



SENATE FISCAL OFFICE
ISSUE BRIEF

Child Care Assistance Program

APRIL 6, 2015

The Child Care Assistance Program (CCAP) pays for a portion of the costs of child care for children under age 13 in low-income families. Some parents with disabled youth up to age 18 may also participate. Parents can choose to use the child care subsidy to pay for care from a licensed child care center, licensed family child care home, or from an approved relative, friend, or neighbor.ⁱ For FY2015, total expenditures for the program are budgeted at \$51.1 million, of which \$9.7 million is general revenue.

ELIGIBILITY

Families with income under 180 percent of the federal poverty level (FPL), \$36,162 per year for a family of three, and who work a minimum of 20 hours per week are eligible to receive a child care subsidy (income-based eligibility).ⁱⁱ Families who receive cash assistance through the Rhode Island Works program are also eligible (categorical eligibility). Eligibility is temporarily extended through September 30, 2016, for current program participants whose income increases to 225 percent of the FPL, consistent with the pilot program included in the FY2015 Enacted Budget.

Child Care Assistance Program - 2015 Income Eligibility Thresholds

Maximum Annual Income	Family of 2	Family of 3	Family of 4	Family of 5
100% FPL	\$15,930	\$20,090	\$24,250	\$28,410
125% FPL	19,913	25,113	30,313	35,513
150% FPL	23,895	30,135	36,375	42,615
180% FPL	28,674	36,162	43,650	51,138
225% FPL (2-Year Pilot)	35,843	45,203	54,563	63,923

Families earning more than 100 percent or more of the FPL pay a weekly co-payment (as a percentage of their income), based on their income and family size. The co-payment is based on the size of the family, not the number of children receiving a subsidy.

Child Care Assistance Program - 2015 Maximum Weekly Co-Pay¹

Maximum Annual Income	% of income	Family of 2	Family of 3	Family of 4	Family of 5
100% FPL	0.0%	\$0	\$0	\$0	\$0
125% FPL	2.0%	8	10	11	13
150% FPL	5.0%	23	29	34	40
180% FPL	8.0%	44	55	66	77
225% FPL (2-Year Pilot)	14.0%	95	120	144	169

¹ The federal poverty guidelines, the basis of CCAP copays, are typically revised each January. DHS indicates that it revises CCAP copay levels by April, based upon any federal revisions. It is unclear as to why this process occurs nearly three months after the federal revisions are issued.

BENEFIT

The amount of the weekly subsidy is set by statute (RIGL 40-6.2-1.1, last updated in 2008) to be the average of the 75th percentile of the weekly market rates for child care in 2002 and 2004.

Child Care Assistance Program - Child Care Weekly Subsidy by Setting¹

Setting	Infant (Up to age 3)	Pre-school (Up to 1st grade)	School-age (Up to age 13)
Licensed center	\$188	\$157	\$142
Licensed family provider	\$155	\$150	\$142
License-exempt (provider's home)	\$81	\$54	\$53
License-exempt (child's home)	\$74	\$54	\$49

