies that help families work, earn sustainable wages, and invest their money to create a financially secure future. **ChildWise** is written to help policymakers, advocates, social service providers, and the general public learn more about policies and programs that work.

Care 4 Kids: A Critical Support for Working and Learning

by Jude Carroll

In Connecticut, the child care subsidy system is made up of two programs, state-funded contracts to child care centers and the Care 4 Kids program. Care 4 Kids provides vouchers to families, who choose among child care providers that qualify for the program.

Over the past 30 years, Care 4 Kids has grown from a well-kept secret to a program that provided financial assistance to almost 40,000 children in 2000.¹ Over the past three years, funding has plummeted from \$121.5 million in SFY 01-02 to a proposed \$60 million in SFY 04-05. As a result, enrollment has dropped to fewer than 20,000 children, and a waiting list, created in the summer of 2002, has grown to more than 17,000 children.²

This policy brief explores the role Care 4 Kids plays in supporting the economic security of working families and the effect current policy and funding decisions have had on access to this subsidy program.

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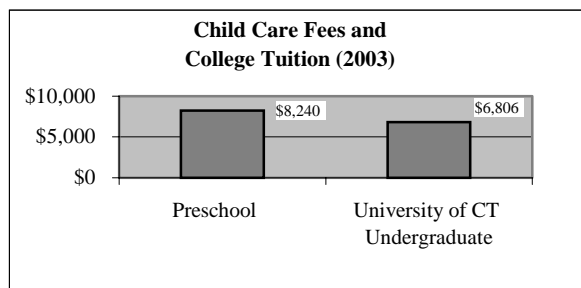
Why is Care 4 Kids Important to Connecticut's Working Families?

Child care is one of the important supports parents need to find and keep employment. Child care, in most instances, is the most expensive bill a parent has to pay after the rent and the family's health insurance premium. Young parents who must pay the high cost of child care often have limited financial resources from which to draw for this large budget item because they have not been in the labor market long enough to have accrued assets that can support this large annual outlay.

The drain of costly child care expenses typically occurs at a low point in parents' earning potential. In contrast, and quite ironically, government support in the form of grants and loans for college tuition and other fees is available at a time when family credit and assets are likely to be more stable than when child care costs are the highest.

In early 2004, the average cost to parents for a four-year old enrolled in a Connecticut child care center was \$8,240; undergraduate in-state tuition and fees at the University of Connecticut were \$6,806.³ (Figure 1)

Figure 1



Source: INFOLINE, <http://www.childcareinfo.org/Professionals/FeeCT.asp>, and UConn Student Financial Aid Services, <http://vm.uconn.edu/~www.faid/>

This equation illustrates the financial commitment the state of Connecticut has made to higher education, and it should be lauded. It is equally apparent, however, that the state has not made the same commitment to its youngest students, whose formative development is as important to the well-being of the state and its economy.



A Real-Life Story

Lisa, a single mother from Vernon, applied for child care assistance in August 2003 for her two children, ages four and seven. She earns \$10 an hour and works from 30 to 35 hours per week. Her annual salary is at most \$18,200 and is barely enough to cover rent, food and transportation. It definitely does not cover the cost of child care.

Lisa previously received child care assistance, but she lost her job, moved, and subsequently lost her subsidy. She found a child care center that offers her a reduced fee based on her ability to pay, but the center is unable to make up the difference between what it costs to run their program and what Lisa is able to pay. Now Lisa and the director of her children's child care program both worry about how long this situation can last.

Lisa is on the Care 4 Kids waiting list, but there are more than 7,000 families in front of her. Lisa, her children, the child care center, and her community would benefit if she received Care 4 Kids. Lisa would be able to work without worrying about child care. Her children would remain in a safe and high quality center that is preparing them for school success. Her child care center would receive additional funds that would help to defray some of its expenses. Her community would continue to receive her tax dollars.



Why Is Care 4 Kids Important to Municipalities and the State?

States and municipalities benefit from the availability of child care subsidies in a number of ways. By indirectly supporting parental employment, subsidies strengthen the tax base and Connecticut's economic vitality.

