
Policy Brief

July 2011

Child Care Development Fund

What is the Child Care Development Fund?

The Child Care and Development Fund (CCDF) is a federal program specifically devoted to child care services and quality. CCDF is authorized by the Child Care and Development Block Grant Act (CCDBG) and Section 418 of the Social Security Act. This program assists low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) benefits in obtaining child care while they work or participate in education or training programs needed in order to find work. CCDF funds are also used to serve children in protective services and a portion of each state's funding must be used to enhance child care quality and availability.

Who is Eligible for CCDF?

Federal eligibility for CCDF is restricted to children from families who are working or attending education or training programs and are earning a maximum of 85 percent of the state's median income. States have the option to set more restrictive criteria, such as lowering income thresholds or only serving children with parents who are working.

To meet federal eligibility requirements a child must:

- Be under the age of 13, or under the age 19, if incapable of self-care or under court supervision; **AND**
- Reside with a family whose income does not exceed 85 percent of the state's median income for a family of the same size; **AND**
- Reside with a parent or parents who are working or attending a job training or educational program.

OR

- Receive, or need to receive, protective services (States have the option of including foster care in their definition of protective services).

In Indiana, to be eligible for CCDF, a family's gross monthly income (before taxes and deductions) cannot exceed 127 percent of the Federal Poverty Guidelines (FPG) (\$23,533 for a family of three in 2011). However, a family can remain enrolled in the program until their income exceeds 170 percent of the FPG (\$31,501 for a family of three in 2011).

Eligibility for CCDF in Indiana Based on Monthly Gross Income

| Family Size | 127% of 2011 FPG |
|--------------------|-------------------------|
| 1 | \$1,152 |
| 2 | \$1,557 |
| 3 | \$2,111 |
| 4 | \$2,365 |
| 5 | \$2,770 |
| 6 | \$3,174 |
| 7 | \$3,578 |
| 8 | \$3,982 |

**Income amounts are figured on gross income (before taxes). This includes wages (including any overtime, holiday, bonus, sick/vacation pay, etc.), Social Security Income, TANF cash assistance, unemployment benefits, and child support.*

Due to the income eligibility requirements for CCDF, all participants are considered low-income, if not very-low income, earning less than FPG wages. Nearly one in four families were TANF recipients – that is they earned less than 39 percent of the FPG (\$7,227 for a family of three in 2011) and did not possess personal property valued in excess of \$1,000 at the time of application.

The vast majority (95 percent) of CCDF families were single-parent headed families. Seventy-seven and a half percent of families earned an income below the FPG, while only 3.6 percent earned an income above 140 percent of FPG.¹

The majority of parents receiving CCDF assistance (89.3 percent) were working.² Twenty-two percent of the families had co-payments, costing them an average of 7.6 percent of their income.³

What is the Average CCDF Monthly Benefit?

According to Indiana Family and Social Services Administration (FSSA), the cost of child care for a single child averaged \$374 monthly. This cost includes a parent fee in addition to the monthly subsidy. Of the monthly cost, parents paid 4.7 percent of the cost while CCDF funds paid the majority of the cost, 95.3 percent.⁴ The cost of child care varies by age and geographic location, with child care for children under the age of one year being the most expensive averaging \$438 a month. Schoolage children (6 years and older) cost an average of \$280 a month. The CCDF expenditures for schoolage children account for nearly three-fourths (73.8%) of the state's CCDF expenditures. The highest average cost of child care as in Hamilton County. There, the cost of monthly child care averaged \$590 a month, a significant difference from the lowest average cost of child care at \$151 in Union County.⁵

How Many People Participate in CCDF?

New research analysis from CLASP, reveals that federal spending on child care assistance decreased from \$13 billion to \$12.6 billion in Federal Fiscal Year (FFY) 2008 – the most recent year of available CCDF block grant data. Due to this decline in spending, CCDF served 1.6 billion children, the smallest number in the past 10 years.⁶

In Indiana, CCDF served a total of 36,100 children in FFY 2008.⁷ More recent data from Indiana FSSA indicates the number of children benefiting from CCDF declined slightly since 2008. During 2010, a total of 35,893 children from 19,087 families were authorized to receive CCDF benefits. Of those, 3,500 were served with American Recovery and Reinvestment Act (ARRA) dollars. However, the need for CCDF in Indiana far exceeds the availability of funding. At the end of State Fiscal Year, June 2011, Indiana's waitlist for CCDF totaled 12,832 children from 7,735 families.⁸

How is CCDF Funded?

