



# Iowa's Child Care System

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## Who is eligible for Child Care Assistance (CCA)?

Parents with children under age 13 (or 19 if child has a special need) must meet income guidelines and have a need for child care services:

### Eligibility

- Families are eligible if their income is below 145% of the Federal Poverty Level (FPL). [Note: Eligibility increased to 145% FPL in September 2005.]
- A family of 3 can earn up to \$2,361 in monthly *gross wages* (\$28,327 annual gross wages).
- For a family of 3, this is equivalent to 44% of the State Median Income (SMI). Note: The SMI for a family of 3 in Iowa is \$5,384 a month.
- Families with children with special needs where parents are working or are in school full time with incomes up to 200 percent FPL (\$3,256 monthly *gross wages*)

*Note: Iowa updates eligibility guidelines to the current poverty levels annually in July. Other states may have a higher reported eligibility level but may be using an outdated poverty level.*

### Need for Service

- Parents must be working at least 28 hours *per week* or in school *full-time*.
- Families are eligible without regard to income if there is a need for protective child care, the family is receiving benefits under the Family Investment Program (FIP), or if the family is participating in a PROMISE JOBS-approved activity.



## What do we know about families accessing child care?

### Typical Family Served

- The average CCA child is of pre-school age, has one sibling and lives in a one-parent family.
- The parent is working.
- The family income is below 100 percent of the FPL and therefore does not have a co-pay for services

### *In SFY13:*

- *93.8 percent of families needing child care were employed*
- *8.6 percent of children were residing with a family receiving FIP*

### Ages of Children Served – SFY13

- Infant and Toddlers (15%)
- Preschool Age (43%)
- School Age (42%)



## Are we seeing trends in CCA?

### Numbers Served

- SFY13 – 42,295 children were served. A monthly average of 23,414 children received a child care service, a 2.2 percent decrease from SFY12.
- Estimate for SFY15 - CCA will serve an estimated average of 23,055 children per month

### What is affecting numbers served?

- Decrease in PROMISE JOBS (PJ) cases corresponding to a decline in FIP cases
- Disparity in provider rates vs. private pay may be impeding providers' willingness to accept families served by CCA, so families aren't applying.
- An increase in parents who are working and in school, but not at levels to be eligible for CCA.



## How does our child care assistance program support families and providers?

### Families

- Family-friendly co-pay: No family under 100% FPL pays a co-pay; fee is based on the size of the family, family income and number of children in care; fee is assessed on only one child in a family (whoever receives the most care) if multiple children served by a provider.
- Parents are able to choose their child care provider – a licensed center, a registered child development home, or a non-registered child care home.
- The average annual child care assistance benefit per child in SFY13 was \$4,419.

*88 percent of children were cared for in regulated settings.*

### Providers

- Iowa currently pays at the 75<sup>th</sup> percentile of the 2004 market rate, plus increases of 2%, 2%, and 4%. The last increase was July 2013.
- The combined effect of the provider rate increases in SFY13 and SFY14 is about the same as using the 2006 Market Rate Study
- 99.5 percent of correctly submitted child care bills were paid within 10 days.



## How are provider reimbursement rates set?

The Child Care and Development Fund (CCDF) regulations require states to conduct a Market Rate Survey (MRS) every two years and to set their rates based on that information to assure access to higher quality care for children from low income families.

- Current child care reimbursement rates are based on a 2004 Market Rate Survey + increases of 2%, 2% and 4%.
- Rates are set at the 75<sup>th</sup> percentile of the market rate study.
- When current rates are adjusted against the 2012 survey, Iowa is reimbursing between the 30<sup>th</sup>-53<sup>rd</sup> percentile for centers and the 27<sup>th</sup>-52<sup>nd</sup> percentile for homes.

Half-Day Maximum Rates for Basic Care – Eff. July 2013				
Age Group	Child Care Center	Child Development Home A or B	Child Development Home C	Nonregistered Family Home
Infant and Toddler	\$16.78	\$12.98	\$12.44	\$8.19
Preschool	\$13.53	\$12.18	\$12.18	\$7.19
School Age	\$12.18	\$10.82	\$10.82	\$7.36



## How are we supporting child care providers in improving quality?

### Iowa's Quality Rating System (QRS)

- The QRS is a menu of key indicators used to assess the quality of child care.
- The QRS was implemented in February 2006 and 'recalibrated' in 2011.
- The QRS is a voluntary rating system that provides technical assistance for providers, training, environment assessments, and achievement bonuses for participating providers.
- Iowa's model is a 5-level system built on a "ladder and menu" approach. Providers must be regulated in order to participate.
  - Level 1 and 2 have mandatory requirements (the ladder)
  - Levels 3 through 5 provide options in five categories (the menu)
- In order to achieve a Level 5 rating, the program must earn a minimum number of points from the five QRS criteria and also achieve a minimum score of 5.0 in each assessed room on a program assessment – known as an Environment Rating Scale (ERS).



