

# Childcare Subsidies in Missouri

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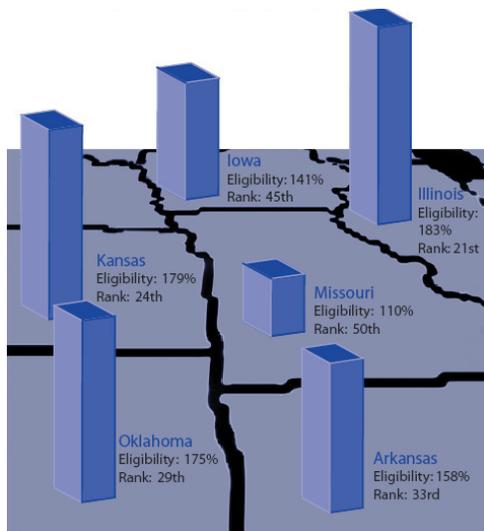
Katharine Ann Ball

Nationwide, 70.5% of women with children were in the labor force in 2006. Three out of four working mothers work more than 30 hours per week, and over 90 percent of their families use some kind of child care. Access to child care facilities, welfare recipients' entrance into the workforce, and regular child care arrangements are associated with greater job stability and retention.<sup>1</sup> Additionally, in Missouri, the total family income of approximately 42,735 children ages 0-13 is between 112% and 130% of the federal poverty level (FPL).

In Missouri, child care subsidies are provided to low-income families by the Department of Social Services and are funded through the federal Child Care and Development Fund. The program is based on need for care, which includes employment, job training, education and other work activities. Federal guidelines recommend that states establish eligibility standards to include families with an annual income of up to 85% of the state median income level, which was \$43,266 in 2006 for a family of four. Currently, Missouri's income eligibility is approximately 40% of the state median income level, or \$31,898.<sup>2</sup> Missouri ranks 50th in the United States for providing child care subsidies to low-income families. Subsidies are provided for families up to 110% of the FPL in Missouri.

The average annual cost of child care in Missouri for two children is over \$7,000. However, if a single, working mother with two children makes \$18,500 a year, she would not qualify for any state assistance.<sup>3</sup> With the passage of more stringent work requirements for TANF, low-income families in Missouri will face new child care challenges in the coming years despite the recent raise in the minimum wage.<sup>4</sup>

**Figure 1.** Comparison of Surrounding States in Child Care Subsidies



Partnership for Children. (2007). Missouri's Child Care Subsidy Program: Benefits for Families, Businesses, & Tax-Payers. Issue at a Glance. January 2007.

## Eligibility Criteria for Missouri Parents

Currently, Missouri requires parents to share the cost of child care through a sliding fee scale based on family income. Parents are responsible for paying the difference between the provider's actual charge and the state's maximum payment rate. For example, a single mother with two children at the upper limit of the eligibility (\$18,500/yr) would have to pay a total of \$796 monthly, with \$210 paid by her and \$586 paid by the state.

Figure 2 illustrates the impact of Missouri's sudden cut off of child care subsidies for the working poor. With the current rule, parents who are at 111% of the FPL have to pay 40% of their income for child care, which is a disincentive for individuals to continue employment if they make more than the 110% eligibility cut-off. Thus, two-parent families may opt for one of the parents to stay home and not work, others may turn down raises in order to maintain eligibility, and still others may cut back to 20-30 hours of paid employment to keep their eligibility. With each of these scenarios the Missouri economy suffers due to fewer individuals in the workforce. Working parents are more productive employees, make higher wages, and in turn make greater contributions to the economy.<sup>5</sup> A child care subsidy program that will smooth the line seen in Figure 2 is needed so that making more money is not a disincentive to working. Families and the state would see advantages to making the current transition less abrupt.

## Actual Costs of Child Care in Missouri

To place the cost of child care in Missouri in context, Figure 3 shows the weekly cost for child care in Columbia, Kansas City, and St. Louis at a national chain. On average, families are asked to pay \$932 for one child (infant) and \$1618 for two children (one infant and a three-year-old).

Figure 3 is a depiction of information gathered from a telephone survey conducted in March 2007. Eight child care facilities in three Missouri cities were called and asked for the average cost to attend their facilities for one and two children.