Child care subsidies, along with parent fees, sustain the day-to-day operation of a variety of settings of care that make up a portion of the small business sector of many communities. Perhaps the most popular program that Care 4 Kids directly supports is Connecticut's School Readiness program. Since 1997, over 6,000 three- and four-year olds in our Priority School Districts have been enrolled in pre-school programs in which they learn skills that will help them when they go to kindergarten.

Research conducted to evaluate the impact of Connecticut's School Readiness programs in Middletown, New Haven, and Bridgeport has shown that children enrolled in those programs scored higher on a variety of tests than children who did not attend School Readiness. Children in School Readiness pre-kindergarten programs had increased academic competence, reduced behavior problems in 4th grade, improved attendance and grades in elementary school, and higher scores on state achievement tests.⁴

Research conducted nationally shows that quality programs which focus on physical, emotional and cognitive development provide young children with a strong foundation for further education and success in life. One study that followed children for almost 30

years showed that children who participated in two years of quality preschool had higher employment, education and homeownership rates, lower out of wedlock births, and lower juvenile and adult incarceration rates than their peers who did not have such an experience.⁵

So, in this way, by supporting quality early childhood education, Care 4 Kids also supports the future success of young children. This, too, is important to Connecticut's economy and the well-being of our cities and towns.

The implementation of School Readiness and its resulting impact on child outcomes could not happen without Care 4 Kids funding. From its inception, the state's School Readiness program has relied on Care 4 Kids and parent fees to pay for the cost of care. Without the Care 4 Kids subsidy, municipalities and community-based centers could not run their individual School Readiness programs.

Care 4 Kids supports far more than the School Readiness programs in our Priority School Districts, however. The subsidy is used in state-funded center programs, Head Start wrap-around programs, and family child care. A relative who cares for a child in the child's own home also can receive the subsidy. The child care subsidy program is available for any age child from birth to age 13, including infants, toddlers, pre-schoolers, and school-age children.





Care 4 Kids: Investing in

Investing in Children Is an Investment in Working Parents

Research shows that financial help with child care fees increases the likelihood that parents can afford to stay on the job. Several studies have found that providing child care subsidies to single and married mothers increases their probability of employment and the length of time recipient mothers remain in the labor force compared to mothers who do not receive child care assistance.⁶



The Child Care Subsidy Balancing Act

In an ideal world, the funding of child care subsidies would be adequate to ensure high quality care for all children needing it. All families under a certain income ceiling would be eligible for the government support. Intake would be open throughout the year to accommodate parents as they entered the work force. Information would be widely disseminated so that eligible parents could find assistance easily.

Unfortunately, because state and federal funding together have never added up to a level that would support a large number of families needing child care and the subsidy, state Care 4 Kids administrators are caught between a rock and a hard place in terms of policy decisions that affect who is eligible for the subsidy and how much each family receives. Among the questions and considerations that drive subsidy policy are the following:

- < Should parental employment, children's need for quality care, or a combination of both be the focus of the program?
- < Should administrators limit the dollars families receive in order to serve a greater number of families?
- < Which parents should receive a subsidy?
- < At what income level should the eligibility ceiling be set? and
- < Should all types of child care be covered or is there a level of quality below which the subsidy should not be available?

The amount of state and federal funding the program receives, in part, influences the answer to each of these questions.

Like many states, Connecticut's thriving economy came close to supporting full employment of mothers moving from welfare to work in the early years following that legislation's passage in 1997. As it had in the past, the general public and policymakers embraced support for the cost of going to work, including that of child care. But as the state's economy took a nose dive, the Care 4 Kids budget was cut substantially, and Connecticut's working poor — both those who had been on assistance and those who had never applied for welfare benefits — lost their claim to child care support.

children and families



Recent Policy and Funding Decisions

Prior to the summer of 2002, working parents who applied for the Care 4 Kids Program were eligible for the subsidy if they earned less than 50% of the State Median Income (SMI). Once on the program, family income could rise to 75% of the SMI.

But in July 2002, legislation went into effect which mandated that working families not on Temporary Family Assistance (TFA), the state's welfare program, were no longer eligible to enroll in the Care 4 Kids Program. Non-TFA Families who were already receiving the subsidy remained eligible. A waiting list was developed for working non-TFA families.

