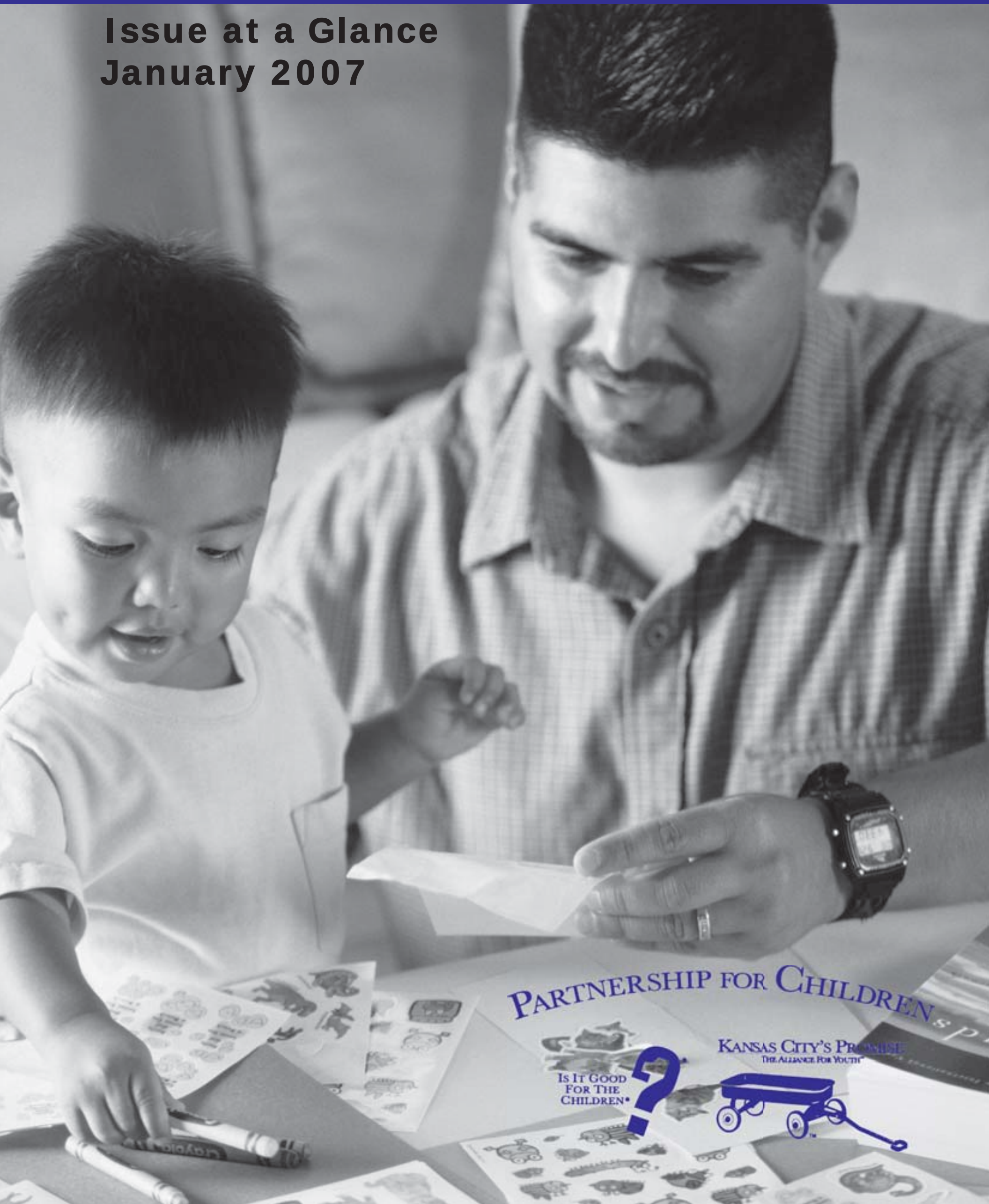
Missouri's Child Care Subsidy Program:

Benefits for Families, Businesses, & Tax-Payers

Issue at a Glance
January 2007



Child Care is an Economic Investment

More Productive Employees Who Make Higher Wages

Make a Greater Contribution to the Missouri Economy

The Missouri state child care subsidy program is not just a social-welfare service; it is an investment in early childhood education and working families that produces long-term social and economic benefits.

