

Starting Right Child Care

The Right Start for Children, Families, and Rhode Island



The Poverty Institute at Rhode Island College School of Social Work
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Starting Right Child Care: The Right Start for Children, Families, and Rhode Island

EXECUTIVE SUMMARY

The 1998 Starting Right Initiative sought to ensure access to affordable, high-quality child care and early education for all Rhode Island families with children from birth to 16 years old. The Program focused on three crucial supports: financial support to parents, provider reimbursement and training to promote a stable, regulated, and qualified provider community, and quality initiatives to promote child development. As expected, the state's investments in the subsidized child care program, which were targeted to low and moderate income families, have benefited all Rhode Island children and families by improving and providing stability to the entire child care system.

The Poverty Institute examined outcomes of and changes to the Starting Right program over the past seven years. Several of the study's major findings are outlined below.

Most Families Using Subsidized Child Care Are Working Families: In 2004, 13,601 children received subsidized child care in Rhode Island, more than double the number of children enrolled in 1997. Seventy-eight percent of those children lived in low-income working families and 22% lived in families receiving FIP whose parents were working or preparing for work.

Most Families Using Subsidized Child Care Have Very Low-Income: Forty percent of children using subsidies live in families with income below or near the federal poverty level. A total of sixty percent live in families with income less than one and a half times the poverty level and ninety-three percent of children live in families with income less than twice the poverty level.

Starting Right Has Increased the Overall Availability of Regulated Care and Access for Low-Income Children: From 1997 to 2005, the number of child care centers increased by 60% (from 320 to 517) and the number of family child care providers almost doubled (from 717 to 1,314). The number of centers accepting children using subsidies increased from 71% to 85%; the number of family child care providers accepting children using subsidies increased from 56% to 81%.

Spending on FIP Cash Assistance Has Decreased while Spending for Child Care Assistance Has Increased: When the Family Independence Act was passed in 1997, the expectation was that as families moved off FIP and into the workforce the savings on cash assistance would be reinvested in child care. Spending on FIP (federal and state) has dropped from \$117 million in 1997 to \$68 million (enacted budget 2006); while spending on child care has increased from \$19 million in 1997 to \$77 million (enacted budget 2006).

State Investments in Child Care Are Wise Investments. A 2002 study found that, "for every public and private dollar spent on regulated child care, \$1.75 is returned to the Rhode Island economy – a net positive return that almost doubles investments."

Starting RIght Child Care: The Right Start for Children, Families, and Rhode Island

The 1998 Starting RIght Initiative sought to ensure access to affordable, high-quality child care and early education for all Rhode Island families with children from birth to 16 years old.¹ This initiative, which created a child care entitlement for all families with income up to 250% of the federal poverty level and increased reimbursement rates paid to child care providers, was an important commitment to improving the child care system. As expected, the state's investments in the subsidized child care program that were targeted to low and moderate income families have actually benefited all children and families by improving and providing stability to the entire child care system.

I. The Growing Need for Child Care: Supporting Women and Families in the Workforce

As more mothers have gone to work by either choice or necessity, child care has become an increasingly important issue for both single and two-parent families. Nationally, in 2004, 71% of mothers with children under 18 were working. Fifty-seven percent of mothers with children under age three were working.² In Rhode Island, according to the 2000 Census, 31% of all families had children under age 18.³ Sixty-two percent (45,820) of Rhode Island children under age six had all parents in the workforce, meaning that these children spend at least some time in child care.⁴ That is a greater percentage than the national average of 59%.

Women also comprise the bulk of the child care workforce. National estimates indicate that at any point in time there are 2.3 million individuals who are paid to provide direct care to children (due to turnover, the number of child care workers over the course of a year is closer to 2.5 million).⁵ Ninety-seven percent of the center-based workers and 99% of family child care workers are women.⁶

In 2002, child care allowed approximately 32,167 Rhode Island parents to go to work where they earned \$627 million dollars to support their families.⁷ That same year, the child care industry employed over 7,417 people in Rhode Island.⁸ In both cases, the parents helped and workers employed were primarily women, and not just low-income women, but women from all socio-economic strata.⁹

II. Rhode Island's Answer: Starting RIght

As part of its welfare reform initiative in 1996, Rhode Island recognized that moving families from cash assistance into the workforce would require available, quality child care for the children. The Family Independence Act provided an entitlement to child care assistance for children whose parents were required to participate in work activities as a condition of cash assistance, and an entitlement for children in working families with income less than 185% of the Federal Poverty Level ("FPL").¹⁰ This latter provision was intended to assure the continuation of child care assistance for families transitioning off of cash assistance as well as to give low-wage families who had never been on cash assistance access to regulated quality care for their children. The legislation anticipated that as state

expenditures for cash assistance decreased due to parents moving into the workforce, the funds would be re-invested in childcare.¹¹

The following year, Rhode Island built on the philosophy of the Family Independence Act by passing the Starting RIght Initiative (“Starting Right” or “Program”), which was designed to ensure access to affordable, high-quality child care for all Rhode Island families with children from birth to 16 years.¹² The Program focused on three crucial supports:

- Financial assistance for parents to pay for child care,
- Provider reimbursement and training to promote a stable, regulated, and qualified provider community, and
- Quality initiatives to promote child development.

Today, the Starting Right Program is structured in the following way: 1) Parents with incomes up to 225% FPL receive an authorization for assistance which they present to their choice of an approved child care provider; 2) Families earning over 100% FPL pay a monthly amount that is based on a percentage of the family’s income; 3) DHS pays the child care provider the balance of the cost of care up to the DHS authorized rate.



Child Care Entitlement:

Rhode Island has been hailed as a national leader for establishing an entitlement to subsidized child care. The guarantee means that there is no waiting list for assistance or limit on the number of children who can be served in a given year -- every eligible family receives an authorization for assistance that can be used with any provider who will accept it.

Needs that Starting Right Sought to Address

- More children in care due to more mothers joining the workforce either by choice, necessity or as a condition of cash assistance receipt;
- Recognition that children do better in formal care environments;
- Need for more formal before- and after-school care for school-aged children;
- Small pool of child care providers accepting children using state subsidies;
- Quality child care unaffordable for low wage families;
- Need for quality improvements throughout entire child care system.

A. Financial Support to Parents

Child care is a significant expenditure for families at all income levels. For low- and middle-income families with children between the ages of three and five, child care represents the third greatest expense after housing and food. For families with higher incomes (\$66,900/yr), it represents the second greatest expense after housing.¹⁴

Child Care is Expensive

In 2004, the average cost of center-based care for a 4-yr-old in Rhode Island was \$7,852, while the average cost of public college tuition was \$5,387.¹⁵



