The Family Conservancy

2024 Public Policy Agenda

In 2024, the Kansas and Missouri legislatures must keep the focus on child-centered policy to build an early care and education system that children, families, providers, and the economy need. State investment in early childhood is a win for every Kansan and Missourian. With the right investments, we can strengthen child care and preschool – key components of Kansas and Missouri's economic infrastructure. The legislature must make these investments today so our children, families, and communities can thrive.

The Family Conservancy (TFC) is committed to promoting an agenda that prioritizes children, child care providers, and families, thereby fostering economic growth and the well-being of our citizens.

Kansas

Solutions for Licensed Kansas Providers

Child care providers are small businesses, yet they face the daunting task of providing a public good for our community. They are depended on to provide high-quality, dependable child care to meet families' needs, while maintaining viable business operations for themselves and their staff. TFC recommends a multi-pronged approach to solutions that includes the following:

1. Make Child Care Assistance Payments Directly and Prospectively to Child Care Providers

   Currently, Kansas issues child care subsidy payments directly to parents (instead of child care providers) via the Electronic Benefit Payment System. Parents have access to one month's child care benefit based on hours of care needed in full- or part-time blocks at the beginning of the month and are responsible for payment to providers based upon their provider's individual payment practices as identified in the child care provider's contract. TFC recommends that instead, the state make payments directly to the child care provider, upon acceptance of subsidy and placement in care.

   How This Recommendation Will Help:

   - Improve the cash flow and sustainability of program operations for participating child care programs by issuing upfront payments.

- Potentially incentivize enrollment for non-participating programs, offering this steady source of prospective revenue.
- Reduce the administrative burden on families by removing one of two payments families are responsible for making.
- Creates a mechanism to provide financial incentives for the provision of specialty child care options, such as infants and toddlers, children with disabilities, non-traditional hour care, and other specialized circumstances.

2. Set Child Care Assistance Rates Based on the Actual Cost of Care

Most states determine their child care subsidy amounts based on market rate survey data, which is the price that child care providers are able to charge parents. This methodology can be unresponsive to market or economic changes and often doesn't reflect the actual costs of providing care. The federal government allows an alternative method—cost estimation modeling (also known as narrow cost analysis). This approach uses regulatory requirements and child care program characteristics to quantify the true cost of care.

Recently, a narrow cost analysis was performed in Kansas which looked at the cost of providing child care in the state. As a result of this analysis, DCF proposed a rate adjustment for child care providers, taking effect in December 2023.

How This Recommendation Will Help:

- Higher subsidy rates that consider livable wages and basic benefits for staff, and the cost of employing quality standards of care, will incentivize more child care providers to participate in the Child Care Assistance Program.
- Low-income families will have increased access to convenient child care when more providers participate in the Child Care Assistance Program. Currently, fewer than half of the licensed providers in Kansas participate in the Child Care Assistance Program, which means that even if a family qualifies for state subsidy, they may not be able to find a provider who will accept it.

3. Support Child and Adult Care Food (CACFP) Program Reimbursement at the Tier I Rate

Providers serving children out of their homes in Kansas qualify for CACFP reimbursement based on where their homes are located, their personal household income, or the income of the families for whom they provide care.

As part of pandemic relief, the federal Keep Kids Fed Act enabled child care centers, Head Start programs, and in-home child care programs participating in CACFP to receive an additional 10 cents for every creditable CACFP meal or snack served (up to three per day). The act also temporarily eliminated area eligibility for family (in-home) child care providers to qualify for Tier I, or the top reimbursement amount.

One of the essential provisions of the Keep Kids Fed Act was paying all family child care providers at a Tier I rate. Tier II providers have resumed receiving the lower rate on July 1, 2023. There has been a steep drop in family child care participation since tiering (also known as a means test) was implemented in 1997 and the number of family child care homes has decreased over time.