Numerous economic studies show that every $1 invested in quality early child care programs returns nearly $2 in the short term to the state economy by increasing the earning potential of working parents. Longer term returns could be up to $17 because children are more likely to be successful in school and in the future workforce as adults.

More Likely to...

Be Prepared for School
Have Higher Achievement Scores
Graduate from High School
Earn More Money as Adults

Less Likely to...

Repeat Grades in School
Become Teen Parents
Engage in Criminal Acts
Rely on Social Welfare Programs as Adults

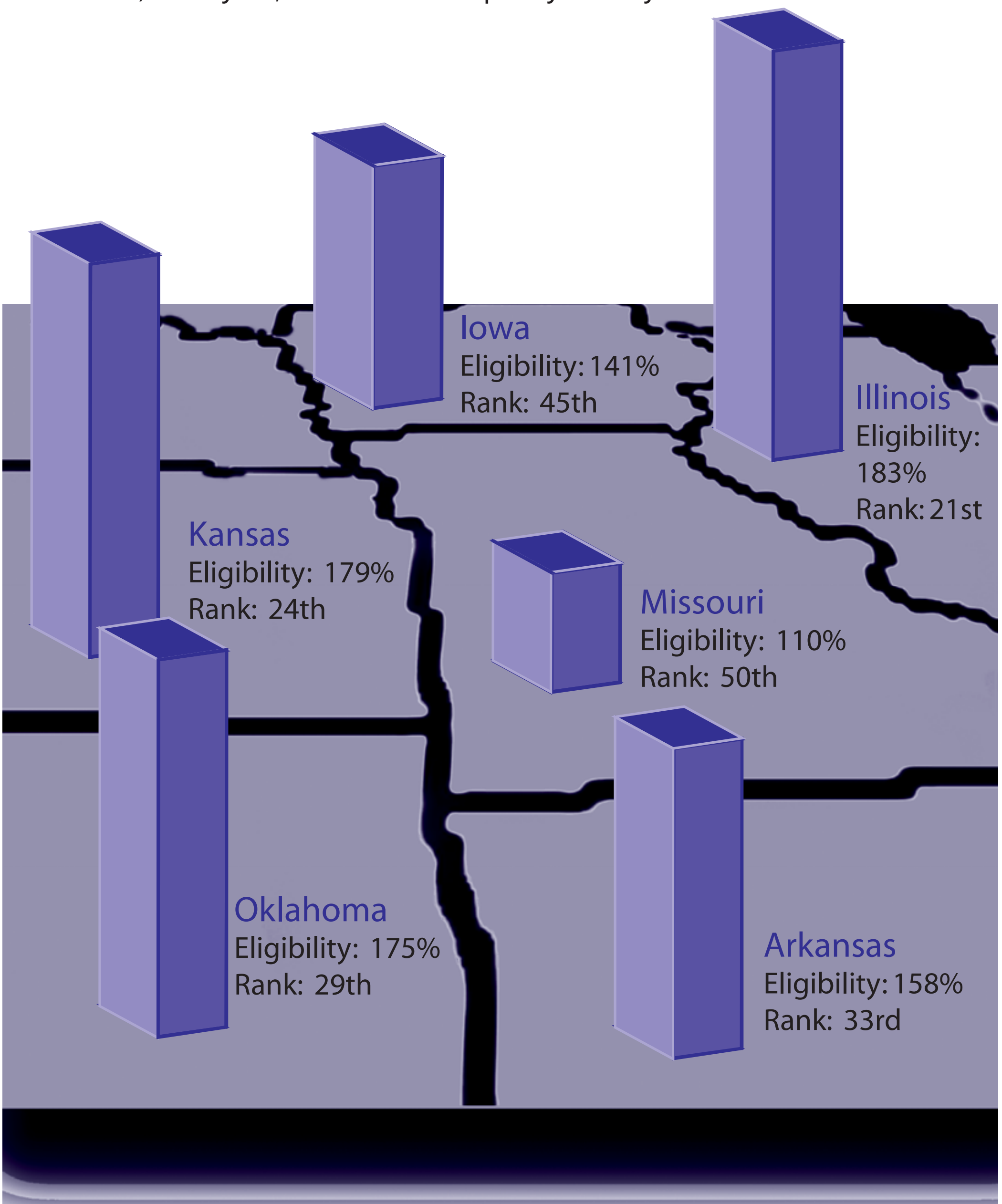
Immediate Economic Impact of the Child Care Industry in Missouri	
Child care in Missouri is an industry…	More than 5,000 small businesses that provide child care services exclusively within the state
That creates jobs…	Directly employing more than 34,000 people
Supports working families…	Preparing 181,000 children for future academic and workplace success while helping 120,000 working parents get, keep, and be productive at their jobs
And adds to the Missouri economy.	Generating gross annual receipts of $635 million, paying over $400 million per year in wages, and leveraging $255 million in federal funds each year.