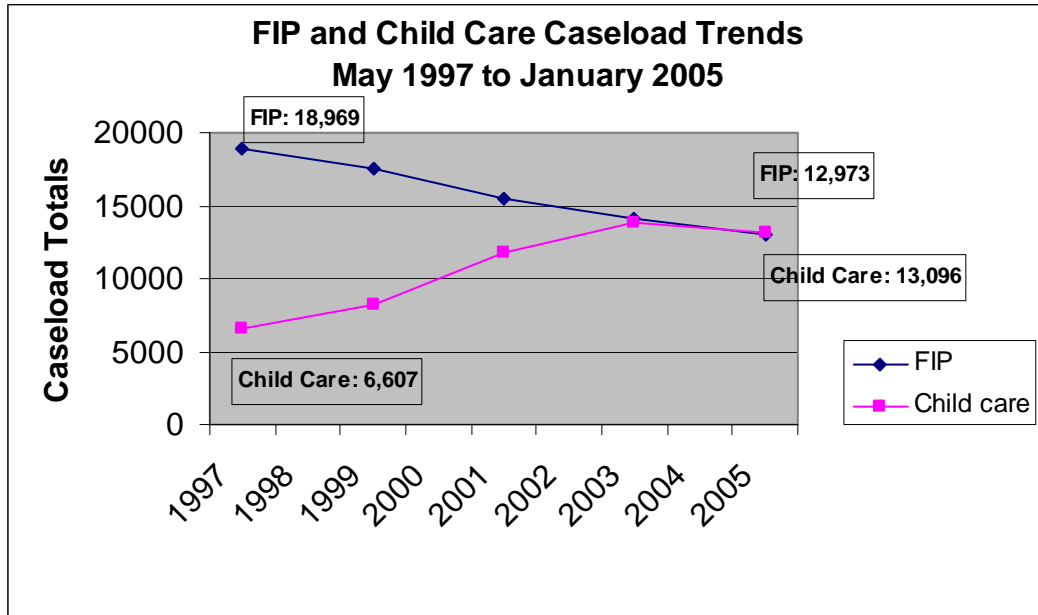
The Starting Right Initiative sought to address this burden by expanding the entitlement to subsidies for working families. Starting Right increased the eligible age for children from 12 to 15 and proposed a phase in of expanded eligibility for working families from 185% FPL to 250% FPL by July 1, 2000. Income eligibility was capped at 225% FPL by the Rhode Island General Assembly in 2002 as a cost saving measure.

As the program is currently structured, families earning less than 225% FPL (\$36,202/yr for a family of three) are eligible for child care subsidies. Families with income above 100% FPL (\$16,090 for a family of three) pay a co-payment ranging from 1% to 14% of gross income. For example, a parent earning one and a half times FPL (\$2,011/month) pays \$80/month for care for a toddler and school age child (4% of income). The income cap of 225% FPL leaves regulated child care unaffordable for many families. A family earning slightly over \$3,017/month (225% FPL for a family of three) would find the cost of care for a toddler and a school aged child rise from \$422/month with the child care subsidy to \$1,283/month when eligibility for the subsidy ends.¹⁶

1. Who Uses the Subsidies

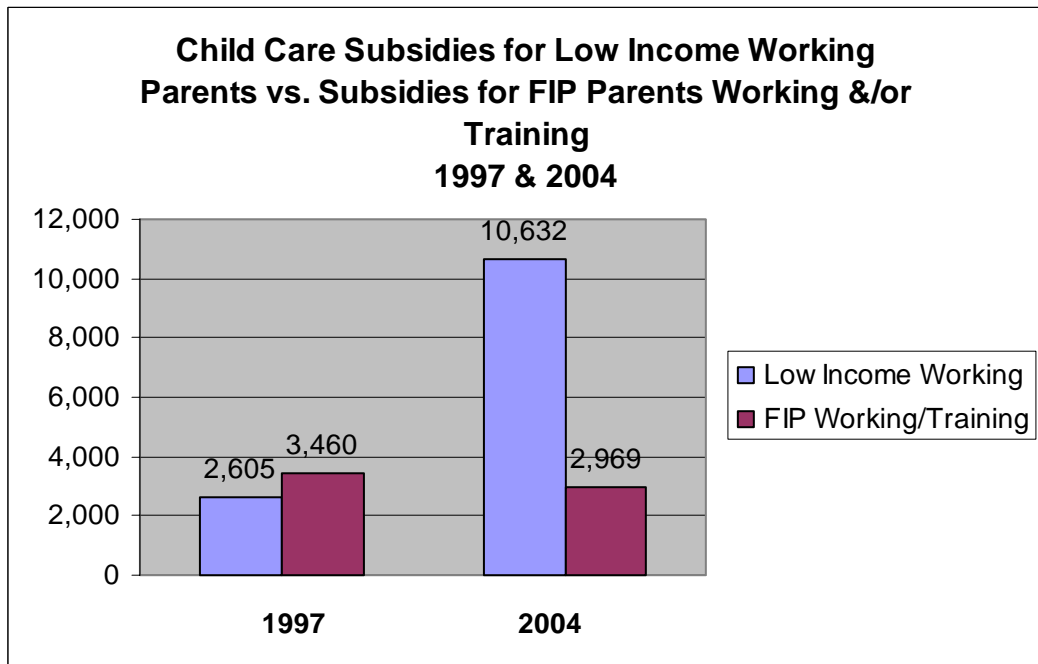
In 2004, 13,601 children were participating in the subsidized child care program in Rhode Island.¹⁷ This is more than double the number of children enrolled in 1997.¹⁸ At the same time, Family Independence Program (“FIP”) caseloads have declined, and more children enrolled in the program are from working families than from families on FIP. In 2004, 78% of families using child care subsidies were in working families, 22% were enrolled in FIP.¹⁹ This is a significant change from 1997, when 54% of families receiving subsidies were also on cash assistance.²⁰

Figure 1:



Source: Based on data from the Rhode Island Department of Human Services Budget Presentation for FY2006, January 2005.

Figure 2:



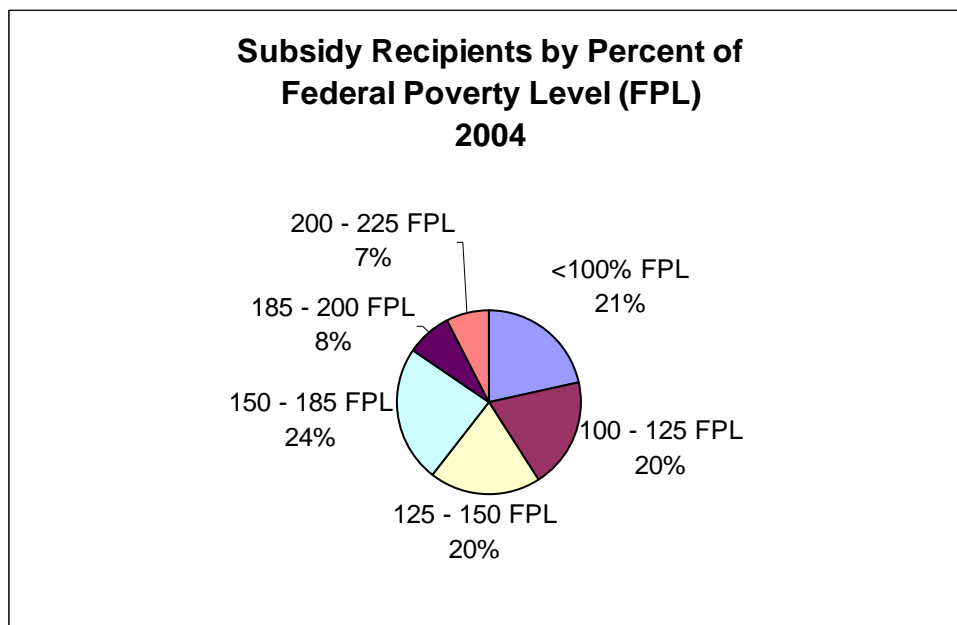
Source: Based on data from the Rhode Island Department of Human Services Family Independence Program’s Annual Report, 2005.

