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NEW REPORT SAYS COST STILL A SIGNIFICANT BARRIER TO AFFORDABLE CHILD CARE IN SOUTHERN STATES

Inadequate Federal Matching Funds Remain the Largest Obstacle States Face in Helping Low-Income Families with Child Care Costs

Cost remains a significant barrier for low-income families seeking safe, affordable child care while they are working. One year ago, the Southern Regional Task Force on Child Care, a collaborative of public and private leaders from 16 southern states and the District of Columbia, came together and signed on to an Action Plan to improve access to child care financial aid for low-income families.

States are now involved in activities to implement the Action Plan. A new state survey conducted by the Southern Institute on Children and Families measures state progress in implementing the Action Plan. The survey finds that the inadequacy of federal matching funds is restricting state efforts to provide financial aid to all income-eligible working families who need assistance.

The Action Plan contains 10 goals and 52 action steps. Most of the actions needed are at the state level, but federal action is required in two areas. The first is increasing financial aid in the form of subsidies. The second is making the federal child and dependent care tax credit refundable so that working families who do not earn enough to pay taxes can claim the credit.

Goal One of the Action Plan calls for significantly increased financial aid to help low-income parents afford child care. Additional goals call for reduced application barriers and the creation of effective partnerships with employers.

Fourteen of the participating states and the District of Columbia took part in the survey aimed at measuring the progress states have made in implementing the action plan.

The Child Care and Development Fund (CCDF) is the primary source of federal funding for child care subsidies for low-income families. It is a state-federal matching program, and state financial match requirements are related to state per capita income. In recent years, almost all states have put forth state funds to maximize the available federal child care matching funds. The CCDF is designed as a block grant system, which means that benefits extended can only reach as far as funding allocated, regardless of the need. Due to lack of funding, only 12% of eligible families nationwide receive assistance.

"The maximum funding currently available is not adequate to provide child care subsidies for all income-eligible families seeking this financial aid," said Sarah C. Shuptrine, Chairman of the Task Force and President/CEO of the Southern Institute on Children and Families, which administers the Southern Regional Initiative on Child Care. "The primary action needed is for the federal government to adequately fund its policy to partner with states in providing child care financial aid to low-income families."

Affordable child care often can mean the difference between success and failure in the workplace for low-income families. It is an important work-support service for families moving out of welfare and into the workforce. Families leaving Temporary Assistance for Needy Families (TANF) for work receive priority for existing child care subsidies. This priority on TANF-related families is the result of a rationing system brought about by inadequate financing, and it forces the denial of child care financial aid to many low-income families who have no connection to the welfare system.

Congress is currently considering reauthorization of TANF and the CCDF. "For many low-income families, it's as simple as this — no financial aid for child care means no opportunity to work," Shuptrine said. "We heard loud and clear that financial aid for child care is a make-or-break issue for the long-term success of welfare reform, but it also consistently was reported as a workforce issue that restricts employability of many low-income families outside of the welfare system."

Goal Two of the Action Plan calls on states to broaden their child care eligibility and subsidy policies to meet the economic, work and education needs of families. One of the action steps calls on states to establish co-payments that do not exceed 10% of gross family income. The implementation survey shows that 10 out of the 15 states surveyed have taken action to hold co-payments to less than 10%. Previously, co-payments for low-income families have consumed anywhere from 4% to 30% of gross income.

Further information contained in the Southern Institute report includes:

- Subsidies: 80% of southern states surveyed have taken action to increase state funding for subsidies.

- Family tax benefits: Of surveyed states that have an income tax, only two — Arkansas and the District of Columbia — have established refundable child and dependent care tax credits.

- Application Process: Many states have simplified their child care application and reapplication processes. Many offer extended hours so parents don't have to miss work to apply for subsidies; allow application by phone, fax and internet so that parents no longer have to apply in person; and lengthen eligibility periods from 6 months to 12 months so parents don't have to reapply as often. Eighty-seven percent (87 %) of states now conduct some kind of quality assessment aimed at improving customer service.

- Business Partnerships: Several states have initiated actions to educate the business community about the benefits of child care and partnered with local Chambers of Commerce to create awards for family friendly business practices. Four states provide employers tax or financial incentives to invest in child care. For example, Georgia provides a substantial state corporate tax credit for employers who provide on-site child care or help their employees pay child care costs.

Additional results and state-specific data from the survey can be found in *Building Momentum-Taking Action: Southern States Collaborate on Child Care Financial Aid and Quality Initiatives*, a report published by the Southern Institute on Children and Families. The report and individual survey responses are available under the child care section of the Southern Institute's website, located at www.kidsouth.org.

The Southern Regional Initiative on Child Care is supported by a grant from The David and Lucile Packard Foundation. The project's purpose is to improve access to child care assistance for low-income, working families. The 23-member Southern Regional Task Force on Child Care provides guidance to the initiative and includes public/private-sector representatives from Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the District of Columbia.

The Southern Institute on Children and Families is an independent, non-profit, public policy organization working to improve opportunities for children and families in the South. The Southern Institute will continue to track progress toward implementation of the Action Plan, and an updated survey with information and data from 2002 will be conducted this summer. The Task Force and the Southern Institute currently have a survey in the field on the quality of child care. The survey is expected to serve as a catalyst for a parallel action plan for quality.