

# EARLY CARE AND EDUCATION

## Affordability

### Executive Summary

According to the Department of Health and Human Services, affordable child care should consume no more than 10% of a family's income. Indiana's average yearly cost for full-time child care is \$11,239 for an infant and \$7,957 for a preschool age child. Average Median Family Income in SILM counties is \$62,316.

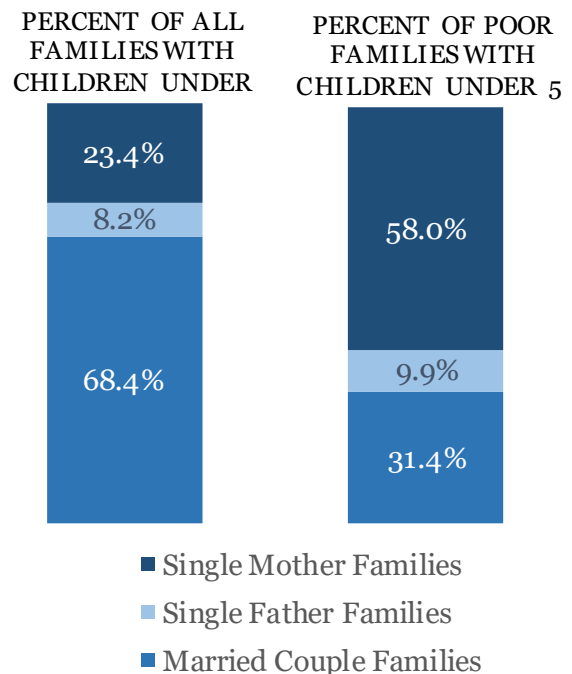
Indiana's full-time, minimum-wage workers would have to spend 43.7% of their annual earnings on child care costs for a 4-year-old child, and 56.1% to cover infant care costs. Under these circumstances, the decision to work is not always the best economic choice for families.

For Hoosiers, the cost of infant care is equivalent to college. Child care costs range from 78.0% of the costs for full-time, in-state public college tuition for a four year old to 100.2% of the cost for in-state public college tuition for infants.

With the exception of Scott County, Southern Indiana families with children under the age of 5 are more likely to live in poverty compared to families in general, making it even less likely that young families can afford quality care. A large share of these families remain on the waiting list for child care vouchers for which they qualify. In 2017, a total of 741 SILM children eligible for Child Care Development Fund (CCDF) vouchers waited an average of 139.5 days to receive their voucher for care.<sup>1</sup>

Affordable high quality early care and education has the capacity to support parents' decision to work, to provide good jobs to those providing quality care, and to build a strong future work force by improving the social and emotional growth of young children during the prime years of brain development.

Figure 1: Families with Children Under 5 by Family Type, All Families and Families Earning Below Poverty Level



Source: U.S. Census Bureau. 2017. "Table B17010 Poverty Status in the Past 12 Months of Families by Family Type." *American Community Survey 5 Year Estimates, 2012-2016.*

### The Cost of Child Care in the Context of Economic Force Changes

According to the Department of Health and Human Services, affordable child care should consume no more than 10% of a family's income.<sup>2</sup> In a 2015 report, the Economic Policy Institute (EPI) found that nearly all of the 618 communities they studied had average child care costs that exceeded this national standard. Additionally, rates for younger children are even higher, with infant care costs exceeding average

tuition costs at in-state, public 4-year institutions. Child care costs as a proportion of full-time, in-state public college tuition in Indiana range from 78.0% for 4-year-olds to 100.2% for infants.

Across all types of care, average costs in the SILM region exceed 10% of average Median Family Income. In Indiana, an estimated 92,402 children are enrolled in child care paid for by their families.<sup>3</sup> Of the over \$1 billion spent on early education in Indiana, nearly 62% is from parents paying for the services in annual fees ranging from about \$520 to \$20,000.

## The Cost of Child Care in the Context of Economic and Labor Force Changes

Increasingly since the 1960s, American families require two incomes to afford an adequate lifestyle that meets basic needs.<sup>4</sup> Despite this increase in workforce participation, especially among women, the U.S. has failed to reorganize its institutions to deliver the needed supply of child care in a way that is also commensurate with worker wages.