## Iowa's Quality Rating System (QRS)

- DHS administers the state's QRS and facilitates a cross-agency QRS Oversight Team, which includes child care providers and representation from the Departments of Human Services, Education, Public Health, Management/Early Childhood Iowa (ECI), as well as Child Care Resource and Referral Agencies and Iowa State University Extension.
- QRS is increasingly being used as a federal measure to gauge a state's success in ensuring higher-risk children are being served in quality settings.

## Participation

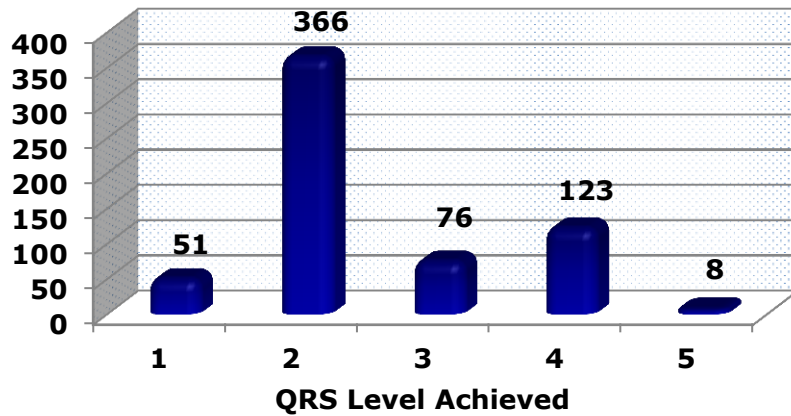
- Milestone: In July 2013 a record 1400 providers were rated.
- As of December 2013, over 1,200 providers were participating with the majority rated a two-star program.
- Child Development Homes – majority are rated Level 2.
- Child Care Centers – majority are rated Level 4





