

Danyell Punelli, Legislative Analyst*
651-296-5058

Child Care Assistance Comparison

This information brief:

- summarizes 1996 changes in federal child care assistance laws that led states to change their child care assistance programs; and
 - describes current child care assistance programs in seven states, focusing on different approaches states have taken in response to changes in federal law.
-

Summary of Federal Child Care Assistance

The 1996 federal welfare reform act (the Personal Responsibility and Work Opportunity Reconciliation Act) replaced the former Aid to Families with Dependent Children (AFDC) program with a new Temporary Assistance to Needy Families (TANF) program. The act also made a number of changes that affected child care assistance programs.

- The act eliminated the federal entitlement to child care assistance for families receiving benefits under or leaving the income assistance program.
- The act combined the principal federal child care assistance funding sources.
- The act increased state discretion in designing and operating child care assistance programs.

This section of the information brief summarizes these 1996 federal changes.

*Kelly Hessedal, a research assistant in the House Research Department, substantially assisted in the research of this information brief.

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Many House Research Department publications are also available on the Internet at: www.house.leg.state.mn.us/hrd/hrd.htm.

States no longer have an obligation under federal law to provide subsidized child care assistance to cash assistance recipients.

AFDC required states to guarantee child care assistance to cash assistance recipients who needed child care in order to work or participate in education or training activities. Under the 1996 law, states have no affirmative obligation under federal law to provide subsidized child care assistance to families receiving TANF assistance. The states are allowed to maintain an affirmative obligation under state law to provide child care assistance to families receiving TANF assistance, but they are not mandated to do so.

The 1996 law replacing AFDC with TANF made a number of other changes in child care assistance eligibility and payments:

	Former AFDC Law	Current TANF Law
Child care assistance for families in need of education and training	States were required to provide child care assistance to families in need of education or training.	States are allowed to decide whether to extend eligibility to families in need of education or training.
Child care assistance payments to families	States had the option of providing direct payments for child care or disregarding all or a portion of the child care costs paid by the family when determining the family's eligibility and benefit level.	States have the option of providing direct payments, a disregard, or designing some other policy for child care assistance.
Fees or copayments for child care assistance	States were prohibited from requiring recipients who participated in activities other than employment to pay a fee or copayment in connection with child care assistance.	States have the option of requiring a fee or copayment regardless of the activity in which a recipient is participating.
Transition year child care assistance	States were required to continue child care assistance for 12 months after a qualifying family became ineligible for cash assistance due to an increase in earnings.	States are not required to continue child care assistance for families that become ineligible for cash assistance.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act combined four existing child care programs.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act also combined four existing child care programs with different target populations into one program with a single set of eligibility criteria, allowing states to serve families through a single, integrated child care system. Under the new single, integrated system:

- The Child Care Development Fund (CCDF) provides federal funds to states for child care subsidies, through certificates or contracts with providers.
- CCDF funds may be used for families who are working or preparing for work and who have incomes up to 85 percent of a state's median income.
- States have flexibility to set their own eligibility requirements, although CCDF requires states to use a significant portion of their funds for welfare related to child care needs.
- States are provided three types of funds—mandatory, matching, and discretionary.
- States are required to devote at least 70 percent of the federal mandatory and matching funds to provide child care assistance to families who are receiving cash assistance, attempting to transition off cash assistance, or at risk of becoming dependent on cash assistance.
- States are allowed to receive almost two-thirds of their CCDF allocation without spending their own funds. In order to receive the remaining funds, states must maintain expenditures for child care programs at specified levels and spend additional state funds above those levels.
- CCDF made available \$3.5 billion to states in fiscal year 2000.

Three of the four child care programs (AFDC/Job Opportunities and Basic Skills Training program, Transitional Child Care, At-Risk Child Care) were repealed as a result of the 1996 federal changes. The fourth program, the Child Care and Development Block Grant, had assisted families with incomes at or below 75 percent of the state median income who were working or in approved education or training activities. This program was modified and became the Child Care Development Fund.

In addition to CCDF, TANF provides states with a funding opportunity for child care programs that expands child care assistance to low-income families.

