

Testimony to House Committee on Healthcare Transformation
The Low Wage Trap: State Child Care Assistance

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Thank you for the opportunity to provide testimony to you today regarding Missouri's low eligibility limits for state child care assistance and its impact on parent's ability to advance in the workforce. Partnership for Children is Greater Kansas City's leading children's advocacy organization. Our mission is to focus the energy of our community and our government on enhancing life for children and youth through research, education, and advocacy.

Child care is a critical workforce support, allowing an estimated 175,000 Missouri parents with young children to go to work every day. Access to quality, reliable child care leads to reduced employee absenteeism and parents work more productively knowing their children are safe.

The goal of the state child care assistance program is to help low-income working families maintain employment, move off of welfare assistance, and afford high quality early care and education programs for their children.

Yet low eligibility limits for assistance hinder parents from actually advancing in the workforce and achieving financial independence, trapping them in low-wage positions. Parents receiving state subsidy for child care in Missouri are often forced to turn down raises or higher paying jobs because the high cost of child care is more than the benefits of a higher salary.

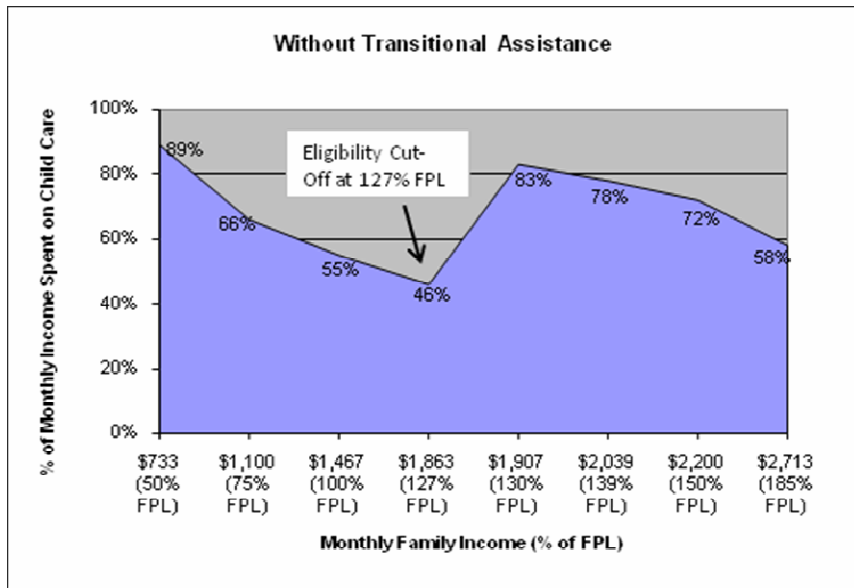
Missouri Ranks 47th in the Nation for Child Care Assistance Eligibility

- At 127% of federal poverty (\$22,400/family of 3), Missouri's current income eligibility level for child care assistance is the 47th lowest in the nation.
- A single parent making just \$23,000 a year in Missouri is ineligible for assistance with child care costs that average over \$11,000 for two young children, comprising nearly 50% of her total income. A single parent with just one child cannot make more than \$8.55 an hour to qualify for child care assistance.
- In 2008, Missouri lawmakers funded a new transitional assistance program that now allows parents to accept up to a \$1 per hour raise over the income eligibility limit and maintain reduced child care benefits up to 139% of FPL. While this is a significant step forward, many low-income parents still cannot afford the full cost of child care after the transitional benefit ends.
- Further expansion of income eligibility and the transitional benefit in Missouri would help ensure that low-income families can advance in the workforce until they are truly financially independent

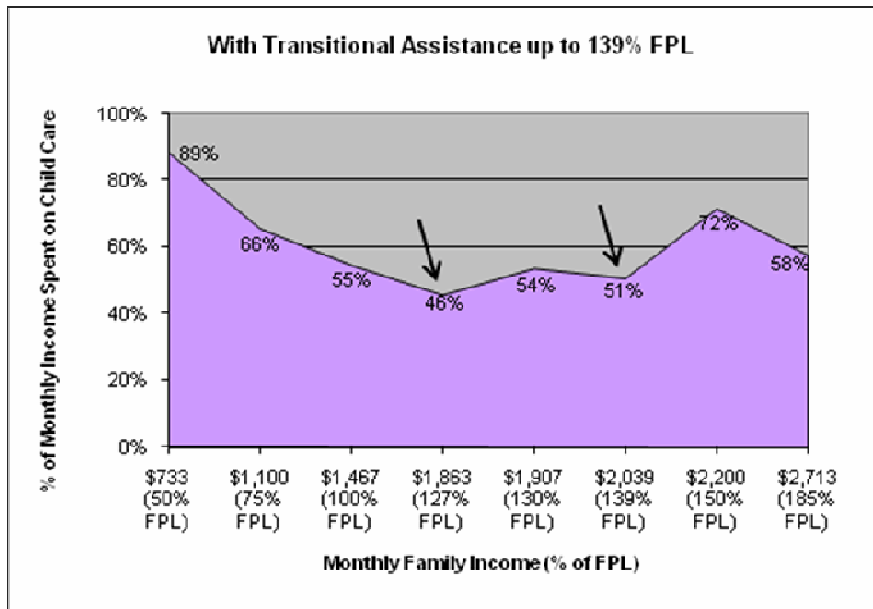
The Impact of Transitional Assistance

- Without any transitional benefit, parents receiving state child care assistance face a “cliff effect” when a small increase in income causes them to lose eligibility and significantly increases the portion of their income spent on child care.
- The “cliff effect” means that parents are more likely to turn down raises to maintain eligibility, or they have reduced income leftover to spend on other basic needs, such as rent, mortgage payments, food, clothing, and school supplies.

