Sound Investments:

Financial Support for Child Care Builds Workforce Capacity and Promotes School Readiness

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Southern Regional Task Force on Child Care
Report and Action Plan for the South

THE SOUTHERN INSTITUTE on Children and Families

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EXECUTIVE SUMMARY

Never before has there been a more compelling need in our country to enact progressive child care policies. For now, our economy is healthy and employment is up. America's work ethic is a source of national pride. Americans also place family high on their list of priorities and want their children in safe, affordable, quality child care while they work. With millions of parents working at the lower end of the wage scale, and with many leaving the welfare rolls, assistance in paying for child care is perhaps the most critical work-support measure in which the federal government, states and the private sector can invest.

The inability of many families to pay for child care is a public policy issue with far-reaching consequences for southern states. To develop and maintain the workforce required to fuel economic progress throughout the South, greater investments in strategies that make child care more accessible and affordable are essential. To sustain the ability of families to stay off the welfare rolls, financial assistance in paying for child care is imperative. To assure that all children have greater opportunities to participate in early childhood development programs that enhance their readiness to learn, helping families afford quality services is basic. Yet, there is inadequate attention given to the huge gap between the price of child care and the ability of families to pay.

The Southern Regional Task Force on Child Care

In late 1999, at the invitation of the Southern Institute on Children and Families, governors from 16 southern states and the mayor of the District of Columbia appointed representatives to the Southern Regional Task Force on Child Care. Additional appointments were made by the Southern Institute and by the Southern Growth Policies Board. The charge to the Task Force was to collaborate in the identification of issues and the development of strategies to improve access to child care assistance for low-income families in the southern region. During its deliberations, the Task Force received testimony from professionals, families and representatives of the business community, identified barriers that impede access to child care assistance for low-income families and developed an Action Plan to improve access to financial aid for families who need and seek assistance. Support for the Southern Regional Initiative on Child Care is provided by a grant from The David and Lucile Packard Foundation.

The Action Plan goals presented below address the initial charge of the Task Force. The Task Force recognizes that improving access to financial aid for child care is a critical component in an overall plan to assure that low-income families are able to obtain affordable, quality child care that will improve opportunities for children and their parents. Beginning in January 2001, the Task Force will move to the next phase of its work and will address additional issues that affect access to affordable, quality child care.

Chapter 2 of this report discusses the many reasons priority attention must be given to making quality child care more accessible and affordable for low-income families, including the positive effect child care can have on workforce capacity, the advantages it can bring to the welfare reform effort and the much-needed financial support it can provide for early learning opportunities for children in low-income families.

A survey of the 17 participating states was conducted for the Task Force to collect detailed information on the state/federal subsidy system policies and procedures in each state. Survey results are presented in the appendix to this report. In-depth discussions, testimony and survey data all contributed to the identification of issues and opportunities. The Task Force identified the following issues as barriers to child care financial assistance:

- Δ significant underfunding of the public child care subsidy system;
- Δ eligibility policies and systems that hinder access to public child care subsidies;
- Δ the need to create employer partnerships;
- Δ the lack of federal and state tax strategies, e.g., refundable child care and dependent tax credits.

Action Plan

The Action Plan developed by the Southern Regional Task Force on Child Care calls for bold action to make child care financial aid available and accessible for low-income parents who need and seek it. The Action Plan contains 10 goals that urge public and private sector leaders to support specific initiatives, including significant increases in child care resources, eligibility simplification, improved customer service, implementation of tax strategies and creation of employer partnerships. Fifty-two action steps that address implementation of the goals are listed in Chapter 3. Participating states have submitted information on initiatives that represent progress made toward addressing the goals and action steps. The brief descriptions include contact information.

GOAL 1

Federal, state, local and private funds should be sufficient to meet 100% of need for direct child care assistance, based on initial eligibility levels at 85% of the state median income. Redetermination levels should allow families to retain child care assistance until they reach 100% of the state median income.

GOAL 2

States and communities should broaden their child care eligibility and subsidy policies to meet the economic, work and education needs of families.

GOAL 3

Outreach initiatives should be designed and aggressively implemented to assure that families have accessible and easy-to-understand information on child care assistance and are provided assistance in applying.

GOAL 4

The child care application and redetermination processes should be uncomplicated and family friendly.

GOAL 5

Establish a coordinated, seamless eligibility system so that funding sources are invisible to families and support continuity of child care.

GOAL 6

Establish customer service outcome goals and set standards to ensure that all families are treated with dignity and respect and are served in an efficient manner.

GOAL 7

Design the subsidy system so that rate structures assure that families receiving child care assistance have access to all types of child care and disallow charges above established co-payments

GOAL 8

Create partnerships with employers to expand child care assistance for working families.

GOAL 9

Provide child care assistance to working families through federal and state tax laws.

GOAL 10

States should have effective, coordinated systems to guide child care and early childhood policy decisions and direct use of resources.

2001 AND BEYOND

The Southern Regional Task Force on Child Care will monitor progress toward accomplishing the Action Plan goals. As described in Chapter 4, implementation activities will include state site visits to each of the 16 states and the District of Columbia, a Southern Regional Forum on Child Care and a report issued in December 2001 on progress made by the states toward achieving the goals. In addition to implementation activities, the Task Force will begin to address additional issues related to accessing quality child care.

Chapter 1
INTRODUCTION

The inability of many families to pay for child care is a public policy issue with far-reaching consequences for southern states. To develop and maintain the workforce required to fuel economic progress throughout the South, greater investments in strategies that make child care more accessible and affordable are essential. To sustain the ability of families to stay off the welfare rolls, financial assistance in paying for child care is imperative. To assure that all children have greater opportunities to participate in early childhood development programs that enhance their readiness to learn, helping families afford quality services is basic. Yet, there is inadequate attention given to the huge gap between the price of child care and the ability of families to pay.

Following a series of site visits in 1997 by the Southern Institute on Children and Families to 17 southern states and the District of Columbia, it was apparent that child care agencies and advocates had been unable to garner the commitment of policymakers to address the unmet need for child care assistance. Thousands of families needed help with paying for child care and were not receiving it due to limited public funding of child care subsidies. They needed child care assistance in order to work. They needed it to attend school or job training classes. And they needed it to search and interview for jobs.

Discussions during the Southern Institute site visits in 1997 revealed major concern on the part of state agencies and advocates regarding insufficient funding for public child care subsidies, especially in light of the passage of welfare reform. In addition to the lack of public funding, there were few examples of businesses weighing in to help low-wage parents pay for child care.

To develop and maintain the workforce required to fuel economic progress throughout the South, greater investments in strategies that make child care more accessible and affordable are essential.

Subsequent to the site visits, the Southern Institute surveyed the southern states and the District of Columbia to identify issues related to improving access to child care assistance. The 1997 Southern Institute survey requested information related to policies that govern child care eligibility, funding and child care application/redetermination process requirements. A report by the Southern Institute published in February 1998 outlined the findings of the site visits and the state survey and led to the establishment of the Southern Regional Initiative on Child Care in January 2000.[1]

The Southern Regional Initiative on Child Care provides southern states and the District of Columbia with the opportunity to collaborate on strategies to bring about more informed leadership, to develop policy recommendations and to achieve results in improving access to child care assistance for families who are unable to pay for child care on their own.

Support for the initiative is provided by a grant from The David and Lucile Packard Foundation.

A 22-member Southern Regional Task Force on Child Care guides the initiative. The Task Force is composed of public and private sector representatives from 16 southern states and the District of Columbia. Task Force membership includes appointees recommended by each state's governor and the mayor of the District of Columbia. A Staff Work Group composed of child care experts, as well as policy staff from the Southern Growth Policies Board and the Southern Regional Education Board, supports the Task Force.

Because financial aid issues are central to helping lower-income families access quality, affordable child care, the initial area of focus for the Southern Regional Initiative on Child Care is improving access to financial aid through strategies such as public subsidies and corporate partnerships. Beginning in January 2001, continued support from The David and Lucile Packard Foundation will enable the initiative to facilitate collaboration across the southern region to address issues related to accessing quality child care.

In April 2000, the Southern Regional Initiative on Child Care published a report titled ***Child Care in the Southern States: Expanding Access to Affordable Care for Low-Income Families and Fostering Economic Development***.[2] The report presented a strong case for the southern states to place priority attention on making child care more affordable. Findings from the report are discussed in Chapter 2.

The Southern Regional Initiative on Child Care also surveyed the southern states and the District of Columbia during the summer of 2000 to gather information needed to make informed decisions on improving policies that govern access to child care assistance. The results of the survey are discussed in Chapter 2, and survey tables are attached as an appendix to this report.

The Task Force met four times during 2000 to receive testimony and deliberate on issues related to improving access to child care

Southern Regional Initiative on Child Care

Participating States

Alabama
Arkansas
Delaware
District of Columbia
Florida
Georgia
Kentucky
Louisiana
Maryland
Mississippi
Missouri
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
West Virginia

Notes:

- For purposes of simplification in this report, the District of Columbia will be identified and referenced as a "state."
- Virginia was invited to participate in this initiative but declined.

assistance. The meetings — held in Georgia, North Carolina, Florida and Texas — identified issues and led to the development of goals and action steps designed to achieve greater access to affordable child care across the southern region.

Chapter 2 describes the many reasons the federal government and public and private groups throughout the southern states should move aggressively to take actions to assure that lower-income families have the financial assistance needed to greatly improve their access to quality, affordable child care.

Chapter 3 provides an Action Plan that sets forth 10 goals and 52 action steps to improve access to child care assistance. Participating states have submitted information about initiatives that represent progress made toward addressing the goals and action steps. These brief descriptions include contact information. Chapter 4 describes planned activities in 2001 and beyond to promote implementation of the action plan goals across the southern region and to address additional issues associated with improving access to quality child care.