Figure 2: Median Family Income, United States, Indiana and SILM 2012-2016

Location	Median Family Income
United States	\$67,871
Indiana	\$62,748
Clark	\$64,568
Floyd	\$72,466
Harrison	\$64,643
Scott	\$55,040*
Washington	\$54,862*

\* = Median family income is below state's figures

Source: U.S. Census Bureau. 2017. "Table B19113: Median Family Income in the Past 12 Months (in 2016 Inflation-Adjusted Dollars)." *American Community Survey 5 Year Estimates, 2012-2016*. www.census.gov.

This combination of factors has made early care and education (ECE) affordability an important topic for communities and policy makers to address.

Minimum-wage workers have particular difficulty affording child care. In Indiana, full-time, minimum-wage workers spend 43.7% of their annual earnings on child care costs for a 4-year-old child, and 56.1% on infant care costs.<sup>5</sup> These proportions represent costs for care provided to only one child and U.S. mothers have an average of 2.4 children, making ECE affordability a concern for most low-income working families with young children.<sup>6</sup>

Child care costs are an even greater barrier among single-parent households. Single-mother families make up about 24% of U.S. families with children under age 5 and comprise 58.0% of poor families with children under age 5 (Figure 1). Affordability is a key barrier to accessing quality child care during the most important years of brain development.

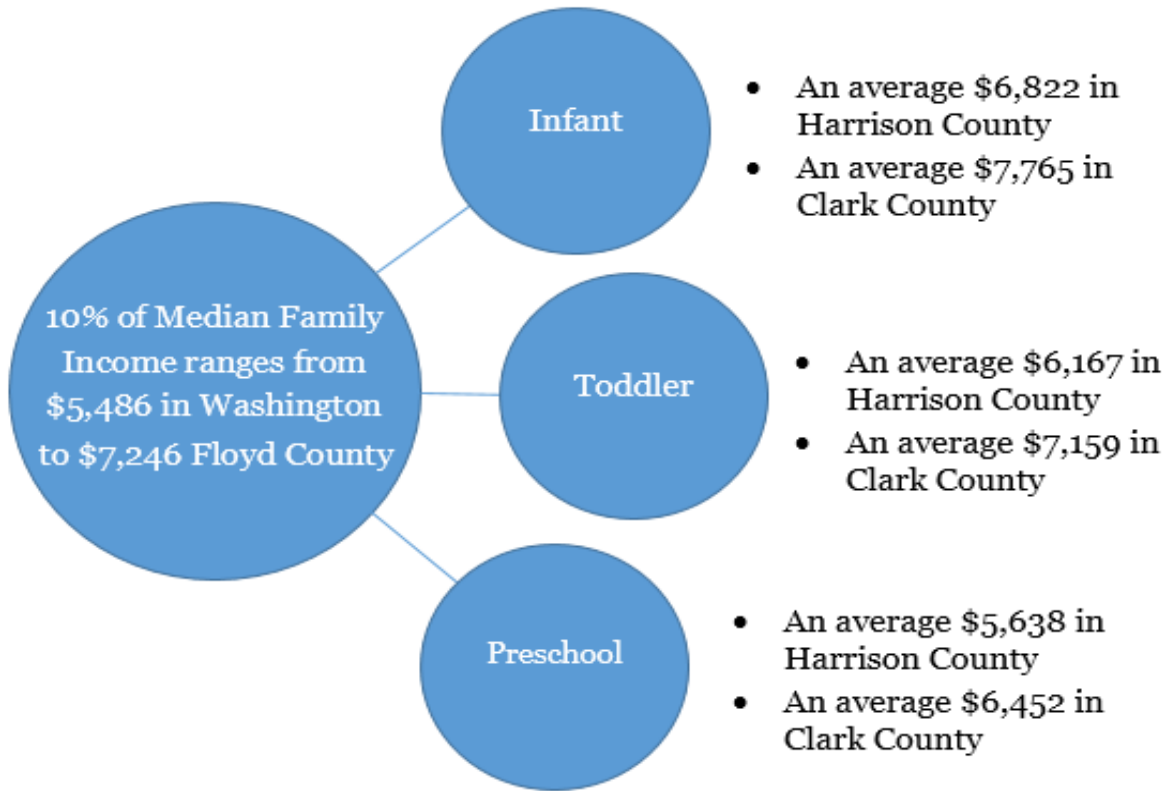
## Economic Profile

Clark, Floyd, and Harrison counties have median family incomes above the state's median of \$62,748 (Figure 2).<sup>7</sup> Of those three, only Floyd County has a median family income above the national median of \$67,871. Scott and Washington counties fall below the state's median by \$7,000-\$8,000. The average median family income for the five-county SILM area (\$62,316) is in line with the state median.