When governments invest in high quality early education, they spend fewer dollars on special education, social welfare programs, and the criminal justice system.

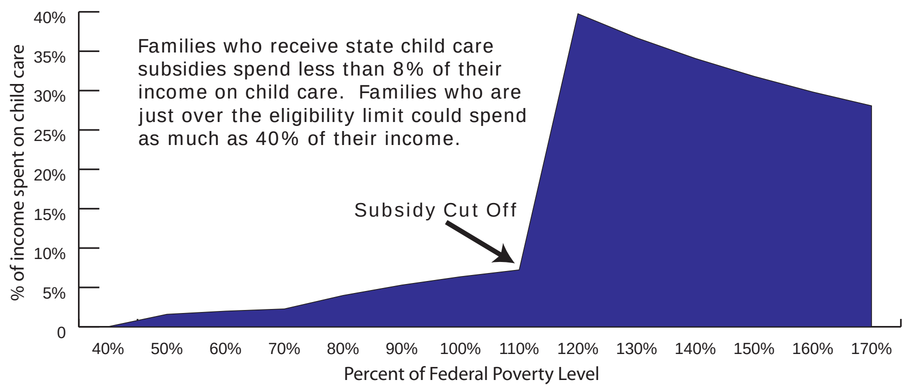
Income Eligibility Limits

Failing Missouri's Working Families

At 110% of Federal Poverty Level (FPL), Missouri currently has **the lowest** eligibility limit for state child care subsidies in the *entire country*. The average annual cost of child care in Missouri for two children is over $7,000, yet if their single working mother makes $18,500 a year, she would not qualify for any state assistance.



In order to qualify for Missouri's child care subsidy, parents must be either employed or attending school. The ultimate goal of the program is to help working parents obtain and keep a job while advancing towards self-sufficiency; yet the high price of market rate child care forces many struggling parents to refuse even small pay raises that would make them ineligible for state child care subsidies. The alternative, taking on full financial responsibility for child care, inevitably pushes children into low quality and less reliable child care programs.



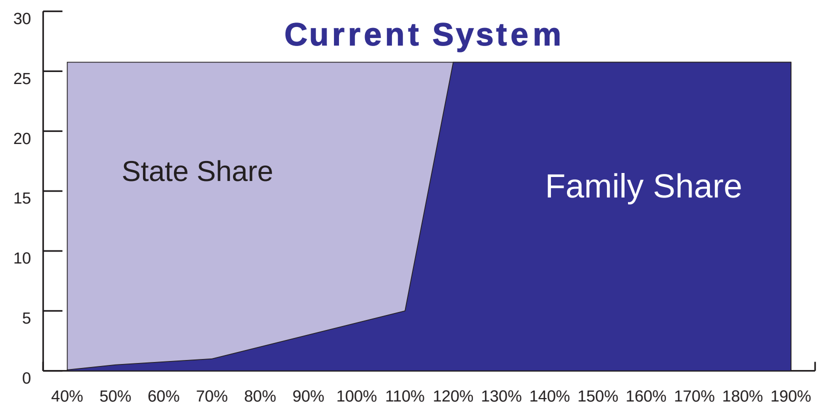
Annual increases in a state's income cutoff are essential to prevent families from losing eligibility merely because their incomes keep pace with the rising costs of meeting their basic needs. In 2001 Missouri's income eligibility limit was $17,784 or 122% of FPL for a family of three. Today, the limit is $18,216 but only 110% of FPL.

By ignoring low-income families' need for child care assistance, Missouri has allowed the subsidy eligibility as a percentage of poverty to decrease **12%** in the past five years. By acting quickly to increase the income eligibility, the General Assembly can ensure a strong state economy for many years into the future.