A statement in the recently released report of the National Research Council and the Institute of Medicine puts into perspective the reasons efforts to improve access to child care for low-income families are of critical importance to our nation :

> ***"The developmental effects of child care depend on its safety, the opportunities it provides for nurturing and stable relationships and its provision of linguistically and cognitively rich environments. Yet the child care that is available in the United States today is highly fragmented and characterized by marked variations in quality, ranging from rich, growth-promoting experiences to unstimulating, highly unstable and sometimes dangerous settings. The burden of poor quality and limited choice rests most heavily on low-income, working families whose financial resources are too high to qualify for subsidies yet too low to afford quality care."***[3]

Chapter 2
A CALL TO ACTION

Never before has there been a more compelling need in our country to enact progressive child care policies. For now, our economy is healthy and employment is up. America's work ethic is a source of national pride. Americans also place family high on their list of priorities and want their children in safe, affordable, quality child care while they work. With millions of parents working at the lower end of the wage scale, and with many leaving the welfare rolls, assistance in paying for child care is perhaps the most critical work-support measure in which the federal government, states and the private sector can invest.

As a nation, we are poised at an important crossroads. Will we provide assistance to hard-working families who need child care in order to remain employed but cannot afford to pay for it? Will we make prudent investments in our children's earliest care and educational experiences, proven by the latest research to enhance their future learning potential and achievement?[4] Or will we continue to tolerate patterns of underfunding that place millions of children — and their parents — at risk of failure? The way we choose to respond to this challenge has profound implications, especially for families residing in the South, where the number of employed women with children exceeds the national average.

Child care assistance is perhaps the most critical work-support measure in which the federal government, states and the private sector can invest.

Why Invest in Child Care?

It is essential to invest in child care because times have changed. In what the U.S. Department of Labor calls "one of the most significant social and economic trends in modern U.S. history," the percentage of women in the workforce has jumped from 28 percent in 1940 to 40 percent in 1966, and to 60 percent in 1998.[5] The number of working women with children under the age of six proportionately increased even faster in the workforce. By 1998, almost three out of four women with children were in the workforce (see Exhibit 1).

Additionally, the number of single-parent families, most headed by women, has more than doubled in the past 30 years. In 1970, 11 percent of family households with children were headed by a single parent, and today more than one out of four American families with children, 27 percent, are headed by a single parent.[6]

Ever-increasing numbers of American families with children, especially low-income families, now rely on the incomes of both parents working outside the home.[7] In fact, only about 12 percent of American children under the age of six live in families in which the mother does not work outside the home and is available to care for preschool children. In the South,

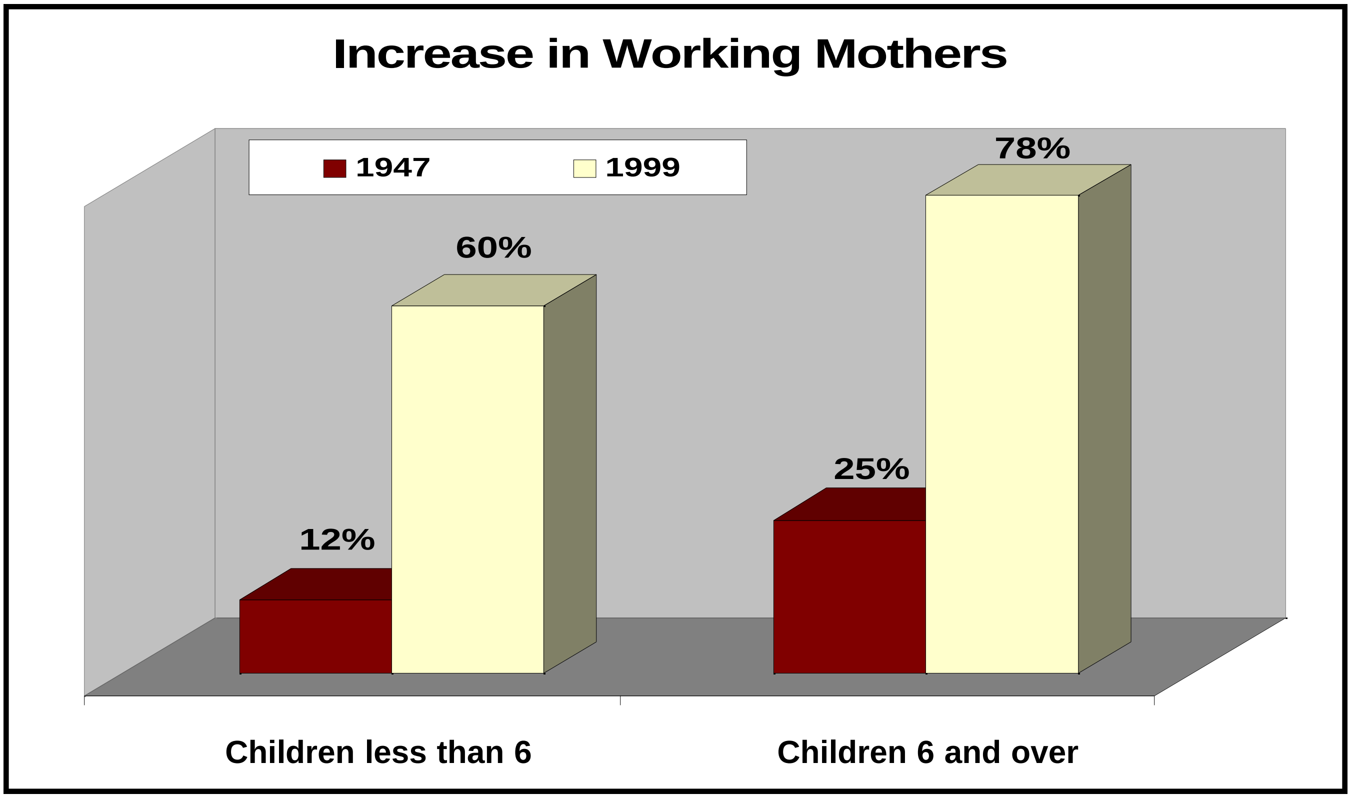


Exhibit 1

where 14 out of 17 southern states exceed the national average of women with children working outside the home, even fewer preschool children have mothers who can stay at home to care for them.[8]

Clearly, the 1950s image of the two-parent American family, with the mother as full-time homemaker and the father in the workplace, has become the exception rather than the norm in our society. Child care policy, unfortunately, has not kept up with the rapid increase of mothers working outside the home.

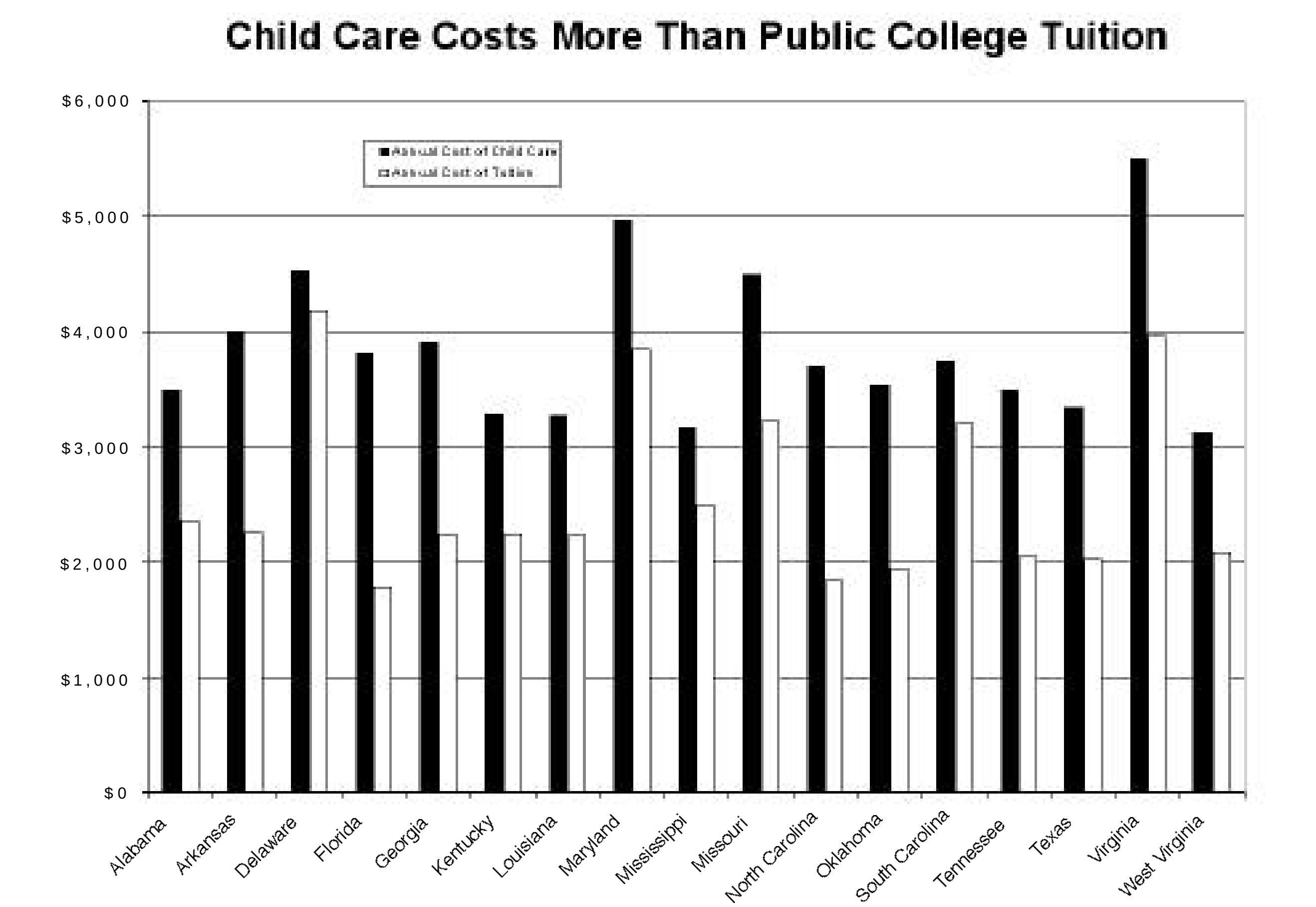
The importance of child care in building workforce capacity was stressed in an April 2000 report prepared for the Southern Institute:

