



The Independent Voice for Kentucky's Children

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ADVOCATES

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State Child Care Policies:

Loss of Ground in an Already Bleak Landscape

**New Report Finds Low-Income Families Struggle to Access Affordable,
Good-Quality Child Care**

Louisville, KY - A study released today by the National Women's Law Center on child care policies reveals that between February of 2008 and February of 2009 more states made cuts in much needed child care assistance than improvements. This aggravated an already bleak landscape for parents trying to afford reliable child care. The report analyzes changes in state assistance in several areas including: reimbursement rates for providers serving eligible families, income eligibility limits, and co-payments for parents.

"Because too many families are struggling to make ends meet during these difficult economic times, it is more important than ever that families have access to affordable, good-quality child care. This is true for parents and employers so parents can keep their jobs and perform them well. It is also critical for their children who develop so much during their first few years," said Lacey McNary, Deputy Director of Kentucky Youth Advocates.

The report also provides an initial look at the response of states since February 2009 to both increasing state budget gaps and the availability of new child care funds from the American Recovery and Reinvestment Act (ARRA). Since February 2009, some states either cut or proposed cutting their child care assistance programs while other states used ARRA funds to maintain or expand their programs.

Kentucky's Child Care Development Fund received \$34.8 million, of which \$4 million must be set aside for quality initiatives. The remaining \$30.8 million will be used to maintain current program levels.

The primary source of federal funding for state child care assistance comes from the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families (TANF) program. Both programs have been insufficiently funded. The FY 2009 funding level for CCDBG, even with the ARRA funding, is only slightly above the FY 2002 funding level.

“While the American Recovery and Reinvestment Act may create opportunities for the time being, it is not a long-term solution. We call upon our leaders to create additional revenue streams that support Kentucky's child care assistance program and improve access to quality early childhood experiences for our kids,” said McNary.

Reimbursement Rates - States determine the reimbursement rates for child care providers. Low reimbursement rates deprive child care providers of resources crucial for supporting high-quality care. They can also discourage high-quality providers from serving families receiving child care assistance. Federal regulations recommend but do not require that states set their rates at 75 percent of market value, a rate that allows families maximum access to child care in their community. Unfortunately, Kentucky sets its rate at 68 percent of market value.

Income Eligibility - A family's ability to access child care assistance also depends on the state's income eligibility limit, and whether a state makes annual adjustments for inflation to eligibility limits. This prevents families from losing eligibility for assistance merely because their income increases with inflation. Between 2008 and 2009, three states decreased their income eligibility limits and thirteen failed to increase their limits to keep pace with both inflation and the increase in the federal poverty level. In Kentucky, as of April 1, 2009, the income limit to qualify for assistance was increased to

\$27,465 (150 percent of poverty), and the exit eligibility limit was increased to \$30,212 (165 percent of poverty).

Copayments - Most states, including Kentucky, require that families who receive child care assistance contribute to their child care costs. In addition to the required copayment, a parent may be asked by their child care provider to cover any gap between the state's reimbursement rate and what the provider charges. If states set copayment rates too high, or if the state's reimbursement rate is not high enough, families may have difficulty covering their portion or may be discouraged from participating in the child care assistance program at all. The copayment rate for Kentucky families who have incomes at 100 percent of the poverty rate increased slightly from 2008 to 2009 and is higher than the national average (Kentucky – 9%, US – 7%).

Access the Issue Brief, *State Child Care Assistance Policies 2009: Most States Hold the Line, But Some Lose Ground in Hard Times* at <http://action.nwlc.org/subsidyreport>.

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Kentucky Youth Advocates is a non-partisan, non-profit, children's advocacy organization. KYA represents a voice for Kentucky's most precious asset – its youth. We believe that Kentucky's youth deserve the opportunities and resources necessary to ensure their productive development and health.