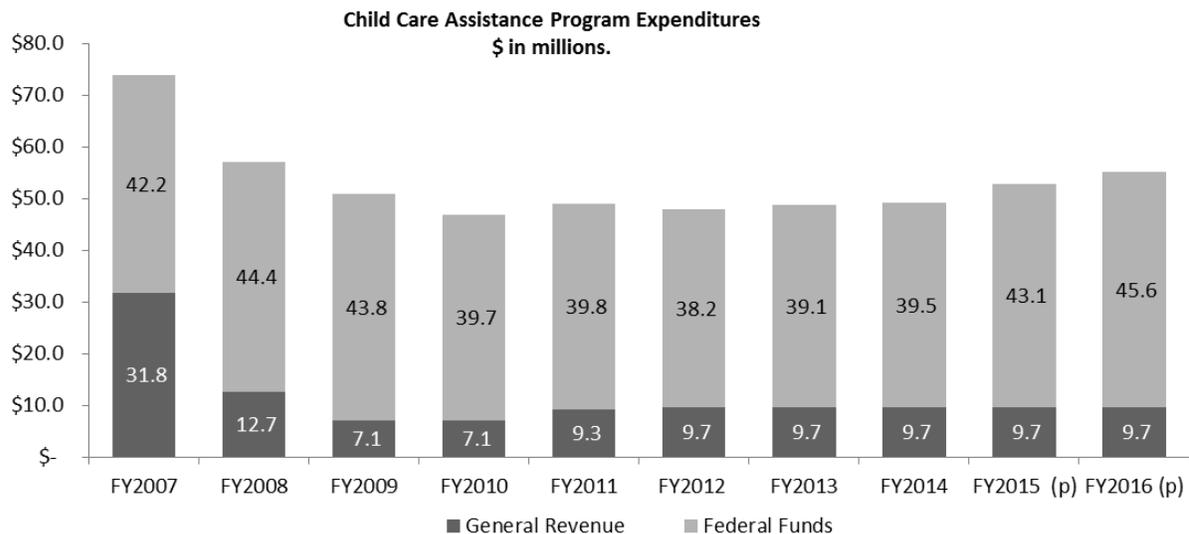
¹ Subsidy rates shown are for full-time care (30 hours or more). Based on their level of employment, parents may qualify for full-time, three-quarter time, half-time, or quarter-time subsidies.

The 75th percentile was chosen with the intent that recipients of the subsidy would be able to afford most child care providers, including at least some that cost more than the median (50th percentile), in an attempt to ensure access to quality child care. However, the subsidy amount is not automatically updated each year and has not been increased to reflect the increased cost of child care; as a result, the *average* cost of care at a licensed child care center for infants and preschoolers in 2014 (\$233 and \$184, respectively) now exceeds the subsidy amount.ⁱⁱⁱ

Each family is approved for a subsidy based on the number of hours worked, the age of the child, and the care setting. The provider can invoice the State up to the amount of the approved subsidy, minus the family’s co-pay. Child care assistance providers agree to accept the payment from the state and the family’s co-pay as payment-in-full, and are not permitted to charge parents the difference between the subsidy/co-pay and the provider’s private pay rates.

EXPENDITURE AND ENROLLMENT TRENDS

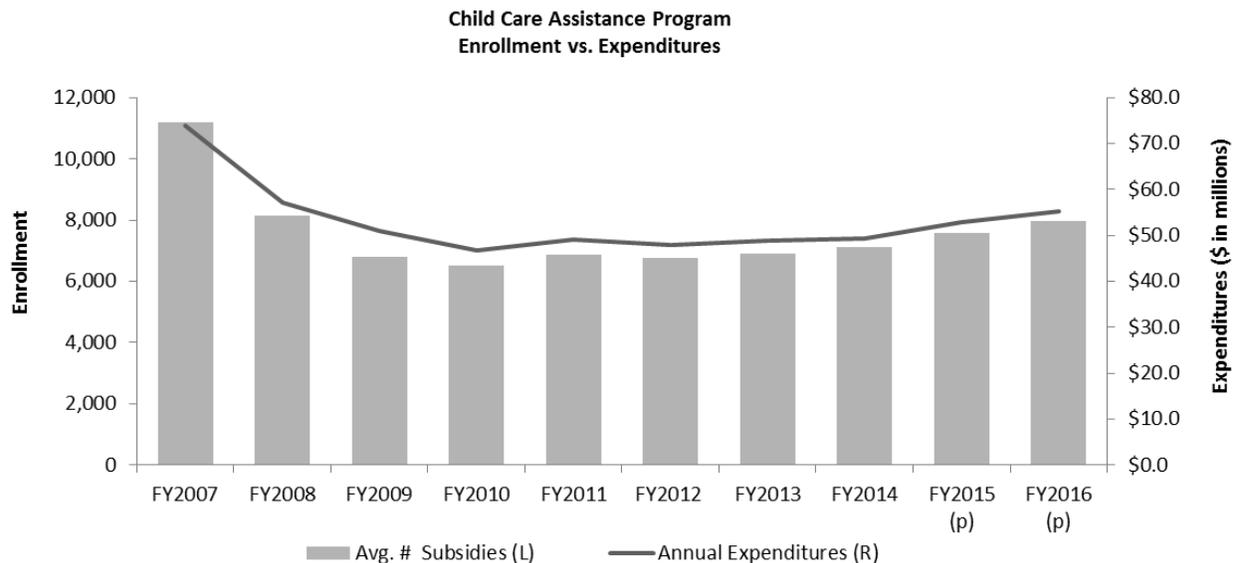
Total program expenditures have decreased from \$73.8 million in FY2007 to \$49.2 million in FY2014. The general revenue share of spending on child care subsidies has decreased dramatically: state spending comprised 43.0 percent of child care subsidies in FY2007 but only 19.6 percent in FY2014 (FY2009 represented the lowest proportion of general revenue spending on child care, \$7.1 million or 13.9 percent).



