

Help Needed to Meet Georgia’s Laudable Child Care Goals

An Analysis of the Funding Implications of Georgia’s Child Care Development Fund Plan

By Melissa Johnson, Policy Analyst

Georgia’s plan to expand access to quality child care for families earning low incomes became effective this June, but the state budget that takes effect this month is \$103 million short of what’s needed to implement the plan. A proposal approved by federal regulators includes increased income eligibility limits, lowered family co-payments and higher payments to child care providers. Georgia officials will need to increase the total allocation for the program by \$103 million to avoid shrinking the enrollment reach of the program by 17,000 children.¹ To do that, state officials will need to find the additional money in the state budget, shift money from another federal program designed to help low-income families or some mix of both.

Georgia’s Department of Early Care and Learning recently submitted a plan to the federal government that promises to expand access to quality child care for Georgia’s working families if a sizable funding gap is closed. Unless the gap is closed, the goals of the state’s plan are likely to be frustrated.

Care for fewer children threatens to exacerbate service gaps that already exist. The approximately 50,000 children per week² Georgia assists with care represent only a fraction of the 682,000 children under 13 years old in low-income working families likely to need quality child care.³

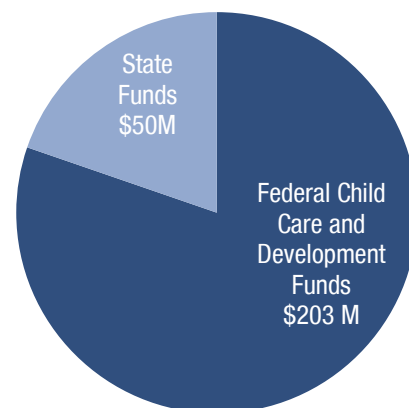
Additional funding for child care assistance in Georgia promises a boost to the state’s workforce and economy. Many parents who earn low incomes are not able to afford the high cost of quality child care in Georgia. [Child care assistance can help Georgia parents contribute more to the workforce and to their own finances](#) by allowing them to work with fewer child care-related disruptions, work more hours, stay employed longer and earn more income.

Background: Child Care Assistance Funding in Georgia

The vast majority of money that pays for Georgia’s Childcare and Parent Services program is from the federal government through a Child Care and Development Block Grant. This funding is intended to promote families’ economic self-sufficiency by making child care more affordable and accessible.

To receive the federal grant, Georgia must submit a plan for the money. Federal regulators approved Georgia’s plan for the period June 1, 2016 through September 30, 2018.

Georgia Child Care Assistance Mostly Federally Funded



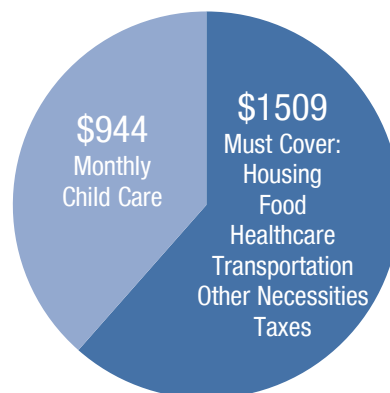
Source: FY 2016 Child Care Development Fund Allocations (Including Reallotted Funds) Latest year available, Office of Child Care, An Office of the Administration for Children & Families, U.S. Department of Health and Human Services

Two other potential sources of funding for child care assistance are the federal Temporary Assistance for Needy Families (TANF) block grant and direct state spending. The federal government sends Georgia \$331 million each year as part of the TANF block grant to help people in poverty transition from public assistance to gainful employment. States can transfer up to 30 percent of their federal TANF funding to help pay for child care assistance. Georgia did not use any TANF block grant funding for child care assistance in 2015 or 2014.

High Cost of Child Care Hinders Access for Georgia’s Low-Income Families

There are 682,000 Georgia children under age 13 in working families earning low incomes.⁴ A low-income family of three with one child earned less than \$38,110 in 2014. These families may already be struggling to pay other bills and the high costs of child care are a severe financial strain. The average annual cost of center-based child care for an infant in Georgia is \$7,644. For a school-aged child, the average cost is \$3,692.⁵ These costs can easily swallow nearly 40 percent of a low-income family’s budget.

Child Care Can Equal Nearly 40% of a Low-Income Family Budget



Georgia’s Plan Heeds Federal Urging to Expand Child Care Access

A new federal law authorizing child care funding includes several provisions that encourage states to expand access to assistance for families with low incomes. Georgia’s Child Care and Development Fund Plan aims to expand children’s access to care through increased income eligibility limits, lowered family co-payments, and higher payments to child care providers. Georgia needs an estimated \$103 million more than in existing state and federal spending plans to implement its proposal without reducing the number of families receiving child care assistance.

Source: Child Care Aware of America, 2015. Costs for two children: one infant and one of school age. Cost presented as proportion of annual median family income of household headed by a woman - \$29,444.