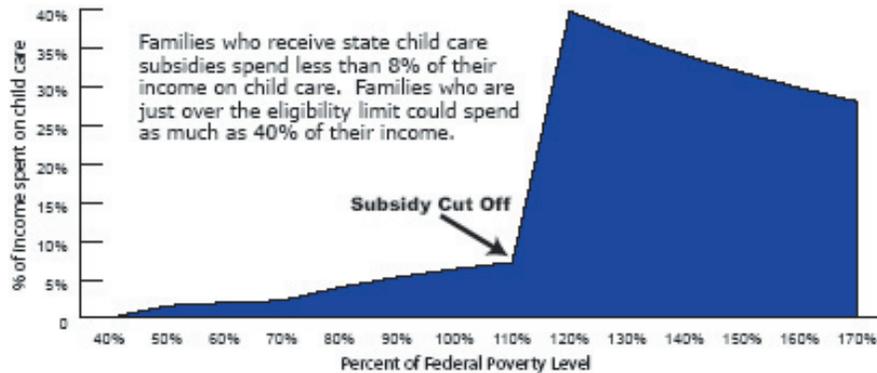
## Child Care is an Economic Investment

Figure 4 shows the direct impact that the child care industry has on Missouri's economy. Child care has a large impact on the economy of Missouri, as it employs individuals, leverages federal funds, pays state taxes, and keeps employees in the Missouri economy.

## Proposed Changes to Eligibility

Under the current State Child Care Subsidy program, families face a spike in cost when they surpass the state's income eligibility limit for assistance. Families could end up suddenly paying five times as much for child care with only a small increase in income. One solution to the current problem is the Child Care Subsidy Bill, which has been proposed by the

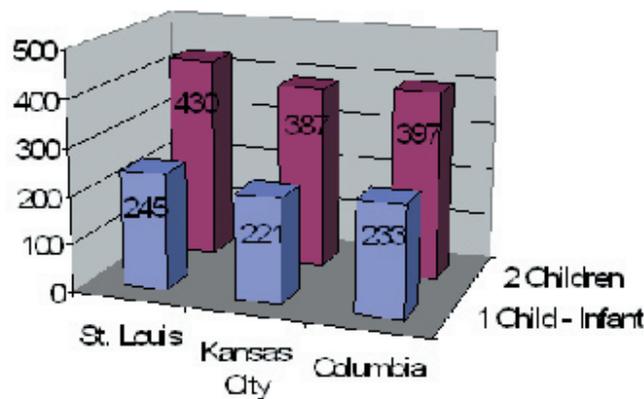
Figure 2. Current Child Care Subsidy Cutoff



Partnership for Children. (2007). Missouri’s Child Care Subsidy Program: Benefits for Families, Businesses, & Tax-Payers. Issue at a Glance. January 2007.

Figure 3. Cost per Week for Child Care in Three Missouri Cities

**Child Care Cost Per Week in Three Missouri Cities**



General Assembly of Missouri. This bill would lessen this spike in cost and gradually wean families off the subsidy as their income increases.

The new system is illustrated well in the Missouri Senate Bill 260, proposed in 2007. The bill, which did not become law, would have increased the income eligibility guidelines from the current level of 110% of the FPL to 130% of the FPL, thus allowing an increased number of eligible families to access full services. Additionally, the proposal allowed families already accessing services to maintain eligibility until their incomes reach 185% of the FPL. For eligible families whose incomes reach 130% of the FPL, the amount of child care assistance would have been reduced at a proportionate rate until their incomes reach the income eligibility ceiling of 185% of the FPL. However, any eligible family whose income is between 130%

and 185% could receive reduced benefits, even if they had not received benefits before.<sup>5</sup>

The following is a list of the projected poverty levels for a family of four in the spring of FY07. It also indicates the fiscal impact on a family of four, based on where they are on the FPL scale.

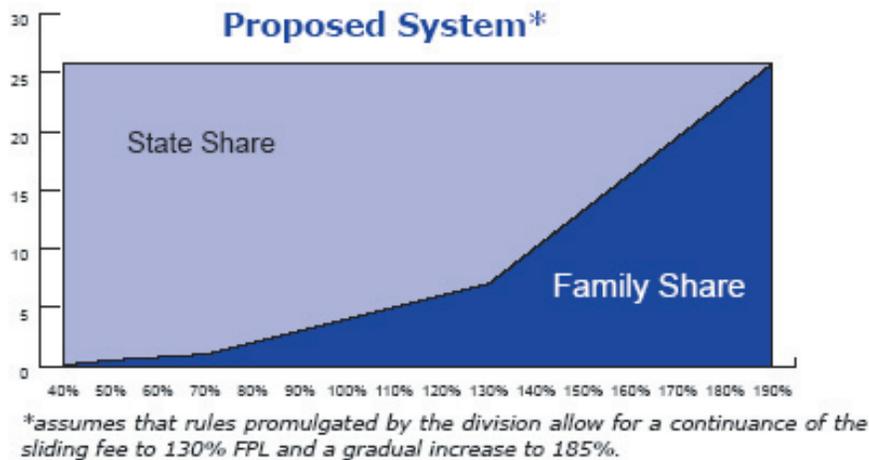
- 100% of the FPL in calendar year (CY) is projected to be \$21,228 (\$1,796/month)
- 130% of the FPL in CY 2008 is projected to be \$27,600 (\$2,300/month)
- 185% of the FPL in CY 2008 is projected to be \$39,276 (\$3,273/month).

