

# Policy Ideas for Quality Child Care and Early Childhood Development to Help Two Generations Succeed

Part of the series: **Children & Families at the Center**  
Recommendations for Communities, States, and the Administration

Evidence shows a child's healthy development hinges on stable relationships and supportive environments. Effective, high-quality early childhood development services, particularly from pre-natal to three years old, bring lifetime benefits to children, their families, and society.<sup>1</sup> Data also shows the positive effect a parent's educational attainment, economic stability, and mental and physical health have on a child's development.<sup>2</sup> Additionally, when a child is thriving, it has a positive impact on the parent.<sup>3</sup> This concept of mutual motivation is at the heart of the two-generation approach. However, the increasingly high cost of child care services is making it progressively harder for families with low incomes to access high-quality early childhood development programs.

*"I would be able to get a job and help financially and then we could get out of the house that we are in."*

— Cleveland Mom on benefits of more affordable child care.

**The Need:** For young children to experience the critical brain development proven to increase success later in life — and parents to maintain career jobs with upward mobility — families need better access to affordable, high-quality early childhood development opportunities and services.

Skyrocketing costs of child care are significantly limiting access to quality early childhood development services for families with low incomes. In 33 states and the District of Columbia, infant care is costlier than in-state public university tuition. A recent survey finds 54 percent of families spend more than 10 percent of their household income on child care — and 1 in 5 said they spend a quarter of their income or more.<sup>4</sup> This is not sustainable. Working families should not have to compromise on quality to cut costs — or put one parent's career on hold if his or her salary does not cover child care expenses.

**The Opportunity:** Using data on what is and is not working as well as input from parents, teachers, child care workers, and other stakeholders, states have an opportunity to align existing funding streams, regulations, and policies to create comprehensive, accessible, high-quality early childhood development programs that feature wrap-around services such as education and workforce

## Principles to Accelerate Placing Children & Families at the Center of Our Policies

- **Set and track outcomes for children, parents and families** using previously uncoordinated data sets from across multiple state agencies.
- **Leverage public-private partnerships** to test innovations and implement rapid-cycle learning and evaluation to find what works best and replicate it.
- **Apply an equity and inclusion lens** that considers race, ethnicity, gender, and geography across institutionalized structures to remove systemic barriers and combat intergenerational poverty.

## Strong Returns on Early Child Care and Education<sup>1</sup>

- Long-term analysis suggests early childhood education increases earnings in adulthood by 1.3 to 3.5 percent (more than the costs of such programs).
- Access to high-quality child care brings immediate economic benefits, including increased rates of employment and higher incomes for working parents, particularly working moms.
- Improving cognitive and socio-emotional development investments in early childhood education may reduce involvement with the criminal justice system. Lower crime translates into safer communities as well as lower costs to the criminal justice system.
- Economists agree: investments in quality, comprehensive early child care and learning will lead to a more educated population, stronger workforce, and an engaged society.

training as well as the social supports families need to achieve a legacy of economic stability that passes from one generation to the next.

In recent years, policymakers have worked in a bipartisan manner to make strong progress toward getting more families the care and services they need to ensure their young children get a good start in life — particularly those families who need it most. Both the Child Care and Development Block Grant (CCDBG) and the federal Head Start program have issued regulations to increase the quality of those programs, such as extended eligibility in child care and increased focus on meeting the needs of the whole family in Head Start. And all 50 states, the District of Columbia, and U.S. territories have successfully implemented the Maternal Infant and Early Childhood Home Visiting program (MIECHV), which is proven to help children and their families by improving health and development, preventing child injuries, reducing emergency room visits, reducing domestic violence, and improving families' economic self-sufficiency. Many of these reforms give states room for flexibility and innovation in how services are designed and implemented, allowing states to test different models of care.

In addition, the Every Student Succeeds Act (ESSA), enacted in 2015, brought new opportunities to support early learning. Under ESSA, Title I funding can be used to operate preschool programs for eligible children or improve the quality or extend the duration of services. States can also use Title I funds for professional development for preschool and elementary school teachers and for health, nutrition, and other comprehensive services for children in Title I preschool programs. The regulation requires that states engage communities in their planning efforts.

## RECOMMENDATIONS FOR STATE ACTION

**Expand access to early childhood development services to give all kids the brain-building opportunities they need to succeed later in life while at the same time offering parents the ability to hold a job or go to**

**school and avoid child care disruptions.** States can do this in four specific ways: the administration of TANF funds, implementation of state WIOA plans, aligning wrap-around services, and considering the “cliff effect”.

### REVISE ADMINISTRATION OF TANF FUNDS.

Child care is among the core benefits and services Temporary Assistance to Needy Families (TANF) supports, along with basic assistance and work-related activities. As a whole, states typically spend less than half of their TANF and Maintenance of Effort funds on these activities. In 2014, just 16 percent of TANF budgets went to supporting child care in states.<sup>5</sup> States can immediately expand early childhood development services by updating practices for administering TANF.

- Waive copayments for TANF families and ensure no family is paying more than 7 percent of its income to child care.
- Revise state reimbursement rate policies and increase rates as appropriate to ensure subsidies are high enough to cover the cost of quality care that includes access to comprehensive wrap-around services.