The Starting Right initiative has been successful in increasing the number of current and former FIP recipients using subsidies. A 2002 evaluation of the Starting Right program found the program “significantly increased the likelihood that current and former welfare recipients would use child care subsidies and significantly increased the

availability of formal care. In addition, Starting Right resulted in increased work among cash-assistance and non-cash-assistance recipients and encouraged cash recipients to leave welfare for work.”²¹ Starting Right is achieving the goals of the Family Independence Act by supporting families moving from welfare to work and making childcare available and affordable for working families.

Although subsidies are available to families with incomes up to 225% FPL, almost all families have income significantly below that level. Forty percent of children using subsidies live in families with income below or near the federal poverty level. A total of 60% live in families with income less than one and a half times the poverty level and 93% of children live in families with income less than twice the poverty level.²²

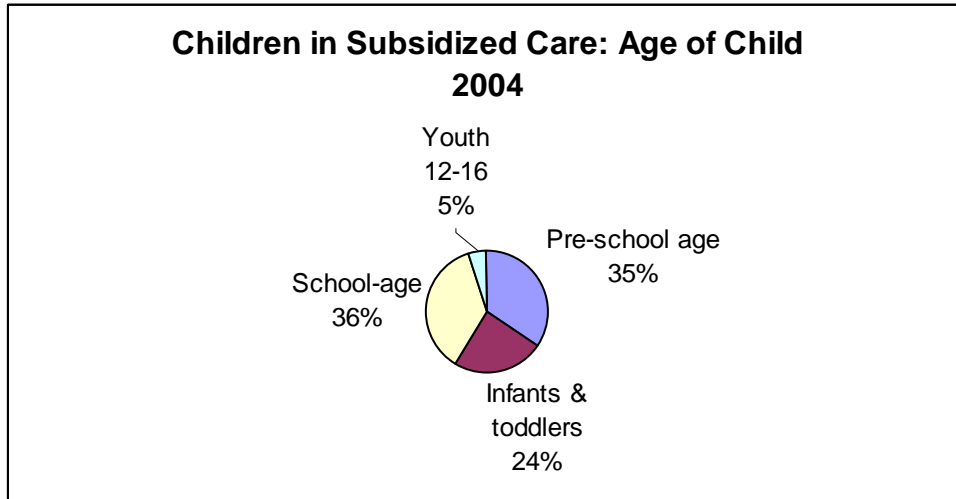
Figure 3:



Source: Data received from Rhode Island Department of Human Services, FY2004.

The majority of Starting Right subsidies support children younger than school-age. In 2004, 59% of child care subsidies were provided for infants, toddlers and preschoolers.

Figure 4:

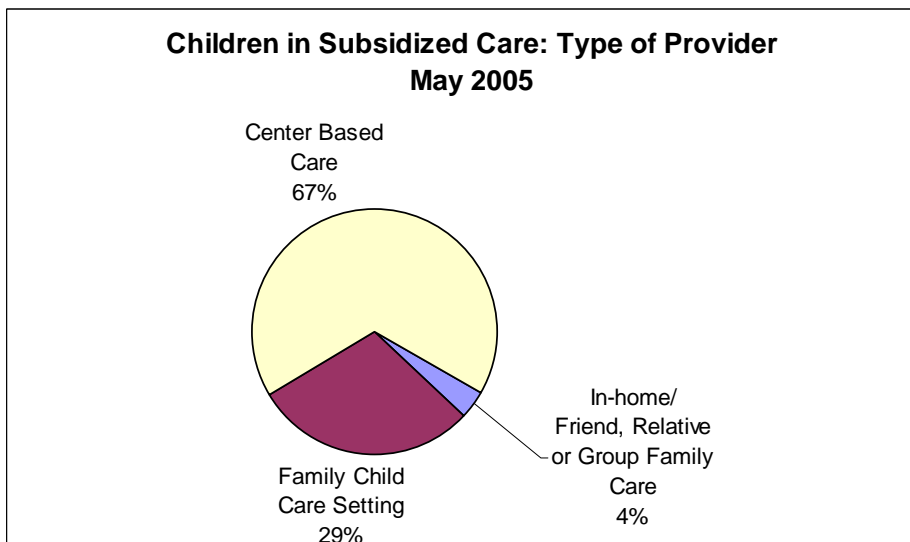


Source: Rhode Island Kids Count. *Childcare snapshot 2.*

2. Where Subsidies are Used

Through the Starting Right program, qualifying families are able to purchase child care from the provider of their choice. Parents can choose a licensed child care center or after school program, certified family child care provider, approved relative in the relative's home, or an approved provider in the child's home.²³ Families can locate care on their own, or they can use the state's child care resource and referral services, Options for Working Parents, to obtain assistance in finding child care. Currently, 81% of family child care providers and 86% of child care centers accept children using child care subsidies.²⁴ Most children receiving subsidies are in a center-based or family child care setting, fulfilling Starting Right's goal of providing low-income children with access to regulated, structured care.

Figure 5:



Source: Based on data from Rhode Island Department of Human Services, August 2005.

B. Promoting a Qualified and Stable Provider Community

National studies have long found a direct correlation between higher wages and benefits for providers and a more stable, qualified workforce and higher quality child care.²⁵ When wages are low, an already high industry turnover rate of approximately 30% a year rises. The positions are most often filled with less-educated candidates, leading to overall lower quality child care settings.²⁶ In recognition of these facts, Starting Right focused on improving the quantity and quality of child care providers by increasing provider reimbursement rates and providing health care benefits for certain categories of providers.

1. Increasing Reimbursement Rates

Following welfare reform, the federal government required that states conduct a biennial market rate survey of child care providers and from this survey set subsidy rates high enough to ensure a large enough provider pool so that families using subsidies have sufficient access to child care.²⁷ Prior to Starting Right, families using child care subsidies had only limited access to regulated care. The reimbursement rates paid by the state were simply not high enough for many providers.

In creating the Starting Right program, the General Assembly sought to raise reimbursement rates to a level high enough so that providers would accept subsidies and to expand the numbers of child care providers. Starting Right required that the state gradually increase child care provider reimbursement rates to the 75th percentile of the current market by the year 2000. The 75th percentile is the rate charged by 75% of respondents to the statewide, biennial survey giving parents access to three-quarters of providers.²⁸

The chart below shows rates charged at the 75th percentile currently, based on the 2002 market rate survey, and those proposed to go into effect in July 2006, which are based on the market rate survey from 2004. A family child care provider caring for four pre-schoolers would earn a gross income of \$600/week, or \$31,200/year. This does not cover the cost of doing business which includes the cost of wear and tear on household furnishings, the increased cost of utilities, the cost of training, materials, and drinks and snacks for the children. When these costs are taken into account, the net income for the provider would be closer to \$24,500/yr.²⁹ Further, these income calculations are based on a 40 hour work week, while family child care providers often work more than 40 hours and do not receive any compensation for vacation or sick leave.

Figure 6:

**Seventy-fifth Percentile Full-time Weekly Rates
(2005 and Proposed July 2006)**

Age of Child	Homes		Centers	
	Current	Proposed July 2006	Current	Proposed July 2006
School-age, before and after school	\$135	\$135	\$135	\$140
Youth, before and after school	\$120	\$135	\$135	\$125
Infant care	\$150	\$160	\$185	\$200
Toddler care	\$150	\$160	\$180	\$190
Pre-school	\$150	\$150	\$150	\$165
Kindergarten	\$135	\$150	\$150	\$160

See: Bodah, (2004). *Statewide survey of childcare rates in Rhode Island*.