Georgia’s New Plan Aims to Help More Low-Income Families Afford Quality Child Care

	2015 Plan	2016-2018 Plan	Estimated Cost
Income Eligibility Limits (family of three)	\$28,160 annually	\$37,368 annually*	\$30 - \$61 million
Co-Payments (family of three earning poverty-level income)	\$143 monthly	\$0	\$31 million
Reimbursement Rates	25 th percentile of market rates	50 th percentile of market rates	\$42 million

Source: Georgia Department of Early Care and Learning.
 *Under the new plan, parents can keep child care assistance if they receive a modest raise. A family of three can earn up to \$43,128 before losing assistance.

Income Eligibility Limits

The federal government encourages states to provide child care assistance broad enough to support families until they are able to pay the full cost of care on their own.⁶ Georgia's plan aims to broaden the assistance with expanded income eligibility limits so more families are able to access and maintain child care. A Georgia family of three now must earn less than \$28,160 per year to qualify for help with child care expenses. Beginning October 2016, families of three will be able to earn as much as \$37,368 per year and still qualify for assistance under Georgia's new plan. This change could extend help to 5,000 to 10,000 children at an estimated cost of \$30 million to \$61 million.⁷

Co-Payments

Georgia parents must share in the cost of child care assistance to qualify for help. Parents pay a weekly fee, or co-payment, directly to child care providers. Recent Congressional guidance says these co-payments cannot be barriers to families accessing child care assistance through the program.⁸

Georgia's plan seeks to ensure that co-payments are not barriers to access for families. A Georgia family of three earning a poverty-level income of about \$386 per week is required to pay a \$33 co-payment under today's rules. That is the sixth highest co-payment in the country and likely hinders access to child care assistance for otherwise qualified parents.⁹ Under the new plan, families earning poverty-level incomes will not have a co-payment. The estimated cost of implementing this co-payment proposal is \$31 million annually.¹⁰

Reimbursement Rates

Congress also requires states to demonstrate their payment rates to child care providers serving families who get assistance are enough to ensure access to child care comparable to that of other families.¹¹ Georgia's child care plan takes a significant step toward this goal through increased payments to providers. Payments to providers in Georgia are below the 25th percentile of market rates, which restricts parents' access to quality child care providers. Under Georgia's plan, reimbursement rates are bumped up to the mid-point of market rates by October 2016, giving parents access to more quality providers.

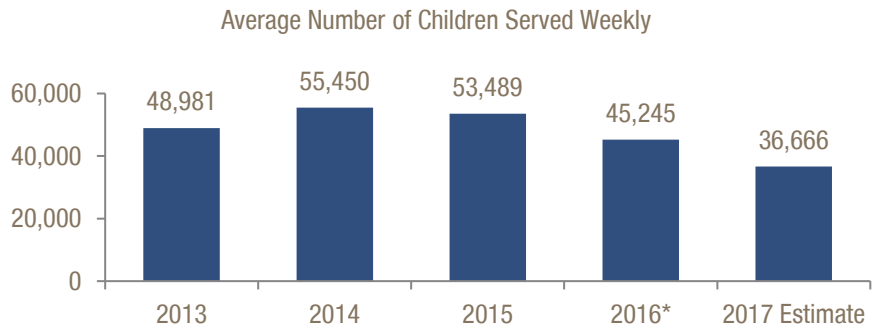
Georgia also raises reimbursement rates for higher-quality providers. Child care providers that participate in the state's voluntary Quality Rated program receive a star rating, with three stars reserved for Georgia's highest quality providers. Providers presently receive a 2 percent bonus for a one-star rating, a 5 percent bonus for a two-star rating, and a 10 percent bonus for a three-star rating. Georgia's child care plan increases these bonuses to 5 percent for one star, 10 percent for two stars, and 25 percent for three stars. The total cost to improve Georgia's child care provider payment rates as proposed is \$41.6 million.¹²

Georgia's Goal Will Not Be Realized Without Additional Funding

Georgia's worthy goal to make child care more affordable and accessible for more families is virtually impossible to implement without additional money from some source. The program's budget as it stands is unlikely to accommodate increased income eligibility limits, decreased co-payments, and increased provider reimbursement rates for children across Georgia without serving fewer of them. If Georgia's program receives the same amount of money from both the federal and state governments in 2017 as it did in 2015, about 17,000 fewer children will receive child care. That translates to an average of nearly 10,000 fewer families to be served.¹³

The Department of Early Care and Learning allocates funding for child care assistance by county each year. Counties restrict access when the number of parents requesting assistance exceeds the number of funded slots. These restrictions prevent families seeking help for the first time from receiving it in many cases. These restrictions could also prevent some parents from renewing their child care assistance.