TFC recommends Kansas use state funds to continue reimbursement for family child care providers at the Tier I rate, which provides higher reimbursement than Tier II.

How This Recommendation Will Help:

- A family child care provider caring for seven children enjoying two meals and one snack per day for one month would receive $873 under Tier I reimbursement. If this same provider drops to Tier II, they receive just $398 monthly. It is simply not sufficient for nutritious meals and snacks, especially considering current food prices.
- Providers will have a greater financial incentive to begin or continue providing child care from their homes, as family child care (or in-home care) is a critical type of care for families to meet many needs such as location, cost, hours of operation, cultural preferences, etc.
- Many families who would benefit from Tier I reimbursement are food insecure, and their children rely on the food provided in child care through the CACFP. This would enhance the ability of providers to support the health of the children in their care.

Solutions for Kansas Families

Affordability is oftentimes the top issue impacting families' ability to access child care. Through our Start Young program, TFC has employed minor enhancements to providing child care subsidy that empowers families to build stability and provide better environments for their children during the critical early developmental period of life.

We recommend a thorough review of Kansas' Child Care Assistance program that considers the following:

1. Eliminate and/or Reduce Child Care Assistance Copays

Caregivers receiving subsidy are responsible for a "family share" amount (in essence, a co-pay) and any additional charges agreed upon between themselves and their child care provider. In Kansas, the average monthly family share is $81, or just under 10% of the cost of care (cost defined by the Department of Children and Families).

TFC recommends providers charge families receiving subsidy their co-pays and additional fees prospectively (versus retrospectively), just as they charge families who pay privately for child care. This solution solves for two inefficiencies in the system:

For most families over 100% FPL, two payments must be made to a family's child care provider: 1) they must transfer the subsidy benefit from the EBT card to the provider, and then 2) pay their family share (co-pay) from the family's private financial resources to the child care provider.

The current system is such that funds are prospectively paid by the state to parents' benefit cards. This means some funds may not reach child care providers as centers/providers often charge tuition to families receiving subsidy retrospectively.

How This Recommendation Will Help:

- Increases efficiency for child care businesses by eliminating the need to collect a second payment from families, thereby avoiding a potential net loss of income due to a family's inability to afford the co-pay.
- Save low-income families hundreds of dollars annually.

Child care providers responding to the 2021 Market Rate Survey indicated difficulty collecting remaining tuition fees once subsidy amounts are applied amounts as one of the top barriers to participation in the Child Care Assistance program. This change would simplify the process for families, and encourage more providers to accept subsidy, thus increasing choices and options for care for families receiving subsidy.

2. Increase the Income Eligibility for Child Care Assistance

According to the U.S. Department of Health and Human Services (HHS), child care is affordable if it costs no more than 7% of a family's income. Only 8.0% of Kansas families can afford infant care by this standard.

Federal regulation allows states to provide child care assistance benefits to families earning at or below 85% of the State Median Income (SMI). In December 2023, Kansas proposed using 85% of SMI as their benefit eligibility threshold. For reference, 85% of

SMI for a family of four in Kansas is currently $78,324. This would be a slight increase from the current eligibility threshold of $75,000 for a family of four. To make an even higher increase from the proposed 85% SMI, state funds would be required to support those families.

How This Recommendation Will Help:

- Kansas' Child Care Assistance Program helps families pay for child care by providing them with a subsidy, thus directly addressing the affordability challenge faced by so many parents, including those with moderate incomes.
- By increasing eligibility to 300 - 350% FPL, an additional 7,778 children would potentially be eligible for the Child Care Assistance Program throughout the state.
- With more families receiving child care assistance benefits, more child care providers may consider participating in the program to attract a larger customer base.

3. Removing the Child Support Cooperation Requirement for Child Care Assistance Eligibility

A bill passed during the 2023 legislative session amended the state's child support determination and cooperation requirements for child care assistance eligibility. Child support cooperation requirements are required at the initial application for benefits and at the annual review. TFC's recommendation is to remove the cooperation requirements.

