



CHILD CARE: GOOD FOR FAMILIES, GOOD FOR THE ECONOMY

APPROPRIATE \$3.8 MILLION ONGOING FUNDS FOR CHILD CARE

Summary

Child care is needed by almost all families today. The high percentage of mothers in the workforce and the financial necessity for two incomes continues to drive the demand for child care. In Utah, 52% of children under 6 have *all* parents in the workforce. However, the cost of obtaining child care has a major impact on a family's financial stability. For low-income working families this is particularly true. Child care assistance enables parents to obtain and maintain jobs and stay off welfare.

A recent survey done for the Office of Child Care indicates that the child care industry has an estimated ripple effect on Utah business of \$820 million and 40,000 jobs (Office of Child Care, 2004). Employers value quality child care because it creates more stability for employees thus saving costs on lower absenteeism and turnover.

Why Care About Child Care?

- Nationally, it is estimated that the absenteeism, turnover and lower productivity that result from low-quality child care cost business more than \$3 billion a year.
- An estimated 26% of Utah households use paid child care representing 92,300 children with over 14,000 children participating in the subsidy program.
- The availability of regulated child care generates approximately \$24 million per year in state income taxes (Office of Child Care, 2005).
- The child care program is funded through a federal/state match. The current match is 2.35:1. Utah is one of few states that do not draw down its full federal match.
- Child care costs between \$4,000-7,000 annually; the average subsidy is \$3,300 annually.
- All children deserve access to quality child care. Low income eligibility and insufficient subsidy rates limit parental choice for lower-income families.

FREQUENTLY ASKED QUESTIONS

How does the current program provide a disincentive for working families?

A small increase in wages can cause a family to lose its subsidy all at once. Due to the low exit thresholds, families are not gradually transitioned off the program as their incomes increase. The net loss of income as a result of having to absorb the entire cost of childcare can push a family from living above the poverty level to living below poverty. Families are faced with the dilemma of turning down raises in order to keep their child care assistance and stay out of poverty.

Public policy should reward work by encouraging workers to improve their incomes and move up the career ladder, **not penalize them for doing so.**

How would additional funds be spent?

Caseload growth has increased by 17% during the past two years. Additionally, the 2006 Federal Deficit Reduction Act increased TANF workforce participation requirements for states. In order for Utah to meet these stricter requirements, the availability of child care will need to be greatly increased.

Federal guidelines for state reimbursement rates are 75% of market rates. Utah's rate is approximately 50% of the market rate with an average subsidy of \$280 monthly. Additional funding would improve the quality and accessibility of child care.

Currently eligibility for child care assistance is at 56% of state median income. Federal law sets eligibility at 85% of state median income. The Office of Child Care proposes adjusting the exit thresholds at a higher level. Entry requirements will still remain at 56% but the goal is to develop a transitional exit system to move parents gradually out of the program.