> ***"In many ways, the economic expansion that is currently occurring in the United States has been possible because of dual-income families. And it is child care that has made it possible for families to work. Subsidized child care is an especially important support for the service industry. Comprised largely of small businesses with jobs at hourly wages, the service industry is the fastest growing employment sector in the country. By making subsidized child care available to the parents who assume low-wage, entry-level jobs, government is supporting the service industry itself (which could not grow without a strong influx of new workers) as well as the parent (who could not afford to take a low-wage, entry-level job without help in paying for child care)."***[9]

In addition to building workforce capacity, assistance in paying for child care can provide otherwise unattainable opportunities for children in low-income families. Such assistance supports the efforts of states across the South to improve the readiness of young children to succeed in school. The links between early education and child care are profound. Children don't wait until they officially enter school to begin learning; children learn from the time they are born, during every moment of the day. New brain research has underscored this link and demonstrated that the first three years of life are critical in children's intellectual development.[10] And longitudinal studies have shown that investments in pre-kindergarten not only can boost IQ but also have a lasting and sizable effect on school achievement, grade retention, high school graduation, special education and socialization.[11] But because so few families receive help paying for care, and financial support is rarely made available to child care programs, most low-income families have few choices about the child care they use.

Child Care Costs More Than Public College Tuition, So Where's the Financial Aid?

A critical issue for working families is the undisputed fact that child care is expensive. Child care, on average, is the third largest expense for all families with preschool-age children, after housing and food expenditures.[12] In 1993, the most recent year for which U.S. Census data are available, the average child care expenditure for families with a preschool-age child



Source: Louise Stoney, Child Care in the Southern States(Columbia, SC: Southern Institute on Children and Families, April 2000).

Exhibit 2

was $4,108 per year. In each of the 17 southern states, the annual cost of enrolling a four-year-old in a full-time child care center is more than annual state university tuition (see Exhibit 2).[13]

Obviously, the expense of child care disproportionately impacts low-income families, who pay a much higher percentage of their income for child care than middle or upper income families. For example, an unsubsidized family with two parents working minimum wage jobs in Florida, Georgia, North Carolina or Virginia could spend as much as 40 percent of their income to purchase center-based child care for an infant and a four-year-old. In Texas, such a family would have to spend one-third of their income for child care, in Delaware, 47 percent of their income and in Maryland 60 percent of their income, based on the average price of child care in those states.[14] In fact, for a two-parent family with an infant and a four-year-old in which both parents work full-time in minimum wage jobs and earn a combined income of $21,400 before taxes, the cost of child care is a serious barrier to work.[15]

Child care, on average, is the third largest expense for all families with preschool-age children, after housing and food expenditures.

For single parents, the cost of the child care that allows them to work can be even more staggering. Single parents typically use more hours of child care per week to work full-time because they do not have another adult in the home to help them transport children or care for them in the event of illness or other emergencies.[16] In Florida, Georgia or North Carolina, a single parent earning a good salary in a service-industry job — one and a half times the minimum wage ($16,068 annual/full time) — could spend as much as 53 percent of their income to purchase center-based care for an infant and a four-year-old. Similar care in Virginia could consume 53 percent of a working single parent's income and in Missouri 63 percent.[17]

A common misconception is that many parents can use free child care provided by relatives or friends, who are often referred to as "kith and kin." But most families do not have kith and kin available to care for their children, and many of those who do must pay these friends and relatives to care for their children. U.S. Census data indicate that, on average, only about a quarter of American families use informal child care provided by relatives (other than a parent).[18] Among those who do have access to kith and kin care, one-third report paying family and friends for that help.[19]

What can be done to help low-income families with the child care affordability dilemmas they face? Public and private child care subsidies can help families pay for child care. The Child Care and Development Fund (CCDF) is the primary source of federal funding for child care subsidies for low-income families.[20] Each state qualifies for an annual amount of federal funding appropriated based on federal guidelines. To receive additional federal money, states are required to put up matching funds. States have discretion in establishing income eligibility levels for their child care subsidy programs.

A 17-state survey conducted for the Southern Institute this year collected data on state public subsidy system policies and eligibility issues. The results of the survey are presented in an appendix to this report. Survey findings show that state eligibility levels vary significantly across the southern region, from 42 percent to 85 percent of the state median income.[21] Survey results also show that states across the South overwhelmingly cited lack of funding for child care assistance as a major barrier to serving all eligible families.[22] And a recent federal report stated: "In 1998, states obligated all the available federal mandatory child care funding, including federal matching funds."[23]

The CCDF was designed to help states provide child care assistance to families at or below 85 percent of the state median income, but insufficient federal and state funds have been appropriated to help all families that fall within that target group.[24] The result is that, nationwide, only 10 percent of income-eligible families receive child care assistance. In fact, a recent federal study showed that not a single state could serve even a fourth of its eligible families.[25]

Nationwide, only 10 percent of income-eligible families receive child care assistance.

As shown in Table 1 on the following page, the underfunding of child care subsidies is even more dramatic in the South. Eight states — Alabama, Arkansas, Florida, Maryland, Mississippi, South Carolina, Texas and Virginia — provide subsidies for fewer than 10 percent of the families who are eligible under the 85 percent of state median income guideline.

An additional public policy issue is that even when low-income families obtain access to public subsidies, the co-payment amount hinders access to subsidies. States determine the amount of co-payment families pay. In the 17 states surveyed by the Southern Institute, the maximum co-payment families make ranges from 4 percent to 30 percent of their income. In 11 out of 17 states, the maximum co-payment is greater than 10 percent of income (Alabama, Arkansas, Delaware, District of Columbia, Georgia, Louisiana, Maryland, Missouri, Oklahoma, Tennessee and Texas).[26] Arkansas is the only state that does not have a co-payment for families with income at or below the federal poverty level. The other 16 states have co-payments ranging from .07 percent to 16 percent of income for families at or below the poverty level.[27] To put these numbers in perspective, consider the U.S. Department of Education (DOE) criteria for determining eligibility for federal financial aid. The DOE guidelines would require a median-income family to pay only 5 percent of its income for college costs — and this is after the family has had many years to save for this costly endeavor.[28]

Will Welfare Reform Succeed Without More Child Care Resources?

The passage of welfare reform in 1996 ended the old welfare system with a major push for all able-bodied adults to work outside the home, including single parents. Subsidized child care is a major part of that effort.

Under federal law, states have the option to increase funding for child care by reallocating up to 30 percent of their welfare, or Temporary Assistance for Needy Families

Table 1
Estimates of Child Care and Development Fund (CCDF) Eligibility and Receipt

State	Children (Average Monthly Estimates)				
	(1) Parents Working or in Education & Training (no income limit)	(2) Eligible for CCDF (if state limits raised to Federal maximum)	(3) Eligible for CCDF (under state rules in effect Oct. 1997)	(4) Receiving CCDF Subsidies (April-Sept. 1998)	(5) Served as % of Potential Eligibles (Col. 4/Col. 2)
Alabama	494,700	233,300	103,500	20,530	9%
Arkansas	348,100	180,600	100,200	9,240	5%
Delaware	89,300	50,700	22,100	6,140	12%
District of Columbia	51,100	31,500	31,500	3,850	12%
Florida	1,434,200	705,300	421,900	46,640	7%
Georgia	913,200	485,200	331,200	47,210	10%
Kentucky	427,100	170,200	90,800	25,010	15%
Louisiana	450,800	219,700	219,700	35,180	16%
Maryland	610,000	259,900	91,300	21,380	8%
Mississippi	364,600	185,500	160,000	7,870	4%
Missouri	654,000	305,600	129,400	42,600	14%
North Carolina	819,600	411,400	343,100	74,250	18%
Oklahoma	374,500	191,100	178,800	39,930	21%
South Carolina	466,400	231,000	115,200	21,730	9%
Tennessee	671,000	346,000	183,600	54,820	16%
Texas	2,309,600	1,161,700	1,013,400	78,960	7%
Virginia	685,200	348,100	216,300	23,880	7%
West Virginia	117,400	52,700	28,200	12,900	24%
United States	30,393,900	14,749,500	9,851,000	1,530,500	10%

Notes: First four columns of estimates were generated from the Urban Institute's TRIM3 model.

(1) Children <13 (or disabled and below state age limit for disabled) with both parents working or in education/training programs. No income limit.

(2) Children from (1), if family income below 85 percent of State Median Income, the maximum limit allowed under Federal law.

(3) Children from (1), if family income below eligibility limits set by each state (based on limits in effect as of October 1997).

(4) Estimated children receiving CCDF child care subsidies, April-Sept. 1998. State administrative data reported to Child Care Bureau and adjusted to reflect CCDF subsidies only. Estimates are preliminary and subject to revision.

Source: Excerpt from Table 1, Access to Child Care for Low-Income Working Families, US Department of Health and Human Services, Administration for Children and Families, October 19, 1999.