By March 2004, the Care 4 Kids waiting list had topped 10,000 families with 17,000 children. There are almost as many children on the waiting list now as there are children who receive the subsidy.

During the 2003 legislative session, the decision was made that TFA families who transition off public assistance and whose income reaches or exceeds 55% of the state median income become ineligible for the Care 4 Kids program. As a result of this second legislative change, there are now two eligibility cut-off points. No change was made to TFA eligibility while parents are working or enrolled in a training program.

Care 4 Kids Program Data

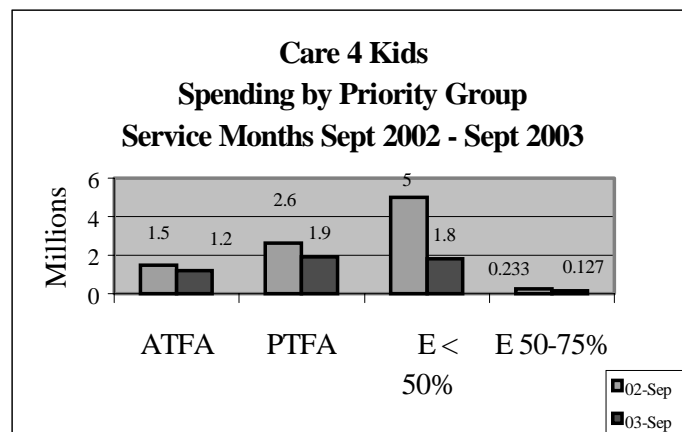
Data from the Department of Social Services (DSS) show how participation in the subsidy program has declined in the one-year period between fall 2002 and fall 2003. Here are telling statistics from Department reports.

Spending by Family Category

Families are classified into several categories for Care 4 Kids eligibility purposes. The largest of these categories are: (1) families currently active on Temporary Family Assistance (ATFA), (2) working families who have moved off TFA (PTFA), (3) working non-TFA families earning less than 50% of the state median income ($E < 50\%$), and (4) working families earning between 50% and 75% of the state median income ($E > 50\%$).

According to DSS figures, between September 2002 and September 2003 the largest decline in spending was felt by working non-TFA parents earning less than 50% SMI. The dollars spent for this group of parents went from \$5 million in September 2002 to \$1.8 million in September 2003.⁷ (Figure 2)

Figure 2

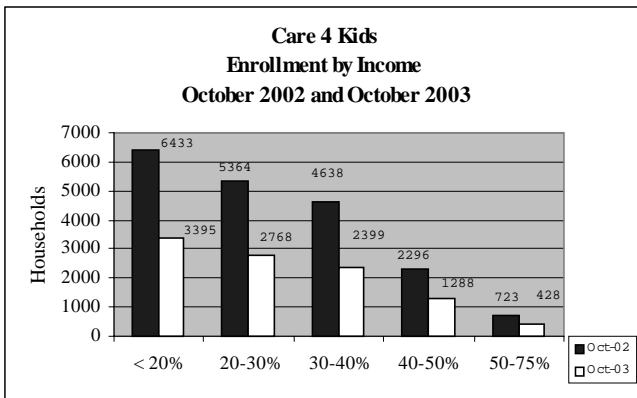


SOURCE: Connecticut Department of Social Services. Care 4 Kids Report ID: CT005RP. (September 2002 and September 2003).

Participation by Income

When we look at participants' income as a percent of the state median, we see the same picture but from a different perspective. In October 2002, 6,433 households earning less than 20% of the state median income were receiving the subsidy. An additional 12,298 households earned income between 20% and 50% SMI. By October 2003, participation fell by close to 50% across all income categories. The number of households earning between 20% and 50% of the state median had fallen to 6,455, while only 3,395 households earning less than 20% of the median were participating.⁸ (Figure 3)