How This Recommendation Will Help:

- The Child Care Assistance Program supports economic stability. Eliminating this requirement would increase the number of families who qualify and remain eligible for this benefit.
- Pursuing child support compliance can be a time-consuming process with appointments and logistics not conducive to full-time employment for the parent seeking compliance.
- Removing this barrier will have a profound impact, especially on low-income families, including single-parent families, with infants and toddlers, who are pursuing employment and gaining economic stability.

Other Key Kansas Legislative Priorities:

- Support legislation to implement the recommendations from Governor Kelly's task force on early education which proposes the state realign all programs relating to child care services at KDCF, KDHE, and the Kansas Children's Cabinet and Trust Fund under one entity. The recommendations suggested that the legislature could consider adopting a law for consolidation during the 2024 session and complete the realignment by July 2026.

- Contribute State general funds to fully draw down matching Child Care and Development Block Grant funds at the federal level
- Support legislation for the State Child Tax Credit. Consider a state level child tax credit that mirrors the federal tax credit and explore the Kentucky plan in which child care workers get free child care for their own children
- Fund substitute pools for child care providers
- Offer stipends to support provider recruitment and start-up expenses
- Invest in Shared Services Networks and Child Care Management Technology
- Passing KanCare (Medicaid) expansion. Kansas kids will benefit when their parents are more likely to be eligible for the KanCare program.

Missouri

Solutions for Licensed Child Care Providers and Families

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1. Set Child Care Assistance Rates Based on the Actual Cost of Care

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   How This Recommendation Will Help

   - Higher subsidy rates that consider livable wages and basic benefits for staff, and the cost of employing quality standards of care, will incentivize more child care providers to participate in the Child Care Assistance Program.
   - Low-income families will have increased access to convenient child care when more providers participate in the Child Care Assistance Program. Currently, only 62% of the licensed providers in Missouri participate in the subsidy program,

which means that even if a family qualifies for state subsidy, they may not be able to find a provider who will accept it.

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3. Actively Support Introduced Bills

The following bills introduced on the House and Senate floor would benefit children, families, and child care providers, and TFC will actively support their passage:

- HB 1486 (Shields), SB 743 (Arthur) and SB 871 (Eslinger) - Changes provisions governing early childhood education by increasing the funding available for school-based Pre-K programs
- HB 1488 (Shields) & SB 742 (Arthur) - Authorizes the "Child Care Contribution Tax Credit Act," the "Employer-Provided Child Care Assistance Tax Credit Act," and the "Child Care Providers Tax Credit," relating to tax credits for child care
- SB 881 (Razer) - Creates a child care cost-sharing pilot program

Federal

- Support the Child Care for Working Families Act
- Support President Biden's request for $16 billion in child-care funding from Congress to prevent the expiration of COVID aid from disrupting essential services for families
- Appropriations for the ECE FY25 budget, including:
    - **Child Care and Development Block Grant (CCDBG)** – At least an **additional $4.3 billion** for Child Care & Development Block Grant (CCDBG) (a total of at least $12.3 billion), which will expand the base CCDBG budget to sustain some of the meaningful benefits states experienced with stabilization funding, and support states in making targeted investments to their child care systems aligned with longer-term needs.
    - **Head Start** – An **additional $4 billion** for Head Start – a total of at least $15.9 billion, including 3-5-year-olds (Head Start), prenatal to 3-year-olds (Early Head Start, including EHS-Child Care Partnerships), Migrant & Seasonal prenatal to 5-year-old Head Start, and American Indian/Alaska Native Head Start.
    - **Preschool Development Grants Birth through Five (PDG B-5)** – An additional **$210 million** for the Preschool Development Grants birth through age 5 (PDG B-5) program (a total of $500 million) to support states' and territories' efforts to increase the quality and efficiency of existing early learning programs and systems, while thinking strategically about how to optimize federal and state funding streams.