The increase to the 75th percentile was effective – as discussed in further detail later, the number of child care centers has grown by 45% since 1997 and the number of family child care providers has almost doubled. The number of providers accepting subsidies has also grown significantly.

Over the past few years, there have been several changes to the reimbursement rate that have reduced payments to providers. New provider payment rates based on the 2004 survey which reflects the 2002 market rates were scheduled to go into effect in January 2006. Legislation enacted in 2005 as a cost-savings measure, delayed payment of the new rates until July 1, 2006³⁰ and the Governor's budget for FY 07 proposes to delay the rate increase again to July 2007. In 2004, the state implemented a three-quarter time rate which pays a lower reimbursement rate, instead of the full-time reimbursement rate, to a provider caring for a child 21-29 hours a week. Also in 2004, the General Assembly enacted a budget proposal to pay providers less than the 75th percentile if the provider charges private pay clients a lower rate.³¹

These cuts are unfortunate, especially given the fact that the market rate survey does not actually reflect the true costs of providing high quality care for children. In actuality, many child care providers operate at minimal profitability or report annual losses.³²

2. Offering Healthcare to Providers

Rhode Island recognized that a critical part of maintaining a stable child care workforce is helping to pay for health care costs. As part of the Starting Right Initiative, Rhode Island began providing coverage to certain family child care providers through the state's subsidized health care program, RIte Care.³³ Eligible family child care providers and their children were enrolled in RIte Care coverage for a six-month period.³⁴ As of September 30, 2005, 518 family child care providers were eligible for health care coverage for themselves and for 458 dependents (976 total covered persons).

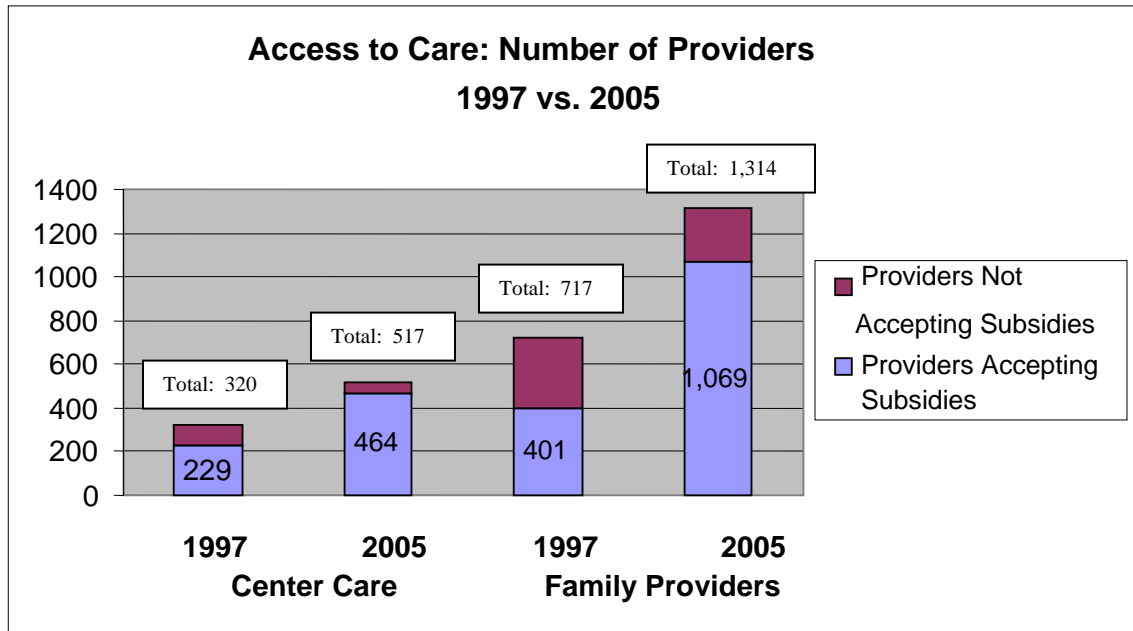
In 2002, the state also began a health insurance premium cost-sharing option for child care workers in centers serving a certain number of children using child care subsidies.³⁵ Approximately 160 center-based providers including 800 center-based staff were eligible for premium cost-sharing in 2004.³⁶

In 2005, the General Assembly limited eligibility for health insurance coverage for family child care providers resulting in 267 providers and 183 dependents losing coverage.³⁷ With private insurance costs approaching \$1000/month for family coverage in Rhode Island, the loss of access to subsidized health insurance can leave providers without this important benefit. While so critical to providers, health care costs makes up only a small percentage of the total child care budget each year. In 2004, health insurance for providers cost the state \$2.8 million, accounting for only 3% of Rhode Island's child care budget.

3. Success: Increased Access and Use

The investments that Rhode Island has made in expanding the availability of child care for low and moderate income families are paying off. The number of child care centers has grown by 45% since Starting Right was enacted, while the number of family child care providers has almost doubled, increasing access for all children. In addition, the number of providers that accept children with subsidies has increased significantly. In 1997, only 71% of centers and 56 % of homes accepted children with subsidies. Today, more than 85% of centers and 81% of homes accept families with a subsidy.³⁸

Figure 7:

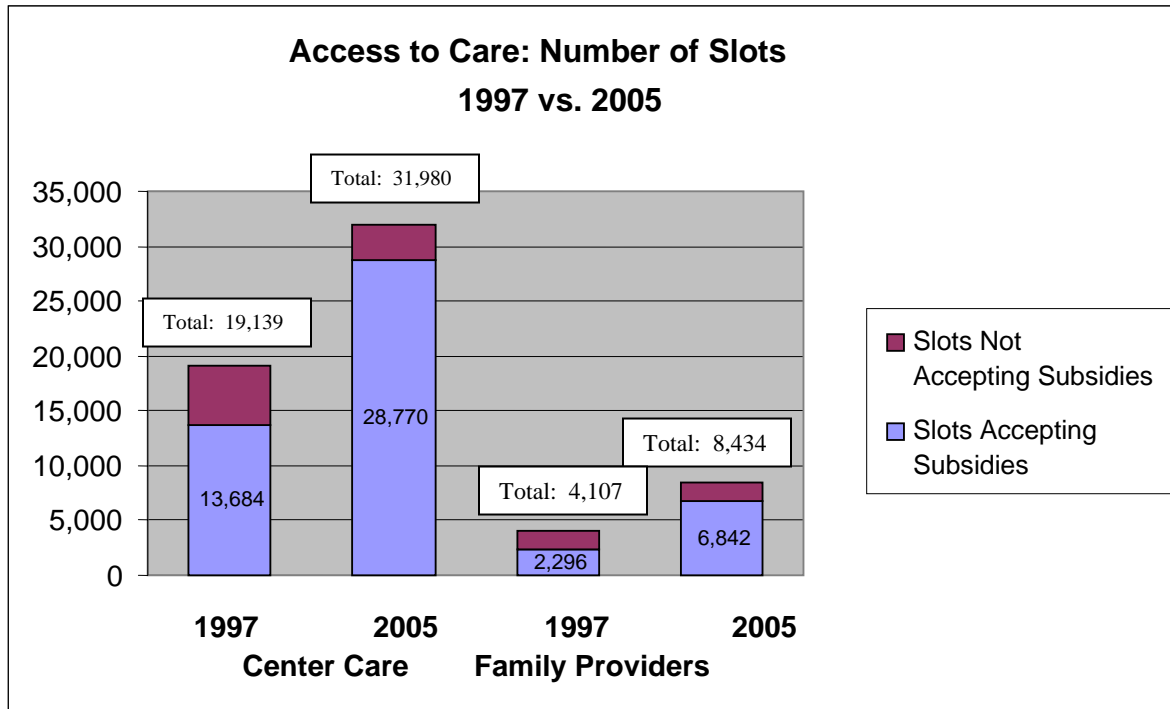


Source: Rhode Island Department of Human Services, Child Care Assistance Program; Rhode Island KIDS Count, 2005 Factbook.