**% of Monthly Family Income Spent on Child Care for
1 Infant and 1 Preschooler in Jackson County***



A parent receiving child care assistance in Jackson County who accepts a raise of only \$40 a month will increase their portion of income spent on child care from 46% to 83% when they lose income eligibility.



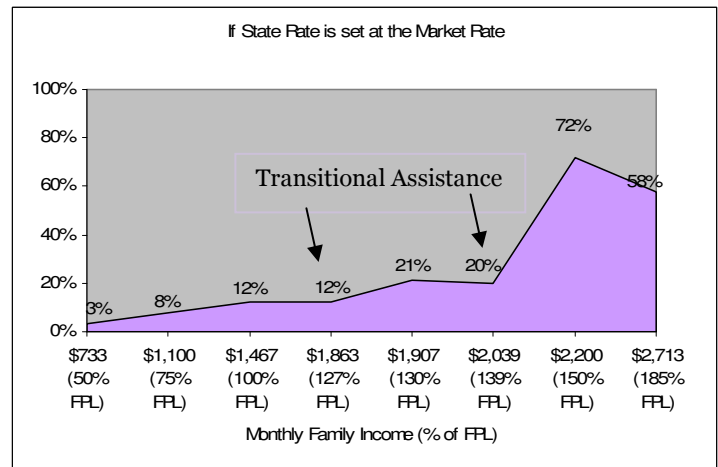
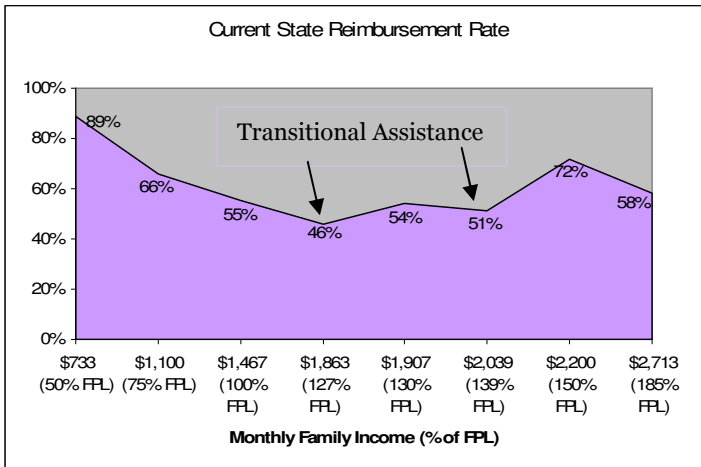
With the new transitional benefit passed in 2008, a parent can accept up to a \$1/hr raise and only increase their percentage of income spent on child care by 5%. However, the end of the transitional benefit at 139% creates a new “cliff” at which parents still pay a substantial increase in child care costs up to 72% of their income.

*Child care costs based on 2007 Market Rate for care in Jackson County - \$1,580 per month for 1 infant & 1 preschooler

The Impact of Provider Reimbursement Rates

- Just like the impact of low Medicaid physician rates on access to necessary health care services, inadequate child care reimbursement rates prevent low-income families from accessing high-quality early childhood programs that have the greatest return on investment.
- Child care rates in Missouri have not kept pace with inflation for nearly two decades, causing our state to rank among the lowest in the nation for adequately reimbursing for the cost of child care.
- In many Missouri counties, the state only pays for 50% of the true cost of care. For example, in Jackson County, the state subsidy for one infant and one preschool child is \$946 a month while the market rate for child care is \$1,580. Either parents or providers end up paying this difference of \$634 a month, and ultimately low-income children are less likely to have access to safe, quality care.
- Inadequate reimbursement rates lower the quality of care available because providers do not have sufficient funds to improve programs or to pay higher wages to better quality teachers.
- It will cost \$3 million in FY'10 to maintain current child care rates and ensure that Missouri does not fall even further behind.
- The charts below show the effect that reimbursement rates for child care have on the percentage spent of family income. Even with state assistance, a single parent could still pay between 46% and 89% of her income to purchase child care at the regional market rate. Raising the state reimbursement rate would lower the family share of costs to 3% to 20%.

% of Monthly Income Spent on Child Care Based on Level of State Reimbursement (Family Income for a Single parent with 1 infant & 1 preschooler in Jackson County)



The greatest return on the state's investment will come from increasing child care eligibility and rates, to ensure that low-income families can advance in the workforce and gain financial independence while maintaining access to safe, reliable, and high quality early childhood programs .

Partnership for Children

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