(TANF), block grant to the CCDF. Between 1998 and 1999, states more than doubled their transfers from TANF to CCDF. According to transfer data reported during FY 1999, states transferred $2.43 billion from TANF to CCDF, which represents 15 percent of the TANF block grant.[29]

The National Governors' Association (NGA) in 1998 commissioned a special study of state child care policies as a means of implementing welfare reform. While acknowledging that additional efforts were urgently needed, the NGA found from the responses of 32 states that, "States are improving services for children by maximizing the flexibility of funding streams and encouraging the coordination of services at the local level. The flexibility provided by TANF and CCDF significantly enhances state capacity to promote collaboration and create more coordinated systems."[30] The NGA cited a number of effective public-private partnerships that contribute to the success of child care, calling the partnerships essential components of welfare-to work-policies. The NGA's citations included, as examples, programs in Florida and North Carolina.[31]

Research has shown that child care subsidies increase employment rates and earnings for low and moderate income parents. A study in Miami-Dade County, Florida, found that increasing child care funding raises the probability that current and former welfare recipients will find paid jobs. An increase of $145 dollars in subsidy spending per child increased the likelihood of employment from 59 percent to 71 percent for current and former welfare recipients.[32]

A study in Miami-Dade County, Florida, found that increasing child care funding raises the probability that current and former welfare recipients will find paid jobs. An increase of $145 dollars in subsidy spending per child increased the likelihood of employment from 59 percent to 71 percent for current and former welfare recipients.

During the early stage of welfare reform implementation, the Southern Institute worked in cooperation with state officials to conduct site visits to 17 southern states and the District of Columbia. Site visit meetings were attended by health and human services officials and community groups. Discussions centered on the identification of actions needed to improve access to benefits needed by low-income families. The 1997 site visit discussions indicated that insufficient funding for child care was a major issue for states. Participants suggested that the combination of insufficiently funded child care programs and the inability of many low-income working parents to pay the full cost of child care could undermine state welfare reform efforts. Representatives from all states visited expressed concern about the future, even those from states that were able to provide assistance to all families who were filing applications.[33]

Findings from the Southern Institute's 2000 survey of southern states confirm that subsidized child care is an integral part of welfare reform efforts. Almost all of the states in the survey took steps to ensure that families who are participating in welfare-to-work activities receive assistance paying for child care.[34] And most reported that they were able to continue to provide this assistance for at least one year — and often several years — after the family left welfare and became fully employed.[35]

However, as families leave welfare and join the workforce, over time they risk losing their eligibility for subsidized child care before they can afford to pay the full cost on their own. And families with no previous connection to the welfare system — many who struggle to make ends meet, often working several low-wage jobs — may never receive help paying for child care because they fall behind welfare-related families in the priority system that has been created to ration scarce resources. None of the southern states surveyed by the

Southern Institute was able to guarantee child care subsidies to low-income families that had never sought welfare assistance. Every state reported that these hard-working families receive help paying for child care only when — and if — funds are available.[36]

If working families who are clearly eligible for child care assistance have difficulty getting help paying for child care, families who are not fully employed face even greater obstacles. In order to stretch limited funds, some states do not make child care assistance available to low-income parents who are looking for work, between jobs or attending college to enable them to get better jobs.[37]

The message to families is that being on welfare appears to be the surest route to obtaining public child care subsidies. The public policy question is whether we want to encourage families to go on welfare in the hopes of obtaining assistance in paying for child care.

The message to families is that being on welfare appears to be the surest route to obtaining public child care subsidies.

Funding for child care can make the difference between success and failure in the workplace, and it can make the difference between success and failure in welfare reform. Looking to the future, directing money toward child care is a sound investment. Providing more resources today for child care will help keep families in the workforce and help them avoid welfare.

Rethinking Public Support for Child Care

In other areas of national and state policy, notably public transportation and housing, public support is viewed as an investment in economic development, not charity.[38] Yet too often, child care assistance is characterized as welfare. Even parents, consumers of child care, buy into the notion that only very low-income families can ask for help paying for child care.[39] Most families believe that they must struggle with their child care choices alone, even when the costs are staggering.

Unlike the costs for public transportation, public housing, public schools or tuition at state universities and colleges, consumers of child care services — working parents — pay the lion's share of child care charges. U.S. families currently contribute approximately 60 percent of the revenue for child care, government contributes about 39 percent, and private-sector contributions comprise less than 1 percent.[40] That is in marked contrast to financing for other types of public services.

For public transportation, including buses, subways and roads, user fees generally pay for only a small fraction of the cost.[41] In public housing, rents and loans are highly subsidized. Public schools are tuition-free to students. Tuition at state universities and colleges represents only a portion of the cost per student — and scholarships and loans also are available to further defray student costs. Transportation systems allow people to get to work economically. Public housing provides people with homes, stability and an investment in their communities. Public schools provide basic education for the next generation. State colleges and universities offer advanced education and professional training.

All of these areas are publicly supported based on the assumption that the services contribute to the public good. They are regarded as legitimate, prudent investments for the good of a productive society. The public policy question is whether we as a society are prepared now to place a far greater value on child care and elevate it accordingly on the public agenda.

How Support for Child Care Serves Local Economies

Investing in child care generates jobs and pumps money into local economies.[42] Child care is not another form of welfare. It is a vital support for working families with children. Research in numerous states and communities shows that the public support of child care creates direct and indirect economic benefits. The direct benefits include increased earnings and employment among parents receiving those subsidies. Communities also benefit indirectly from the earnings and jobs generated by the increased demand for child care services. Families receiving child-care subsidies that enable them to work also need fewer government-supported services than they did when they were unemployed or underemployed.[43]

An economic analysis of public spending for child care subsidies in San Antonio, Texas, showed that assistance to families in obtaining child care services ". . . is not only justified on humanitarian grounds but actually more than pays its own way through local economic stimulus and the resulting increased tax revenues to the City of San Antonio. . . . The City of San Antonio can expect to earn a simple annual return of about 46 percent on public investment in child care. In other words, not only will the program cover its own incremental costs, but the community will realize 46 cents in additional tax revenue for each dollar directly expended on providing child care to those (who) cannot presently afford it."[44]

In North Carolina, an examination of the benefits of child care subsidies showed that the subsidies paid for themselves almost immediately in real dollars returned to government through taxes on family earnings and employment and taxation in the child care industry. That return on investment translated to a net of $3,924 annually for a child care subsidy of $2,544 a year for a family with an annual income of $20,000 — or a 54 percent return on investment.[45]

In North Carolina, an examination of the benefits of child care subsidies showed that the subsidies paid for themselves almost immediately in real dollars returned to government through taxes on family earnings and employment and taxation in the child care industry.

Yet among child care administrators from the southern states who were surveyed this year by the Southern Institute, nine out of 17 cited "lack of adequate funding" as the single biggest barrier today to families seeking child care subsidies in their states.[46] Nationwide, 14.8 million parents qualify for CCDF subsides, yet only 1.5 million parents receive them — one out of 10 who are eligible.[47]

The Benefits Few Employers Know About

Investing in quality, affordable child care not only is good for the nation's economy, it is good for employers and the families who work for them, now and in the future. Employers who offer some form of child care benefit report higher worker morale, reduced absenteeism, increased productivity and lower turnover[48] (see Exhibit 3). A new Treasury Department survey of more than 1,100 companies found that more than two-thirds of the employers they surveyed reported that the benefits of child care programs are greater than the costs, or that the programs are cost-neutral.[49] The U.S. Department of Labor reports, "Stress and the tension between work and family are increasing. Major changes in American families — and the lack of corresponding changes in many workplace policies and practices — are the causes." [50]

A few employers are offering substantial child care benefits. Con Agra Refrigerated Foods — a company that processes poultry products with plants in several southern states — has established a child care initiative tailored to meet the needs of workers who earn between $6 and $7 per hour. Since most Con Agra employees work in shifts and live in rural areas, this employer has established partnerships with Head Start/child care agencies in several communities. Con Agra makes a contribution to help cover the cost of expanding the center's capacity and/or hours of service. The company also pays a portion of the weekly cost of care for each of its employees.[51]

Bank of America has developed a unique employee benefit called Child Care Plus. Employees who work at least 20 hours a week, need child care to work and have an annual

Reported Company Benefits for Offering Child Care

- **62% reported higher morale**
- **54% reported reduced absenteeism**
- **52% reported increased productivity**
- **37% reported lower turnover**

Source: Survey by The Conference Board, New York, 1995.

Exhibit 3

base salary under $30,000 (and an annual family income under $60,000) are eligible to participate. Based on their child care expenses, these employees may receive up to $152 per month per child in addition to their regular pay. Bank of America also offers benefits for employees with higher wages (as a Dependent Care Assistance Plan), as well as onsite and/or back-up child care in some locations. Turnover among employees who participate in Child Care Plus is half that of comparable Bank of America employees who do not use the program.[52]

Not all employers are able to make child care investments comparable to those made by Con Agra and Bank of America. On the whole, private sector investment in child care is very small. In 1995, less than one percent (1%) of revenues for child care and early education came from the private sector.[53] But employers are learning that one of the most effective ways to support the child care needs of their employees is in partnership with government. And their government partners are starting to develop some new and exciting initiatives. The Florida Child Care Partnership, outlined in Chapter 3 of this report, is one example. Initiatives in San Antonio, Texas and statewide in North Carolina also have been effective and are briefly described in Chapter 3.

> **On the whole, private sector investment in child care is very small.**
> **In 1995, less than 1% of revenues for child care and early education came from the private sector.**

Does The Child Care Application Process Deter Families From Applying?