The 22.9 percent drop in spending between FY2007 and FY2008 is due largely to a 27.2 percent decline in enrollment: the FY2008 Enacted Budget lowered eligibility for the program from 225 percent to 180 percent of FPL, lowered the maximum age of eligible children from 16 to 13 years, restructured provider rates and co-pays for families. Prior to FY2008, subsidies for children over the age of 13 (excluding those with a disability) were primarily funded by general revenues, and the elimination of subsidies for most low income children over the age of 13 generated approximately \$20.0 million in general revenue savings.

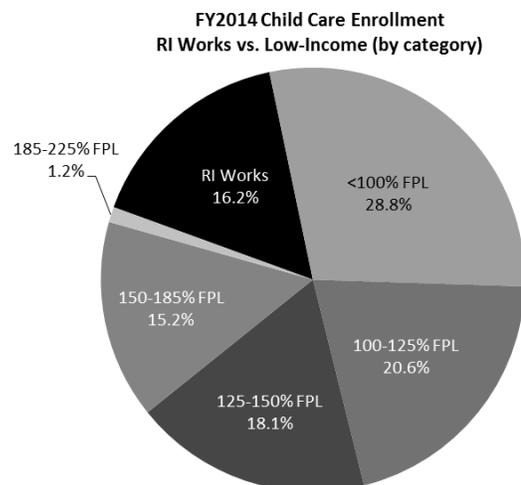
Expenditures are projected to increase slightly in FY2015 and FY2016, partially attributable to the expansion of child care assistance to current program participants whose income increases up to 225 percent FPL, which was included in the FY2014 Enacted Budget as a pilot program and extended in the FY2015 Enacted Budget through September 30, 2016.

Total expenditures for the child care assistance program generally mirror enrollment (as enrollment increases total program expenditures also increase and vice versa). However, some of the change in the total program cost is due to the change in the average yearly cost of a subsidy. The average yearly cost of a subsidy has increased from \$6,608 in FY2007 to \$6,918 in FY2014, after peaking at \$7,470 in FY2009. The average yearly cost per subsidy varies based on the age, income level, and family size of the total population receiving subsidies.