Figure 3

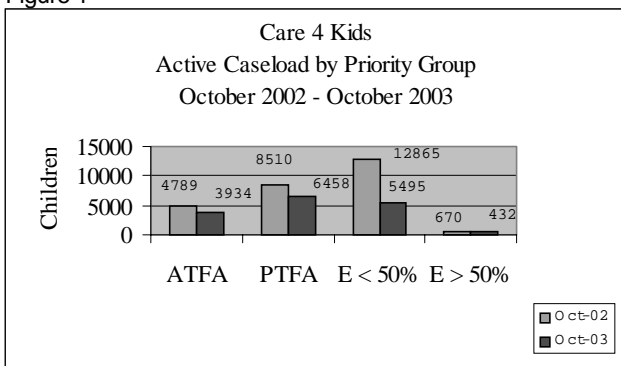


SOURCE: Connecticut Department of Social Services. Care 4 Kids Report ID: CT013ARP. (October 2002 and October 2003).

Child Enrollment

Here, again, we see that the greatest decline between 2002 and 2003 was felt by non-TFA working families. Almost 7,600 children in non-TFA households left the program during that time period without returning themselves or being replaced by other non-TFA households.⁹ (Figure 4)

Figure 4

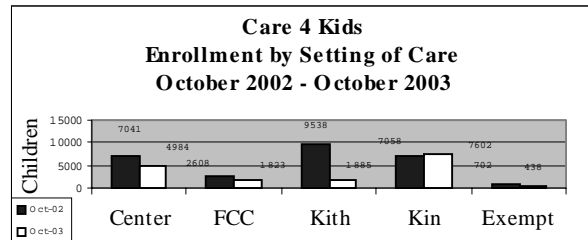


SOURCE: Connecticut Department of Social Services. Care 4 Kids Report ID: CT008ARP. (October 2002 and October 2003).

Setting of Care

Slightly more than 2,000 children who were receiving care in a child care center or group child care setting left the program between October 2002 and October 2003.¹⁰ (Figure 5)

Figure 5



SOURCE: Connecticut Department of Social Services. Care 4 Kids Report ID: CT013BRP. (October 2002 and October 2003).

While the reason for their departure cannot be determined, the impact of this loss to child care center budgets is more easy to determine. Anecdotal information indicates that many child care center programs have had difficulty remaining open after this loss of revenue. Good Shepherd Child Care Center in Milford estimated lost revenue of \$52,000 in 2003 due to cuts in Care 4 Kids.¹¹ In early 2004, the center was facing a deficit of \$65,000; it was unclear what portion of this amount would be accounted for by Care 4 Kids losses. One center, Creative Child Care in New Britain, has closed already due to lack of funding. Two after-school programs in Hartford, at Betances and Maria Sanchez Schools, have given parents notice that they will close their doors by the end of March due to lack of funding.

Several additional points can be seen from Figure 5. First, relative care, also referred to as kin care, is used by many families receiving the child care subsidy. Second, the number of kith care providers, defined as neighbors or friends, dropped significantly between 2002 and 2003. Rather than resulting from eligibility or funding changes, this drop occurred because of a policy change initiated by the Department of Social Services in 2001. The subsidy payment rate for this category of caregiver was reduced to establish an incentive for unregulated providers to become licensed. Finally, exempt care, which includes private and public school-based programs, comprises a very small portion of the types of care that are paid for by the subsidy program.

Policy Implications

While we cannot attribute a definite cause to the exodus of such a great number of non-TFA working parents from the Care 4 Kids program over the past two years, we know that budget reductions and administrative limitations prohibited any new non-TFA parents from entering the program. Ultimately, the implementation of welfare-to-work policies and the state's economic problems have resulted in program decisions that prevent working parents who have never received welfare assistance from gaining access to the child care subsidy that would help them with the cost of work.

This shift in policy, along with the extensive use of relative care by so many families, has resulted in a large reduction in the number of Care 4 Kids children enrolled in child care centers. These data show that the policy changes of the past two years are having a negative impact on the state's early care and education industry, causing financial instability within many currently operating programs.

If more child care center programs close or reduce the number of children enrolled as a result of the loss of Care 4 Kids funding, this policy decision will produce a domino effect for working parents, whether or not they receive a child care subsidy or welfare assistance. If many centers close across the state, Connecticut's economy also will be affected.