The need to rethink support for child care must include consideration of how families gain access to child care subsidies. Simplification of the application and redetermination processes is essential to assure that eligibility services are efficient and that families are treated with dignity.

The state site visits conducted by the Southern Institute in 1997 identified application and redetermination procedures that presented barriers to eligibility. The findings are outlined in the February 1998 report by the Southern Institute, titled ***Southern Regional Initiative to Improve Access to Benefits for Low Income Families With Children***.[54] Since that time, several southern states have made strides in simplifying the eligibility process. Yet work remains to be done to make the child care application and redetermination processes more family friendly.

Public support for services such as transportation, housing and public education is provided without the same stigma associated with applying for other forms of public aid. Applications for college aid are available on the internet, and a single, standardized application is accepted at most colleges and universities. Yet states typically require families who are applying for child care assistance to make an appointment with the Department of

Social Services, complete detailed application forms and submit numerous documents to prove that they need help. If the family is applying for more than one program in addition to child care subsidy, they usually are required to submit additional forms and go through yet another separate application process.

The Southern Institute's 2000 survey revealed many eligibility process barriers in the 17 southern states. Seven states (Alabama, Arkansas, Delaware, District of Columbia, Georgia, Tennessee and West Virginia) require families to undergo a face-to-face interview in order to apply for child care assistance. In eight states (Alabama, Arkansas, Delaware, District of Columbia, Florida, Louisiana, Texas and West Virginia) income-eligible families may be required to reapply for assistance every six months. Multiple forms of documentation are required in most states. Even families who are receiving child care assistance are required to reapply when they move from welfare to work in seven of the states surveyed (Alabama, Florida, Louisiana, Maryland, Oklahoma, Tennessee and West Virginia).[55]

Many of these application and redetermination policies and procedures were developed to ensure that families receiving subsidies are eligible under program criteria. But each of these steps increases the likelihood that eligible families will not even apply for assistance. The same holds true for families facing redetermination.

There are several strategies to simplify the process for families. . . . Some include allowing families to apply by mail or telephone without requiring a face-to-face interview. Others involve minimizing requests for documentation and, wherever possible, attempting to utilize public records or documents already on file.

There are several strategies to simplify the process for families and improve access to the system. Some include allowing families to apply by mail or telephone without requiring a face-to-face interview. Others involve minimizing requests for documentation and, wherever possible, attempting to utilize public records or documents already on file before making any such requests of the family. Verification requirements for child care assistance applications also can present eligibility barriers for families. Identifying areas where verification can be reduced will result in improving access to child care assistance.

Our nation has made progress in streamlining the application and redetermination processes for benefit programs such as Medicaid and the State Child Health Insurance Program (SCHIP) without jeopardizing the integrity of the eligibility determination process. The findings of the Southern Institute's 2000 survey indicate that there are a number of policies that present barriers to applying for and retaining child care assistance. Simplification or removal of these barriers does not require federal approval.

Affordable, Quality Child Care is an Investment in America's Future

Child care is a crucial support for low-income working families, employers and communities. Support can, and should, be part of new economic development strategies for states. Study after study has shown that quality early care and education in the preschool years can greatly enhance a child's lifetime potential. But all too often children from low-income families are denied this essential "brain food," denied the opportunity to learn and grow at a time in their lives when careful attention from adults matters the most.

Each of the 17 southern states has made substantial financial investments in their elementary, secondary and higher education systems. In 1994, when these investments were compared to child care, the results were startling. Florida, which has made significant investments in its children in recent years, in 1994 spent 23 times more on higher education than on child care and early learning. Texas spent 43 times more on higher education. Virginia spent 121 times more. And higher education spending in Mississippi was 636 times what the state spent on child care.[56]

Making financial assistance for child care a priority will produce dividends now and in the future. Inaction will perpetuate missed opportunities that will be costly in terms of building workforce capacity, helping families avoid welfare and providing greater support for early learning that can boost school readiness across the South.

Children whose parents cannot afford child care often are left without the supervision they need at a crucial time in their lives. Friends, relatives or older siblings may be willing and able to help out on occasion, but these arrangements often fall apart or vary from day to day. All children need to have the opportunities provided by consistent, stable child care arrangements. For many children from low-income families, child care subsidies make these opportunities possible.

We can wait no longer to make the kind of sound investments needed to assure that child care financial aid is available and accessible to families who need and seek assistance. The actions necessary to achieve results are set forth in the Action Plan presented in Chapter 3. The Action Plan calls on federal, state, local and private leaders to commit to the achievement of specific goals and action steps. Making financial assistance for child care a priority will produce dividends now and in the future. Inaction will perpetuate missed opportunities that will be costly in terms of building workforce capacity, helping families avoid welfare and providing greater support for early learning that can boost school readiness across the South.

Chapter 3
ACTION PLAN

In late 1999, at the invitation of the Southern Institute on Children and Families, governors from 16 southern states and the mayor of the District of Columbia appointed representatives to the Southern Regional Task Force on Child Care. Additional appointments were made by the Southern Institute and by the Southern Growth Policies Board. During ongoing discussions convened throughout 2000, the Task Force developed an Action Plan, which is set forth below.

The charge to the Task Force was to collaborate in the development of a plan of action to improve access to child care assistance for low-income families in the southern region. During its deliberations, the Task Force received testimony from professionals, families and representatives of the business community, identified barriers that impede access to child care assistance for low-income families and developed an Action Plan to improve access to financial aid for families who need and seek assistance.

The Action Plan presented below addresses the initial charge of the Task Force. The Task Force recognizes that improving access to financial aid for child care is a critical component in an overall plan to assure that low-income families are able to obtain affordable, quality child care that will improve opportunities for children and their parents. Beginning in January 2001, the Task Force will move to the next phase of its work and will address additional issues that affect access to affordable, quality child care.

Chapter 2 of this report discussed the many reasons why priority attention must be given to making quality child care more accessible and affordable for low-income families, including the positive effect child care can have on workforce capacity, the advantages it can bring to the welfare reform effort and the much needed financial support it can provide for early learning opportunities for children in low-income families. Issues identified by the Task Force as barriers to child care financial assistance include the significant underfunding of the public child care subsidy system, eligibility policies and systems that hinder access to public child care subsidies, the need to create employer partnerships, and the lack of refundable child care and dependent tax credits.

The following Action Plan expresses the position of the Southern Regional Task Force on Child Care that bold action is needed to make child care financial aid available and accessible for low-income parents who need and seek it. The 10 goals and 52 action steps call on public and private sector leaders to support specific initiatives, including significant increases in child care resources, eligibility simplification, improved customer services, implementation of tax strategies and creation of employer partnerships. Participating states have submitted information on initiatives that represent progress made toward addressing the goals and action steps. These brief descriptions include contact information.

The Southern Regional Task Force on Child Care will monitor progress toward accomplishing the Action Plan goals. As outlined in Chapter 4, implementation activities will include state site visits to each of the 16 states and the District of Columbia, a Southern Regional Forum on Child Care and a report issued in December 2001 outlining the results of state efforts to achieve the goals.

GOAL 1

Federal, state, local and private funds should be sufficient to meet 100% of need for direct child care assistance, based on initial eligibility levels at 85% of the state median income. Redetermination levels should allow families to retain child care assistance until they reach 100% of the state median income.

Action Steps

1.1. Educate federal and state policymakers on the need for action.
1.2. Educate the business community on the need for leadership in achieving state, federal and community resources to meet 100% of need.
1.3. Increase federal funding for the Child Care Development Fund to fulfill current policy allowing federal matching funds for child care assistance up to 85% of the state median income.
1.4. Increase state funding to provide child care subsidies to all eligible families who seek child care assistance.
1.5. Mobilize federal, state and community resources in support of families who need child care assistance.

West Virginia

In October 2000, West Virginia's child care eligibility was increased from 150% to 200% of the Federal Poverty Level (57% to 77% of State Median Income, respectively). The maximum monthly gross income for a family of four increased from $2,087 to $2,842. West Virginia's child care policy allows subsidies to cover sleep time for parents who must work night shift and study time for parents attending educational or training programs. The state also pays for two providers when necessary to meet a family's needs. Eligibility guidelines also were revised to benefit foster and adoptive families. Foster family income is not used in determining eligibility for foster children, and adoption subsidies are disregarded as income.

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GOAL 2

States and communities should broaden their child care eligibility and subsidy policies to meet the economic, work and education needs of families.

Action Steps

2.1. Establish co-payments not to exceed 10% of gross family income.
2.2. Provide child care assistance to students who qualify under the income guidelines.
2.3. Explore broad use of income exemptions to address affordability of child care.
2.4. Eliminate asset testing (e.g. automobile or savings account) from criteria for child care assistance.
2.5. Index income eligibility levels for inflation.

Kentucky

Kentucky now serves families at 165% of the Federal Poverty Level. Co-payments of families do not exceed 10% of the family's gross income. Kentucky provides child care assistance to students based on their income and serves all teen parents working on their GED, regardless of income. In Kentucky, income eligibility is indexed for inflation based on updated federal poverty guidelines. No asset tests are required.

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Mississippi

Mississippi’s co-payment fees do not exceed 8% of family income. In addition, Mississippi recently amended its state CCDF plan to allow full-time students to be eligible for child care assistance without also having to meet a work requirement, to only use employment income when determining eligibility and to update State Median Income levels every two years for purposes of setting the 85% SMI eligibility ceiling. No asset tests are required.

