

THE IMPORTANCE OF CHILD CARE SUBSIDIES IN NC:

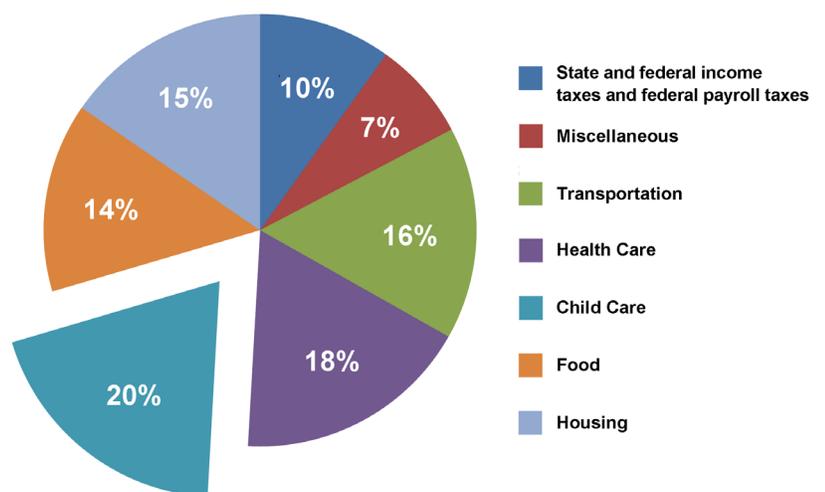
Thousands of parents wait for affordable, quality child care before, during, and after the shutdown

BY SABINE SCHOENBACH, POLICY ANALYST

KEY FINDINGS

- North Carolina's subsidized child care program effectively meets two urgent needs—fostering the healthy development of children and ensuring that low-income working parents have the supports they need to maintain and pursue employment and education.
- While the state's subsidized child care program is well-known for its high-quality programs, investment has not kept up with the demand. There are more than 34,000 eligible children who are unable to access child care subsidies due to lack of funding. Funding streams have been further compromised by sequestration and the government shutdown.
- In order to support the economic stability of families today as well as drive economic growth in the future, North Carolina must renew its investment in child care subsidies and early childhood programs.

FIGURE 1: Child care represents the largest expense in a monthly budget for a family of four



SOURCE: Sirota, Alexandra Forter, 2011. "Making Ends Meet After the Great Recession, The 2010 Living Income Standard"

NOTE: Cost of living breakdowns are weighted state averages.

Introduction

A strong economy in North Carolina requires a road to self-sufficiency for all workers. Family-supporting wages and benefits as well as publicly-funded work supports lead to greater job retention and economic opportunity, in turn creating thriving communities. Subsidized child care is an investment in North Carolina's future that allows parent to work while knowing that their children are safe and learning.

Approximately 617,000 children in North Carolina under the age of 13 live in working families

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earning less than 200 percent of the poverty level, an almost 230,000 children are part of working families earning less than the meager federal poverty level.² For these families, safe, affordable, high quality care is essential to their ability to work. Yet quality child care comes at a cost that many parents in North Carolina cannot afford. Child care subsidies allow low-income parents to work toward self-sufficiency, pay an affordable co-payment, and know that their children are in high quality programs.

Child Care Costs in North Carolina are High Compared to Family Income

For many North Carolina families, child care is the largest cost in a monthly budget, surpassing the cost of food, health care and even housing.³ The average annual cost of full-time care at a child care center in North Carolina is approximately \$8,500 per child, with costs depending on the age of the child, the quality of care, and geography.⁴ The high cost of child care can force working parents to choose between leaving their children in inadequate and potentially unsafe care arrangements or using income they need for housing and food to pay for high-quality care.

Child Care Subsidies Make Quality Care Accessible for Many of North Carolina's Low-Income Families

Fortunately for the state's hard-working low-income families, North Carolina has a subsidized child care program to help reduce the high cost of child care. In July 2013 – the most recent

STUDENT SUPPORT SYSTEMS: A Crucial Piece of the Child Care Puzzle

In North Carolina's shifting labor market, workers will increasingly require either a credential or degree in order to compete for jobs in high-growth industries that pay living wages. According to the Georgetown Center on Education and the Workforce, by 2018, 59 percent of jobs in North Carolina will require credentials beyond a high school diploma.¹ Yet, in North Carolina there are over 1.6 million working age adults with only a high school diploma or the equivalent.² And more than 45 percent of working families making less than 200 percent of the federal poverty level include no parent with post-secondary education.³