TANF, created in 1996 through the Personal Responsibility and Work Opportunity Reconciliation Act, provides states with a funding opportunity for child care programs that expands child care assistance to low-income families. States may transfer up to 30 percent of their TANF funds to CCDF, in order to increase the funding available for child care assistance. States also have the flexibility to spend TANF funds that are not transferred to CCDF on child care assistance for needy families. Transferred funds are used in accordance with the rules of the receiving block grant program. For example, TANF's five-year lifetime limit does not apply to services paid for by transferred funds. Congress will reexamine both TANF and CCDF in 2001 for reauthorization.

The following section describes the child care assistance programs in Illinois, Maryland, Minnesota, Ohio, Rhode Island, Vermont, and Wisconsin in order to illustrate some of the different program designs states have chosen for their child care assistance programs.

State Summaries

Illinois¹

Overall Structure of the Program

Child care assistance is designed as one consolidated program with no distinction between TANF cash assistance recipients and non-TANF low-income families.

General Eligibility

Any Illinois family with both parents (or one parent in single-parent households) participating in an authorized work, education, or training activity is eligible for assistance if that family falls within the income guidelines.

The maximum monthly family income to be eligible for assistance is 50 percent of state median income (157 percent of the federal poverty level), which is \$1,818 per month for a family of three. All families with an income below 50 percent of state median income are eligible for assistance regardless of prior TANF status. Monthly income from employment is reduced by 10 percent when determining eligibility. Therefore, a family of three earning \$2,000 could still be eligible for assistance.

Requirements Related to Education and Training Programs

For a TANF family, as long as the activity is approved by the caseworker and is part of the client's Responsibility and Service Plan, required child care is approved.

For non-TANF families, Illinois allocates \$7.5 million for education/training related child care. Non-TANF families may participate in education below the post-secondary level or occupational/vocational training without a work requirement for two years. After two years, they are required to work 20 hours per week. They may enroll in two- and four-year college degree programs but must work a monthly average of 20 hours/week (which can include student teaching or internships).

Age Limit for Eligible Children

The age limit for eligible children is up to age 13, up to age 19 for disabled children.

System for Receiving Child Care Subsidies

Families receive child care subsidies one of two ways, (1) through the use of certificates or (2) contracts. Under the certificate system, eligibility is determined by one of the child care resource

¹ Source: Linda Saterfield, Bureau of Child Care and Development, State of Illinois.

and referral agencies located throughout the state. Under the site-administered contract system, families may apply for licensed care from a statewide network of more than 200 contracted providers. Eligibility is determined on-site by the contracted provider.

Provider Reimbursement Rates

Payments to providers vary according to hours spent in care, age of the child, provider type, and county. Payments are not based on the market rate survey. Currently, there is discussion about reimbursing accredited providers at a higher rate. However, no final decisions have been made.

Recipient Copayments

All parents are required to make a copayment. Copayments are based on income, family size, number of children in care, and number of hours in care. No family pays a copayment of more than 14 percent of monthly gross income.

Funding

The fiscal year 2000 state funding level (not including federal funds) for child care assistance was \$262.4 million. Fiscal year 2000 federal allocations included \$153.2 million in federal CCDF funds and \$117 million in federal TANF transfers to CCDF. In fiscal year 2000, Illinois received an additional \$21.6 million High Performance bonus and a \$20 million bonus for fewer out-of-wedlock births. Approximately 158,000 children were served at an average cost of \$3,634 per child. Child care assistance is not a forecasted program but it is considered a fully funded program; however, the Illinois Department of Human Services (the agency responsible for administering the program) has been given the authority to change eligibility requirements in order to stay within the child care assistance appropriation.

Waiting List

There is no waiting list for child care assistance.

Maryland²

Overall Structure of the Program

The Child Care Administration (CCA) in the Maryland Department of Human Resources administers the Purchase of Child Care (POC) subsidy program through local departments of social services. The local departments, which are located in each of Maryland's 24 jurisdictions, determine eligibility and provide financial assistance to applying low-income families.

² Source: Linda Zang, Department of Human Resources, State of Maryland.