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North Carolina

North Carolina's subsidized child care policies support the education and employment of the state's low-income families. Child care is available to support post-secondary education for up to two years. Families are eligible for services whether employed full-time or part-time, when seeking employment or while in-between jobs. In 1996, a new fee structure was implemented that based co-payments on 7% to 9% of the family's gross monthly income, depending on family size. TANF cash assistance payments and assets are not considered as countable income when determining eligibility or the amount of the co-payment. In 1996, North Carolina also increased its income-eligibility limits to 75% of State Median Income (up to 214% of the federal poverty level for a family of four). This allowed more low-income families to receive services through expanded eligibility.

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Oklahoma

In Oklahoma, families earning up to 77% of the State Median Income, or $2,420 per month, are eligible to participate in the child care assistance program. There is a family co-payment rather than a per-child co-payment. Parents earning less than $855 per month have no co-payment, while parents with a maximum co-payment would pay 9% of income after earned income deductions are applied. Income-eligible students can receive assistance while attending high school, technical training or college to receive a bachelor's degree. Oklahoma's child care policy allows subsidies to cover sleep time for parents who work a night shift. Consistent with food stamp policy, parents receive a work expense disregard of 20% of earned income. There are approximately 18 other sources of income that are disregarded when determining a parent's eligibility for child care assistance. No asset tests are required.

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GOAL 3

Outreach initiatives should be designed and aggressively implemented to assure that families have accessible and easy-to-understand information on child care assistance and are provided assistance in applying.

Action Steps

3.1. Provide information on child care subsidies through multiple sources, venues and the media.
3.2. Ensure that information is accurate, family friendly, employer friendly, culturally sensitive and provided in multiple languages, as appropriate.
3.3. Present information in a manner that would remove the stigma associated with receiving subsidies.
3.4. Provide literature and assistance to help parents make informed provider choices.
3.5. Coordinate ongoing and strategic outreach activities among common organizations and providers.
3.6. Offer cross-training and information to providers, community organizations, faith organizations and state agencies to inform them about child care assistance programs and how to assist families in filing applications.

District of Columbia

In 1999 the Office of Early Childhood Development (OECD) prepared a plan titled "Outreach to Increase Access to Child Care Financial Aid" and launched a multi-faceted outreach campaign that included: broad-based community outreach (radio and television spots, posters); multi-agency cross-training (orientation and information packets for all government human resource managers); development of a list of liaisons that refer children to the child care subsidy program; appeals to existing providers (regarding referrals to OECD, distribution of information, allow OECD to use up to 95% of their current licensed capacity); targeted recruitment initiatives; community-based intake activities; initiatives in two wards with the highest level of poverty, largest number of children and highest percentage of TANF; and monitoring and evaluation activities.

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West Virginia

West Virginia is providing grants to each Child Care Resource and Referral agency to implement a Traveling Resource and Information Library System (TRAILS). Mobile library vans will be used to provide resources to current providers, to furnish information to potential providers and to perform community outreach informing parents about the availability of child care assistance and to educate parents in the selection of quality child care providers. These vans are designed to be highly visible for use in community events. Multi-media material will be utilized.

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GOAL 4

The child care application and redetermination processes should be uncomplicated and family friendly.

Action Steps

4.1. Simplify applications for child care assistance.
4.2. Allow filing by mail, phone, fax or internet.
4.3. Minimize requests for documentation at initial application and utilize documents already on file.
4.4. Provide applications at multiple sites.
4.5. Offer non-conventional hours of operation for eligibility offices and provide toll-free phone lines to include evening and weekend hours.
4.6. Explore presumptive eligibility or otherwise provide immediate eligibility contingent upon final approval.
4.7. Eliminate requirements for a face-to-face interview both for initial application and for redetermination.
4.8. Provide consultation on making appropriate choices when excessive requests for provider changes are filed.
4.9. Establish a 12-month redetermination period where there are no changes in income or job status.
4.10. Continue eligibility for full subsidy for 12 weeks if family loses employment but can document that a job search is underway.

Maryland

Maryland created a simple accessible child care application and redetermination process by uniting programs that benefit low-income families under the Department of Human Resources (DHR) for "one-stop" seamless services. Local departments of social services are the single point of contact for families needing many types of assistance, including child care, TANF, Food Stamps, Medicaid, child welfare and child support. Access to child care licensing and resource and referral services is provided. Service is simplified in the following ways: by providing applications for TANF and child care in work opportunity offices and community district offices; by using a one-page, mail-in application; by allowing up to 12 months before redetermination is required; and by employing an automated system that determines eligibility, issues vouchers online and accesses needed documentation from other programs electronically.

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Mississippi

Mississippi recently amended its Child Care and Development Fund state plan to simplify the application process and reduce barriers faced by parents seeking child care assistance. Specifically, Mississippi reduced the number of documents parents must obtain and attach to their applications from six to one. In addition, Mississippi went from six-month to 12-month eligibility determination, thus improving children's child care experiences by reducing interruptions in service.

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Oklahoma

Oklahoma's expedited eligibility process requires the social services specialist to process an application immediately when the applicant does not have the money to pay toward the cost of child care and the applicant is in danger of losing a job or cannot start a new job. The social services specialist attempts to verify need and income through collateral contacts and documents the attempt. If the social services specialist is unsuccessful in verifying these or any other factors of eligibility, the client's statement is used to certify the application for a maximum of 30 calendar days. The social services specialist gives the client a form requesting any outstanding verification needed to establish eligibility within the 30 days time frame before further child care is authorized.

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South Carolina

South Carolina's ABC Child Care Program application can be completed by parents in the privacy of their home. Toll-free phone lines with extended hours are available. No face-to-face interview is required, and parents can return applications by mail. Parents are asked to verify or document their work, school or training activities; however all other information provided on the child care application is self-declared and accepted. Redetermination for non-welfare, low-income families is required every 12 months and is fully automated. Sixty days before the end of the 12-month eligibility period, the clients are sent a completed application based on their last eligibility determination. The form is accompanied by a request that parents update the application based on changes that have occurred and return the application by mail. The ABC Child Care program allows for seamless eligibility for families moving from Family Independence (the state's TANF program) to their first year of Transitional Child Care. Parents are not required to complete and sign a new child care application. Clients may continue to receive services for 30 calendar days if the family loses employment.

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GOAL 5

Establish a coordinated, seamless eligibility system so that funding sources are invisible to families and support continuity of child care.

Action Steps

5.1. Eliminate the need for families to reapply when eligibility categories change by automatically searching to exhaust all eligibility categories before closing cases.
5.2. Explore the potential for policy and procedural changes to achieve linkages with or combined applications for child care assistance, Head Start , Pre-K and Title I.
5.3. Continue eligibility in programs with multiple funding sources to assure continuity of care in the event that eligibility has expired or terminated in one program.
5.4. Work collaboratively with all public and private programs and funding sources to assure that children receive stable and consistent early child care services.

Florida

Effective July 1, 2001, Florida will establish a web-based Simplified Point of Entry System and a Unified Waiting List that allows parental choice. Families will fill out one application for all wait-listed programs. The system will begin with access to Subsidized Child Care, Pre-Kindergarten, and Head Start. Because the system is web-based, it can be easily expanded and adapted to include other family support programs. If there are no vacancies in one program, the child will automatically be referred to other programs for which the child is eligible. Families will only have to place themselves on one list. The family can use a public library computer or home computer to self-enter their application, or a professional caseworker or family support screener can assist parents in completing the application.

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North Carolina

Before 1996, North Carolina's child care funds were administered by two agencies, depending on whether child care was AFDC-related. Although the portal of entry was the same (local departments of social services), the application processes, eligibility requirements, parent fees and payment systems were separate and different. Some families lost child care assistance when they moved from one system to the other. After welfare reform, North Carolina consolidated all funds under one agency, including CCDF, Head Start Wrap-Around, TANF transfer, state Smart Start subsidy and state CCDF matching funds. Uniform eligibility, fee and payment requirements were established. The funding stream that pays for child care is determined at the state level and changed as needed. More families are served, and MOE funding requirements are tracked more efficiently.

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Missouri

In Missouri, eligibility is streamlined, and has been since inception, into one subsidy program based on two factors: income and need for child care. Depending upon availability of funding, priorities are established for who will receive services. Everyone applies and has eligibility determined under the same guidelines.

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GOAL 6

Establish customer service outcome goals and set standards to ensure that all families are treated with dignity and respect and are served in an efficient manner.

Action Steps

6.1. Provide professional and well-trained eligibility staff who are culturally and linguistically sensitive.
6.2. Facilitate quick eligibility determination through reasonable caseloads and/or administrative structure.
6.3. Conduct periodic, independent and thorough consumer satisfaction assessments, assuring the confidentiality of information collected.
6.4. Provide adequate support for child care resource and referral services.

District of Columbia

In 1999, the District of Columbia government conducted its first independent customer satisfaction survey and developed the system to be used for ongoing independent and thorough customer satisfaction assessments. The 1999 survey focused on customer need for and satisfaction with child care during non-traditional hours for child care intake. The non-traditional child care services survey was a postcard, mailed directly to parents with information about non-traditional services, that could be mailed directly back to the unit conducting the survey. There was a 14% return rate, and as a result of this survey a community outreach initiative and provider recruitment plan were initiated. Determination of customer satisfaction with evening hours was implemented through a survey instrument and customer interviews. A written report with recommendations was developed and used to increase customer use of evening services.

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Georgia

Georgia has increased investments in the Child Care Resource and Referral (CCR&R) network using CCDF set-aside funds. The state now contracts with 10 community-based non-profits and four institutions of higher learning to provide CCR&R services in all of Georgia’s 159 counties. During the next 12 months, each CCR&R will be adding an inclusion specialist to its staff to help parents of children with disabilities find care and to help child care providers better serve children with disabilities in their communities. This initiative was developed by a statewide Task Force on Child Care for Children with Disabilities that was co-sponsored by the Georgia Child Care Council, the Governor’s Office on Developmental Disabilities, and the state’s 0-3 early intervention program called "Babies Can’t Wait."

