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Smart Investment: Strengthening Child Care Assistance Expanded Access to Quality Child Care Can Help Families, Iowa Economy

IOWA CITY, Iowa (March 25, 2009) — Iowa can take several steps to expand child care assistance to more working families and assure quality care, Iowa Policy Project researchers said Wednesday.

“With the rising cost of child care, more parents are struggling to pay for care so they can keep working,” said Lily French, research associate for the nonpartisan Iowa Policy Project (IPP) and lead author of the report. “Children need high-quality child care to grow into healthy, well-developed, successful adults.”

The report notes Iowa’s percentage of employed parents is among the nation’s highest, while the state also has some of the nation’s most restrictive child care assistance policies.

“Iowa must come to grips with this discrepancy,” French said. “When we do, the state will reap greater fiscal returns because of its investments in the Child Care Assistance Program.”

According to the report, Iowa should improve access to child care for more families, and increase quality of care. Among recommendations:

- Raise income eligibility, from 145 percent of the federal poverty level to 200 percent;
- Raise awareness of the state’s program among families not currently served by other human services programs;
- Require licensure and training requirements for more providers than currently covered by such rules; and
- Require participation in quality assurance programs by all providers receiving subsidies.

French said another important change would be to tie providers’ reimbursements to current market rates, so more providers participate in the state program, which would help kids and families.

The full report is on the IPP website at www.iowapolicyproject.org.

IPP released the report a day after the state announced a one-month drop of 6,900 nonfarm jobs, the fifth decline in six months, and just days after the state’s forecasters dramatically reduced their revenue projections for the current and next budget years.

According to the report, research shows that low-income mothers who receive child care assistance are more likely to be employed, work more hours, work standard schedules, sustain employment and earn more than low-income mothers who lack access to child care assistance.

Research also shows investments in quality care and early childhood education lead to greater success in school, less need for special education, higher graduation rates, higher employment and earnings, better health outcomes, less welfare dependency, and lower crime rates.

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“The need to address working families’ needs and make smart investments with state tax dollars has never been more clear,” said Peter Fisher, IPP research director and co-author of the report. “Money invested in the Child Care Assistance Program actually returns funds to the state budget over time.”

The authors estimate that expanding eligibility for subsidies to families with incomes up to 200 percent of poverty would eventually return \$6.7 million to \$9 million annually to the state treasury in greater income and sales tax receipts.

“Iowa’s investment has been lacking, and consequently, so has its regulatory oversight of, and pay for, child care providers,” French said.

Iowa’s child care regulatory system ranked 46th in 2008, according to the National Association of Child Care Resource and Referral Agencies, largely due to a lack of regulatory staff and lax requirements for registered home care providers. In pay and training for caregivers, Iowa ranked worst among four Midwestern states in another study.

“Subsidies are not getting low-income children into high-quality programs, and current regulation is inadequate to improve programs that are being subsidized,” French said. “In addition, child care workers are not being rewarded in the marketplace and the subsidy program uses outdated reimbursement rates. Too many working families are going without assistance.”

The Iowa Policy Project (IPP) is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon, with its principal office in Iowa City. IPP reports on economic opportunity, fiscal policy, and energy and environmental issues are at <http://www.iowapolicyproject.org> <<http://www.iowapolicyproject.org>>.

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