In addition, the number of available child care slots has increased dramatically. The overall number of child care slots in centers has increased by more than 12,000 and the number of slots in child care homes has more than doubled (from 4,107 to 8,434). These slots are available to all Rhode Island families.

The number of slots available to families with a subsidy also has grown significantly, more than doubling access in both centers and family child care programs. As a result of this increased access, on average in 2005, families using subsidies used about one third of available slots in centers and more than half of available slots in child care homes.

Figure 8:



Source: Rhode Island Department of Human Services, Child Care Assistance Program; Rhode Island Kids Count, 2005 Factbook.

C. Quality Initiatives

Research conducted during the past decade confirms that the greatest impact of child care is not in whether children are in care, but in the quality of the experiences that children receive.³⁹ Numerous studies have shown that long term benefits accrue to children, families, and our society from child care programs that stress quality.⁴⁰ Just as quality care enhances child development, poor care impairs it. Research shows that “children who often are at risk of not doing well in school were more sensitive to the negative effects of poor quality child care and received more benefits from high quality child care.”⁴¹

Rhode Island spent \$3.2 million on child care quality initiatives in FY2004, including training, accreditation, licensing, technical assistance, start-up, innovation, expansion, resource and referral, and on-site technical assistance for providers.⁴² These initiatives are detailed below.

1. Regulating Care

In Rhode Island, the Department of Children, Youth, and Families (DCYF) regulates child care through licensing child care centers and family child care programs and monitoring compliance with the state’s child care regulations.⁴³ These policies, which include maximum group size requirements and caregiver to child ratios, set

minimum standards for structural quality in child care homes and centers. The regulations define training levels for staff, accessibility of space to children, availability and types of toys and materials, and health and safety requirements.

2. Training and Credentialing

a. Educational Requirements

To be certified as a family child care provider, the provider must show evidence of having training and/or experience in caring for children under age six (parenting counts as experience). Providers in small family child care programs are not required to have a Certificate in Early Childhood Education from the state. The lead provider in a large family child care programs is required to have a Child Development Associate (CDA) credential or a high school degree and 3 college courses or a one year college certificate in child development prior to caring for children. The CDA credential, which is awarded by the Council for Professional Recognition, does not require courses be taken for college credit.⁴⁴

The requirements for center-based infant, toddler and preschool programs differ from those for family child care providers. Lead classroom teachers in a child care center are required to have a high school degree and three years of supervised experience caring for children. The head teacher in a child care center, responsible for supervising implementation of curricula in all classrooms, must have at least a bachelor's degree and have a Rhode Island Certificate in Early Childhood Education or have completed the coursework and experience required for such a certificate. Rhode Island does not require classroom teachers in center-based preschool to have any Early Childhood Education (ECE) pre-service training.

b. Professional Development

Family child care providers are required to complete a minimum of ten hours of training or education relevant to the care of young children every two years. Care givers in child care centers must complete twenty hours of training each year. The state's child care development and education training program, CHILDSPAN, provides training and accreditation support for child care providers. In 2004, more than 7,477 early care, school-age, and youth service providers participated in workshops, conferences and multi-session training programs offered by CHILDSPAN.⁴⁵

In addition, the Rhode Island Department of Human Services and the Rhode Island Department of Labor and Training support the Child Development Specialist Apprenticeship program at the Community College of Rhode Island (CCRI). The two-year program pairs entry-level child caregivers with experienced on-the-job mentors in one of seven participating child care centers in the state. While the participating caregivers complete a minimum of 120 hours in a child care setting, they simultaneously take child care development courses at CCRI. There were 17 graduates from the program in 2005.⁴⁶

c. National Accreditation

The nationally recognized benchmark of quality care is accreditation by the National Association for the Education of Young Children (NAEYC) for child care centers or by the National Association of Family Child Care (NAFCC) for family child care programs.⁴⁷ Currently, only about 43 of the 1581 licensed full-day child care programs in Rhode Island are nationally accredited by one of these organizations.⁴⁸ This low number may be due in part to the fact that Rhode Island is not one of the 31 states that pays higher reimbursement rates to programs that are accredited and/or meet other quality standards.⁴⁹ The state does, however, support programs seeking to apply for accreditation, which is an expensive and lengthy process. CHILDSPAN administers two projects that help providers achieve national accreditation by providing financial and technical assistance and support.⁵⁰ CHILDSPAN also provides support for individuals interested in pursuing the Child Development Associates (CDA) credential awarded by the National Council for Early Childhood Professional Recognition.

3. Facilities

Safe, appropriate physical space is critical for quality child care. Buildings that are in need of health and safety improvements, facilities with inadequate or inappropriate indoor and outdoor equipment, lack of space that requires constant packing and unpacking of supplies and equipment, all detract from the quality of a program. The Rhode Island Child Care Facilities Fund (“Fund”) was launched in November 2001 to finance and provide technical expertise to child care programs operators who need to improve the quality and capacity of their spaces. The Fund, with financial support from the Local Initiatives Support Corporation-Rhode Island, the Rhode Island Foundation, United Way and the Department of Human Services, is a public-private partnership which has invested \$3.4 million in 34 child care centers and 174 family child care programs across 26 Rhode Island cities and towns. Since opening, the Fund has helped create 567 new child care slots, improved child care space for more than 2,500 children and helped to build or renovate nearly 120,000 square feet of child care space.⁵⁸