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Kentucky

Kentucky conducts an annual check of customer satisfaction through the audit process. Parents and providers are surveyed regarding the service they have received. Kentucky's culture is diversified and is becoming more so with many ethnic groups establishing homes in the state. Most of the eligibility staff members live in the communities in which they work. This aids awareness of the cultural needs of families within the communities. In addition, several of the Child Care Resource and Referral agencies are the service agents for the subsidy program. The CCR&R agencies’ understanding of and bond with the community helps in this process.

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North Carolina

Child Care Services Association (CCSA) in North Carolina, a not-for-profit agency, provides scholarships to help pay the costs of child care for families living and working in Orange County. Scholarship funds come from Smart Start, United Way, UNC-Chapel Hill, municipal and county governments and private contributions. Applications for child care subsidy are available in all child care programs in the county, county human services agencies, employment centers, shelters and all CCSA offices. Bilingual family support counselors are available for Spanish-speaking families, and all information and applications are available in Spanish. Both initial and annual renewal applications may be mailed or faxed, with appropriate documentation. Annual customer service evaluations of the scholarships and services received from CCSA are performed. In addition, one-third of the CCSA board includes recipients of the agency's services, including families receiving the child care subsidy. The agency offers extended hours, including some evenings and Saturdays.

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GOAL 7

Design the subsidy system so that rate structures assure that families receiving child care assistance have access to all types of child care and disallow charges above established co-payments.

Action Steps

7.1. States should cap reimbursement rates at no less than the 75th percentile based on a market rate survey conducted every two years that accurately reflects the price of all types of care in communities across the state.
7.2. Establish and evaluate reimbursement policies that encourage provider participation and are responsive to family needs.
7.3. Prohibit providers from charging above the established co-payments.

Florida

The Gold Seal program was established to promote national accreditation of early care and education programs. Several accrediting associations are involved in the Gold Seal Quality Care Program. Under Gold Seal legislation, facilities that receive a Gold Seal are eligible for higher payment rates for Subsidized Child Care, sales tax exemptions on educational equipment and ad valorum (property tax) exemptions. These incentives not only encourage improved quality but also encourage private child care center participation in the subsidized child care program. This participation allows full mainstreaming of children who qualify for subsidized assistance and provides parental choice of location and setting. Nearly 1,000 child care centers and family child care homes now have received the Gold Seal.

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Missouri

Missouri has instituted a tiered reimbursement incentive system. Providers are eligible to receive the following percentage increases on their base subsidy rate:

* 30% increase for providers serving a disproportionate share of state subsidized children.
* 20% increase for providers who are accredited by a recognized accrediting organization approved by the state.
* 15% increase for evening and weekend care.
* 25% increase for special needs children.

Missouri also allows providers of special needs children to be paid at the rate associated with their "functional" age.

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Tennessee

To be responsive to family needs for assistance with child care fees above the parent co-payment, the Tennessee Department of Human Services (DHS) will pay providers a one-time application fee of up to $50 per child at the time of enrollment and an annual registration fee of up to $50 per child for children in the Families First and Transitional Families First programs. In addition, DHS established transportation fees to pay a licensed provider for transporting a child in the Families First program to the child care program. DHS will pay providers $10 per week per child for this service.

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West Virginia

In West Virginia, base reimbursement rates were increased in October 2000 to 85th percentile of the 1999 market rate. In addition to increases in base rates, incentive rates of $4 extra per day are added if a provider is accredited or offers care during non-traditional work hours. The enhanced rate for infant and toddlers also is used for children with special needs and children receiving care for child protective services reasons. Two other incentive rates are planned for early 2001. One will provide additional rates of $2 daily to providers who complete a 40-hour infant and toddler training program. The second will provide an additional $2 daily to providers who meet additional requirements but are not yet accredited. This will result in a three-tiered payment system. West Virginia also makes subsidized payments to unlicensed school-age child care programs that register with the state and meet health and safety guidelines.

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GOAL 8

Create partnerships with employers to expand child care assistance for working families.

Action Steps

8.1. Educate employers about the bottom line benefits associated with public and private child care assistance.
8.2. Enlist business leaders to champion the involvement of southern businesses and to serve as mentors to other businesses.
8.3. Provide information to employers on all available tax benefits related to child care assistance, including deductions for donations to tax-exempt child care organizations, capital costs for constructing a child care center and establishing a pre-tax dependent care assistance plan.
8.4. Facilitate collaborative initiatives that enable employers to share ideas as well as pool their resources to address child care needs.
8.5. Provide matching funds or other tax or financial incentives for employers to invest in child care.
8.6. Establish incentives for employers to create child care benefit programs for their employees or to contribute to child care purchasing pools in their state or community.
8.7. Reduce the administrative burden on employers participating in any joint public/private child care assistance program.

Arkansas

As a result of the work of the Governor commissioned Arkansas Corporate Champions for Children Initiative, The Early Care and Education Trust Fund will be established during the next legislative session, beginning January 2001. Funds will be available to match contributions from private businesses and individuals. The trust fund will create a new source of funding to address lengthy waiting lists in Arkansas. The Governor's Work-Life Initiative Award will be established and presented in April of each year to recognize and honor employers who support families. This initiative has generated several very important data reports: Children and Child-Care Issues in Arkansas (graphic presentation of 50 child care indicators by county and state summary); the Survey of Employer Onsite Child Care (Eleven sites across the state were surveyed. They tied the success of their projects to recruitment, employee satisfaction and retention.); and the Survey of Family Friendly Policies for Employees in Arkansas. (This survey gives a percentage listing by importance of the policies in place now as well as a percentage of the employers desiring assistance in developing other family friendly options.)

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District of Columbia

The District of Columbia has developed public-private partnerships to increase access to child care services for District residents since 1987. Partnerships have been established with Early Childhood Collaborative of DC, Inc., Katharine Graham of The Washington Post and Terrence Golden of the Host Marriott, Donna Klein of Marriot International, Carrie Thornhill of DC Agenda, DC Childcare Corporation, the DC Chamber of Commerce, employers, housing developers, The Banker's Association, community development corporations, the faith-based community and the philanthropic community. These partnerships have resulted in: new licensed capacity in child development centers and homes; increased capacity for infants and school-age children; increased capacity on evenings, overnight, weekends and holidays; increased worksite facilities; increased child care subsidy rates; seminars; expanded roles for child care resource and referral services; and increased training for early care and education providers. Since 1995, the Mayor's Wish List Award has been presented to business partners in recognition of their contributions.

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Florida

The Florida Partnership for School Readiness, based in the Executive Office of the Governor, is the principal organization responsible for the enhancement of school readiness. Programs are expected to make services available on a full-day, full-year basis to assist working parents. Fifty-seven school readiness coalitions have formed in the last year representing all of Florida's counties. Local county coalitions are comprised of community leaders, school board members, private and faith-based child care providers, Head Start, and child care resource and referral agencies. One-third of the members must not make their living in early education and child care. During this transition year, the coalitions are in the process of assuming the management of the child care funding streams and pre-kindergarten funds with the intent to maximize use of services. Sliding-fee scales apply to all state-funded, out-of-home early education and child care services. Local coalitions have the authority to fund specific school readiness programs, allowing them to tailor funding to the community they serve. Parents have a choice of settings and locations. Performance standards have been established to guide the programs and a uniform screening will be conducted for all children entering kindergarten.

The Florida Child Care Executive Partnership Program is a public-private partnership formed between businesses and the state of Florida to increase the availability of child care for low-income working parents. Under the Child Care Partnership Act, the State of Florida will match dollar-for-dollar child care contributions by employers and local communities for families earning up to 200 percent of the federal poverty level. Participating businesses receive a tax deduction, and parents receive care for about one-third the full cost. Since the program's establishment, more than $32 million in business and local matching funds have been raised, enabling an additional 17,000 children to receive child care tuition assistance. The current state appropriation is $10 million.

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Georgia

In 1999, Georgia's Governor Roy Barnes sponsored a new corporate tax credit to encourage employers to become partners in meeting the child care needs of their employees. Companies now may recoup 75% of their investment in subsidizing child care for their employees and 100% of their investment, over 10 years, in building onsite child care centers. To assist employers in understanding the tax credit and the impact of child care on the work force, the Georgia Child Care Council developed and distributed a handbook titled Quality Child Care — The Business Connection. Support the Workforce of 2000; Prepare the Workforce of 2020. A Powerpoint presentation specific to Georgia also is available for use with business audiences.

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Tennessee

Tennessee’s Corporate/Community Partnership Grant is available to local governments, school districts in partnership with industries, and businesses and/or public or private non-profit agencies that submit a proposal addressing specific, documented child care needs in a community. The grant must be matched one-to-one by the applicant's partner. The Corporate/Community Partnership grant pool totals $200,000. To date, 14 grants totaling $287,444 have been disbursed. In addition, the 101st Tennessee General Assembly authorized the Department of Human Services to explore obtaining federal and state funding to provide an incentive to develop local match funds from local government, employers, charitable institutions and others to create partnerships with employers. The Tennessee Community and Corporate Child Care Partnership Program is designed to enhance child care in local communities. The program will be administered through the Tennessee Child Care Facilities Corporation.

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Texas

The San Antonio Smart Start Program began as the Corporate Child Care Collaborative in 1994 as a public/private care trust fund to enhance the quality and increase the quantity of area child care services for employees of local businesses and for the community as a whole. In early 1997, the collaborative launched a $50,000 marketing plan to raise awareness and to recruit new corporate members for its activities. The marketing plan features a media campaign with paid TV and magazine advertising, public service announcements, billboards and brochures. All Smart Start projects are conducted in collaboration with other community organizations. Among its most successful initial projects is a program to conduct training and provide support for community child care centers and home-based centers. As a result of the program, 10 centers and 17 family child care programs have received national accreditation. Since its inception, the collaboration has helped 70 child care programs used by employees, benefiting 2,500 child care providers and 4,500 children.