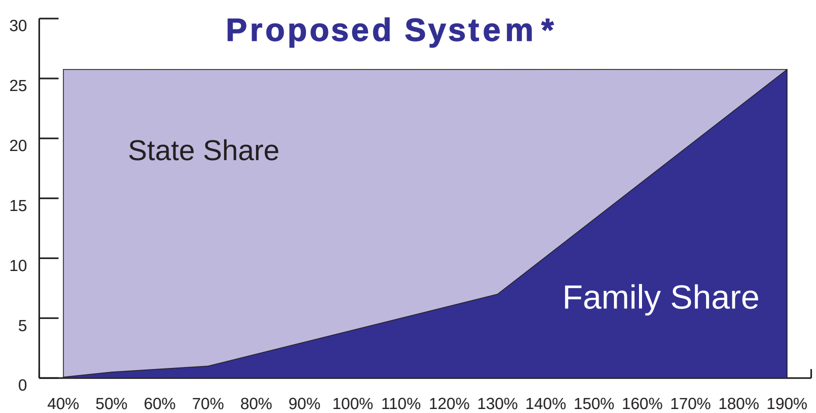
Proposed Change to Eligibility:

Moving Families Toward Independence

Under the current Child Care Subsidy program, families face a spike in cost, called the "cliff effect," when they surpass the state's income eligibility limit for assistance. Families could end up suddenly paying five times as much for child care with only a small increase in income.



The Child Care Subsidy bills currently proposed in the General Assembly would lessen this spike in cost and gradually ween families off the subsidy as their income increases.



**assumes that rules promulgated by the division allow for a continuance of the sliding fee to 130% FPL and a gradual increase to 185%.*

State Child Care Assistance: 2006 Income Eligibility Rates for a Family of Three

Rank	State	As Annual $ Amount	% of FPL	% of Median Income	Exit Eligibility
1	Hawaii	$47,124	284%	79%	
2	Alaska	$46,243	279%	76%	
3	Maine	$42,552	256%	85%	
4	D. C.	$40,225	242%	85%	$48,270
5	Nevada	$37,536	226%	71%	
6	Connecticut	$36,120	218%	50%	$54,181
7	Rhode Island	$36,203	218%	61%	
8	North Carolina	$35,592	214%	75%	
9	California	$35,100	211%	62%	$51,876*
10	Mississippi	$34,999	211%	89%	
11	South Dakota	$33,525	202%	67%	
12	Delaware	$32,184	194%	53%	
13	New Jersey	$32,180	194%	44%	$40,225
14	New York	$32,180	194%	55%	
15	Pennsylvania	$32,180	194%	56%	$37,812
16	Washington	$32,184	194%	55%	
17	Louisiana	$31,836	192%	75%	
18	Vermont	$31,032	187%	56%	
19	Wisconsin	$30,708	185%	53%	$33,204
20	New Hampshire	$30,576	184%	46%	
21	Illinois	$30,396	183%	50%	
22	Utah	$30,384	183%	58%	
23	Maryland	$29,900	181%	43%	
24	Kansas	$29,772	179%	55%	
25	Ohio	$29,772	179%	54%	$25,860
26	Wyoming	$29,772	179%	63%	$32,184
27	North Dakota	$29,556	178%	62%	
28	Massachusetts	$28,968	175%	42%	$39,864
29	Oklahoma	$29,100	175%	69%	$35,100
30	Minnesota	$28,158	170%	44%	$40,225
31	Tennessee	$27,924	168%	60%	
32	Arizona	$26,556	160%	54%	
33	Arkansas	$26,174	158%	64%	
34	Florida	$24,900	150%	51%	$33,200
35	Oregon	$24,900	150%	48%	
36	Georgia	$24,416	147%	47%	
37	Kentucky	$24,900	145%	54%	$27,390
38	Montana	$24,132	145%	58%	
39	Virginia	$24,135-$40,225	145%-242%	40%-67%	
40	Texas	$24,135-$38,952	145%-235%	53-85%	
41	New Mexico	$24,135	145%	63%	$32,180
42	South Carolina	$24,135	145%	51%	$28,158
43	West Virginia	$24,144	145%	62%	$29,772
44	Michigan	$23,880	144%	41%	
45	Iowa	$23,328	141%	43%	
46	Colorado	$20,916-$36,204	126%-218%	35-60%	$39,092
47	Alabama	$20,916	126%	45%	$32,184
48	Idaho	$20,472	123%	46%	
49	Indiana	$20,436	123%	37%	$22,524
50	Nebraska	$19,308	116%	36%	
51	**Missouri**	**$18,216**	**110%**	**34%**	

