

Agenda for the common good

Affordable, high-quality child care

Iowa families and child care providers have long understood our state's fundamental child care challenge. They've lived it! The challenge? Many families are pushed to the brink to afford care — at costs that rival college tuition — even as child care businesses often operate with little to no margins and child care workers are among the lowest paid members of the workforce.

Despite efforts of individual legislators, the legislature has responded with only modest solutions that fall short of the true level of need.

To unleash the full potential of our workforce, we must close the gap between what it costs for quality child care and what parents can afford to pay. The good news is we know how:

Expand child care assistance

Too many Iowa households with at least one full-time worker make too little to meet even a bare-bones household budget on their wages.¹ Getting more children into Child Care Assistance (CCA) is the first, best way to help families afford child care. CCA, a federal-state partnership, covers part or all child-care costs for low-wage parents while they work or attend school. In 2021 CCA served an average of about 20,000 Iowa children each month.²

States have considerable flexibility to structure their assistance to best address local needs, and Iowa's CCA program could do so much more. Iowa has one of the lowest front-door income eligibility cutoffs in the U.S., 44th among states. An Iowa family can get CCA if their income when they first apply is below 145 percent of the federal poverty level, or \$31,842 annually for a family of three — far below what it takes to afford quality care without help.

What voters & lawmakers need to know

- ▶ **Child care is essential** for parents to work. It is also expensive and, often, hard to find, especially for second and third shifts, and in the parts of the state, mostly rural, considered child care deserts.
- ▶ **Extremely low compensation** for child care businesses and workers makes it hard to provide quality care and drives the undersupply of slots.
- ▶ **There are rough waters ahead.** Iowa has largely relied on federal pandemic relief to improve our child care system. Those federal dollars, a lifeline for many providers, will phase out by 2024.³
- ▶ **Draconian income tax cuts** by state lawmakers will unleash budget woes limiting our ability to replace federal dollars and make needed long-term gains.⁴

Iowa has taken some good steps to allow families, once on CCA, to remain on past the 145 percent threshold. This exit-eligibility option, "CCA Plus," allows families participating in CCA to stay on up to 250 percent of poverty, easing the old "child care cliff" where families lost all assistance by accepting a raise or more hours that pushed them even pennies over the eligibility cap. But CCA Plus excludes otherwise identical families entering the system for the first time with incomes even pennies over the regular 145 percent of poverty limit. The only path to CCA Plus is through regular CCA.⁵

Lawmakers should:

- ▶ **Raise the Child Care Assistance entrance eligibility level** to at least 185% of the poverty level to start, and eventually to the CCA Plus level.

Pay providers more

Child care is among the lowest paid work available — and not coincidentally mainly the province of women, and disproportionately women of color. The average hourly wage for child care workers, many of whom have specialized training, in May 2021 was \$10.73.⁶

In 2021 lawmakers increased the rates CCA pays participating providers. Although a welcome move, Iowa's rates remain below national standards and below market rates paid by non-CCA families.

This essential workforce would overwhelmingly benefit from a \$15 minimum wage — and state lawmakers should make that change. But a higher minimum wage will cause chaos in the child care industry unless we also put in more resources to help keep families' costs down. Otherwise many parents will pay more, some children will be forced into lower-quality or less reliable care and some parents will leave the workforce altogether.

Lawmakers should:

- ▶ **Raise CCA provider reimbursement** for registered or licensed providers to the federal standard, 75th percentile of current market rate (up from the 50th percentile).
- ▶ **Contribute to a fairly paid, stable ECE workforce** by supporting proven initiatives like WAGE\$, a salary supplement, and T.E.A.C.H, a scholarship program.
- ▶ **Participate in any new federal initiatives** that help fill the gap between what it costs to offer a quality program and what parents can pay.

Boost tax credits for families

In recent years lawmakers have approved a smattering of tax credits and matching grants to encourage communities or employers to build child care facilities or expand services. Such efforts are helpful if you happen to live in a certain town or work for a certain employer, but fail to reach many families who could use help. We should expand tax credits directed at families, so help isn't dependent on where in the state someone lives or works.

Lawmakers should:

- ▶ **Increase the state child and dependent care credit and adopt a state version of the federal child tax credit** that helps offset the high costs of raising children.

Expand Pre-K

Full-day Pre-K is another piece of the child care puzzle. About half of school 4-year-old programs still run only 10 to 13 hours per week, making them inaccessible for many working families needing full-time care. Public preschool in Iowa serves lower shares of children who face barriers to and could most benefit from quality early learning, including children of color, low-income children.⁷

Lawmakers should:

- ▶ **Connect more children, particularly those underserved by current programs, to full-day preschool** by expanding the state's Four-Year-Old Preschool and Shared Visions programs and investing state dollars in Head Start.

1 Peter Fisher and Natalie Veldhouse, "The Cost of Living in Iowa 2022," Common Good Iowa, 2022. Accessed at <https://www.commongoodiowa.org/data/cost-of-living-in-iowa>

2 Iowa Council on Human Services, "State Fiscal Year 2023 Budget Submission," Improve Iowans' Employment and Economic Security.

3 Legislative Services Agency, "Child Care Assistance Forecasting Group – July 2022." Accessed at <https://www.legis.iowa.gov/docs/publications/BL/1293509.pdf>

4 Common Good Iowa, "New income tax cuts: A recipe for disaster and inequity," January 2022.

5 Common Good Iowa, "Policy Priority: Increase the Child Care Assistance family eligibility level to at least 185% of the federal poverty level for all families," February 2021

6 Bureau of Labor Statistics, May 2021 State Occupational Employment and Wage Estimates. Accessed at https://www.bls.gov/oes/current/oes_ia.htm#31-0000

7 I2D2, "Preschool Access: Fill in the Gaps." Accessed at https://i2d2.iastate.edu/wp-content/uploads/2021/02/I2D2_VisualBrief_Preschool-Access_V4A.pdf