The Texas Work and Family Clearinghouse is committed to helping Texas employers attract and retain a diverse workforce through the promotion and support of dependent care policies and programs in the workplace. The Clearinghouse was mandated by the Texas Legislature to provide information concerning technical assistance, dependent care and other employment-related family issues to public and private employers, state agencies, policymakers and individuals. The Clearinghouse has funded 15 local business collaboratives and one statewide child care resource and referral project in FY2000.

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GOAL 9

Provide child care assistance to working families through federal and state tax laws.

Action Steps

9.1. Make the federal child and dependent care tax credit refundable.
9.2. Establish refundable child and dependent care tax credits in states with income taxes.
9.3. Raise federal and state child care tax credit expense limits to accurately reflect the price of quality care.
9.4. Index for inflation the state and federal child and dependent care tax credit income eligibility and expense limits.
9.5. Ensure that child and dependent care tax credits are clearly identified and easy to claim by filers using either the short or long form.
9.6. Encourage the use of effective state tax strategies to provide financial support for child care.

Arkansas

In Arkansas, Act 1286 of 1993 provided an enhanced income tax credit in the amount of 20% of the federal credit (under IRS code) for qualified taxpayers who incurred child care expenditures at approved child care facilities. The 20% tax credit is refundable. Legislation in 1997 provided the 20% credit for all taxpayers using child care and eliminated the enhanced credit for use of an approved/accredited program. The use of approved/accredited facilities does continue allowance for the 20% to be refundable. Act 820 of 1993 designated and exempted from state tax those corporations that build and equip approved child care centers. Construction materials and furnishings purchased for use in the initial construction and equipping of a child care center for the exclusive purpose of providing child care to employees will be subject to the exemption. A business that qualifies for the exemption from the Gross Receipts Tax shall be allowed an income tax credit of 3.9% of the annual salary of workers employed exclusively in providing child care services. Act 850 of 1995 allowed companies to operate or contract the operation and further allowed two or more companies to participate in a single child care program.

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GOAL 10

States should have effective, coordinated systems to guide child care and early childhood policy decisions and direct use of resources.

Action Steps

10.1. Facilitate greater coordination in eligibility policies across child care and early childhood education programs at state and local levels.
10.2. All southern states and the District of Columbia should participate in a collaborative effort to develop and collect common data elements across states.

Arkansas

In the state of Arkansas, collaboration with state-level partners has been the key to progress. Leaders in this collaboration include the Division of Child Care, the Head Start Collaboration Office, the Department of Education, Higher Education, Department of Health, Special Education and the Professional Development workgroups. Arkansas's goal is to establish a coordinated system for early care and education across the state. Clear goals have been set, and the state is currently working on the following projects: The Arkansas Early Childhood Professional Development System; the Early Learning Literacy in Arkansas Training Program for Pre-School Teachers; and a data base of all funding available to communities from the Division of Child Care, Department of Education and Head Start. Governor Mike Huckabee has stated, "We must enlist parents, businesses, public servants and faith-based community members in our efforts to sustain quality early care and education programs for the children of Arkansas."

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Georgia

The Georgia Legislature established The Georgia Child Care Council in 1991 to act as a planning and coordinating body for early childhood and school-age care programs. The Council administers and distributes the quality set-aside of the CCDF. Volunteer Council members are appointed by the Governor and by law must represent specific segments of the child care community, including: non-profit, for-profit and faith-based child care providers; family child care providers; chambers of commerce; child care resource and referral agencies; early childhood academic experts; Head Start; and parents, including those who have a child with a disability. The Lieutenant Governor and the Speaker of the House also appoint members to represent the general public. Ex officio members represent state agencies with responsibilities for or an interest in child care availability and quality. The Council's mission is to influence public policy, elevate public awareness and encourage partnerships in order to make quality child care available and affordable for all Georgians.

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Mississippi

The 2000 Mississippi State Legislature established the Early Childhood Services Interagency Coordinating Council made up of leaders of state agencies that provide services to preschool children. This Council and its Advisory Committee are charged with gathering data on early childhood services for the purposes of better coordination of services, identifying gaps in service and measuring progress toward filling those gaps. This Council will issue annual reports, the first of which will be issued to the 2001 State Legislature.

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Missouri

Incentive funding from the Kauffman Foundation in Kansas City and the Danforth Foundation of St. Louis helped to establish an Early Childhood Interagency Team in Missouri consisting of representatives from the Departments of Social Services, Health, Mental Health, Elementary and Secondary Education, Head Start Collaboration, and the Children's Trust Fund. For the past three years, this team has met on a monthly basis and has been instrumental in reducing duplication of services, building critical interagency relationships and maximizing and coordinating resources within the state.

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Tennessee

The Tennessee Children's Interagency Policy Committee was initiated by the governor's office in 1999 to function as an umbrella group to facilitate action and coordination among the various state agencies that serve children. The Committee's major function is to prevent duplication and conflicting agreements and to foster improved coordination among departments for better provision of services. Representatives from the departments of Human Services, Children's Services, Mental Health/Mental Retardation, Health, Education and the Bureau of TennCare comprise the committee.

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The Tennessee Child Care Management System is a centralized automated child care data base and payment system that includes features that assist child care certificate program staff in maintaining and updating data on providers, parents and children.

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Chapter 4

SOUTHERN REGIONAL INITIATIVE ON CHILD CARE AGENDA FOR 2001 AND BEYOND

The Southern Regional Task Force on Child Care worked diligently during 2000 to develop progressive child care assistance policy goals that help families pay for child care. This collaboration has placed the southern states in the position to move forward aggressively.

Beginning in January 2001, the Task Force will set its sights on implementation of the Action Plan set forth in Chapter 3, and it will initiate its work to address additional issues associated with improving access to quality child care. The continuation of the initiative is supported by an additional two-year grant from The David and Lucile Packard Foundation.

One of the cornerstones of the implementation plan is site visits to the states, where briefing sessions will promote awareness and action. During 2001, the Southern Institute on Children and Families will coordinate with members of the Southern Regional Task Force on Child Care and the Staff Work Group members to schedule a site visit to each of the 16 participating southern states and the District of Columbia. Because the scope of child care assistance policy crosses agency and public/private sector lines, representatives invited to participate in the state events will be leaders from public and private entities who are the decision-makers. After presentation of the Action Plan, site visit participants will engage in a discussion to identify opportunities and barriers to achieving the goals and action steps.

Beginning in January 2001, the Task Force will set its sights on implementation of the Action Plan set forth in Chapter 3, and it will initiate its work to address additional issues associated with improving access to quality child care.

Throughout 2001, the Southern Institute will enlist regional and national expertise to conduct research and provide technical assistance to help states address the Action Plan goals. Educational materials will be developed to assist public and private organizations as they work to achieve action on the goals and action steps.

In June 2001, the Southern Institute will survey the 16 southern states and the District of Columbia to determine the status of efforts to implement the Action Plan. Findings of the Southern Institute survey will be compiled into a report, and the results will be utilized in developing an agenda for the Southern Regional Forum on Child Care to be held in October 2001. Invited participants will include members of the Southern Regional Task Force on Child Care, the Staff Work Group, representatives of public and private organizations in the 16 participating states and the District of Columbia, and representatives of the federal government. The Forum agenda will spotlight success stories that have replication potential and also will stimulate dialogue on issues that have impeded implementation of the Action Plan goals and action steps.

The Southern Regional Task Force on Child Care will meet twice during 2001 to monitor progress toward Action Plan implementation and to begin examining issues related to improving access to quality child care. The Staff Work Group will examine the issues related to quality and will guide the development of new strategies for the Task Force consideration.

A report will be prepared in December 2001 outlining the results of the second year of the Southern Regional Initiative on Child Care. The report will specify actions that remain to be taken and provide information on lessons learned.

The third year of the Southern Regional Initiative on Child Care will include a continuation of efforts to implement the Action Plan developed in the first year. During 2002, site visits will be conducted in four southern states, where child care issues will be the focus of a discussion session with key policymakers, administrators, advocates and business representatives. Technical assistance will continue to be provided on request, and training materials will be updated. State-to-state site visits also will be conducted to allow states that have made significant progress toward implementation of the Action Plan to send a team to visit states that are having difficulty implementing the goals and action steps.

Working together though the Southern Regional Initiative on Child Care, southern states will maintain a strong commitment to seek greater investments in helping low-income families obtain access to affordable, quality child care.

As occurred in year two, the Southern Institute will conduct a survey of the 16 southern states and the District of Columbia during the summer months to determine the status of implementation of the Action Plan. A report will outline the findings.

Special events will be held in 2002 to promote dialogue and action around the issues and opportunities identified during the work of the Southern Regional Task Force on Child Care. Preliminary plans envision the convening of the second Southern Regional Forum on Child Care and a meeting of business organizations to raise awareness of the need for employers to be involved with public and private sector programs that help low to moderate income families pay for child care. Additionally, national organizations will be engaged in dialogue regarding lessons learned and approaches to addressing unresolved issues.

Working together though the Southern Regional Initiative on Child Care, southern states will maintain a strong commitment to seek greater investments in helping low-income families obtain access to affordable, quality child care. Through sustained attention, this public-private collaboration will facilitate sound decision-making, and the results will contribute to a more stable and productive workforce, reduced welfare dependency and improved school performance.

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