

# Priorities for improving Iowa's child-care system

A five-year plan for early care and education • January 2014 update

## CHALLENGES IN IOWA

The need for child care is particularly great in Iowa, which ranks among the top U.S. states in the percent of children under age 6 with all parents in the labor force (74 percent). When it comes to child care, there are many strengths to build on, but also areas where improvement is needed.

**Significant gaps in quality** exist among providers. High-quality care meets rigorous standards around health and safety, social and emotional development and cognitive growth. Iowa operates quality-improvement initiatives and

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there are stellar programs across the state that meet high standards, but high-quality care remains out of reach for many.

**Iowa's child-care assistance program** helps low-income parents pay for care while they work or attend school. The income eligibility limit of 145 percent of poverty (\$34,148 for a family of four in 2013) is among the lowest in the U.S. Families whose income rises just slightly above the cutoff actually find themselves worse off, as they are suddenly responsible for the entire cost of child care.

Even after two modest increases, **payments to Iowa providers under child-care assistance**—set just below the 75th percentile of the 2006 market rate—remain below national standards and what it takes to assure quality or pay a living wage. Low reimbursement challenges providers seeking to provide the best care to the children they serve.

**T**he future prosperity of Iowa depends on our ability to support the next generation. Affordable, high-quality child care provides a strong foundation for children's future well-being and improves the state's workforce now and later.

Iowa's child care system has a strong base to build on, but too often falls short. We can do better because we know what needs to happen.

This document is an update to a five-year child care improvement plan created in late 2011. Iowa has made several important gains since then—including two increases to provider reimbursement rates under child care assistance—but work remains in three major areas:

## AFFORDABILITY

We can help low-income families access reliable child care and cushion the "cliff effect" they face as they work to get ahead (see sidebar). Parents with safe, reliable care are less likely to face child-care emergencies that interfere with work; they are better employees.

### *Key strategies:*

- **Raise family eligibility for child care assistance to 185 percent of the federal poverty level**
- **Increase continuous eligibility—the time between required reapplication for assistance—from six months to 12**
- **Allow parents to receive child care assistance for a combination of work and school instead of only full-time work (at least 28 hours per week) or full-time school**

### *Other important approaches:*

- Restore wrap-around funding, which covers child care before and after preschool so eligible children have continuity of care
- Enact tiered provider reimbursement for child-care assistance based on quality
- Initiate public education campaign about the child-care assistance program targeted toward families and providers

## AVAILABILITY

We can pay hard-working providers at a rate that reflects the cost of quality and retains the best of them.

### *Key strategy:*

- **Increase the provider reimbursement rate to the 75th percentile of the current market rate**

### *Other important approach:*

- Enact initiatives to improve the pay of the child-care workforce, such as WAGE\$ and TEACH

## Rough budget implications of affordability and availability improvements

### Incremental increases to prior-year funding

Currently, Iowa (through state and federal funding) commits around \$130 million annually to the child-care assistance program. These new investments would build on ongoing commitments:

Fiscal Year 2015	Estimates	Estimates
<ul style="list-style-type: none"> <li>• Increase child care eligibility rates to 155% of poverty</li> <li>• Raise reimbursement rates under quality formula to 2008 market rates</li> <li>• Raise continuous eligibility from six to 12 months</li> </ul>	\$8 million \$10 million \$3.5 million	<b>\$21.5 million</b>
<b>Fiscal Year 2016</b>		
<ul style="list-style-type: none"> <li>• Increase child care eligibility rates to 175% of poverty</li> <li>• Raise reimbursement rates under quality formula to 2010 market rates</li> </ul>	\$6-8 million \$5-6 million	<b>\$11-14 million</b>
<b>Fiscal Year 2017</b>		
<ul style="list-style-type: none"> <li>• Increase child care eligibility rates to 185% of poverty</li> <li>• Raise reimbursement rates under quality formula to current market rates</li> </ul>	\$6-8 million \$5-6 million	<b>\$11-14 million</b>

### QUALITY

Just like in a house, laying a strong foundation in children’s early years supports ongoing brain development—what children know and how they learn and get along with others. High-quality child care fosters strong foundations.

#### **Important approaches:**

- Reinstate full QRS achievement incentive for participants who maintain their current level
- Require all providers caring for three or more children to be licensed or registered
- Require pre-service health and safety training for all providers
- Assure each child development home is inspected annually
- Create additional training supports for individuals providing family, friend and neighbor care
- Encourage credentials for child-care workers and directors
- Offer and require more comprehensive, evidence-based training for providers

### ABOUT THIS PLAN

*The Child and Family Policy Center convened key stakeholders during 2011 and again in 2013 to identify needed improvements to the state’s child-care system. This plan reflects the input of focus groups of parents and providers held around Iowa and a planning committee of representatives from public and nonprofit organizations involved with child care.*

*The group aimed to coordinate with other important child-care planning efforts: Early Childhood Iowa, the State Child Care Advisory Committee and the Department of Human Services. Representatives from ECI and SCCAC served on the coalition, and representatives from DHS, which has developed its own two-year plan under the federal Child Care and Development Fund, provided valuable information throughout the planning process.*

#### **Supporting organizations**

- Iowa Association for the Education of Young Children
- Iowa Head Start Association
- Iowa Community Action Association
- Iowa Commission on the Status of Women
- Iowa Policy Project
- Mid-Sioux Opportunity, Inc
- United Ways of Iowa
- Visiting Nurse Services of Iowa



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