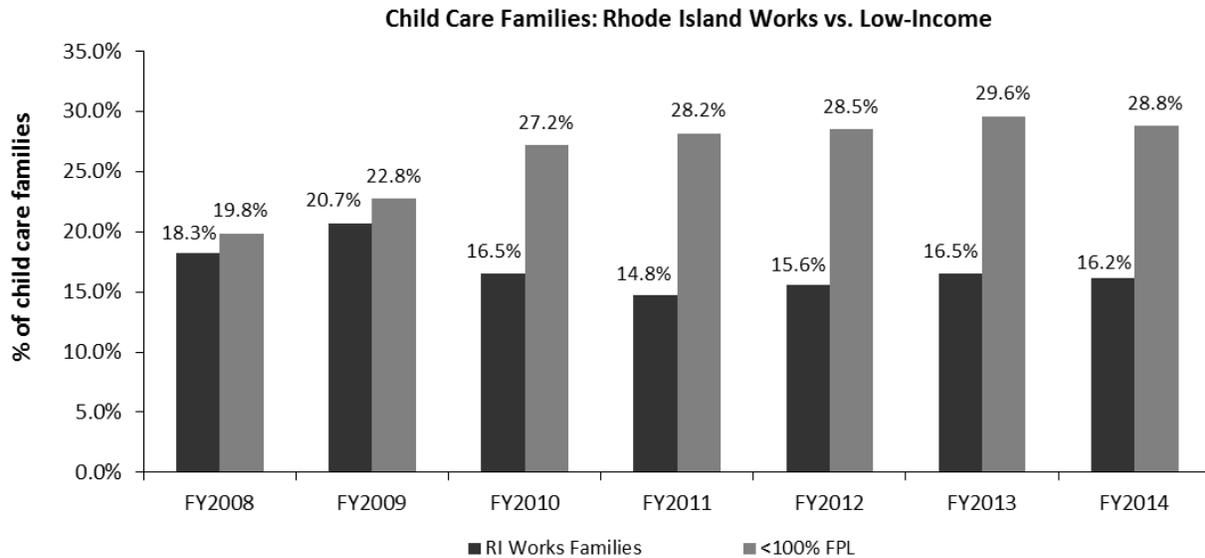
As the program’s caseload has tapered off (a 12.7 percent reduction from FY2008 to FY2014), the composition of enrollees has also changed: families receiving cash assistance through the Rhode Island Works program represented 16.2 percent of enrollees in FY2014, whereas this population comprised approximately 20.0 percent of enrollees in FY2008. This change is consistent with an overall caseload decline in the Rhode Island Works program. Rhode Island Works is the State’s cash assistance work supports for parents engaged in approved employment preparation activities.

At the same time, the number of non-Rhode Island Works families that receive a subsidy based upon income and earn



less than the federal poverty level (FPL) has increased from 19.8 percent in FY2008 to 28.8 percent in FY2014. It is unknown whether or not these lowest income families are still receiving some form of assistance, but through a different eligibility category, or the increase in non-Rhode Island Works families represents a new pool of families eligible for assistance.

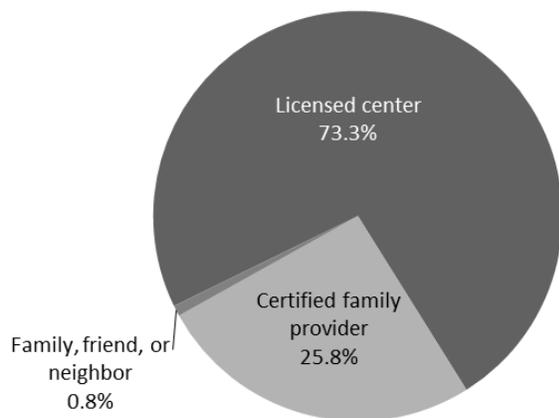
The chart on the previous page depicts FY2014 enrollment. Rhode Island Works families represented 16.2 percent of all program participants, whereas income-eligible families comprised 83.8 percent of the program. The chart further groups income-eligible families according to income level, indicating that families with the lowest amount of income account for the greatest proportion of program participants.



