

## Child Care Assistance: Essential for Families and the Economy

### Introduction

*Child care is a lifeline for many families, making it possible for parents to work to meet their family's resource needs. It is also a lifeline for employers to ensure a stable workforce.*

*This issue of Facts on Kids examines the cost of child care and the Child Care Assistance Program, which helps low-income working families pay that cost.*

*Funds for the Child Care Assistance Program are provided primarily by the Federal Child Care and Development Block Grant. It helps families pay childcare costs for children under the age of 13 (exceptions are made for children with special needs up to age 18). Assistance is available to families who meet income guidelines determined by family size and adjusted monthly income.*

### The Need for Child Care

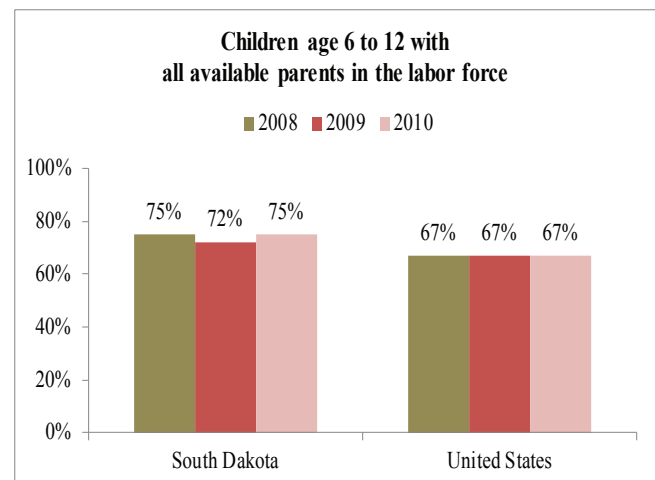
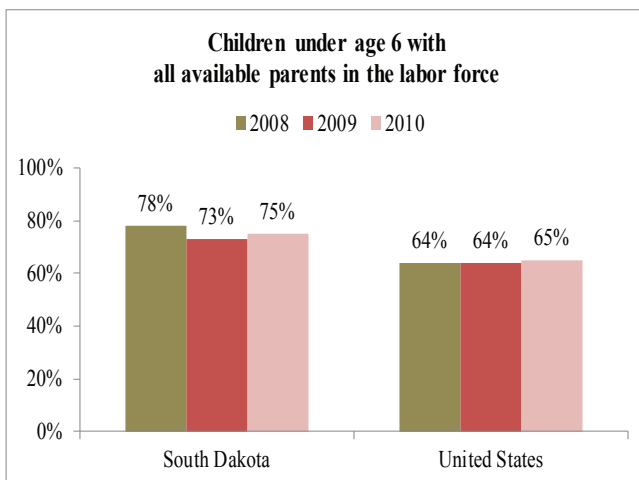
More than 70 percent of young children in South Dakota have all available parents in the work force. (See charts<sup>1</sup>). High quality, reliable and affordable child care is essential to enable parents to work, be productive and meet their families' needs. And in the hands of quality child care, children prosper and grow.

Reliable, quality care helps ensure that the children of working parents have a place to thrive day-in and day-out. Quality care is characterized by low staff-to-child ratios according to a child's age, well-trained staff, and safe care environments. Such care promotes parents' good work.

A nationwide poll of parents with children under age 12 commissioned by the National Association of Child Care Resource & Referral Agencies (NACCRRA) found,

*"A majority of child care consumers say they have experienced job losses and wage cuts in the last year and have sometimes been forced to compromise on the quality of their child care. Among child care consumers, four in 10 say the current economy has adversely affected their child care arrangement and more than one-third of these parents say they had to change their child care settings as a result<sup>2</sup>."*

Knowing their children are in quality care enables



parents to focus their attention on work rather than worry about their children.

### The Cost of Child Care

Quality child care is expensive, costing almost as much as tuition at a public university. The cost varies depending upon the age of the child and type of care setting—center or family home (See Table below). South Dakota’s average costs fall within the cost range reported nationally.

The nationwide NACCRRA survey of parents noted

Child Care Costs <sup>3</sup>		
	South Dakota	U.S.
Average, annual fees paid for full-time center care for an infant	\$5,750	\$4,650-\$18,200
Average, annual fees paid for full-time center care for 4-year-old	\$5,500	\$3,900-\$14,050
Average, annual fees paid for full-time care for an infant in a family child-care home	\$5,050	\$3,850-\$12,100
Average, annual fees paid for full-time care for a 4-year-old in a family child-care home	\$4,900	\$3,600-\$11,300
Average, annual tuition and fees paid for 4-year state college	\$6,308	\$7,605

that,

*“In the past year, 15 percent of parents said they had lost a job; 17 percent of parents said their hours were reduced; and 24 percent of parents said their wages were reduced. One-quarter said they had to change their arrangements because they could no longer afford child care<sup>2</sup>.”*

Those hit hardest by child care costs are low-income or “working poor” families. The less a family earns, the higher the percentage of their income they pay for child care. A family in poverty, earning less than \$1,500 per month, spends about 30 percent of their family income on child care. Compare that to a middle income family earning \$4,500 per month which spends 7 percent.