The convergence of institutional challenges, personal barriers, and the underfunding of programs can make it difficult for post-secondary students with children to complete skills training and post-secondary

programs. Subsidized child care is a crucial support for low-income students, and in July 2013, 6.5 percent of the children participating in the subsidized child care program had parents who were exclusively enrolled in post-secondary education or who were going to school and working.⁴

Historically, North Carolina has had a strong commitment to post-secondary institutions and advances in educational attainment of our state's population, but over recent years the state's commitment has faltered. Since the beginning of the recession, funding levels for public universities have dropped by 9.7 percent. And in the most recent budget, spending for community college falls \$16.1 million short of what is needed to continue the current level of education services.⁵

This roll back of commitment

has also affected support services. Through the previous budget process, North Carolina limited the length of child care assistance to 20 months for parents enrolled in education programs, effective July 1, 2011. Notably, 20 months is shorter than most associate degree programs and many skills training programs that provide credentials upon completion.

1 Camevale, Anthony P., Nicole Smith and Jeff Strohl, June 2010. "Help Wanted: Projections of Jobs and Education Requirements through 2018." Georgetown University: Center on Education and the Workforce, Washington DC.

2 Working Poor Families Project, Populations Reference Bureau 2013 analysis of 2011 American Community Survey. Working age is defined as ages 18 - 64.

3 Ibid.

4 NC Division of Child Development and Early Education Monthly Statistical Summary, August 2013.

5 Mitchell, Tazra, August 2013. "The 2013-2015 Fiscal Year Final Budget: Putting North Carolina on a Path to Mediocrity," NC Budget

data available – more than 71,000 children benefited from North Carolina’s child care subsidy program.⁵

Children receiving child care protective or child welfare services are eligible to participate in the subsidized child care program regardless of the incomes of their families. However, for the majority of child care subsidy recipients, eligibility is based on income criteria as well as situational criteria. Maximum income eligibility limits increased as of August 1, 2013, but are still based on 75 percent of the state median income. In addition, situational criteria demands that a parent has to be working, attempting to find work, or enrolled in school or a job-training program. Most families are required to contribute 8 to 10 percent of their incomes to the cost of the child care.⁶

The Division of Child Development and Early Education maintains quality standards and issues star-rated licenses based on staff education and program standards. While all licensed child care providers must meet basic health and safety requirements, the star-rating system allows providers to voluntarily demonstrate higher levels of quality. 93 percent of children receiving subsidized child care are in 3-5 star – the highest quality - programs.⁷

The Need for Assistance Remains High while Funding for Early Childhood Programs is Threatened

The latest Census poverty rates show that the economic recovery has failed to produce significant gains for low-income North Carolinians. The 2012 poverty rate remained high at 18 percent and the poverty rate for North Carolina’s children was 26 percent.⁸ State median income has stalled at about \$45,000, despite workforce productivity gains.⁹ In the face of the growing need for a strong safety net to support struggling families in North Carolina, funding for early childhood programs has been under threat on several fronts.

The number of children on the waiting list for services remains unacceptably high – as of July 2013 (the latest data available) the list stood at 34,252 children eligible for – but not receiving – subsidized quality child care.¹⁰

North Carolina’s subsidized child care program is administered by the NC Division of Child Development and Early Education and at the county level by local purchasing agencies that include both county departments of social services and child care resource and referral agencies. Funding is provided through three federal block grants--Temporary Assistance to Needy Families (TANF), Child Care and Development Fund (CCDF), and the Social Services Block Grant (SSBG)--as well as direct state subsidy funding. In addition state General Fund allocations to the NC Partnership for Children are distributed to local Smart Start partnerships to administer.¹¹ In SFY 2011-2012, the state allocated approximately \$334 million (not including Smart Start) for child care subsidies, a \$34 million decrease from the January 2011 allocation of \$368 million.¹²

Child care subsidies are funded by both federal mandatory and discretionary funds – but both have been compromised recently. Although mandatory federal funding streams, such as TANF, are exempt from sequestration, Congress failed to reauthorize both the TANF and the CCDBG

The State’s role in continuing service during the federal shutdown

In the wake of the federal government shutdown, questions remain about the role the state could have played. Although the federal government indicated that states would likely be reimbursed for using state dollars to keep child care subsidies flowing, North Carolina was hesitant to use state funds. As a result, 34 counties notified DHHS prior to the end of the shutdown that they had suspended or planned to suspend child care subsidies.