In Indiana, the average yearly cost for full-time child care for an infant is \$11,239, and \$7,957 for a preschool age child.<sup>8</sup> If child care costs were "affordable," according to the Department of Health and Human Services' definition, these costs should average roughly \$6,275 (based on Indiana's median family income): a difference of between roughly \$1,700 and \$5,000, depending on the child's age. The EPI indicates that the annual income required for an adequate standard of living for a two-parent, two-child family living in the Southern Indiana Louisville-Metro is \$62,651, or \$5,221 per month.<sup>9</sup>

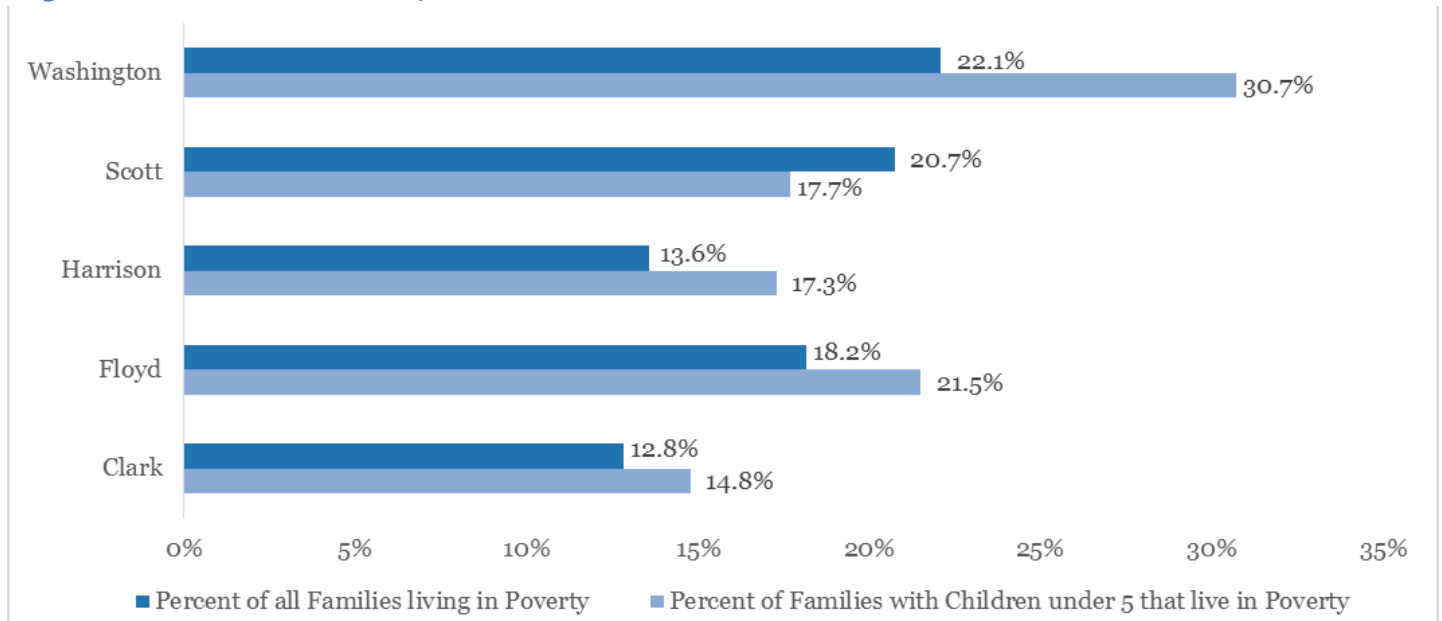
Poverty rates for SILM families vary from 12.8% in Clark County to 22.1% in Washington County. With the exception of Scott County, families with children under the age of five are more likely to live in poverty than families in general (Figure 4).<sup>10</sup> Washington

Figure 3: Median Family Income and Average Cost Ranges for SILM



Sources: U.S. Census Bureau. 2017. "Table B19013: Median Household Income in the Past 12 Months (in 2016 Inflation-Adjusted Dollars)." *American Community Survey*. [www.census.gov](http://www.census.gov); Early Learning Advisory Council. 2018. "Indiana Early Childhood Interactive Dashboard: 2018 ELAC Interactive Annual Report, Affordability." <http://www.elacindiana.org/data/2018-elac-annual-report-interactive-dashboard/>.

