

## Separating Fact from Fiction: Myths About the Adequacy of Funding for Care 4 Kids

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Care 4 Kids, the child care subsidy program administered by the Department of Social Services (DSS) was established to provide monetary support for moderate- and low-income families who need care for their infants, toddlers, preschoolers and school-age children. This program helps Connecticut parents pay for child care. Care 4 Kids' funding can be used at centers, licensed family day care homes, and unlicensed family and neighbor care. Without this subsidy, child care fees for one child can consume 25% to more than 40% of a family's annual gross income. For a family of three with an annual income of \$34,000<sup>1</sup>, the Care4Kids weekly subsidy of between \$89 and \$227<sup>2</sup> for each child in full time care can make the difference between a parent being able to work or remaining unemployed.

The program now serves three types of lower-income families: those who are currently receiving cash assistance from Connecticut's Temporary Family Assistance (TFA) program; those who are transitioning off of TFA; and those low-wage parents who are not enrolled in TFA. Over time and with cuts to the budget of Care 4 Kids, the number of children declined from 28,174 in 2002 to 15,271 in 2004.

### Myth #1: Demand for Care 4 Kids is Declining

Enrollment in the Care4Kids program has declined over the past several years, raising questions of whether there is a decreasing need for the child care subsidy.

**Fact: The primary consumer of Care 4 Kids has been *denied access* to the subsidy this year.** As Care 4 Kids program funding was cut, eligibility for the subsidy was limited and intake was closed to new low-income applicants *not* receiving cash assistance through Connecticut's Temporary Family Assistance (TFA) program. This group – low-wage working parents *not* on TFA – had been *the* primary consumer of the subsidy in previous years. In 2002, for example, nearly half of all subsidies (47%) went to these families (compared to 39% for families transitioning off TFA and 14% for families on TFA). By 2004, only 38% of the Care 4 Kids subsidies supported non-TFA families (compared to 38% for families transitioning off TFA and 24% for active TFA families). In short, as a result of closing intake and restricting eligibility, enrollment of non-TFA families dropped by 56% between 2002 and 2004. In addition, reductions in the number of TFA and transitioning families are suggested to be due to a lack of incentive to parents to enroll, the low reimbursement rates and the difficult application process.

Number of Care 4 Kids Payments for Children by Family Status: 2002-2004 <sup>3</sup>			
	2002	2003	2004
Receiving TFA benefits ("active TFA")	3,944	4,074	3,665
Transitioning off TFA	10,988	7,468	5,803
Not Receiving TFA benefits ("non-TFA")	13,242	11,090	5,803
<b>TOTAL</b>	<b>28,174</b>	<b>22,632</b>	<b>15,271</b>

<sup>1</sup> Care 4 Kids Income Guidelines, July 2004: New applicant family of 3 is eligible if their annual income is 34,394 or less.

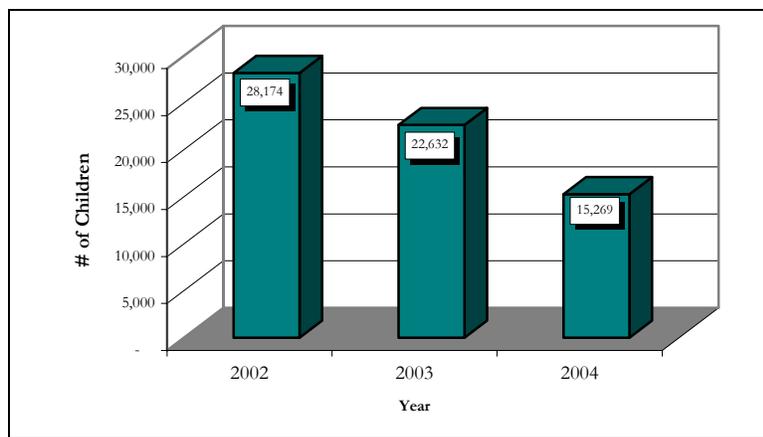
<sup>2</sup> Care 4 Kids Weekly Reimbursement Rates, January 2002.

<sup>3</sup> *Status of Child Care in Connecticut*, 2002, 2003 & 2004. CT Department of Social Services: DSS reports only the percentage of recipients in each category, not the number. The numbers reported are estimations based on DSS reports on the total number of recipients each year and the percentage for each category in each corresponding year.

**Fact: The 2004-2005 wait list shows continued demand.** When Connecticut closed intake and changed eligibility for non-TFA families, the families who were no longer eligible to enroll were put on a wait list. This wait list grew to over 13,000 families from 2004 to 2005. Although intake to Care 4 Kids was re-opened in February of 2005 for low-income non-TFA families, less than 12% of the wait list was accepted and enrolled in the subsidy program. Many applying families were found to be not eligible because their income exceeded 50% of state median income, or their children had aged out of the program. In addition, difficulties with the application process and changes of address (making it hard for DSS to contact families on the wait list) are thought to have contributed to the low enrollment. ***In short, 88% of the families who came forward to seek help in paying for child care over the past year never received it.***

**Fact: The number of children served was dramatically affected by these changes.** In 2004, 46% (12,905) fewer children received the help of the child care subsidy than in 2002. By comparison, Rhode Island (a state with about one-third the population) serves nearly as many children (13,810) through its child care subsidy program as Connecticut (15,271).

