

Parents and the High Cost of Child Care



2014 REPORT



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About Child Care Aware® of America

Child Care Aware® of America is our nation’s leading voice for child care. We work with state and local Child Care Resource and Referral agencies and other community partners to help ensure that all families have access to quality, affordable child care. To achieve our mission, we lead projects that increase the quality and availability of child care, offer comprehensive training to child care professionals, undertake groundbreaking research and advocate child care policies that improve the lives of children and families. To learn more, visit www.usa.childcareaware.org.

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FROM THE EXECUTIVE DIRECTOR

Eleven million children younger than age five are in some form of child care in the United States. The *Parents and the High Cost of Child Care: 2014* report



summarizes the cost of child care across the country and represents the eighth year that Child Care Aware® has published this data. Unfortunately, the picture for families has not improved in this time and child care remains one of

the most significant expenses in a family budget. Child care often exceeds the cost of housing, college tuition, transportation or food. Unlike all other areas of education, including colleges and universities, families pay the majority of costs for early education for young children. Because these costs come when parents are at the beginning of their careers, these significant expenses come at a time when families can least afford them.

Child care impacts more than individual families. While access to high quality child care increases morale and employer loyalty, child care problems cost businesses over \$3 billion annually. Beyond the immediate workforce impacts, child care has long term effects. Scientific breakthroughs in understanding brain development make it clear that the early years are a unique period of development and early experiences form the foundation for future success. Ensuring child care is high-quality, affordable and available for families is crucial to our nation's ability to produce and sustain an economically viable, competitively positioned workforce in the future.

While the consequences of the lack of affordable, quality child care are often overlooked, the problems produced are real and severe. Children who start kindergarten behind too often stay behind. Among children who arrive at school without the skills needed for success, over 85 percent are still behind in 4th grade.

Fully 75 percent of 18-year-olds are not qualified to serve their country in the military. Military leaders have identified the need for quality early care and

education for all children as a top priority to ensure national security.

Dr. James J. Heckman, Nobel Laureate in Economics and professor of economics at the University of Chicago concluded after decades of research on labor economics: "The real question is how to use available funds wisely. The best evidence supports the policy prescription: Invest in the very young."

The *Parents and the High Cost of Child Care: 2014* report updates the 2013 report and:

- Examines the dual importance of child care as a workforce support *and* as early learning programs.
- Describes the costs of running a child care center or family child care home.
- Ranks states according to their affordability for infants and toddlers, four-year-olds and school-age children.
- Compares the cost of child care to other family expenses.
- Explores the effect of the high cost of care on parents' child care options.

Child Care Aware® of America's vision is of a nation that supports the development and learning of all children. This is the eighth year that we have looked at the cost of child care in centers and family child care homes and the story has not changed. So we ask the difficult question: How can quality child care be made affordable for all families? What can we do as a national community to invest in the 11 million children in child care programs?

Thanks to several federal policy proposals before Congress and other federal agencies, we are on the cusp of great leaps toward improving child care in this country. This report will help inform the important conversations ahead.

My best,

A handwritten signature in black ink that reads "Lynette".

Lynette M. Fraga, Ph.D., Executive Director,
Child Care Aware® of America



“Early investments benefit all of society, not only participating children and families. While the price tag for high-quality child care is not small, it is much smaller than waiting years later to pay for expensive remedial education and social programs.”

*- Rob Grunwald, Economist
Federal Reserve Bank of Minneapolis*

EXECUTIVE SUMMARY

The high cost of child care can be a crippling burden for families with young children. The *Parents and the High Cost of Child Care: 2014* report not only examines the high cost of care, but investigates potential solutions for providing high-quality child care to families who need it at a cost that they can afford.

Child Care in America

Nearly 11 million children under the age of five across the nation require child care services each week. High-quality child care not only helps parents to be more productive at work, but also provides benefits to young children, including improving school readiness.

This section details common child care settings, the economic benefits of high-quality child care for parents and their employers, and the developmental and educational benefits of high-quality child care for young children.

Why Child Care Costs Are High

Child care and early education is a labor-intensive industry which leads to high costs for families, despite the fact that child care workers are among the lowest paid professionals nationwide.

This section explores the costs that child care providers bear, including the inputs needed to provide high-quality child care and the necessary state regulations that providers must meet.

Average Cost in the States

The cost of child care varies widely across states, and the cost of living in each state also affects the affordability of child care for families. In order to compare the cost of child care across states, we examine the average cost of care in each state in relation to the state median income for married couples with children and the state median income for single mothers.

Using this method, this section ranks the top ten least affordable states for center-based child care at each age level, including infant care, four-year-old child care, and before and after school care for a school-age child.

Child Care and the Family Budget

Child care costs consume a major portion of family expenses. Average expenses for child care can rival expenses for housing, transportation, and even tuition and fees for public colleges. The high cost of child care can be particularly difficult for low-income families and single parents. Across all 50 states, the cost of center-based infant care averaged over 40 percent of the state median income for single mothers.

In this section, we examine how the cost of child care compares to other family expenses, including housing, transportation, food, and college tuition. Additionally, we examine the high relative cost of child care for families at the poverty level.

Paying for Child Care

Families bear the majority of the burden for child care costs. While some public funding is available for child care, the incomplete patchwork of support often does not provide enough assistance for families, who may opt to place their child in an informal or unlicensed child care setting due to the high cost of high-quality care.

This section details the various sources of child care funding, including families, federal funding, income tax credits, and other sources.

Expanding Access to Quality Affordable Child Care

Funding high-quality child care services is a national concern for government, business leaders, and families alike.

In this section, we explore creative solutions to the high cost of child care, including building an environment for child care providers that encourages and supports high-quality practices and involving businesses in the creation of child care solutions for their employees and communities. The section also details strategies to support individual families in accessing high-quality child care.

Conclusions and Recommendations

Considering the findings of this report, Child Care Aware recommends:

- **The commencement of a national discussion about the impact of the high cost of child care and the cost of quality in child care.** This conversation should

explore federal and state options; innovative, low-cost solutions that have shown success; what has worked in other industries; and what models currently exist within communities that have seen success.

- **Congress require the National Academy of Sciences to produce a study on the true cost of quality child care** and to offer recommendations to Congress for financing that supports families in accessing affordable, quality child care.
- **Congress review and consider what policy options are available to help families offset the rising cost of child care**, including, but not limited to raising dependent care limits for deductions or providing additional tax credits for families and providers, creating public-private partnerships, and looking to existing states with successful financing models.
- **Federal and state governments commit to investing in early care and education programs**, especially considering the recent historical progress at the federal level towards ensuring all children in low-income, working families have access to affordable, quality child care.

Our full recommendations are detailed further in the concluding section of this report.