Figure 4: Families in Poverty, SILM 2012-2016



Source: U.S. Census Bureau. 2017. "Table B17006: Poverty Status in Past 12 Months of Related Children Under 18 Years by Family Type by Age of Related Children Under 18 Years." *American Community Survey 5-Year Estimates, 2012-2016*. [www.census.gov](http://www.census.gov).

County has the highest percentage of families with children under five living in poverty with 30.7% and Clark County has the lowest at 14.8%.

Indiana reflects national figures with a 21% poverty rate for children under five.<sup>11</sup> Two of the five SILM counties have higher child poverty rates than the state's rate. Scott County has the highest child poverty rate among these counties at 23.6%. Washington County has a slightly lower child poverty rate of 21.8% (for all children under 18), but still above the state rate of 19.1%. Clark (15.7%), Floyd (14.7%), and Harrison (13.6%), have lower child poverty rates than the state as a whole. Among children age five and under in the SILM region, 1,908 (14.1%) live in households with earnings below the federal poverty line.<sup>12</sup>

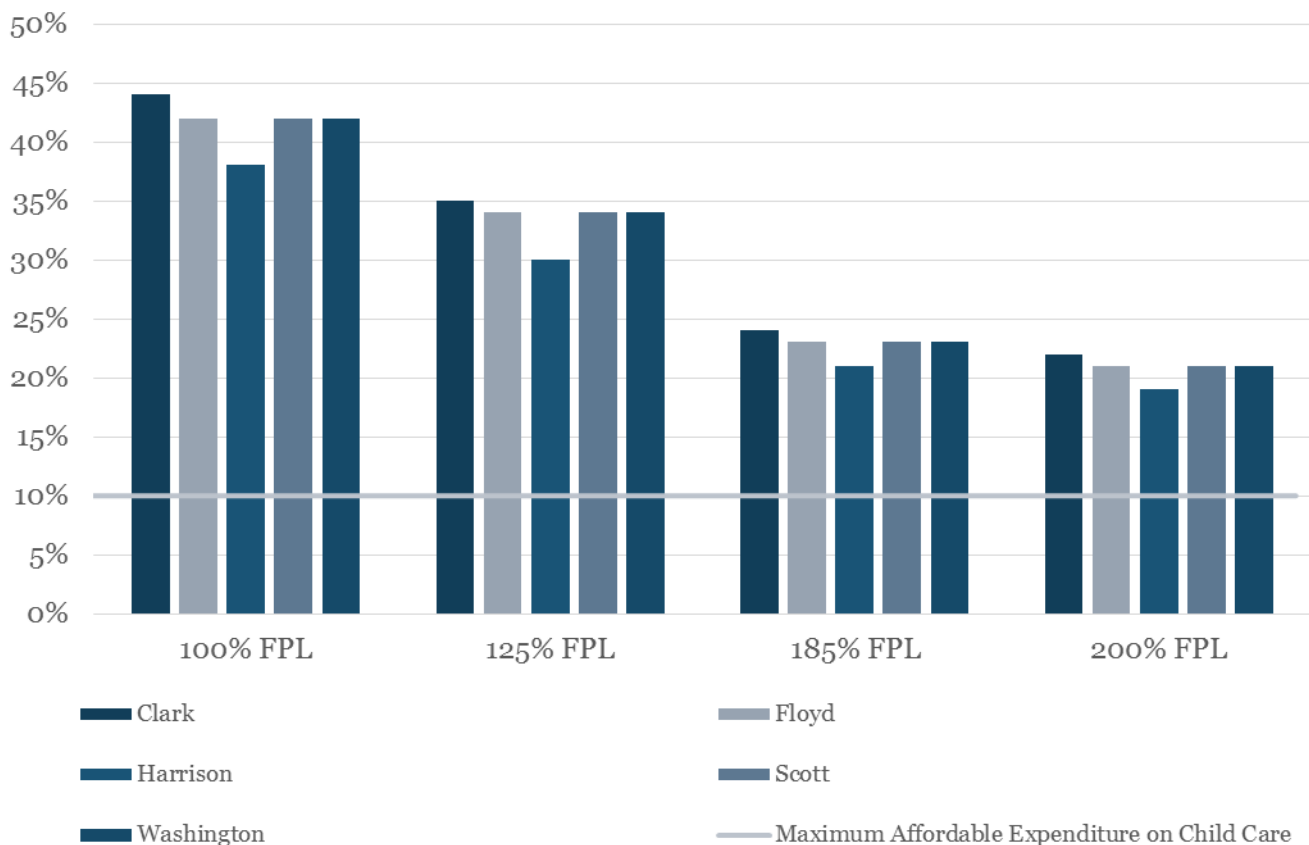
The disproportionate share of poor families with children under five that are headed by a single