CCA has the responsibility of licensing and regulating child care centers and family child care homes, administering federal funds for child care assistance for low-income families, and providing funding for child care quality improvements.

General Eligibility

The eligibility requirements for child care assistance include Maryland residency; participation in an authorized work, training, or education activity; meeting income eligibility guidelines; and cooperation with child support enforcement. The income eligibility limit is set at approximately 45 percent of state median income (approximately 175 percent of the federal poverty level), which is \$2,095 per month for a family of three.

The first priority for assistance is given to families who are receiving TANF. Families transitioning off of TANF cash assistance are prioritized for income-eligible child care as long as they continue to meet income guidelines. A family may receive child care assistance for an unlimited amount of time.

Age Limit for Eligible Children

Children up to age 13 are eligible for child care assistance (up to age 19 for disabled children).

System for Receiving Child Care Subsidies

Direct reimbursement of child care costs to child care providers is the sole method of child care assistance payments.

Provider Reimbursement Rates

The maximum reimbursement rate for child care assistance is capped at the 75th percentile of the cost of care in each region of the state.

Currently, there is discussion about providing higher reimbursement rates for accredited providers; however, no final decisions have been made. A Maryland credential for child care providers and a tiered reimbursement system for providers who accept subsidized children are being developed for July 1, 2001 implementation. Accreditation is the highest level of the tiered reimbursement system. Support and incentives for obtaining the credential and for pursuing accreditation will be provided.

Recipient Copayments

Families receiving TANF cash assistance or Supplemental Security Income are exempt from making copayments. Copayments are based on income and family size as a percentage of the average cost of care.

Copayments are capped at 43 percent of the cost of care for the first child in care and at 33 percent of the cost of care for the second and third children in care. There is no copayment assigned for fourth and subsequent children.

Funding

The fiscal year 2000 state funding level for child care assistance was \$29.9 million. Federal allocations for fiscal year 2000 included \$60.5 million CCDF funds and a TANF transfer to CCDF of \$45.8 million. Approximately 26,937 children were served at an average cost of \$5,056 per child served. The Department of Human Resources uses the Regional Economic Studies Institute for assistance with caseload and budget forecasts three to five years in advance.

Waiting List

Currently, there is no waiting list for child care assistance.

Minnesota³

Overall Structure of the Program

Minnesota administers two child care assistance programs, Minnesota Family Investment Program (MFIP) child care assistance and Basic Sliding Fee (BSF) child care assistance. MFIP child care subsidizes the child care costs of families receiving cash assistance through MFIP and provides child care assistance for eligible families for the first 12 months after the family leaves MFIP cash assistance. BSF child care provides a child care subsidy to low-income working families who are not receiving cash assistance from MFIP. A family may receive child care assistance for an unlimited amount of time, although families may only participate in transition year child care for 12 months.

General Eligibility

To be eligible for child care assistance, both parents (or one parent in single-parent households) must participate in an authorized work, education, or training activity, cooperate with child support enforcement, and meet income eligibility guidelines. The maximum income limit to be eligible for child care assistance is 75 percent of state median income (approximately 266 percent of the federal poverty level), which is \$3,525 per month for a family of three. Transition year child care is guaranteed for 12 months for families leaving MFIP cash assistance.

Age Limit for Eligible Children

Children up to age 13 are eligible for child care assistance (up to age 15 for disabled children).

³ Source: Elizabeth Roe, Department of Children, Families and Learning.

System for Receiving Child Care Subsidies

County agencies or their contractors must determine eligibility within 30 days of receiving a request. Eligibility for child care assistance must be redetermined when a family reports a change or at least once every six months. Direct reimbursement of child care costs is the sole method of receiving child care assistance.

Provider Reimbursement Rates

The maximum reimbursement rate for child care assistance is capped at the 75th percentile of the cost of similar care in each county, based on an annual survey of providers. Accredited providers receive a 10 percent bonus above the maximum rate established, up to the actual rate of care.

Recipient Copayments

There is a family copayment requirement based on family size and income. The maximum monthly copayment is about 20 percent of gross monthly income. Families with incomes below 75 percent of the federal poverty level are exempt from making copayments.

