

**Health and Human Services Appropriations Subcommittee  
February 16<sup>th</sup>, 2005**

**Iowa Department of Human Services  
Child Care Assistance  
Overview of Proposed Improvements**

**Child Care Assistance – Increasing Eligibility / Number of Children Served**

- The child care assistance program provided funding for child care for over 35,000 children annually in SFY04.
- In SFY04, an average of 16,738 children were served monthly in child care assistance – a number that has steadily increased since implementation of welfare reform (ex – 1996 – 6700 children a month were served).
- Each month, approximately 70% of all children receiving child care assistance receive the services due to their parents being employed.
- The cost of child care is one of a family's top expenses – second only to their mortgage. Many Iowa families need support in securing and paying for quality child care providers. [In 2002, the average annual statewide cost for infant care in a center was \$6700. In a home setting, care for an infant was \$5000.]
- Last increase to eligibility level – SFY99 (July 1, 1998). Prior eligibility had been at 125% FPL.

**Two Components of Eligibility:**

Eligibility – Need for Service

- Children served are from families of low-income whose parent(s) are working 28 hours or more a week or are in school full-time
- Children without regard to income -- families participating in PROMISE JOBS activities, children receiving protective child care and children served in foster home settings.

Eligibility – Income

- A family of four is eligible for child care if their *annual gross* income does not exceed \$26,388. To put this in perspective:

Family of 4 -- Current Eligibility at 140% FPL – (adjusted annually)	Family of 4 --Increase eligibility to 145% FPL – (adjusted annually)
\$26,388 -- annual maximum gross income \$2199 – maximum monthly income	\$27,336 -- annual maximum gross income \$2276 – maximum monthly income
Gross hourly wage = single-parent family working 40 hrs/wk = \$13.74	Gross hourly wage = single-parent family working 40 hrs/wk = \$14.22
two-parent family - each parent working 28 hrs/wk = 9.81 = 43% SMI	two-parent family -each parent working 28 hrs/wk = 10.16 = 45% SMI
SFY05 – YTD – Serving avg. 17,822 monthly	Serve an estimated additional 794 children monthly
Expenditures: Approx. \$5-6M monthly	Cost: Additional \$2.8M annually

- ◆ 100% FPL = \$18,850 annually for a family of 4
- ◆ State Median Income (SMI) – Iowa = \$61,238

**Child Care Provider Rates – Increasing Access**

- The companion to eligibility -- *for improving families' access to quality care* -- is provider rates.
- The state currently reimburses child care providers caring for children eligible for child care assistance at the 75<sup>th</sup> percentile of the 1998 market rate survey.
- The state is required to conduct a market rate survey every two years but the provider rate is established in the Department's appropriation bill.
- Rates are established by type of provider and age of child and are paid on 'half-day units' (comprised of up to 5 hours per unit).
- When adjusted to latest market rate data available, the actual rates fall in a range of 27<sup>th</sup> to the 50<sup>th</sup> percentile.
- Rates were last increased in July 2000.

State Rate vs. Private Pay

- The Department is growing increasingly concerned regarding the number of providers ceasing to accept children enrolled in the child care assistance program -- due to the growing disparity in the market rate and what the state reimburses.
- The disparity in reimbursement further impedes providers from making quality improvements, increasing the professional development of staff caring for children, adequately compensating staff (resulting in high turnover), and contributing to the challenge of securing child care for children with special needs.

To provide *an example* of the disparity of rates from current to the latest survey data:

Current	75 <sup>th</sup> percentile of 2002 MRS
Infant/Toddler in a center = \$12.45 /half day	Infant/Toddler in a center = \$14.50 /half day
Preschool in a child development home B or C = \$8.55/half-day	Preschool in a child development home B or C = \$10.00/half-day
School-age in a center = \$9.00/half day	School-age in a center = \$10.50/half day

[See Attachment for comparison chart – current rates compared to 2002 and 2004 market rate data.]

- The estimated cost to increase provider rates to the 2002 Market Rate Survey is \$8.9M

**75TH PERCENTILE RATES FROM THE 2002 PROVIDER RATE SURVEY -ALL PROVIDERS - COMPARISON TO CURRENT STATEWIDE RATES FOR BASIC CARE**

Includes no change for NonRegistered Child Care Providers

HALF DAY RATES FOR BASIC CARE												
Age Group	Licensed Day Care Center			Registered Group Home			Registered Family Home			NonRegistered Family Home		
	Current (1998)	New (2002)	% Change	Current (1998)	New (2002)	% Change	Current (1998)	New (2002)	% Change	Current (1998)	New (2002)	% Change
Infant and Toddler	12.45	14.50	16.5%	9.00	10.00	11.1%	10.00	11.25	12.5%	8.19	8.19	0.0%
Pre-School	10.50	12.00	14.3%	8.55	10.00	17.0%	9.00	10.00	11.1%	7.19	7.19	0.0%
School Age	9.00	10.50	16.7%	8.33	10.00	20.0%	9.00	10.00	11.1%	7.36	7.36	0.0%

**75TH PERCENTILE RATES FROM THE 2004 PROVIDER RATE SURVEY -ALL PROVIDERS - COMPARISON TO CURRENT STATEWIDE RATES FOR BASIC CARE**

Includes no change for NonRegistered Child Care Providers

HALF DAY RATES FOR BASIC CARE												
Age Group	Licensed Day Care Center			Registered Group Home			Registered Family Home			NonRegistered Family Home		
	Current (1998)	New (2004)	% Change	Current (1998)	New (2004)	% Change	Current (1998)	New (2004)	% Change	Current (1998)	New (2004)	% Change
Infant and Toddler	12.45	15.50	24.5%	9.00	11.50	27.8%	10.00	12.00	20.0%	8.19	8.19	0.0%
Pre-School	10.50	12.50	19.0%	8.55	11.25	31.6%	9.00	11.25	25.0%	7.19	7.19	0.0%
School Age	9.00	11.25	25.0%	8.33	10.00	20.0%	9.00	10.00	11.1%	7.36	7.36	0.0%