Care 4 Kids Action for the 2004 Legislative Session

The Connecticut General Assembly can take the following actions in 2004 to improve the economic security of low-income families:

- < At a minimum, restore Care 4 Kids funding to \$90 million in the SFY 04-05 budget (not including the one-time federal TANF bonus funds received by the state) and to \$121.5 million¹² in the SFY 05-06 budget;
- < Require the Department of Social Services to spend all appropriated Care 4 Kids funds

rather than returning unspent dollars to the General Fund;

- < Support the Governor's proposal to expand the eligibility time line for Care 4 Kids from six months to five years for former TFA families;
- < Set aside a portion of the Care 4 Kids funding for non-TFA families; and
- < Require the Department of Social Services to stipulate conditions under which the program will be administered by the for-profit recipient of the Care 4 Kids contract. Such conditions would include, among other requirements: prompt payment to providers of care, prompt review of applications, and a reduction in the number of complaints from providers and parents. This would help to avoid families dropping out of the program and programs from dropping out of the system due to problems associated with the subsidy program's administration.

Conclusion

It has been almost two years since the Care 4 Kids waiting list was established. An entire pre-school cohort has missed the opportunity to benefit from the child care subsidy.

Care 4 Kids has a proven role in helping parents work. We can see the link between child care subsidies, quality care, and children's academic and lifetime success. While difficult decisions are needed to balance the state's budget during tight economic times, it is short sighted to cut programs that result in greater family economic security in the long term. Connecticut's policymakers should stand by all working families by re-investing in the Care 4 Kids child care subsidy program.



For more information on the Connecticut KIDS COUNT Project, call Jude Carroll, Project Director, at (860) 951-2212, ext. 240.

Endnotes

¹ Connecticut Department of Social Services. Child Care Assistance Program (CCAP) At A Glance. *Report on Utilization by Region. Number of Children Served by Region and Setting, January – September 2000.*

² Osuch, D. (2004). *Care 4 Kids Update.* Hartford: Connecticut Association for Human Services.

³ Child care costs obtained from 211 Infoline, <http://www.childcareinfoline.org/Professionals/FeeCT.asp> obtained March 5, 2004. UConn Student Financial Aid Services, <http://vm.uconn.edu/~wwwfaid/> obtained March 5, 2004.

⁴ The Connecticut Commission on Children. (2002). "School Readiness is one smart little investment." *School Readiness Early Reading Success Update.* Vol. 4, No. 1. April 2002.

⁵ L. Schweinhart et al., "Significant Benefits: The High/Scope Perry Preschool Study through Age 27," *Monograph of the High/Scope Educational Research Foundation* (Ypsilanti, Mich.: The High/Scope Press) no. 10 (1993); W.S. Barnett, "Long-term Effects of Early Childhood Programs on Cognitive and School Outcomes," *The Future of Children*, no. 3 (Winter 1995): 25-50; A.J. Reynolds et al., "Long-term Benefits of Participating in Title I Chicago Child-Parent Centers" (presentation at the biennial meeting of the Society for Research on Adolescence, Chicago, 2000).

⁶ Henry, C., Werschkul, M., & Rao, M.C. (2003). *Child Care Subsidies Promote Mothers' Employment and Children's Development.* Institute for Women's Policy Research Briefing Paper. IWPR Publication #G714. October 2003.

⁷ Connecticut Department of Social Services. Care 4 Kids Report ID: CT005RP. *Expenditure by Priority Group, Setting,*

and Age for the Service Month of September 2002 and September 2003.

⁸ Connecticut Department of Social Services. Care 4 Kids Report ID: CT013ARP. *Income Profile by Region for the Service Month of October 2002 and October 2003.*

⁹ Connecticut Department of Social Services. Care 4 Kids Report ID: CT008ARP. *Active Caseload Report for the Service Month of October 2002 and October 2003.*

¹⁰ Connecticut Department of Social Services. Care 4 Kids Report ID: CT013BRP. *Child Utilization Report by Regional Office for the Service Month of October 2002 and October 2003.*

¹¹ Telephone conversation conducted with Gloria Hayes, Director, Good Shepherd Child Care Center, on March 11, 2004.

¹² \$121.5 million is the dollar amount appropriated for Care 4 Kids in the state budget for SFY 2002.



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