Funding

MFIP child care, which includes transition year child care, is a forecasted, fully funded program, while BSF child care and set-aside programs are capped allocations. The set-asides include portability pool, at-home infant care, and transition year set-aside child care assistance. The total expenditures in state fiscal year 2000 for all child care assistance were \$159 million, which is an average cost of \$6,057 per family served. The fiscal year 2000 state funding level for all child care assistance was \$88.1 million, with approximately 26,250 families served.

Federal funds also fund child care assistance. The allocation from the federal CCDF was \$59 million in federal fiscal year 2000. In addition, there was \$42.4 million in TANF transfers to CCDF in state fiscal year 2000 for the child care assistance programs. Some of these funds supplanted state funds in the BSF program.

Waiting List

As of July 31, 2000, there was a waiting list of 1,944 families who wanted BSF child care assistance.

Ohio⁴

Overall Structure of the Program

The child care program is one consolidated program called Child Care Services. It is administered at the county level and supervised by the state.

General Eligibility

Eligibility for subsidized child care is determined at the county level. The eligibility requirements for child care assistance include participation in an authorized work or education activity and income requirements. Income eligibility is set at 185 percent of the federal poverty level, which is \$2,105 per month for a family of three.

Transition year child care is guaranteed to some families. There is a 12-month time limit and an income limit of 150 percent of the federal poverty limit.

Age Limit for Eligible Children

Children up to age 13 are eligible for child care assistance (up to age 18 for disabled children).

System for Receiving Child Care Subsidies

The county contracts with a provider chosen by the family and establishes a billing process with the provider. The county pays the provider directly, minus the family copay. The family is responsible for paying the copayment directly to the provider.

Provider Reimbursement Rates

Maximum reimbursement to providers is based on a market rate study conducted by the Office of Child Care Services. Currently, Ohio pays at the 75th percentile of the market rate. Furthermore, the reimbursement is 75 percent of the market rate of the providers' usual and customary rate to the public. Accredited providers can receive up to an additional 5 percent payment, up to their usual and customary charge to the public.

Recipient Copayments

Copayments vary according to family income and the number of children in care. The maximum monthly copayment is equal to 10 percent of monthly gross income and is set at a maximum of up to two children. If a family has more than two children in care, there is no co-payment for the additional children in care.

⁴ Source: Michelle Albast and Stephanie Shafer, Bureau of Child Care, Department of Job and Family Service, State of Ohio.

Funding

The fiscal year 2000 state funding level for child care assistance was \$98.3 million. The fiscal year 2000 federal CCDF allocation was \$154.5 million and the TANF transfer to CCDF was \$77.5 million. Approximately 57,143 children were served at an average cost of \$5,779 per child.

Waiting List

Ohio does not have a waiting list at this time.

Rhode Island⁵

Overall Structure of the Program

The Rhode Island Child Care Subsidy program is one consolidated program with a few minor differences in parental eligibility for the program between families receiving cash assistance and low-income working families not receiving cash assistance. All families earning less than 225 percent of the federal poverty level are guaranteed child care assistance, therefore, there is no break in service for families transitioning off of cash assistance as long as they continue to meet eligibility requirements.

General Eligibility

To be eligible for child care assistance, parent(s) must participate in an authorized work or education activity and meet income guidelines. The maximum income eligible is 225 percent of the federal poverty level, \$2,653 per month (\$31,838 annually) for a family of three. All families earning less than 225 percent of the federal poverty level are guaranteed child care assistance regardless of prior TANF status. A family may receive child care assistance for an unlimited amount of time.

Age Limit for Eligible Children

Children up to age 16 are eligible for child care assistance.

System for Receiving Child Care Subsidies

Parents receive certificates entitling them to a specified range of child care hours that are needed according to their activity. Employed, Family Independence Program (FIP) (state TANF program) clients can utilize a capped child care disregard from their income to determine their ongoing eligibility for FIP. All other clients that are eligible for a child care subsidy are responsible for their copayment with the remainder being a direct payment to the provider.