Georgia Likely to Serve Fewer Children Without More Funding

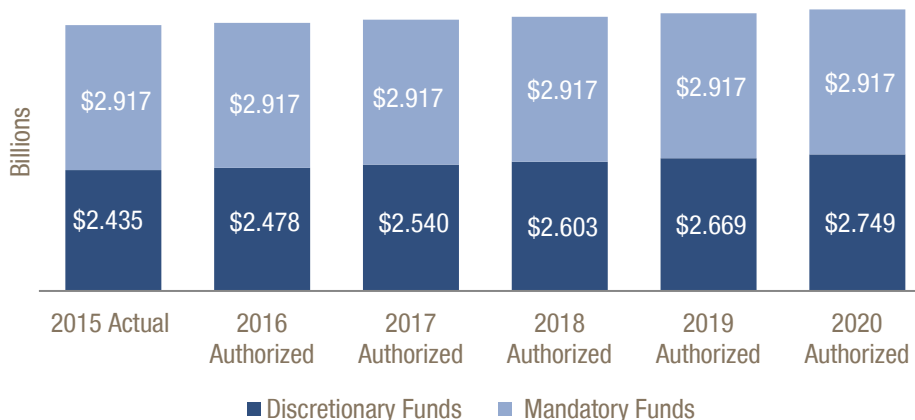


Source: Georgia Department of Early Care and Learning
 *2016 number represents activity through February 2016

Significant Federal Infusion to Expand Access to Care for Working Families Not Expected

The federal government is not promising significant additional money to states to support an expansion of access to child care. The Child Care and Development Block Grant authorizes discretionary, mandatory, and matching funds for states. Congress only increased its discretionary funds authorization by 16 percent from 2015 to 2020. Even these authorized funding levels are not guaranteed, but must be allocated by Congress every year.

Federal Child Care Development Block Grant Funding, 2015 - 2020



Source: Hannah Matthews, Karen Schulman, Julie Vogtman, Christine Johnson-Staub, and Helen Blank, "Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States," National Women's Law Center and Center for Law and Social Policy, 2015. The federal matching contribution changes yearly, though not significantly, based on a predetermined state rate.

Conclusion: Time for Georgia to Support its Plan for Families, Future

Georgia can help parents and the state economy if it allocates \$103 million to the Department of Early Care and Learning to fully implement the state's plan to expand access to quality child care for Georgia's working families. Without more investment, the department is likely to offer subsidized child care to nearly 17,000 fewer children next year. The state can choose to allocate the entire \$103 million in state money in some combination with federal TANF funding.

The additional money to expand child care assistance promises to strengthen the state's workforce and economy by helping parents to be better workers and higher earners. It is in the best interest of the state for Georgia to invest in its families and Georgia's economy as a whole.

Acknowledgements

This report is made possible by the generous support of the Working Poor Families Project.



¹Estimate derived by subtracting the estimated cost of increased reimbursement rates and decreased family fees from Fiscal Year 2015 state and federal child care development funding for Georgia. This figure was then divided by the average cost per child served in 2015 to produce the anticipated number of children DFCS will serve in federal fiscal year 2017 without additional revenue. The anticipated number of children served (36,666) was subtracted from the average total number of children served weekly in 2015 (53,489) to arrive at an estimated 16,823 fewer children served. The actual number of children who lose access to child care due to funding constraints is dependent on the federal allocations for 2017, the income and makeup of families who apply for child care, the locations of their chosen child care facilities, and other factors. The year 2015 was used as a reference year because it is the latest complete federal fiscal year.

² Average weekly number of children served in federal fiscal year 2016, Georgia Department of Early Care and Learning, February 2016.

³ Working Poor Families Project, Analysis of American Community Survey, 2013 (Washington, D.C: Population Reference Bureau).

⁴ Working Poor Families Project, Analysis of American Community Survey, 2013 (Washington, D.C: Population Reference Bureau).

⁵ "Parents and the High Cost of Child Care: 2015 Report", Child Care Aware of America.

⁶ Hannah Matthews, Karen Schulman, Julie Vogtman, Christine Johnson-Staub, and Helen Blank, "Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States," National Women's Law Center and Center for Law and Social Policy, 2015.

⁷ This estimate is based on the assumption that the new eligibility limits will allow Georgia to serve 10 to 20 percent more children than the average served weekly in federal fiscal year 2015. An average cost to serve each child – including the cost of the new reimbursement rates and the decreased family fee – was applied to the estimated increase in children to calculate this figure.

⁸ Hannah Matthews, Karen Schulman, Julie Vogtman, Christine Johnson-Staub, and Helen Blank, "Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States," National Women's Law Center and Center for Law and Social Policy, 2015.

⁹ Karen Schulman and Helen Blank, "Building Blocks: State Child Care Assistance Policies 2015," National Women's Law Center.

¹⁰ Estimate based on the difference in average co-payments per child per week under current policies versus the new plan. Average co-payments provided by the Georgia Department of Early Care and Learning.

¹¹ Hannah Matthews, Karen Schulman, Julie Vogtman, Christine Johnson-Staub, and Helen Blank, "Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States," National Women's Law Center and Center for Law and Social Policy, 2015.

¹² Estimate based on the difference in average provider payments per child per week under current policies versus the new plan. Average provider payments provided by the Georgia Department of Early Care and Learning.

¹³ Estimated number of children served per family calculated using on Average Monthly Adjusted Number of Families and Children Served in Federal Fiscal Year 2014.