Additional Public/Private Child Care Quality Initiatives

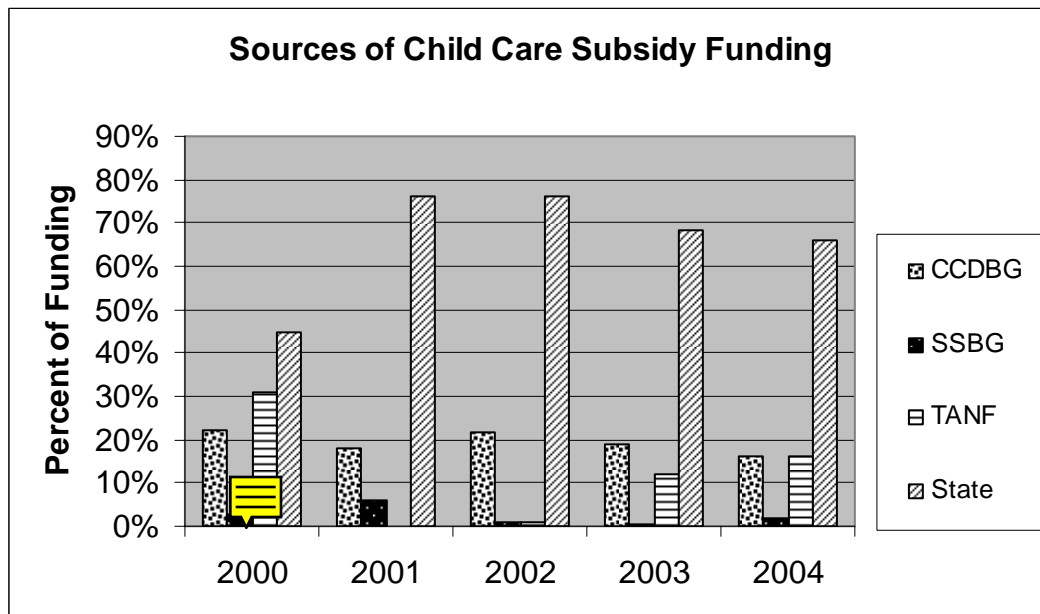
- **The Child Care Support Network (CCSN):** A DHS/Department of Health project that provides targeted onsite technical assistance and consultation to child care centers and family child care programs, including in-service programs, assistance to families, and services for children with special needs.⁵⁹
- **The Comprehensive Child Care Services Program (CCCSP):** A DHS initiative that pays for services that place at-risk 3 and 4 year olds in developmentally appropriate child care and provide critical support services to income-eligible families (those earning at or below 108% of poverty). During the 2004/2005 program year, 340 children were served through the CCCSP program.⁶⁰
- **The Head Start Collaboration Project:** This federally regulated project provides a variety of special services to children and families using Head Start programs throughout the state of Rhode Island. Although this program is not part of the subsidy system, its focus is on the most vulnerable children and families and on assuring the highest quality of care for all who are enrolled.
- **Community Schools:** A United Way initiative designed to increase the academic success of middle school youth and provide academic, social, and emotional support within and beyond the traditional school day and school year.⁶¹
- **Ready to Learn Providence:** This coalition, funded by public and private sources, promotes the expansion of care, education and health services for children, and the establishment of better connections between families and agencies in Providence with a focus on the importance of early learning.⁶²
- **The Rhode Island Quality Rating System Partnership(QRS):** A new initiative funded by the United Way of Rhode Island, QRS is focused on creating child-care standards and a statewide rating system that can be applied to any facility – from large centers to small family child care programs – so that parents will be able to more fully assess the quality of a given program.⁶³

D. Funding the Child Care Program

In 2004, Rhode Island spent \$80.4 million in state and federal dollars on subsidies that helped families pay for regulated child care. This is an increase of over \$5 million from 2003 and over \$60 million from 1997. Sixty-five percent of funding comes from state sources while the remainder comes from federal block grant programs.

The primary federal funding source for child care is the Child Care and Development Block Grant. States can also use funds from the Social Services Block Grant and the Temporary Assistance to Needy Families Block Grant to pay for child care. In 2004, Rhode Island's budget for child care subsidies included some \$27.5 million in federal funding from these three sources.⁶⁴

Figure 9:



Source: Data provided by Rhode Island Department of Human Services, FY2004.

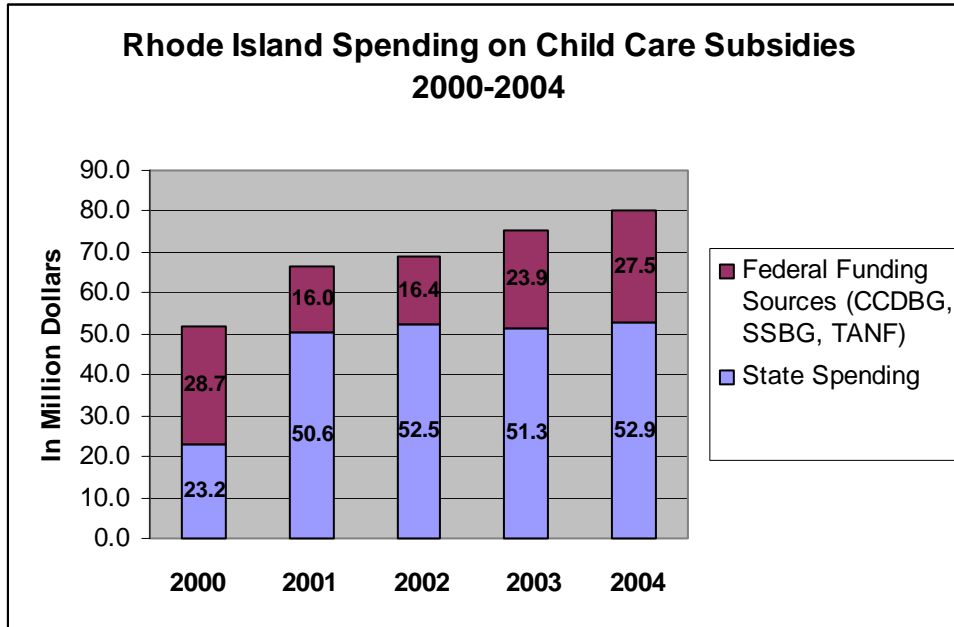
Of the \$27.5 million Rhode Island received from federal sources for child care subsidies in 2004, \$12.8 million came from the Child Care and Development Block Grant (CCDBG). Under the CCDBG, there is a “quality set aside” that requires that states spend at least 4% of certain state and federal CCDBG related funds to improve the quality or supply of child care, or to help educate parents about their child care options.⁶⁵ CCDBG funds can subsidize child care in centers, group homes, family homes, and informal (relative or friend) care.⁶⁶ Nationally, federal funds rose from \$4.6 billion in 2001 to a peak of \$4.8 billion in 2002. Federal CCDBG funding was reduced by \$21 million in 2006 and the President’s proposed 2007 budget freezes funding at this level.⁶⁷

Under the Social Services Block Grant (SSBG), states are given funds to help achieve a wide range of social policy goals, including preventing child abuse, increasing the availability of child care, and providing community-based care for the elderly and people with disabilities. Funds from the SSBG are allocated to the states on the basis of population and there is no state matching requirement. Rhode Island used \$1.5 million in SSBG funds to pay for child care subsidies in 2004.

Approximately \$13 million of Rhode Island’s child care subsidy budget came from Temporary Assistance to Needy Families (TANF) funds in 2004. States may transfer up to 30% of their TANF block grant funds to the CCDBG fund to use for child care, or can directly use the TANF funds to pay for child care. As shown above, the amount of TANF funds used to support the child care program has increased in recent years. These TANF funds are not new funds from the federal government, but are redirection of funds previously used to provide cash assistance and work supports for FIP recipients.

In 2006 Congress reauthorized the TANF programs requiring states to increase the number of recipients who are working or preparing to work. Yet the funds appropriated for child care are insufficient to cover the child care costs associated with moving more families into the workforce and to continue to serve all low-income working families currently receiving assistance.