⁵ Source: Carole Ponto and Reeva Murphy, Department of Human Services, State of Rhode Island.

Provider Reimbursement Rates

The maximum reimbursement rate is established at the 75th percentile of the market rate. Rates are adjusted as necessary based on a biennial survey.

Recipient Copayments

Copayments are based on income and the care time authorized per child. A secondary rate adjustment of the copayment is done for the second (75 percent), third (50 percent), and fourth (25 percent) child. Families with incomes below 100 percent of the federal poverty level are exempt from making copayments. There are no controls on the maximum copayment amount, however, the rates are set so that most families will not exceed 10 percent of their income.

Funding

The fiscal year 2000 state funding level for child care assistance was \$23.2 million, with total expenditures of \$49.3 million. Approximately 9,900 children were served at an average cost of \$4,980 per child. The fiscal year 2000 federal CCDF allocation was \$13.6 million and the TANF transfer to CCDF was \$16.1 million.

The child care subsidy program is an entitlement in Rhode Island. Biennial estimating conferences allocate additional funding to the department's budget if the usage has increased.

Waiting List

Rhode Island has no waiting list for child care assistance.

Vermont⁶

Overall Structure of the Program

Vermont's child care program is one consolidated program.

General Eligibility

To be eligible for child care assistance, parent(s) must participate in an authorized work or education activity and meet income guidelines. The maximum income eligible to receive child care assistance is 83 percent of state median income (224 percent of the federal poverty level), which is \$2,586 per month for a family of three. There is no time limit on any service provided.

⁶ Source: Carole Pomeroy, Department of Social and Rehabilitation Services, State of Vermont.

Child care is guaranteed for up to 12 months or an income level of \$2,160 per month for a family of three, whichever comes first, for families transitioning off of TANF cash assistance. Families in need of child protective services are limited to six months of subsidized child care.

Age Limit for Eligible Children

Children up to age 13 are eligible for child care assistance in Vermont (up to age 19 for special needs children).

System for Receiving Child Care Subsidies

Direct payment of child care costs is the primary method of child care assistance payments. Vermont also has contracts with some accredited and Head Start programs that offer full-day, full-year child care. Both vouchers and contracts with providers are used.

Provider Reimbursement Rates

Provider reimbursement rates vary according to time spent in care, type of care, age of the child, and whether the family has protective services or special needs. Accredited and family day care providers receive a quarterly 15 percent bonus. Payments are not yet based on a percentage of the market rate or a market rate study.

Recipient Copayments

Copayments are determined by the child care provider and the parent; Vermont does not impose a fixed amount. In the case of a contracted slot, the copay is the difference between what Vermont pays and the fee scale percentage into which the family falls.

Funding

The fiscal year 2000 state funding level for child care assistance was \$6.3 million. The fiscal year 2000 federal CCDF allocation was \$6 million and the TANF transfer to CCDF was \$6.4 million. Approximately 6,840 children were served in fiscal year 2000 at an average cost per child of \$2,738. Child care assistance is a fully funded program in Vermont.

Waiting List

Currently, there is no waiting list.

Wisconsin⁷

Overall Structure of the Program

Wisconsin's child care assistance program, called Wisconsin Shares, is designed as one consolidated program. All families earning under 185 percent of the federal poverty level are eligible for child care assistance regardless of prior TANF cash assistance status.

General Eligibility

To be eligible for child care assistance, parent(s) must work, participate in approved education and training programs, or participate in work preparation programs under the state's Wisconsin Works program. Teen parents are eligible for child care in order to attend school. Adults in education and training programs must also work in order to be eligible. All participants must meet income eligibility requirements. The maximum income limit for a family receiving child care assistance is 185 percent of the federal poverty level at initial application, \$2,181 per month for a family of three, and 200 percent of the federal poverty level at redetermination, \$2,358 per month for a family of three. A family may receive child care assistance for an unlimited amount of time, except for recipients attending a technical college or other work-related education. The time limit is two years for recipients in those programs. Nonfinancial eligibility requirements include cooperation with child support, citizen or qualified alien status, and residency requirements.

Age Limit for Eligible Children

Children up to age 13 are eligible for child care assistance (up to age 19 for disabled children).