### Child Care Assistance

To assist low-income working families with the cost of child or after-school care, South Dakota participates in the federal child care assistance program. Largely funded by the federal Child Care and Development

Block Grant (CCDBG), it is administered by states to subsidize child care for working families earning low incomes.

Eligible parent(s) must be working and/or attending school a minimum of 80 hours per month. Child Care Assistance is available to families whose gross monthly income is at or below 175% of the federal poverty threshold. Income is adjusted for family size (See Table below<sup>4</sup>).

The amount paid to a child care provider is based

Family Size	Adjusted Monthly Income (based on 175% of the Federal Poverty Level)
2	\$2,146
3	\$2,703
4	\$3,260
<i>Each additional family member adds on approximately \$557</i>	

on the family’s size, income, the age of the child, the type of care, and the prevailing cost for care in the family’s county. Every two years the Division of Child Care Services, together with the Department of Labor, conducts a market-rate survey to identify the cost of child care. The Division then determines the maximum reimbursable rate.

For working families living near or below the federal poverty threshold, their child care provider is reimbursed at the state-defined rate. Eligible families with incomes greater than 100 percent of the poverty threshold are required to contribute a co-payment. A sliding fee scale is established that provides for cost sharing by families that receive child care assistance. Co-payments from families whose incomes are at or below the poverty level are waived. The South Dakota sliding fee scale increases the co-payment in small increments so as not to exceed wage increases. The co-payments remain the same regardless of the cost of care or the type of care a family selects. Co-payments can range from 0% to not more than 15% of gross income. A family of three with one child in care and income at 150% of poverty will pay \$348 per month in co-payment. Child Care Assistance picks up the balance of the reimbursable rate. This compares to middle-income families that pay just 7 percent of their income for child care.

**Types of Reimbursable Child Care**

There are five basic types of child care that families may use with Child Care Assistance.

Registered Family Child Care Home

A registered home-based child care provider regularly serves 12 or fewer children from more than one unrelated family (including the provider’s own children under age 6) and complies with safety standards.

Group Family Child Care Home

A family that chooses to serve more than 12 children, but fewer than 21 (including the provider’s own children under age 6) in a home must be licensed with the state and comply with all standards.

Child Care Center

Child Care Centers are separate facilities which provide care to 21 or more children from one or more unrelated families. Centers must be licensed.

Before- and After-School Care

These programs serve only school-age children, providing care and supervision before and after school hours or full-time during school breaks. Before- and after-school care programs must be licensed.

Family and Neighbor Care

There are also provisions in the Child Care Assistance Program for eligible parents to choose a family member or a family friend to provide care for their child(ren). In this instance, a lower rate is established for child care.

**Summary**

During State Fiscal Year 11, (July 1, 2010-June 30, 2011) child care assistance, on average each month, helped 3,399 families, pay for the care of 5,884 children so their parents could work or

attend school. This assistance provides an essential lifeline for families in meeting their resource needs and keeping children safe while supporting a stable workforce.



Additional data from the U.S. Census Bureau show this about children and families in South Dakota:

<b>Facts on Children and Families in South Dakota</b>		
	<b>Number</b>	<b>Percent</b>
Children Under age 5	59,621	7.3%
Children Under age 5 in poverty	13,226	22.9%
Children ages 5-11	77,365	9.5%
Total Families	206,964	100.0%
Single Parent Families	45,347	22.0%
Families in Poverty	18,418	9.0%
Families with related children under age 18 in Poverty	15,036	15.0%
Sources: U.S. Census Bureau, American FactFinder - 2010 Census; Small Area Income and Poverty Estimates; and 2009 American Community Survey 1-Year Estimates		



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## References

- <sup>1</sup> The Annie E. Casey Foundation, KIDS COUNT Data Center, <http://www.kidscount.org/datacenter>. Accessed 1/05/2012.
- <sup>2</sup> The National Association of Child Care Resources & Referral Agencies (2010). The Economy's Impact on Parents' Choices and Perceptions About Child Care September 2010. Arlington, VA: Author. Retrieved online at: <http://www.naccrra.org/publications/naccrra-publications/>
- <sup>3</sup> The National Association of Child Care Resources & Referral Agencies. 2011 Child Care in the State of South Dakota. Website <http://www.naccrra.org/publications/naccrra-publications/publications/South%20Dakota%20-%20ChildCareInAmericaFacts.pdf>. Accessed online 1/05/2012.
- <sup>4</sup> South Dakota Department of Social Services, Division of Child Care Services, Child Care Assistance Program website: <http://dss.sd.gov/childcare/subsidyprogram/eligible.asp>. Accessed 11/27/2011.

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Facts on KIDS in South Dakota is published by South Dakota KIDS COUNT, Beacom School of Business, The University of South Dakota.

The South Dakota KIDS COUNT Project ([www.sdkidscount.org](http://www.sdkidscount.org)) is a national and state-by-state effort, sponsored by the Annie E. Casey Foundation, to track the status of children in the United States. By providing policymakers and citizens with benchmarks of child well-being, KIDS COUNT seeks to enrich local, state, and national discussions concerning ways to secure better futures for children and families. Additional funding for the state project comes from the South Dakota Departments of: Education & Human Services.

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