During FFY 2010, CCDF made available \$5 billion to states, territories, and tribes through block grant funds. Funds are awarded by the federal government to the lead agency of each state and territory, but a portion of funding must be matched by state funding. In Indiana, the lead agency is the Indiana FSSA, Division of Family Resources.

The amount of a funding a state receives in a FFY is determined by a formula consisting of three factors:

- The ratio of the number of children under age five in the State to the number of children under age five in the country;
- The ratio of the number of children in the state who receive free or reduced price school lunches under the National School Lunch Act to the number of such children in the country; and
- A weighting factor determined by dividing the three-year average national per capita income by the three-year average per State capita income (as calculated every two years).

States also receive funding for FFYs 2006-2010 from the Mandatory Fund and Matching Fund.

How Can CCDF be Strengthened?

There are several ways for Indiana can strengthen the CCDF program and allow it serve more people in need of quality and affordable child care.

1. Invest More Money into the CCDF Program

Child care is a critical component for parents to find and keep jobs. Indiana is currently using all of its CCDF allocation and as a result there is a waitlist for CCDF benefits. There are multiple federal and state funding sources that can be invested into the CCDF program including TANF block grant funds, Social Services Block Grant funds, state TANF MOE funds, or other state monies. States are allowed to spend TANF funds directly on child care services or transfer up to 30 percent of the block grant monies to CCDF. Indiana currently invests about one-third of the allowable 30 percent of TANF funds to CCDF, which means approximately \$60 million more dollars of TANF funds could be invested in CCDF.⁹ Child care is the backbone of getting TANF recipients into the workforce and assisting them in retaining employment. Its importance should be recognized through increased investments.

If the state could provide benefits to the 7,735 families and 12,832 children on the waitlist, this would create a sizeable economic impact to Indiana. If child care assistance

was provided to all 7,735 families, thus freeing them to go to work — workers would generate \$117 million in earnings by earning the minimum wage of \$7.25 per hour.

Other states Indiana can look to as examples of best practices related to investment in CCDF are Illinois and Vermont. Illinois is acknowledged as the state leader in being able to serve the highest proportion of its eligible population with child care subsidies. It is able to do this by committing more than the federally required amount of state funds in addition to federal dollars.¹⁰ Additionally, Vermont's budget language requires the agency responsible for the subsidy program to seek additional funds from the legislature before capping any services. These are options Indiana could consider.

2. Increase Co-Payments

If Indiana would increase co-payments on families at the higher end of the income eligibility range these monies could be reinvested in the CCDF program. Currently parents in Indiana paid 4.7% of child care costs while the CCDF program pays 95.3%.

Policy Brief Made Possible Through Generous Funding From:



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¹ Indiana Family and Social Services Administration. *CCDF Fact Sheet, Indiana Statewide Summary, Voucher and Contract Service Centers Programs*. June 2011. Online: www.in.gov/fssa/files/FactSheet.pdf.

² Ibid.

³ Indiana Family and Social Services Administration. *CCDF Fact Sheet, Indiana Statewide Summary, Voucher and Contract Service Centers Programs*. June 2011. Online: www.in.gov/fssa/files/FactSheet.pdf.

⁴ Ibid.

⁵ Indiana Family and Social Services Administration. *CCDF Fact Sheet, Indiana Statewide Summary, Voucher and Contract Service Centers Programs*. June 2011. Online: www.in.gov/fssa/files/FactSheet.pdf.

⁶ CLASP, *Child Care Assistance in 2008: Spending Update*, September 2010. Online: http://www.clasp.org/resources_and_publications/publication?id=0817&list=publications.

⁷ Ibid.

⁸ Indiana Family and Social Services Administration. *CCDF Fact Sheet, Indiana Statewide Summary, Voucher and Contract Service Centers Programs*. June 2011. Online: www.in.gov/fssa/files/FactSheet.pdf.

⁹ See: http://www.in.gov/fssa/files/BCC_Annual_Report_07.pdf; http://www.in.gov/fssa/files/BCC_Annual_Report_08.pdf; <http://www.cbpp.org/cms/?fa=view&id=3345>; and http://www.acf.hhs.gov/programs/ofs/data/2009/table_d1_2009.html;

¹⁰ Washington, Valora Ph.D., Marshall, Robinson, et. al., *Keeping the Promise Alive, A Study of the Massachusetts Child Care Voucher System*. February 2006. Online: <http://cayl.org/files/MassachusettsChildCareStudyReport.pdf>.