Figure 10:

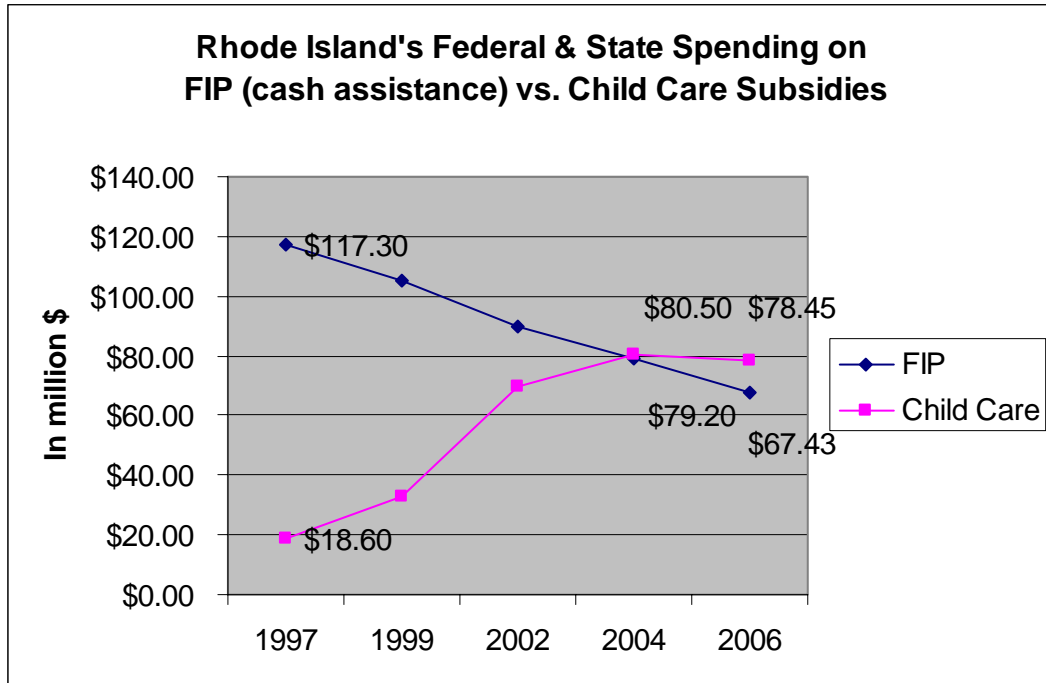


Source: Data provided by Rhode Island Department of Human Services, FY2004.

Rhode Island’s spending on child care reflects a necessary increase in rates paid to providers, response to the increase in the number of children served, and critical investments in improving the quality of care. While overall spending and the percentage of state funding as compared to federal funding has increased over time, state spending on child care in the last five years has actually leveled off at around \$52 million.

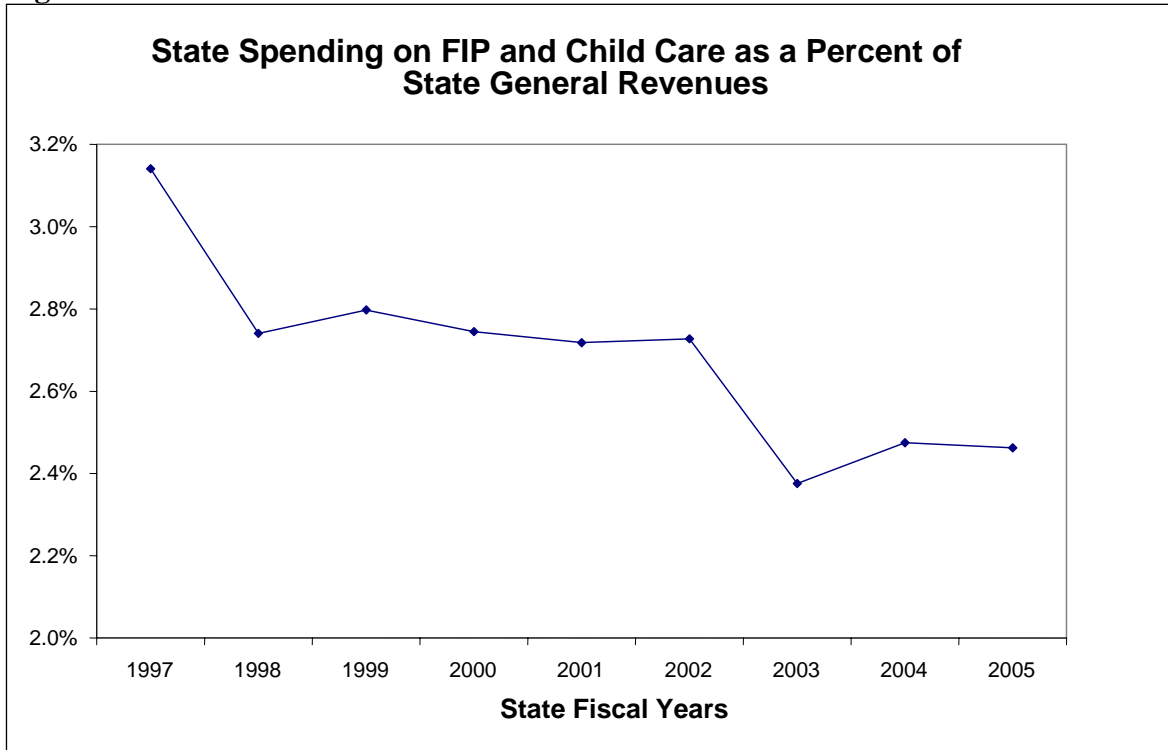
Overtime, Rhode Island has used more of the TANF block grant to fund child care, allowing less of the state investments to be taken from general revenue. As anticipated by the Family Independence Act, as more families moved into the workforce, total (federal and state) spending on FIP cash assistance has decreased while total spending on child care has grown. State spending on both child care and FIP cash assistance as a percent of general revenue has decreased from 3.1% in 1997 to 2.5% in 2005.

Figure 11:



Source: Rhode Island Department of Human Services, Budget Presentation for FY2006, January 2005; Caseload Estimating Conference, November 2005.

Figure 12:



Source: Rhode Island Department of Human Services Annual Reports and Budget Books Technical Appendix.

The State's Investment in Child Care Pays Off

Every \$1.00 invested in the Starting Right program yields \$1.75 in economic activity for the state of Rhode Island.

Rhode Island's investment in the Starting Right Program has proven to be an invaluable investment by the state on behalf of its children and families. A 2003 study conducted by Bryant University identified that the child care industry significantly benefits Rhode Islanders and the state's economy.⁷⁰ For instance, in 2002, the regulated child care industry in Rhode Island:

- Generated \$228 million dollars in revenues, comparable to the more visible Arts, Entertainment and Recreation sector.
- Generated 7,417 jobs in the child care industry.
- Indirectly resulted in the creation of an additional 2209 jobs in other industries.
- Resulted in an economic impact of nearly \$400 million dollars of output on the Rhode Island economy.

The study concluded that the investment in child care was an economically smart investment: "for every public and private dollar spent on regulated child care, \$1.75 is returned to the Rhode Island economy – a net positive return that almost doubles investments." Further, the same rate of return was found for the state's investment in subsidized child care. In 2002, the state spent \$71.4 million on subsidies, which generated \$125 million in output. Investments in child care pay off.

III. Conclusion

Rhode Island can be proud of its progress in fulfilling the comprehensive goals of Starting Right and must continue to build on its success to assure that:

- children arrive at school ready to learn and succeed throughout their school years
- families have access to high quality child care and can focus on their own work with confidence without worrying about the safety of their children
- child care programs provide skilled and stable care givers to support children, and
- Rhode Island, individual families, and women can continue to reap the economic benefits of a strong early care and education system. Accessible, affordable high quality child care benefits a strong RI economy by supporting today's workers and providing children - our future workforce - a strong foundation for learning.