Giving Due Payment:

State Reimbursement for Child Care Providers

Child Care Market Rate vs. State Provider Reimbursement 2006

- Kansas City Metro Counties -

Type of Care / Facility	75% Daily Market Rate for Child Care (2005)	MO DSS Daily Child Care Provider Reimbursement Rate	% Difference State Rate & 75th Market Percentile
Infants			
Center (20 or more)	$38.00	$25.75	32.24%
Group (10-20)	$25.00	$19.00	24.00%
Family (<10)	$30.00	$15.00	50.00%
Pre-School			
Center (20 or more)	$27.00	$15.00	44.44%
Group (10-20)	$25.00	$12.00	52.00%
Family (<10)	$20.75	$12.00	42.17%
School Age			
Center (20 or more)	$24.30	$12.85	47.12%
Group (10-20)	$24.00	$10.00	58.33%
Family (<10)	$19.00	$10.00	47.37%

Some Helpful Definitions

State Reimbursement Rate: The minimum amount paid to a provider for subsidized child care services. As shown in the table above, the "state rate" is based on the age of the child as well as the type of child care facility.

Sliding Fee: A portion of the state rate that the parent will directly pay to the provider for subsidized child care services. The sliding fee is based on a family's size and annual income, varying from $1/yr to $5/day.

Co-Payment: The difference between the provider's actual fee for services and the state reimbursement rate. Parents are required to pay any co-payment to the provider, in addition to their sliding fee.

75% Market Rate: A rate for services that allows families access to 75% of the providers in their communities.

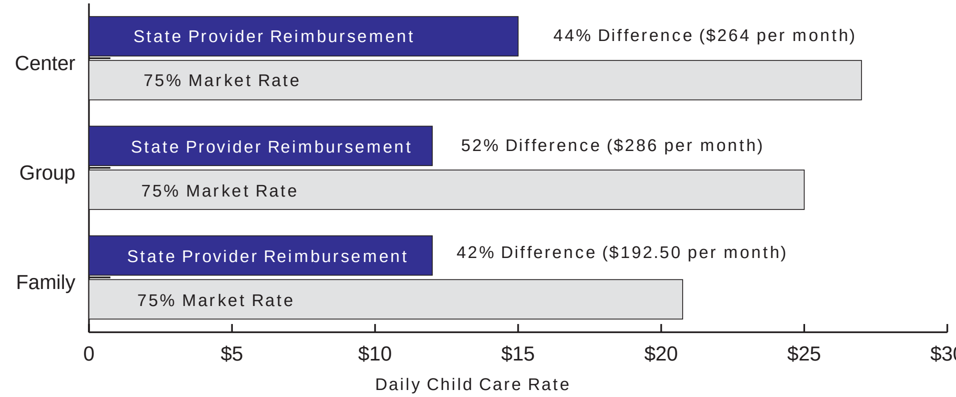
Federal regulations for child care subsidy programs recommend that states set their provider reimbursement rates at the 75th percentile of current market rates to ensure that families have a variety of quality child care options and that providers are given due payment for their constantly rising costs for services.

Missouri has not updated its child care reimbursement rates since 1999, despite market survey reports showing that the state rate is as much as 58% lower than the 75th percentile market rate for 2005 in the Kansas City Metro area.

When reimbursement rates are set too low, families receiving assistance must either seek unlicensed child care providers or they must pay a higher co-payment that few families can afford.

41 states have increased their maximum reimbursement rates for child care since 2001, including 13 states that set their rates at the 75th percentile of updated market rates in 2005.