### USE IMPLEMENTATION OF STATE WIOA PLANS TO INCREASE ACCESS TO CHILD CARE.

For many parents of young children, access to affordable, high-quality early childhood development services is a major factor in where and when they are able to work — especially for single-parent families. The Workforce Innovation and Opportunity Act (WIOA), signed into law in 2014 with virtually unanimous bipartisan support in Congress, includes a variety of supports for families with low incomes, including opportunities for states to reimagine child care subsidies to better meet their needs. As states implement their WIOA plans, they can help parents with low incomes access the quality early childhood development services they need to gain better employment and educational opportunities and ensure their children receive critical learning opportunities.

- Use WIOA resources to incentivize partnerships with child care providers that deliver high-quality early childhood development programming.
- Remove state restrictions on child care subsidies related to education and training to allow parents to pursue the advanced degree or training they need to secure stable employment.
- Establish an innovation fund focused on place-based strategies to support young children and families and allow communities to more systematically assess and plan for the expansion of services, help bring people together across siloed services and agencies, and create a network of organizations within communities working together to help young children and their parents thrive.

### ALIGN WRAP-AROUND SERVICES.

Early childhood development programs — such as home visiting, early intervention, child care, Head Start/Early Head Start, and preK — can all fuel two-generation (2Gen) approaches that support children and their parents together. 2Gen approaches bridge the efforts of early childhood development with other systems, such as postsecondary education and workforce development programs that focus on parents in their role as breadwinners. Aligning wrap-around services, such as mental health and health supports, education and work training, housing transitions, and community support, will help families build and maintain the supports children and their parents need.

- Align systems to make it easier for several agencies to come together to offer a “bundle” of services for children and families and protect family economic gains.
- Urge two- and four-year educational institutions to work toward implementing wrap-around services that provide consultation, manage on-campus centers, or partner to provide care for the children of students.
- Provide students who are parents early childhood development and other supports.
- Support evidence-based and innovative tools that help build financial education and savings assets for both children and adults simultaneously.
- Maximize opportunities for whole-family diagnosis and treatment of mental health. Parental, especially maternal, depression is a two-generation issue, harming the quality of parenting and sometimes inhibiting positive child development.

## State Models of Early Child Care and Learning Innovation

- **Colorado** improved provider reimbursement rates and set a new statewide income eligibility limit for entering the program. The state is currently running a pilot program of different approaches for increasing parent copayment amounts and keeping families eligible for programs.
- **Ohio**, which already has a low initial eligibility limit of 130 percent of the federal poverty level, has an ongoing eligibility limit of 300 percent of the federal poverty level. The state also has generous policies related to hours and authorized activities, such as no minimum or maximum activity hour requirements for child care subsidy support, and allows hours for travel and rest.
- **Washington, DC**, is making child care subsidies more accessible, especially related to income treatment and copayments. DC does not count income from other areas (e.g., TANF, SNAP, SSI) in determining initial program eligibility, making it more likely a family will be found eligible.

**The Cliff Effect.** When states apply eligibility criteria without considering an individual family's true financial picture, a modest increase in earning can leave families ineligible for needed benefits, causing them to fall back rather than move ahead. This is known as the cliff effect.

For example, for a mother receiving an extra \$650 monthly in a child care subsidy, a small bump in salary that adds \$440 more to her monthly take-home pay could push her over the eligibility limit and cause her to lose her subsidy. Instead of gaining \$440 a month, the family is now \$210 behind.

State and local agencies need metrics to ensure dollars are going to the families who need them the most. A benefit slope — a term coined by the nonprofit behavioral design firm Ideas42 — would ensure families who attain a living wage continue to receive support until they have built up a buffer to help them to maintain long-term financial stability.

### MAKE IT EASIER FOR FAMILIES TO ACCESS THE BENEFITS THEY QUALIFY FOR.

To apply for a child care subsidy, families must complete an application; provide documentation of income, employment, and work hours; report changes in circumstances; and often provide the same information all over again when eligibility is re-determined. A procedural misstep — such as failing to provide a paystub — can cause families to lose their child care benefit.

- Simplify the benefit application process to serve more eligible families and make it easier for families to maintain eligibility so bureaucracy is not hamstringing programs and compromising results.
- Look for opportunities to eliminate or ease restrictions on some supports (i.e., requiring an individual to attend a class in order to receive a benefit or limiting funds to specific goods or services).

#### Endnotes:

<sup>1</sup> See "The Heckman Equation" details and materials. Available at: <http://www.heckmanequation.org>. See also Rolnik, A. and Grunewald, R. (2003). *Early Childhood Development. Economic Development with a High Public Return*. Federal Reserve Bank of Minnesota. Available at: [http://www.minneapolisfed.org/publications\\_papers/pub\\_display.cfm?id=3832](http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=3832)

<sup>2</sup> See, for example, Magnuson, K. (2003). *The Effect of Increases in Welfare Mothers' Education on their Young Children's Academic and Behavioral Outcomes*. University of Wisconsin, Institute for Research on Poverty Discussion Paper, 1274-03.

<sup>3</sup> Sommer, T.E. & Chase-Lansdale, P.E., Northwestern University, personal communication, January 9, 2012.

<sup>4</sup> Gould, E. & Cooke, C. (October 2015). *High Quality Child Care is Out of Reach for Working Families*. Economic Policy Institute. Available at: <http://www.epi.org/publication/child-care-affordability/>

<sup>5</sup> *Temporary Assistance for Needy Families Information Memorandum No. TANF-ACF-IM-2016-03*. (April 12, 2016). U.S. Department of Health and Human Services Administration for Children and Families Office of Family Assistance.