

# Child Care Assistance Eligibility And Provider Payment Rates

## 2019 Policy Fact Sheet



Every week in Alaska, about 36,000 children under age 6 with working parents are in some type of child care setting. Parents depend on child care in order to work, while at the same time, children need a safe place to be that promotes their healthy development.

### Child Care Affordability

The availability, affordability, and quality of child care are challenges that working parents face throughout Alaska.

For many parents, it's simply hard to find child care. **thread**, Alaska's statewide child care resource and referral network, helps thousands of families every year find quality child care in their communities.

**Many families report difficulty affording child care.** Alaska is one of 15 states where both the annual cost of center-based infant care and center-based preschool-age care exceed the annual cost of tuition and fees at 4 year state public colleges.

In fact, Alaska is one of 28 states where the annual cost in child care centers for children under age 5 exceeds the annual cost of college tuition!<sup>1</sup>

- The average annual cost of center-based infant care in Alaska is \$11,832.
- The average annual cost of center-based preschool-age care is \$9,847.
- The average annual cost for infant care in a family child care home is \$8,917.
- The average annual cost for preschool-age care in a family child care home is \$7,946.<sup>1</sup>

Affording child care is a challenge for most families, but particularly for those with more than one child and for those families with low incomes.

### Child Care Assistance for Working Families in Alaska

The federal government allocates funds to states to be used for child care, both to assist low-income families to afford the cost of care and for activities related to improving the quality of care (i.e., training for the child care workforce). These funds are allocated under the federal law: the Child Care and Development Block Grant (CCDBG).<sup>2</sup>

The Child Care Assistance Program (CCAP) in Alaska assists children under the age of 13 or older children with certain disabilities pursuant to the federal CCDBG law. Federal law allows each state to set eligibility criteria for assistance. In Alaska, a family of three can qualify for assistance with an annual income up to \$54,288 (about 69% of state median income).



About 12,000 children under age 6 in Alaska live in low-income working families. Another 25,000 children between the ages of 6 and 13 in Alaska live in low-income families.<sup>3</sup>

Yet, on average, about 3,400 children each month receive a subsidy for their families to help make the cost of child care more affordable. The most recent data reported to the federal government (FY2017) shows that in Alaska:<sup>4</sup>

- 60% of the children receiving a monthly subsidy are under age 5.
- 40% of the children receiving a monthly subsidy are school age – between the ages of 5 and 12.



State policy also determines state payment rates on behalf of low-income children to child care providers. Reimbursement rates are critical because they allow child care providers the resources to maintain their business and facilities, establish low child-staff ratios, attract and retain quality staff, and purchase materials. Provider payment rates ultimately determine the quality of child care programs because of the connection between rates and operating expenses.

Federal regulations do not mandate a specific state payment rate, but they do recommend that rates be set at 75% or above of the current market rate. This would mean that low-income families have access to at least 75% of the child care providers in their communities.

A state survey of market rates is required every three years to inform state rate setting policy. The most recent market rate survey in Alaska was publicly posted in January of 2017.

Provider payment rates within CCAP vary according to the age of children served and characteristics of provider settings (centers or homes). Alaska's rates are currently at the 12% level. Because the Child Care and Development Block Grant (CCDBG) Act of 2014 requires states to use the most recent survey to set rates, the state is looking at how best to increase rates to align with both the market rate survey and costs that reflect higher quality care.

### **When state payment rates are low, there are several collateral effects:**

- Child care providers may be less interested in enrolling low-income children whose care is paid for with a subsidy because funds are insufficient to operate a quality program. This means fewer parent choices.
- Some child care providers may take children whose care is paid for by low state rates, but the quality of the program may reflect the low rates (less educated staff, less experienced staff, lower paid staff (which may mean higher turnover), and fewer resources) since a combination of state payments and private parent payments represent the operating funds for most programs.

## **Alaska's Quality Recognition and Improvement System**

Alaska is developing a quality recognition and improvement system (QRIS) for child care so that parents can more easily differentiate the quality of care among various settings. Once the state's QRIS, called Learn and Grow, is in place, it would make it easier for the state to differentiate rates paid to providers based on the quality of the program. (For example, providers could be paid higher rates as they achieve higher levels within Learn and Grow).

### **Quality Child Care Matters!**

The research shows that early brain development, early language development, executive function ability, and effective staff practice (the interaction between staff and children that supports learning and higher order thinking), has a direct connection to a child's healthy development and ultimate school success. In essence, quality child care makes a difference. **Beginning with provider payments that reflect the current market and then increasing payments related to higher quality care will help ensure that parents have choices among quality providers.**

### **For 2019, thread recommends the following policies:**

- Increase Child Care Assistance to align with current market rates and adjust family payments to provide equitable access to child care for working families.
- Fully fund Child Care Assistance to ensure Alaska's working families have access to affordable quality child care closer to the 75% level.

<sup>1</sup>The U.S. and the High Cost of Child Care: 2018 Report. Child Care Aware of America. <https://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/>

<sup>2</sup>The Child Care and Development Block Grant Act of 1990. [http://www.acf.hhs.gov/sites/default/files/occ/fundamentals\\_of\\_ccdf\\_administration\\_chapter\\_7.pdf](http://www.acf.hhs.gov/sites/default/files/occ/fundamentals_of_ccdf_administration_chapter_7.pdf)

<sup>3</sup>Low Income Working Families, Annie Casey Kids Count Data Center, Alaska, <http://datacenter.kidscount.org/data#AK/2/0>

<sup>4</sup>U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care, FY2017 Preliminary CCDF Data. <https://www.acf.hhs.gov/occ/resource/preliminary-fy2017>

For additional information, please see our website: [www.threadalaska.org](http://www.threadalaska.org)

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