ENDNOTES

- ¹ This report does not cover Head Start or Early Head Start, two other important early education programs.
- ² *Women in the Labor Force: A Databook*, U.S. Department of Labor, Bureau of Labor Statistics, May 2005. <http://www.bls.gov/cps/wlf-table7-2005.pdf> (Retrieved 11/28/05).
- ³ 2003 Rhode Island Standard of Need. (May 2004), Poverty Institute at the Rhode Island College School of Social Work.
- ⁴ 2005 Rhode Island KIDS COUNT Factbook, citing the U.S. Bureau of the Census.
- ⁵ In addition to these paid workers, some 2.4 million individuals provide unpaid child care during a given week. Burton, A., Whitebook, M., Young, M., Bellm, D., Wayne, C., Brandon, R.N., & Maher, E. (May 2002). *Estimating the size and components of the childcare workforce and caregiving population: Key findings from the childcare workforce estimate (preliminary report)*. Washington, DC: Center for the Child Care Workforce and Seattle, WA: Human Services Policy Center, University of Washington. <http://www.ccw.org/pubs/workforceestimatereport.pdf> (Retrieved 11/28/05).
- ⁶ Burton, et. al. *Estimating the size and components of the childcare workforce and caregiving population*.
- ⁷ Notarantonio, E., & Quigley, C.J. (2003). *Child care in Rhode Island: Impact on the state's economy*. Bryant University.
- ⁸ Notarantonio, *Child Care in Rhode Island*.
- ⁹ Burton, et. al. *Estimating the size and components of the childcare workforce and caregiving population*.
- ¹⁰ General Laws of Rhode Island, § 40-5.1-17. The 2005 FPL guideline for a family of three is earning at 185% FPL is \$29,766.50 a year. All Federal Poverty Level data in this document are based on 2005 guidelines. The configuration of a family of three can be either two parents and one child or one parent and two children.
- ¹¹ General Laws of Rhode Island, § 40-5.1-2.
- ¹² Article 11 A of "An Act Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 1999," Rhode Island General Assembly Bill No. H 8478A (1998). This section of the bill is titled the "Starting Right Initiative."
- ¹⁴ *Affordability: Women and Their Families Need Help Paying for Child Care*. National Women's Law Center (2004): <http://www.nwlc.org/pdf/AffordabilityFactSheet2004.pdf> (Retrieved 01/25/06).
- ¹⁵ Child care cost based on the 2004 75th percent market based survey by Bodah, M.M., & Schmidt, Jr., C.T. (2004). *Statewide survey of childcare rates in Rhode Island*. Kingston, RI: Charles T. Schmidt, Jr. Labor Research Center, University of Rhode Island. College tuition rate information from the U.S. Department of Education, National Center for Educational Statistics, Digest of Education Statistics 2004, Table 314. (2005)(Washington, DC: U.S. Department of Education).
- ¹⁶ 2005 Rhode Island Standard of Need, *draft*.
- ¹⁷ Rhode Island Department of Human Services, Budget Presentation for FY2006, January 2005.
- ¹⁸ *Family Independence Program, 2005 Annual Report*, Rhode Island Department of Human Services (March 2005) http://www.dhs.state.ri.us/dhs/reports/fip_2005.pdf (Retrieved 01/16/06).
- ¹⁹ Rhode Island Kids Count. *Child Care Snapshots 2: Child care choices of low-income families in Rhode Island*. (April 2005).
- ²⁰ *Family Independence Program, 2005 Annual Report*, Rhode Island Department of Human Services.
- ²¹ Witte, A.D., & Queralt, M. (2002). Evaluation of Rhode Island's Starting Right program: May 1996 – April 2001. <http://www.dhs.state.ri.us/dhs/reports/StartingRightEvaluationPaper.pdf> (Retrieved 07/01/05).
- ²² Data received from Rhode Island Department of Human Services, FY2004.
- ²³ Rhode Island Department of Human Services, Child Care Assistance Program webpage, www.dhs.state.ri.us/dhs/famchild/dcspgm.htm, (Retrieved 11/22/2005).
- ²⁴ Rhode Island Kids Count. *Child Care Snapshots 3: The 2004 Market Rate Survey: Assessing the Price of Child Care in Rhode Island*. (October 2005).
- ²⁵ See Helburn, S., M. Culkin, J. Morris, N. Mocan, C. Howes, L. Phillipsen, D. Bryant, R. Clifford, D. Cryer, E. Peisner-Feinberg, M. Burchinal, S. Kagan, & J. Rustici. (1995) *Cost, Quality and Child Outcomes in Child Care Centers: Public Report*. Denver: Economics Department, University of Colorado at Denver. See also Whitebook, M., C. Howes, & D. Phillips. (2001) *Then & Now: Changes in Child Care Staffing, 1994-2000*. Washington, DC: Center for the Child Care Workforce.
- ²⁶ See Whitebook. *Then & Now*.

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- ²⁷ Rhode Island Kids Count, *Child Care Snapshots Number 3*.
- ²⁸ Adams, Gina and Kathleen Snyder, (February 2003) *Essential but often ignored, Child Care Providers in the Subsidy System*, Washington, D.C.: Urban Institute, http://www.urban.org/UploadedPDF/310613_OP63.pdf (Retrieved 01/16/06).
- ²⁹ These calculations are based on cost of doing business deductions allowed by the Rhode Island Department of Human Services.
- ³⁰ Rhode Island Kids Count, *Child Care Snapshots Number 3*.
- ³¹ General Laws of Rhode Island, §40-6.2-1.1(b).
- ³² Notarantonio, *Child care in Rhode Island*.
- ³³ Starting Right legislation, Article 11, Sub A of the Appropriations Act of FY99 (H 8478A), Section 4.
- ³⁴ Starting Right legislation.
- ³⁵ General Laws of Rhode Island, Chapter 40-6.2-5.
- ³⁶ Data provided by the Rhode Island Department of Human Services, January 2006.
- ³⁷ See General Laws of Rhode Island, Chapter 40-6.2-4. See also Rhode Island Department of Human Services Policy Section 0347. http://www.rules.state.ri.us/rules/released/pdf/DHS/DHS_3662.pdf (Retrieved 01/16/06). Data provided by the Rhode Island Department of Human Services, January 2006.
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- ³⁹ Shonkoff, Jack, and Deborah Phillips, editors (2000) *Neurons to Neighborhoods*. Washington: National Academies Press.
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- ⁴³ Rhode Island Department of Children Youth and Families child care regulations: http://www.dcyf.ri.gov/docs/child_care_regs.pdf (Retrieved 01/16/06).
- ⁴⁴ *Rhode Island Early Childhood Development Facts*, Children's Defense Fund (March 2005); see also *Child Care Licensing Requirements (April 2005): Minimum ECE Preservice Qualifications, Orientation/Initial Licensure, and Annual Ongoing Training Hours for Family Child Care Providers*, U.S. Department of Health and Human Services, Administration for Children and Families, National Child Care Information Center (2005)(Washington, DC: U.S. Department of Health and Human Services): <http://nccic.org/pubs/cclicensingreq/cclr-famcare.pdf> (Retrieved 12/19/05).
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- ⁴⁶ Community College of Rhode Island press release: http://www.ccri.edu/in_the_news/2005releasestext.shtml (Retrieved 12/19/05).
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- ⁴⁸ 2006 Rhode Island KIDS COUNT Factbook.
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- ⁵⁰ See Rhode Island Department of Human Services website: <http://www.dhs.state.ri.us/dhs/famchild/dcspgm.htm> (Retrieved 12/19/05).
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- ⁶³ See Rhode Island Kids Count website: <http://www.rikidscount.org/matriarch/documents/QRSONePage.pdf> (Retrieved 01/24/05).
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