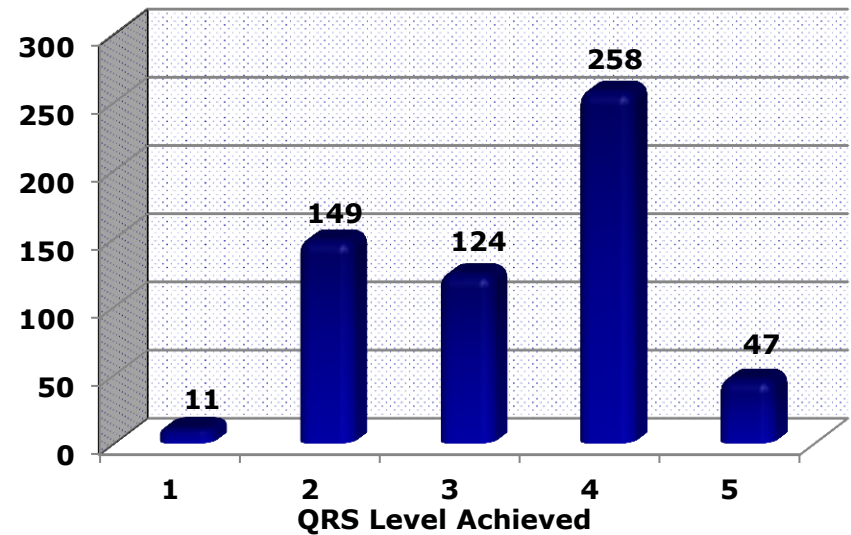


## Child Development Homes



Total Number of Child Development Homes: 624

## Child Care Centers



Total Number of Child Care Centers: 589



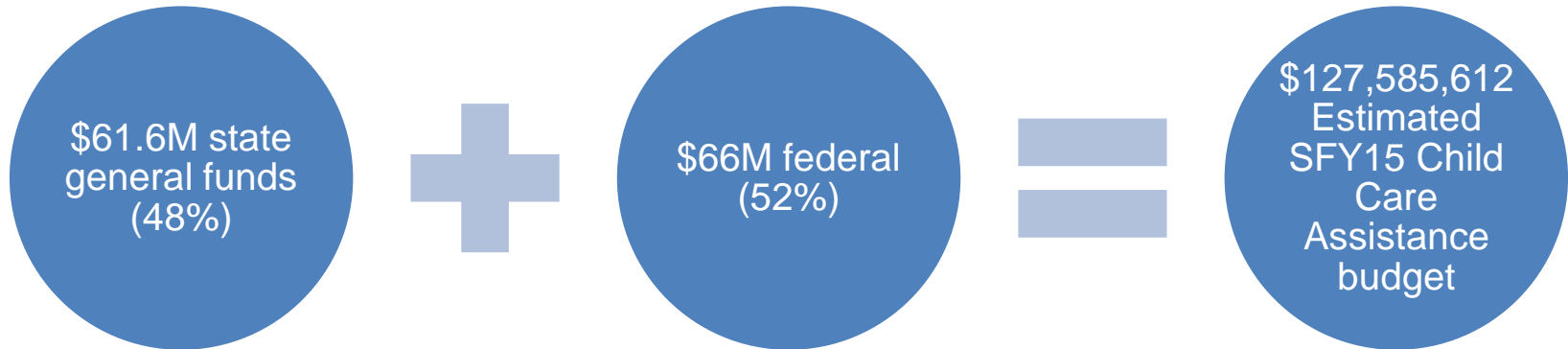
## How are we ensuring children are in safe and healthy settings?

- Monitoring 1,340 licensed child care centers annually.
- Monitoring 4,100 child development homes.
  - Target is 100%
  - SFY13 = 67%
  - As of 11/01/13 = 31%
- Conducting record checks on 2,840 legally-operating non-registered providers who receive payment under the CCA program. (Iowa law does not require providers caring for five or fewer children at one time to be regulated.)



## Primary funding streams supporting the Child Care Program?

- State -- Appropriation – general funds (includes child care assistance appropriation and supports for quality improvement efforts)
- Federal – Child Care Development Fund (CCDF). The CCDF is a capped block grant and is not an entitlement program.
- Federal - Transfer of TANF into child care – up to 30% of TANF funds can be transferred annually to CCDF.





## Challenges:

### What is the “cliff effect” for CCA?

- “Cliff effect” – occurs when a family’s income puts them over the eligibility level and they become 100% responsible for the cost of child care.
- By federal law, eligibility can be set no higher than 85% of the State Median Income (SMI) for a family of 3. Iowa’s SMI is \$5,384/month. The maximum eligibility that could be set is gross wages of \$4,576/month. Iowa is currently at \$2361/month which is 44% of SMI for a family of 3..
- According to a cost of living study by the Iowa Policy Project, a family of 3 (single parent, 2 children) in Polk County needs to earn an hourly wage of \$24.09 or \$4,015 in gross wages to meet basic needs (child care, food, housing, utilities, transportation, clothing and household cos
  - Increasing eligibility or implementing an ‘exit’ eligibility level while simultaneously increasing the family’s co-pay expectation (cost sharing) requires striking a balance so that families of low-income are able to access assistance within their means.
    - Estimated cost to implement 150% FPL = \$2.9M



## Challenges:

- Disparity in CCA reimbursement levels and private pay is creating access issues for children. Federal Office of Child Care is questioning whether states can assure access if disparity grows.
  - Estimated cost to implement 2012 MRS = \$23M
  - Estimated cost to implement 2008 MRS = \$8M
- Increased requests to consider a combination of school and work in meeting 'need for service'
  - Estimated cost to implement = \$3.2M



## Future considerations

Proposed changes to CCDF federal rules without increases in funding – pressures points include:

- A 12 month eligibility period for CCA.
- On-site monitoring visits to all providers being paid under the CCA program prior to payment being made.
- Monitoring must include unannounced visits and complaints must be unannounced whenever practical.
- Provide a consumer statement to all parents receiving CCA.
- Expanding “need for service” to include developmental needs of child.
- Factor in quality of care when setting rates.
- Require fingerprints for state criminal checks.
- Mandatory pre-service/orientation training for all providers receiving CCA
- Mandatory injury/death reporting.



## Why is child care essential for Iowa's families?

### ***Child Care is a work support for families.***

#### The Economy Paves the Way:

- In periods of high employment – CCA needed to support work hours.
- In periods of low employment – CCA needed to support displaced workers in training, families experiencing flux in income levels, parents patching 2-3 jobs together to sustain family.
- In the past decade, Iowa has benefitted from high employment levels, has had success in moving families off the Family Investment Program, and has remained in the top five states in the country for working parents with young children (including school-age).
- Iowa has also maintained a focus on early childhood despite the fluctuating economy.

Child care is a national issue, affecting a state's success in achieving 'welfare reform', in meeting job and employment creation goals, and in preparing their children for success in school. In Iowa, a healthy child care system contributes to the Governor's goals of creating new jobs, increasing Iowa's income by 25%, and having the best schools in the nation.