parent makes finding the funds to pay for quality care quite difficult (Figure 1). Poor and low-income single parents consistently pay more for child care than they can afford (Figure 5). Only a small portion of single parents with young children earn enough to cover quality child care without exceeding 10% of income.

To be clear, **child care is not too expensive**. Child care workers earn very low wages and small business owners in the early care and education sector operate with very low profit margins or losses, making it difficult to provide high quality care for young children.<sup>13</sup>

Given the public benefits of early care and education and its fundamental tie to K-12 and higher education success, many argue that the answer to the mismatch between the cost of providing quality care and the ability of families to

Figure 5: Percent of Income Single Parent Pays for One Child to be in Care by Federal Poverty Level (FPL) Percentage Groups, SILM 2018



Source: Indiana Early Learning Advisory Committee. 2018. "How Much Does a Single Parent Pay for One Child to Attend a High-Quality Program?" 2018 ELAC Interactive Annual Report. <http://www.elacindiana.org/>. The Department of Health and Human Ser-

pay for it should be addressed through public subsidies. Under current policy CCDF vouchers meet some of this need through public subsidies, but even among those who qualify, not all need is met.

## Child Care Vouchers

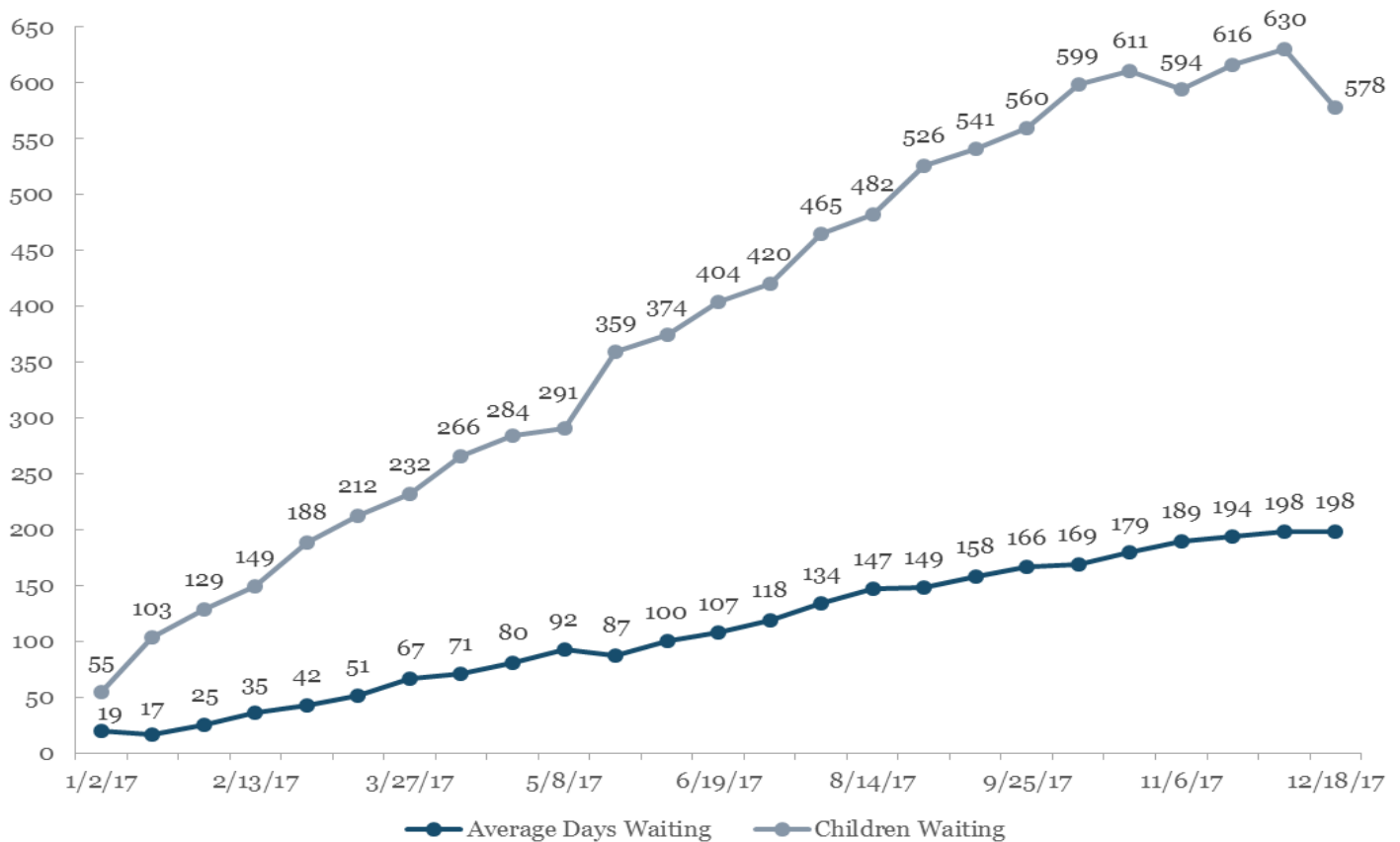
The Child Care Development Fund (CCDF) is a federal program that supports low-income families by providing assistance with child care costs through vouchers.<sup>14</sup> The federal government provides block grants to the states, which are required to match those funds and implement the voucher system. In addition to serving low-income families, the funds also support families who are temporarily receiving or transitioning from public assistance. Vouchers can be used for child care costs of children through the age of 12, and *whose*

