

Child-care assistance: Providers face big losses—and hard decisions

A sample of CCA losses and accompanying comments from a recent statewide survey of child-care providers:

Annual CCA loss: \$88,000

"We have been here for 20 years as a quality center. This loss impacts us by making us live paycheck to paycheck and with no extra money for staff raises, equipment updates. It affects staff morale. On the flipside, there are a lot of families needing quality care and they are not getting it because we are having to limit the number of CCA families we can afford to take."

Annual CCA loss: \$20,592

"I have had to put a cap on the number of child care assistance children I take because of ... such huge losses. It is truly heartbreaking when I turn away families who cannot pay privately. Children in lower-income families or single-family homes are often victims of trauma and toxic stress, and it has been proven that a child care center that supports the emotional needs of those children can make a life-altering difference. We could and would be honored to provide a supportive, stable and safe environment for so many children in need if the acceptance of the assistance did not create such a significant financial burden."

Annual CCA loss: \$23,400

"Since becoming a 5-star center, the rates have been a little closer to what we charge, but they still don't cover it. We have a waiting list of over 100 people who are willing to pay our actual price. I feel bad for these children, but the reality is that we do not have to accept them and are contemplating if we need to limit or eliminate them due to lack of funds."

Annual CCA loss: \$10,257

"I fully believe that all children should have access to quality child care and wish we could provide it to more children who utilize CCA. Unfortunately I am not able to run a successful business when I am only getting reimbursed 71 percent of what it cost to provide the care."

Annual CCA loss: \$126,469

"We are having to cut back on the families we serve due to the huge loss in revenue each year. Turning people away who are trying to get ahead in life and need the assistance for child care is heartbreaking! These families are not able to further their education or get jobs because they simply have no place for their children to go ... We cannot pay staff what they deserve and therefore are forced to use less-qualified people. It impacts the ability to make improvements on the facility as quickly as we would like to."

Annual CCA loss: \$131,972

"This is money drawn away from program quality factors—facility improvements, staff wages, training, classroom equipment, etc. ... We have reduced the number of units of service provided to DHS clients since FY12 by about 35 percent. We are at a tipping point this year and will be making a decision in January as to whether or not we will continue to serve state clients in FY18."

Annual CCA loss: 5 percent of annual income

"We are a small center and have always been willing to work with CCA families. In the past we have always had room. We are currently at 20 percent of our enrollment in CCA families. We are almost at enrollment capacity and I have had to learn how to use a waiting list. While these are great issues to be facing, the issues surrounding CCA make it harder to be profitable."

Annual CCA loss: \$51,688

"Our center is a mission-based center, so we don't turn down state-pay families. At any one time, at least half of our families are state pay. The amount we are losing could be more if we end up with more state-pay children."

Note: Providers independently calculated their losses (difference between what they receive from CCA and what they would receive from private-pay families).

Child-care assistance: Iowa providers feel the pain of low reimbursement rates

Child-care assistance in Iowa

- Iowa invests \$136.6 million in state and federal funds in child-care assistance, serving **35,000 children**. Those dollars flow directly to local economies across Iowa.
- Families with incomes up to **145 percent of the poverty level** (\$35,235 for a family of four) are eligible for assistance while working or attending school. Those with incomes over 100 percent of poverty pay part of the cost, based on a sliding scale.

CCA pays providers for their services

- National standards call for reimbursing at the **75th percentile of market rate**—that is, a rate that gives families access to 75 percent of local providers.
- Iowa's reimbursement rate is far below the standard: 75th percentile of the **2004 market rate** (enacted in 2006), plus two modest increases (4 percent in 2010 and 2 percent in 2012).

When adequately funded, CCA:

- Makes child care affordable and available so **low-income parents can be productive workers**.
- **Encourages healthy development** in children by improving access to consistent and enriching care.

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The Child and Family Policy Center and Iowa Association for the Education of Young Children this fall surveyed Iowa child-care owners and directors on the financial consequences of participating in the state's child-care assistance (CCA) program. The responses were stark. Because the rates they are paid through CCA are so low relative to current market rates, providers report taking significant losses by accepting child-care subsidies (see reverse).

As a result, providers who can fill those slots with private-pay families report they are increasingly choosing to do so. Providers serving fewer private-pay families report sacrificing quality—in teacher pay, materials, repairs—to balance the books.

This should worry Iowans concerned about the our next generation of workers and leaders. Quality early-childhood experiences are linked to a wide variety of positive outcomes in the school years and adulthood. Inadequate CCA reimbursement threatens Iowa's long-held value of equal opportunity. Said one center director:

“Fiscal reality is driving quality programs, including providers whose mission has been to serve low-income families, to serve fewer state-funded clients. As this fiscal reality grows, it is creating a two-tiered early-childhood system in Iowa—a quality system for those who can afford to pay the cost, and a low- or no-quality system for low-income families with little options available to them.”

But there's a solution: Increase the CCA provider reimbursement rate to reflect the true cost of quality care. Iowa benefits when when we pay our hard-working providers a rate that attracts and retains the best of them and ensures a high-quality early-childhood experience for every Iowa child.

For more information on improving child care in Iowa, contact policy director Sheila Hansen (515-280-9027 or shansen@cfpciowa.org) or visit www.cfpciowa.org.



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