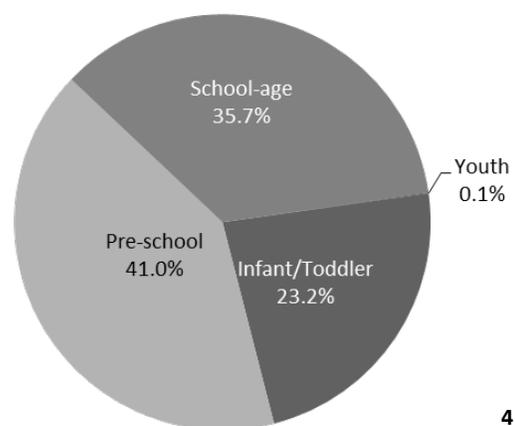
For families on the other end of the income-earning spectrum, the FY2014 Enacted Budget created a pilot program (and subsequently continued the FY2015 Enacted Budget until September 30, 2016) to expand eligibility to current program participants up to 225 percent FPL. FY2014 was the first year since FY2008 in which such families would be able to continue to receive child care assistance. In FY2014, 113 families, or approximately 1.0 percent of all CCAP families fell within this category, whose income is capped at \$44,528 annually for a family of 3 based upon the 2014 federal poverty guidelines (this income threshold increases to \$45,203 for FY2015 based upon the 2015 federal poverty guidelines).

Program participants are provided some flexibility in the type of child care setting used. The chart below portrays the percent of children by child care setting in FY2014, indicating that the greatest number of

Child Receiving Subsidy in FY2014: By Setting



Child Receiving Subsidy in FY2014: By Age



children are cared for within a licensed child care center (nearly three-quarters, or 73.3 percent). Of those children whose families receive a subsidy for child care, the majority (41.0 percent) are in pre-school (typically ages 3 to 5, or first grade entry).

CHILD CARE EXPANSION PILOT PROGRAMS

Beginning October 1, 2013, two pilot programs expanded access to child care assistance: the Transitional Child Care Pilot Program and the Back to Work RI Child Care Assistance Pilot Program.

- **Transitional Child Care Pilot Program:** Increases exit income eligibility for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL. Families who receive child care assistance may continue to participate in this program until September 30, 2016 (through the first quarter of FY2017).
- **Back to Work RI Child Care Assistance Pilot Program:** Extends eligibility for the Child Care Assistance Program (CCAP) to low-income families participating in certain work preparedness activities and who require child care to participate. This program will expire on June 30, 2015 (end of FY2015).

Since the inception of both pilot programs, a total of 455 families with 701 children either maintained eligibility or became newly eligible for child care assistance. On average, these children represent 3.8 percent of all CCAP children each month.

Child Care Expansion - Total Participation and Expenditures¹

Program	# families	# children	Monthly Avg. % of	
			All CCAP Children	Total Cost
Transitional Pilot Program (Child Care "Cliff")	433	657	3.5%	\$994,807
Back to Work RI Pilot Program	22	44	0.2%	62,362
Total	455	701	3.8%	\$1,057,169

¹Caseload and expenditure data from 10/1/13 to 3/1/15.

Source: Department of Human Services

Transitional Child Care Pilot Program

The temporary expansion of child care benefits to those earning up to 225.0 percent FPL (up from 180.0 percent) is extended through the first quarter of FY2017 (September 30, 2016). The Child Care Subsidy Transition Program began October 1, 2013, to address the child care “cliff” by allowing families to retain eligibility for child care subsidies until their annual income exceeds 225.0 percent FPL, or \$44,528 for a family of three in FY2015. Previously, families lost eligibility for subsidies when their annual income exceeds 180.0 percent FPL, or \$35,622 for a family of three in FY2015.

This program was initially funded in the FY2014 Enacted Budget (Article 18) by \$1.5 million in federal funds, and the FY2015 Enacted Budget subsequently included \$1.1 million in federal funds for this initiative upon its extension. As of the date of this publication, a total of 433 families and 657 children have participated in this program at a cost of approximately \$1.0 million in federal funds since the program’s inception.