*parents are employed or enrolled in school and are within the program's income guidelines.* Parents are required to recertify their need for assistance every six months.

Not all families that are eligible for vouchers receive them. In SILM counties alone, among those who applied for vouchers, the waiting list ranged from 55 to 630 families in calendar year 2017 and by the end of the year the average wait was 198 days (Figure 6).

Indiana has a tiered reimbursement structure for CCDF vouchers. The state reimburses at different rates based on quality, licensure, and program type (family child care home, ministry, center-based care, registered, or exempt). This system is intended to encourage providers to pursue higher Paths to QUALITY™ ratings and to support access

Figure 6: Monthly Snapshots of Average Days Waiting to be approved for a Voucher and Number of Children Waiting on Voucher Approval, SILM Child Care and Development Fund (CCDF) Data via Indiana Family and Social Services Administration 2017



Source: Indiana Family and Social Services Administration. 2017. "2017 Waitlist History." *Office of Early Childhood and Out of School Learning*. Received Upon Request August 1, 2018.

Figure 7: Average Cost of High Quality Care and Voucher Reimbursement Rates by SILM County

		Infant	Toddler	Preschool	County Average
Clark	Average Cost of High Quality Care	\$7,765	\$7,159	\$6,370	\$7,098
	Voucher PTQ™ Level 3	\$7,956 - 10,504	\$6,760 - 9,308	\$6,760 - \$8,112	
	Voucher PTQ™ Level 4	\$8,580 - 11,284	\$7,280 - 10,036	\$7,280 - \$8,736	
Floyd	Average Cost of High Quality Care	\$7,280	\$6,781	\$6,452	\$6,815
	Voucher PTQ™ Level 3	\$8,112 - \$9,828	\$7,436 - \$8,632	\$7,124 - \$7,800	
	Voucher PTQ™ Level 4	\$8,736 - 10,556	\$8,008 - 9,308	\$7,644 - \$8,372	
Harrison	Average Cost of High Quality Care	\$6,822	\$6,167	\$5,638	\$6,161
	Voucher PTQ™ Level 3	\$6,760 - 8,788	\$6,292 - 7,800	\$6,084 - 6,448	
	Voucher PTQ™ Level 4	\$7,280 - 9,464	\$6,760 - \$8,372	\$6,552 - \$6,916	
Scott	Average Cost of High Quality Care	\$7,355	\$6,892	\$6,450	\$6,836
	Voucher PTQ™ Level 3	\$7,800 - 10,140	\$7,124 - \$8,580	\$6,448 - \$6,552	
	Voucher PTQ™ Level 4	\$8,372 - 10,920	\$7,644 - \$9,256	\$6,916 - \$7,072	
Washington	Average Cost of High Quality Care	\$7,355	\$6,892	\$6,450	\$6,836
	Voucher PTQ™ Level 3	\$6,136 - \$7,384	\$5,616 - \$6,240	\$5,096 - \$5,876	
	Voucher PTQ™ Level 4	\$6,604 - \$7,956	\$6,032—\$6,708	\$5,460 - 6,344	