The state fiscal impact of revised standards for child care support eligibility is presented.

<b>Figure 4. Immediate Economic Impact of the Child Care Industry in Missouri</b>	
<i>Child Care in Missouri is an industry...</i>	More than 5,000 small businesses provide child care services exclusively within the state
<i>That creates jobs...</i>	Directly employing more than 34,000 people
<i>Supports working families...</i>	Preparing 181,000 children for future academic and workplace success while helping 120,000 working parents get, keep, and be productive at their jobs
<i>Adds to the Missouri economy by...</i>	Generating gross annual receipts of \$635 million, paying over \$400 million per year in wages, and leveraging \$255 million in federal funds each year.

Partnership for Children. (2007). Missouri’s Child Care Subsidy Program: Benefits for Families, Businesses, & Tax-Payers. Issue at a Glance. January 2007.

Figure 5. Proposed New System of Subsidies for Missouri



Partnership for Children. (2007). Missouri’s Child Care Subsidy Program: Benefits for Families, Businesses, & Tax-Payers. Issue at a Glance. January 2007.

**Fiscal Projection**

The bill assumes that 75% of the children currently losing or lapsing eligibility will remain eligible with the income guidelines increasing to 185% of the FPL. The projected annual cost for these children to maintain eligibility to 185% of the FPL is \$71,708,400. These projections will both help the working poor and help the economy by keeping more individuals in the Missouri workforce.

With the bill’s fiscal projection of \$71,708,400 Missouri must consider the importance of providing child care subsidies to more of Missouri’s citizens. First, Missouri ranks 50th in the nation at providing child care subsidies and is currently serving its citizens under federal guidelines only, providing subsidies to

families at the 110% of the FPL and under, while the federal government suggests including families with an annual income of up to 85% of the state median income level (for Missouri that is \$31,898).

Second, providing child care subsidies to families at or below the 185% of the FPL will be an economic advantage to Missouri, by creating jobs in the child care industry, by supporting working families and by generating additional state revenue. Finally, with the current system there is a distinct disincentive to work on individuals make over 110% of the FPL, because these families spend more than 40% of their income on child care making it difficult to continue working and supporting a family.

Figure 6. Fiscal Impact by Group

Group	Fiscal Impact
Increase to 130%	\$19,500,000
Transitional - Between 130% and 185% FPL	\$53,781,300
New Recipients - Between 130% and 185% FPL	\$27,500,000
Families above 185% FPL	\$0
Total Fiscal Impact without new recipients	\$71,708,400
Total Fiscal Impact	\$100,781,300

## References

<sup>1</sup>The Network for Child Care Resources and Referral. (2007). Mothers in the Workforce. Retrieved from <http://www.naccrra.org/policy/issuesdetails.php?Area=wmncc>

<sup>2</sup>Committee on Legislative Research Oversight Division, Fiscal Note. (2007). Senate Bill 260. Retrieved from [www.moga.mo.gov/oversight/over07/fishtm/1376-02n.org.htm](http://www.moga.mo.gov/oversight/over07/fishtm/1376-02n.org.htm)

<sup>3</sup>Partnership for Children. (2007). Missouri's Child Care Subsidy Program: Benefits for Families, Businesses, & Tax-Payers. Issue at a Glance. January 2007.

<sup>4</sup>Schulman, K., & Blank, H. The National Woman's Law Center. (2006). State Child Care Assistance Policies 2006: Gaps Remain, with New Challenges Ahead. Retrieved from <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport2006.pdf>

<sup>5</sup>Committee on Legislative Research Oversight Division, Fiscal Note. (2007). Senate Bill 260. Retrieved from [www.moga.mo.gov/oversight/over07/fishtm/1376-02n.org.htm](http://www.moga.mo.gov/oversight/over07/fishtm/1376-02n.org.htm)

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