



## Helping Workers Increase Their Jobs and Move Up the Job Ladder: Improvements to the Starting RIte Subsidized Child Care Program

In these tough economic times, it is more important than ever that workers have opportunities to improve their skills to move up the job ladder and maintain access to affordable child care for their children. The Starting RIte Child Care Program helps parents pay for high quality child care while they are at work. To qualify, parents must be working at least 20 hours per week and have income less than 180% of the federal poverty level (\$32,958 for a family of 3 in 2009). Subsidies can only be used during time spent at work. In 1998, the income eligibility level was set at 225% FPL and was reduced to the current level in 2007 as a budget-saving measure.

The following bills are designed to: (1) help parents who want to increase their job skills through education or training while working and (2) keep child care affordable for families that receive modest pay increases.

**Summary of H 5988 (Fierro); S741 (Lynch):** Allows parents to use subsidized child care during time spent in education/training leading to increased earnings capacity if the parent is working at least 25 hours/week.

- **To increase its economic competitiveness, Rhode Island needs more workers with higher skills.** Close to half of the jobs in Rhode Island (48%) are in middle-skill occupations (those that require more than a high school, but less than a four-year degree). But only 37% of the workforce has the skills to fill those jobs. 148,871 adults need adult education services to achieve a high school diploma or English language proficiency. Allowing parents who are working a minimum of 25 hours/week to access subsidized child care while they go to college, obtain a GED or improve literacy or English language ability creates an opportunity for lower-skilled parents to move up the job ladder.
- **Increased skills means increased earnings:** Adults who earn a GED earn 50% more (\$28,000) than those without a diploma (\$17,847) and adults who have some college earn twice as much (\$34,500).
- **Increased earnings** mean more tax revenue for the state and reduced spending for subsidized health care and child care.

**Summary of H- 6012 (Dennigan); S498 (Lanzi):** Implements an “exit income eligibility limit” of 225% FPL (\$41,197 for a family of 3) for the subsidized child care program to prevent parents from losing eligibility due to cost-of-living increases or raises at work.

- **Addressing the child care “cliff effect”.** This legislation will address the “cliff effect” that occurs when a parent increases her earnings slightly but as a result finds child care costs increasing significantly. For example: Consider what happens when a parent earning twice the minimum wage (\$14.81/hour) receives a raise of 84 cents/hour. Her eligibility for the child care subsidy ends and her child care costs increase from \$211 to \$1,314 a month.

- **Providing an exit income eligibility limit helps families maintain their child care and their job.** Workers faced with a significant increase in child care costs resulting from a modest increase in pay may choose to forgo a raise the family desperately needs or decide not to take on additional work or hours that could help the family meet basic needs.
- **Consistent child care arrangements are important for children, the employee parent and the employer.** Consistent, quality child care is vital to children’s emotional and educational development. Employee parents are better able to work when their children are happy and healthy, which is important for employers as well as families.
- **Implementing a higher “exit income eligibility limit” brings Rhode Island more in line with other New England states.** All the other states except Vermont have a higher “entry” eligibility for child care. The three states that have “exit” income limits, Connecticut, Maine and Massachusetts set those limits, 335% FPL, 262% FPL and 362% FPL respectively, above the proposed “exit” limit for Rhode Island of 225% FPL.

<b>Child Care Subsidy Eligibility Limits in New England</b>						
Percent of 2008 Federal Poverty Level						
	<b>RI</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>VT</b>
<b>2008</b>		223%	232%	213%		
<b>Income</b>	180%	(incoming)	(incoming)	(incoming)	190%	176%
<b>Eligibility</b>		335%	262%	362%		
		(exit)	(exit)	(exit)		

### **Funding for the Proposed Legislation**

- **Economic Stimulus Can Fund These Initiatives:** Rhode Island will receive an additional \$5.2 million over FY09-10 for child care funding through the Child Care Development Block Grant. There are no state matching requirements for this funding but the new funds must be used to supplement, not supplant, state funding. It is expected that CCDBG money will also increase permanently this year, which could help pay for these changes after 2010.
- **Current Child Care Spending:** Spending for child care in FY09 (per November Caseload Estimating Conference):
  - **Total: \$52.2 million**, including **\$7.7 million of state funds** and **\$44.5 million of federal funds**
  - Federal funds include \$13.3 from Child Care Development Block Grant (CCDBG), the TANF block grant (approximately \$25.1 million) and the Social Services Development Block Grant (approximately \$8.8 million) (FY 09 Budget, Technical Appendix, FY09 Recommended)
- **Public investment for child care has declined significantly in Rhode Island** State spending on subsidies for low-income working parents has declined from a high of \$56.2 million in FY2005 to just \$7.6 million in FY2009. Total public investments in child care (including federal funding) have declined from a high of \$80.5 million in FY2004 to \$52.7 million in FY2009.

### **Important Child Care Facts:**

- **Rhode Island families require child care.** According to the American Community Survey 3-Year Estimates (2005-2007), 73.6% 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. That is higher than the U.S. average of 61.1%.
- **Child care is expensive.** Care for a preschooler at a child care center or family child care provider is \$10,400/ year, exceeding the average cost of public college tuition of \$6,698.
- **The child care industry is an important part of Rhode Island's economy.** In March 2009, there were 863 certified family home providers and 380 licensed child care centers in the state, employing well over 12,000 Rhode Islanders.
- **Quality, regulated care is directly related to future success in school.** Research has shown that children who attended higher quality child care settings performed better on measures of both cognitive skills and social skills. High quality child care continues to positively predict children's performance well into their school careers.
- **Participation in the child care program has been declining since 2003 and is below the participation level in 1997, when the Starting Right program began.** In 1997, 7,159 children received subsidies. Enrollment rose to a high of 14,333 in 2003, fulfilling the programs intention of allowing children from lower income families to participate in regulated child care. In 2009, 7,050 children are expected to receive subsidies. (November Caseload Estimating Conference)