Sources: Indiana Early Learning Advisory Committee. 2018. "How Much Does High-Quality Early Childhood Care and Education Tuition Cost?" *2018 ELAC Interactive Annual Report*. <http://www.elacindiana.org/>; Indiana Family and Social Services Administration. 2018. "Current County CCDF Reimbursement Rates." Retrieved Jul. 12, 2018 (<https://www.in.gov/fssa/carefinder/2906.htm>).

to and demand for quality care in settings they choose for families who otherwise could not afford it. Based on the average costs reported the Early Learning Advisory Committee (ELAC) and voucher reimbursement rates listed on the FSSA website, the CCDF tiered voucher program varies in how well it closes the gap between earnings and child care costs. In some places and for some ages the vouchers cover all or nearly all of the average cost for care in the area, but in other counties and age

groups, the voucher may come up short (Figure 7). A mother of a three-month old in Washington County may receive a \$6,136 voucher for an in-home Level 3 provider. The average cost of high quality infant care in Washington County is \$7,355 so the voucher may not cover the full cost. Given that figures are based on averages, families likely have a variety of experiences in using vouchers to successfully access quality care, depending on open slots, the amount of their

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voucher, and the fee structure of their preferred provider.

## Considering Child Care Investments and Resources

**R**esearch provides strong support for public and private investments in child care. The potential savings in public spending, the generalized benefits of quality early childhood care and education to the entire society, and the fact that the market economy is delivering wages insufficient to cover this cost of employment all provide strong arguments for public investments in ECE from birth to age five.

Industrialized countries of Western Europe have responded to studies reporting that ECE has important implications for parents' labor force participation, as well as overall positive effects on a nation's economy by establishing universal child care systems of various sorts.<sup>14</sup> Faced with the same information, the U.S. has failed to invest in a more universal system of high quality care. ECE in America is largely provided through the private market (62% of child care services in Indiana are paid for by families)<sup>15</sup>, and receives far less government investment than in most European nations.<sup>16</sup> Additionally, debates surrounding ECE in the U.S. mainly focus on the educational aspects of child care, compared to their counterparts in other industrialized countries who emphasize the education *and* well-being of *both* the child and parent.

Treating ECE, and particularly subsidies that provide access and support higher wages for child care workers, as economic development policy can have important implications for the children enrolled in care, parents and their role in the workforce, the ECE labor force, and regional economies.

High quality ECE leads to better academic performance, higher graduation rates and lifetime earnings, lower use of welfare assistance, and lower crime.<sup>17</sup> Moreover, these effects are maximized when interventions are implemented from birth to age three not just four-year-old Pre-

Kindergarten.<sup>18</sup>

Parents, as well as their employers, experience benefits such as fewer missed days from work, less turnover, and an increase in productivity.<sup>19</sup> In addition to being able to better engage the labor market, affordable child care allows parents to attend college, eventually leading to even greater economic opportunities in the future for their family.

One of the major challenges in increasing government spending on ECE is the struggle to get politicians and business leaders to consider such large investments when a portion of their payback will not be fully realized until two decades into the future. Researchers measure the impact of government investments in certain areas using the public finance approach which tracks the money spent (e.g. child care, health care, Social Security, public education, special education, criminal justice, and cash assistance) and gained (revenue from taxed income) for an individual throughout their lifespan.<sup>20</sup>

This approach suggests that during a lifetime, an individual cyclically moves from a state of dependency to being economically productive, and then returns back to dependency in later life. In general, most Americans will generate a positive return to the government. Data on ECE investments suggest the likelihood of this outcome is higher when we invest in the first five years.