Pre-School Child Care Reimbursement

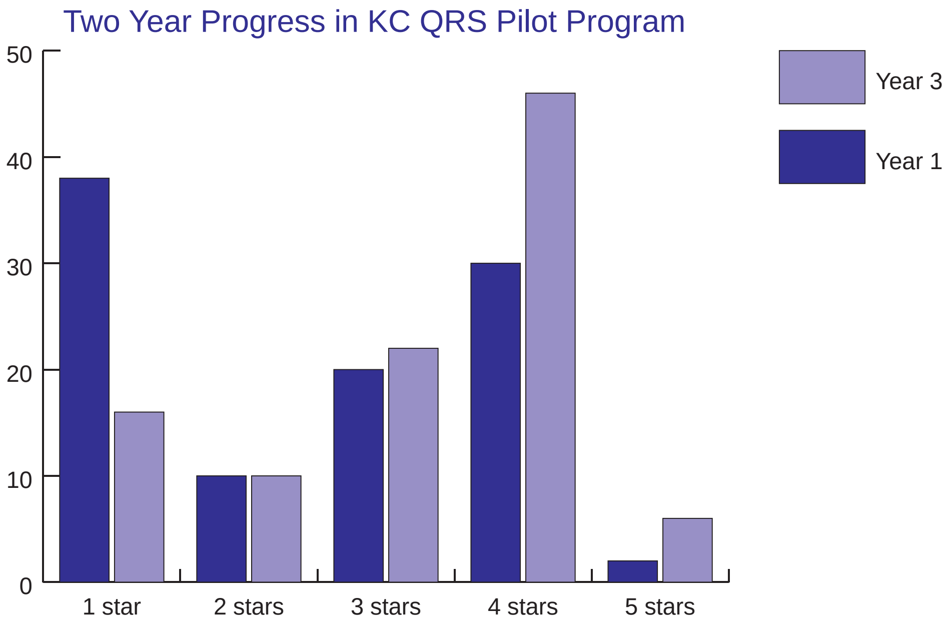


Partnership for Children urges the Missouri General Assembly to increase state reimbursement rates to better reflect the most recent market rates for child care. Missouri must stop shortchanging disadvantaged children who have the most to gain from early childhood programs that prepare them for future success.

Quality Rating System:
Linking Child Care Subsidy to Quality Programs

In 2004 the Metropolitan Council on Early Learning (MCEL) launched a pilot Quality Rating System in the Kansas City Metropolitan Area that has been providing early learning programs with a variety of support services and funding to improve program quality.

Kansas City's Quality Rating System (QRS) uses a simple five-star rating system, similar to a hotel or restaurant rating, to show a center's progress toward national accreditation. During the first year of the pilot project, 32% of the programs received a 4- or 5-star rating. By the third year this percentage had increased 20%.



Making the Program Statewide

Senate Bill 161, sponsored by Senator Charlie Shields (R-Buchanan/Platte), would make this program statewide and link the provider reimbursement to the number of stars a program has received. By linking reimbursement to quality, the State will not only encourage centers to improve their quality, but also reward centers which have already invested in quality program improvements.

Recommendations

Cost of living increases and growing market rates for child care have long surpassed the assistance provided by Missouri's outdated eligibility requirements and provider reimbursement rates.

Furthermore, the recent passage of an increase in Missouri's minimum wage will both add to the cost of operations for many child care providers and have the unintended consequence of pushing some working families over the eligibility limit.

Partnership for Children recommends the following legislative actions to increase Missouri's investment in child care:

- Increase the income eligibility for state child care subsidies. The current income eligibility is the lowest in the nation and is failing working Missouri families.

- Raise the state's child care subsidy reimbursement rates for providers to better reflect the most current market rates. Reimbursement rates are set at 1999 market rates and have not been raised since then. Consequently, provider reimbursement rates are as much as 58% lower than market rates for some child care services.

- Implement a statewide Quality Rating System for early child care centers that will help consumers and parents judge the quality of child care programs. This would also create a system of accountability for policymakers and those who fund early childhood programs.

PARTNERSHIP FOR CHILDREN

IS IT GOOD FOR THE CHILDREN?

KANSAS CITY'S PROMISE
THE ALLIANCE FOR YOUTH™

Partnership for Children's mission is to focus Greater Kansas City's energy on enhancing life for children and youth. As Kansas city's leading children's advocacy organization, Partnership for Children has been diligent in helping the Metro area make progress on the issues affecting the well-being of its children and youth. Since its founding in 1991, Partnership for Children has placed special emphasis on the areas of children's health, early care and education, out-of-school programs, and youth violence prevention.

For More Information
Contact Partnership for Children

Jay Hardenbrook
Policy/Communications Analyst
office: (816) 531-9200 ext. 237
cell: (816) 898-4322
hardenbrook@pfc.org

Carrie Shapton
Policy/Communications Analyst
office: (816) 531-9200 ext. 227
shapton@pfc.org