**Number of Children Receiving the Care 4 Kids Subsidy in CT**



**Myth #2: Funding for Care 4 Kids is increasing significantly in FY06**

Both the Governor’s and the Appropriation Committee’s budgets recommend “an additional \$12.2 million in FY 06 and \$14.2 million in FY 07 in General Fund monies for the Child Care program.” Included in this is the use of \$4 million in unused TANF High Performance Bonus funds that are to be carried forward for use in FY 06 to “maintain open enrollment in the Child Care Certificate portion of this program.” While this may *seem* like a significant increase:

**Fact: From 2002 to 2005, funding for this program has been cut by about \$53.5 million (or 44%).** Adjusting for inflation, the reduction was nearly half of all funding -- \$61.5 million (or 47%).

**Fact: The FY 06 Governor’s and Appropriations’ budgets propose \$1 million less than is needed in FY06 to maintain current services in the Care 4 Kids program.**

DSS Funding for Care 4 Kids Subsidy Program					
FY02 Final Expenditure	FY04 Final Expenditure	FY05 Final Allocation	FY06 <sup>4</sup> Current Services	FY06 Governor’s Proposed Budget	FY06 Appropriations Proposed Budget
\$121.6M	\$60.9M	\$68.1	\$71.6M	\$70.6M	\$70.6M

<sup>4</sup> This is the amount required in order to provide, in FY06, the same services as in FY05, updated for inflation, annualization of partial year costs, projected increases or decreases in caseload, and other projected increases.

**Fact: Connecticut is about to let millions of dollars of “unspent” Care 4 Kids funds lapse.** Millions of dollars allocated to the child care subsidy are predicted to go unused in 2005 as a direct result of the limitations placed on intake to the Care 4 Kids program and the inability of families in need of care to receive the subsidy. Neither the Governor nor the General Assembly proposes to use up or carry forward these unspent funds into FY 06 so that more families can be served or reimbursement rates increased. Rather, they propose to allow the unused funds to lapse back into the General Fund, helping to increase this year’s budget surplus.

**Myth #3: Care 4 Kids reimbursement rates are adequate**

Because the Department of Social Services is required to survey providers on the fees they charge for care in order to determine the reimbursement rate for the child care subsidy, some believe that the reimbursement rate is actually based on the cost of providing care, and therefore must be adequate to pay for child care.

**Fact: DSS is mandated to undertake a market rate survey every two years to determine the fees charged locally by child care centers. The reimbursement rate is to be based on the price of care as determined by this survey. However, increasing the reimbursement rate to reflect the results of the survey is not mandated.**

Consistently, there has been a lag in updating reimbursement rates to reflect current market rates. For example, reimbursement rates were not increased for almost a decade between 1991 and 2001. Current rates (in 2005) are based on the 2001 market survey.

**Fact: Federal regulation allows the child care subsidy rate to be set at such a level that it can cover the price of 75% of the fees in a geographic area; in Connecticut the subsidy is set much lower, at the 60<sup>th</sup> percentile.**

Even though new rates, reflective of the 2001 Market Rate survey were implemented in 2002, reductions in appropriations to the program required that the rate structure be altered, in some other way to account for the decrease in available funds. There is no requirement as to at what percentile of market rates subsidies must be based. While previously rates were based on the 75<sup>th</sup> percentile, this was reduced to the 60<sup>th</sup> percentile to decrease the eligible pool of applicants, while still implementing a new rate structure.

**Fact: There is a significant difference between the “price” charged by providers for child care, and the actual “cost” of providing care.** The average price of child care for a preschooler in a child care center in Connecticut is about \$8,000 per year.<sup>5</sup> However, the actual *cost* of providing care is estimated to run well over \$10,000 annually. For infants and toddlers the cost is even greater.

Child care centers make up the difference through strategies such as in kind donations (services and rent), low wages for those who provide care and early education to children, and through ongoing fundraising. Many providers do not base their fees on a budget or on what it actually costs to run a business, but rather on what they feel “the market can handle”, on what parents can afford, and on what nearby centers charge.<sup>6</sup>

**The fact is...**

Despite current and proposed investment in other areas of early care and education, Connecticut can do more to help low-income families afford the child care that is necessary for them to work. Moreover, despite a clear indication of continued demand for assistance in paying for child care, the subsidy program has seen no growth. In fact, cuts in Care 4 Kids funding – first to address state deficits and now to grow the state surplus – are falling on the backs of low-income families who are struggling to find safe, quality care for their children so they can work. By reducing Care 4 Kids funding and implementing restrictive eligibility levels, Connecticut has denied this much-needed subsidy to thousands of families, helped put their children into harm’s way, and intends to save itself millions of dollars as a result.

<sup>5</sup> Child Care Infoline, Average Costs, 2003

<sup>6</sup> *An Analysis of Child Care Center Budgets* (2003). [www.ctkidslink.org/pub\\_detail\\_201.html](http://www.ctkidslink.org/pub_detail_201.html)