*The Economic Impacts of Investing in Early Childhood Education in Indiana* (2016) estimates savings of up to \$48 million in lifetime spending on special education, remediation, and grade repetition for each student cohort. In addition, the study estimates the lifetime earnings return on investments of \$2.79 and \$3.09 per dollar invested for high and low-income participants, respectively, in early childhood programs.<sup>21</sup> With additional savings in crime reduction, the study estimates a return of \$3.83 to \$4 for each dollar invested in Indiana's early care and education.<sup>22</sup>

An approach that treats children as a public resource for investment might encourage a different political dialogue about how and why the state should make ECE affordable for all.

Employers whose workers access high quality reliable

child care enjoy lower absenteeism and turnover rates. Workers who place their children in quality care enjoy job and income stability. Investments in quality ECE will professionalize the child care sector, improve job quality, and increase earnings in the sector, generating greater economic activity and additional tax revenue that can help fund a high quality ECE system.

Because high quality birth to five care benefits families, employers, and the larger community and economy, all sectors have both individual and system roles to play in ensuring access to high quality affordable care and education. Research and advocacy efforts point to a wide range of strategies for increasing access to high quality affordable child care.

## Summary and Implications

Affordability is a key barrier of high quality care. Most Southern Indiana children age birth to five, with all parents working, are not enrolled in high quality care. While some very low income families are able to access vouchers, many who qualify remain on wait lists. In addition, many families earn too much to qualify for vouchers, but do not earn enough to be able to pay for high quality care without spending more than 10% of their income on child care. Many families spend a larger share of income on child care and still are not receiving high quality care.

- \* State and philanthropic investments in improving the quality of providers can increase access to quality care for those using vouchers.
- \* Private employers can provide child care support to workers and can offer a higher subsidy when parents choose high quality providers.
- \* Expand access to vouchers to all those earning at or below 200% of poverty, using a sliding scale that keeps child care costs to no more than 10% of income as family income increases.

ECE is known to produce significant educational, economic, health, and quality of life benefits for communities, parents, and children.<sup>23</sup> Such benefits include better academic performance and higher

graduation rates, increases in lifetime earnings, lower use of welfare assistance, and a decrease in crime.

## Endnotes

- <sup>1</sup> Indiana Early Learning Advisory Committee. 2018. "2018 ELAC Interactive Annual Report: Affordability." *Indiana Early Childhood Interactive Dashboard*. <http://www.elacindiana.org/data/2018-elac-annual-report-interactive-dashboard/>.
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- <sup>6</sup> Livingston, Gretchen. 2015. "Family Size Among Mothers." *Pew Research Center: Social & Demographic Trends*. Retrieved (<http://www.pewsocialtrends.org/2015/05/07/family-size-among-mothers/>)
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- <sup>9</sup> Gould and Cooke. 2015.
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- <sup>11</sup> Kids Count Data Center. 2018. "Children in Poverty by Age Group." Annie E. Casey Foundation. <https://datacenter.kidscount.org/data/tables/5650-children-in-poverty-by-age-group?loc=16&loc2=2#detailed/2/16/false/870,573,869,36,868,867,133,38,35,18/17,18,36/12263,12264>.
- <sup>12</sup> Lopez, Amanda. 2015. "ELAC Annual Report 2015." *Early Learning Advisory Committee*. Retrieved ([http://www.in.gov/fssa/files/ELAC\\_Annual\\_Report\\_2015\\_Final.pdf](http://www.in.gov/fssa/files/ELAC_Annual_Report_2015_Final.pdf))
- <sup>13</sup> Fry Konty, Melissa and Jonathan Harrison. 2008. *Financially Sustainable Child Care in Eastern Kentucky*. Berea, KY: Mountain Association for Community Economic Development.
- <sup>14</sup> River Valley Resources, Inc. "Child Care Development Fund (CCDF)." Retrieved ([www.rivervalleyresources.com/ccdf.html](http://www.rivervalleyresources.com/ccdf.html))
- <sup>15</sup> Warner. 2009.
- <sup>16</sup> ELAC. 2015.
- <sup>17</sup> Warner. 2009.
- <sup>18</sup> Citation for impact of birth to 3—not just 4 year old preschool.
- <sup>19</sup> Indiana Association for the Education of Young Children, Inc. 2014. "Working in Child Care in Indiana: 2014 Indiana Child Care Workforce Study." Retrieved (<http://secure.iaeyc.org/wp-content/uploads/2015/12/2014-Indiana-Child-Care-Workforce-Study-FINAL.pdf>)
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