System for Receiving Child Care Subsidies

Direct payment of child care costs to child care providers is the sole method of child care assistance.

Provider Reimbursement Rates

The maximum reimbursement rate is set at the 75th percentile of the local market rate, based on an annual survey of providers. Maximum reimbursement rates are increased by 10 percent for accredited providers that meet higher quality standards.

Recipient Copayments

Most families are required to make copayments. Copayments are based on income and family size. The maximum copayment is equal to 12 percent of monthly gross income. Foster parents, court-ordered kinship care parents, teen parents attending school enrolled in the Learnfare

⁷ Source: Dave Edie, Department of Workforce Development, State of Wisconsin.

program, and Food Stamp Employment and Training participants are not required to make copayments.

Funding

The fiscal year 2000 total funding level for child care assistance was \$191.1 million, all but \$23 million was used for child care subsidies. The state contributed \$16.4 million in maintenance of effort funding (at the end of fiscal year 2000, the legislature acted to allow local government entities to contribute matching funds in order to draw down federal CCDF funds). The fiscal year 2000 federal CCDF allocation was \$39.3 million and the TANF transfer to CCDF was \$63.7 million. An additional \$71.7 million in TANF was used directly for child care. In addition, \$8.5 million was added to cover shortfalls. Approximately 31,236 children were served monthly, which is an average cost of \$6,118 per child served.

In each biennial budget, the legislature and the governor allocate a sum certain amount for child care assistance. During the summer of 2000, the Wisconsin Department of Workforce Development and the governor requested additional funding from the Joint Finance Committee because projections indicated child care allocations would be exceeded. The Joint Finance Committee added over \$20 million to the child care subsidy fund.

As Wisconsin approaches the next biennium, initial estimates have budget planners worried. Currently, TANF is over 70 percent of child care funding and child care expenditures continue to increase. The next budget will test whether Wisconsin can proceed with full funding without waiting lists or adjustments in child care subsidy policies (eligibility, copays, reimbursement rates).

Waiting List

Currently, there is no waiting list to receive child care assistance.

States	Overall Structure	Maximum Income Eligibility	Age Limit	Maximum Recipient Copayment	FY 2000 Funding	Children Served/Average Cost FY 2000	Waiting List
Illinois	One consolidated program	157% of the federal poverty level	Up to age 13, 19 for disabled children	14% of monthly gross income	\$262.4 million state funding \$153.2 million CCDF \$117 million TANF transfer	158,000 \$3,634	None
Maryland	One consolidated program	175% of the federal poverty level	Up to age 13, 19 for disabled children	43% of the cost of care for the first child and 33% for the second child in care	\$29.9 million state funding \$60.5 million CCDF \$45.8 million TANF transfer	26,937 \$5,056	None
Minnesota	Two child care assistance programs, MFIP and BSF	266% of the federal poverty level	Up to age 13, 15 for disabled children	About 20% of monthly gross income	\$88.1 million state funding \$59 million CCDF \$42.4 million TANF transfer	26,250 \$6,057	1,944 families
Ohio	One consolidated program	185% of the federal poverty level	Up to age 13, 18 for disabled children	10% of monthly gross income	\$98.3 million state funding \$154.5 million CCDF \$77.5 million TANF transfer	57,143 \$5,779	None
Rhode Island	One consolidated program	225% of the federal poverty level	Up to age 16	10% of monthly gross income	\$23.2 million state funding \$13.6 million CCDF \$16.1 million TANF transfer	9,900 \$4,980	None
Vermont	One consolidated program	224% of the federal poverty level	Up to age 13, 19 for disabled children	No fixed amount	\$6.3 million state funding \$6 million CCDF \$6.4 million TANF transfer	6,840 \$2,738	None
Wisconsin	One consolidated program	185% of the federal poverty level at initial application and 200% at redetermination	Up to age 13, 19 for disabled children	12% of monthly gross income	\$191.1 million state funding \$39.3 million CCDF \$135.4 million TANF transfer	31,236 \$6,118	None

Note: CCDF and TANF are federal funding sources.