SOURCE: Early NC Childhood Foundation: Federal Shutdown Impacts Child Care Subsidy, October 15, 2013.

block grants beyond September 30th, and the discretionary funding had stopped flowing due to the government shut down. States, including North Carolina, were provided with options allowing them to continue services without interruption, but North Carolina did not step up to plug the gap.¹³

It is impossible to look at North Carolina's child care subsidy program in isolation from the state's early education programs. Along with NC Pre-Kindergarten (formerly More at Four), quality child care provides North Carolina's children a strong foundation for success in school and beyond. In 2012, then-Governor Perdue allocated an additional \$20 million to expand the NC Pre-K program, which was projected to provide an additional 4,900 children with access to Pre-K for one year. The new budget allocates lottery money to retain only 2,500 of these total slots, for a net loss of 2,400 slots, or a total of 27,500 slots in FY2014.¹⁴

Renewed investments are needed

People who work hard should be able to support their families. But the high cost of child care can be an insurmountable hurdle on the road to self-sufficiency. For the thousands of families on the waiting list and for those impacted by loss of federal funding, accessing child care subsidies for their children could be the difference in keeping their home or putting food on the table. Without child care, many of these parents struggle to hold on to their jobs and/or rely on unstable, low-quality care arrangements.

Furthermore, investments like child care subsidies and other early childhood programs are essential to the vitality of local economies across the state. There are over 42,000 child care workers in North Carolina.¹⁵ In more rural communities, particularly in the eastern part of the state, the child care sector is one of the few sources of stable jobs.¹⁶

Moving forward, North Carolina should recognize that investments in early childhood education and care pay dividends in the future, from increasing high school graduation rates to reducing costs in criminal justice and remedial education. North Carolina needs a robust and consistent early childhood system now and for the state's future.

1 Special thanks to Louisa Warren whose earlier draft of this brief served as the foundation for this publication.

2 Working Poor Families Project analysis of 2010 American Community Survey Public Use Microsample data. The 2012 poverty threshold for a family of four with two children is \$23, 283 (U.S. Census Bureau). The working families data referenced is an analysis of 2010 Public Use Microsample data. In 2010, a 200 percent poverty threshold for a family of four was \$44, 470. A family is defined as working if all family members age 15 and over either have a combined work effort of 39 weeks or more in the prior 12 months OR all family members age 15 and over have a combined work effort of 26 to 39 weeks in the prior twelve months and one currently unemployed parent looked for work in the prior 4 weeks.

3 Sirota, Alexandra Forter, 2011. "Making Ends Meet After the Great Recession: The 2010 Living Income Standard," NC Justice Center.

4 ChildCare Aware of America, 2012. "Parents and the High Cost of Child Care." NACCRRRA estimates the cost of full-time care at a child care center for infants to be \$9,185 and for four-year olds to be \$7,774 per year.

5 The total number of children served in July 2013 was 71,573. NC Division of Child Development: Subsidy Expenditure Report, August 2013.

6 Families pay this monthly contribution directly to their state-licensed child care provider, and the local administrating agency pays the remainder of the cost to the provider.

7 March 2013, Division of Child Development and Early Education Report.

8 U.S. Census Bureau, American Community Survey, 2012.

9 Mitchell, Tazra, September 2013. "High Poverty Rates Hold Steady, Resistant to Economic Recovery," NC Budget and Tax Center.

10 NC Division of Child Development: Subsidy Expenditure Report, August 2013.

11 NC Division of Child Development Policy Manual.

12 NC Division of Child Development: Subsidy Expenditure Report, December 2010 Service month/January 2011 Payment month and May 2012 Service Month/June 2012 Payment month.

13 Lower-Basch, Elizabeth, October 2013. "Options for Continuing TANF Benefits and Services in the Absence of an Extension of Federal Funding." See also Matthews, Hannah, 2012. "At Risk: Early Care and Education Funding and Sequestration," CLASP.

14 Mitchell, Tazra, "The 2013-2015 Fiscal Year Final Budget: Putting North Carolina on a Path to Mediocrity," NC Budget and Tax Center.

15 NC Division of Child Development

16 Insight Center for Community Economic Development, 2011. "The Economic Investments of Early Care and Education in North Carolina."