Back to Work RI – Child Care Assistance Pilot Program

The FY2014 Enacted Budget (Article 15) expanded eligibility for child care assistance to low-income families participating in certain work preparedness activities and who require child care to participate. Assistance is provided on a short-term basis (up to one year, according to CCAP rules and regulations as established DHS). This includes participation in training, apprenticeship, internship, on-the-job training, work experience, work immersion, or other job readiness/job attachment program sponsored or funded by the Human Resource Investment Council (Governor’s Workforce Board). Families’ income must be less than 180 percent of the federal poverty level (FPL) in order to qualify. Prior to implementation of this

pilot program, participation in workforce training activities did not qualify families for child care assistance.

The FY2014 Enacted Budget allocated \$100,000 in general revenue to the Department of Labor and Training (DLT) to fund this initiative, and due to delays in implementation and low rates of participation during FY2014, the FY2015 Enacted Budget extended the program through June 30, 2015 (it was originally scheduled to sunset on January 1, 2015). The FY2015 Enacted Budget did not provide additional funding for this program with the assumption that the remaining, unspent funds originally allocated to DLT for this program in FY2014 were sufficient to support program costs through the close of FY2015.

In November 2013, DHS initially projected an average of 76 children would be served per month (\$20,625) beginning in October 2013, for a total of 684 children (\$1.7 million) in FY2014, and indicated DHS would need to provide additional funding to support program demand. However, DHS and DLT incurred significant delays in program implementation, and only one family participated during the first six months of the program. In conjunction with DLT, DHS established and improved referral processes for families who may be eligible for this program, and increased participation over the last nine months. As of the date of this publication, 22 families and 44 children have participated in this program at a cost of approximately \$60,000 in general revenue since the program's inception. DHS anticipates that remaining \$40,000 in general revenue will be sufficient to fund the pilot program until it expires on June 30, 2015.

COMPARABLE PROGRAMS

Massachusetts and Connecticut also offer subsidized child care to Temporary Assistance to Needy Families (TANF) recipients and other low-income families. Both Connecticut and Massachusetts increased reimbursement rates in 2014 for both family and center-based care, and provide assistance for children under age 13 (unless the child is disabled, then care may be provided up until age 18). The following table compares the benefits, eligibility, and expenditures for the three programs based upon 2013 experience:

Eligibility Criteria	Rhode Island	Connecticut	Massachusetts
Categorical eligibility	TANF recipient	TANF recipient	TANF recipient
Income eligibility	<180% federal poverty level	<50% state median income	<50% state median income
Income limit for family of 3	\$35,922	\$43,770	\$43,165
Co-pay required	Up to 8% of income	Up to 10% of income	Up to \$205 weekly (approx. 15% of income)
Resource limit ^v	\$10,000	None	None
FY2013 data	Rhode Island	Connecticut	Massachusetts
Children served	6,909	23,531	53,125
% of population under 18	3.2%	3.0%	3.8%
Total expenditures	\$48.8 million	\$97.4 million	\$369.6 million
General revenue expenditures	\$9.6 million	\$43.5 million	\$97.6 million
Total \$ per child served	\$7,063	\$4,139	\$6,957
GR \$ per child served	\$1,389	\$1,849	\$1,837

ⁱ Relatives, friends, and neighbors are referred to as “license exempt” providers. They are not required to be licensed by the Department of Children, Youth, and Families (DCYF), but must pass a background check for a criminal record (BCI) and DCYF clearance (CANTS) for themselves and all adult members of their household.

ⁱⁱ Families must also have less than \$10,000 in liquid resources to qualify.

ⁱⁱⁱ Source: *2014 Rhode Island Kids Count Factbook*.

^{iv} Reflects initial income eligibility requirements for new program participants. Eligibility increases to 85.0 percent of the state median income in Massachusetts and 225 percent FPL in Rhode Island for current program participants whose income increases above the program entry eligibility threshold.

^v Eligible families in Rhode Island may have up to \$10,000 in resources such as cash, bank or other financial institution savings, stocks, bonds, and other financial instruments that can be easily convertible to cash. Retirement savings accounts and educational savings accounts do not qualify. If a family’s liquid resources exceeds this limit, they are ineligible for child care assistance.