STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF HUMAN SERVICES
DIVISION OF FAMILY ASSISTANCE

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March 26, 2015

Dear Child Care Stakeholder:

The NH Department of Health and Human Services administers the Temporary Assistance to Needy Families (TANF) Program for New Hampshire and one of our prime responsibilities is to move children out of poverty through employment of their parents. Toward this end, to remain eligible for TANF, able-bodied parents are required to participate in work activities up to 30 hours a week. That means when their child is under age 13, they need child care.

Please find attached a report with results of a survey on out-of-pocket costs for regulated child care to TANF recipients who receive child care subsidy benefits. The report, *Access of TANF Children to Regulated Child Care,* concludes that TANF children are too often priced out of regulated child care despite being participants in the Child Care Subsidy Program. Unable to afford regulated care, two-thirds of TANF recipients are electing not to access child care subsidy benefits at all, but are instead leaving their children with other unlicensed caretakers or at home alone—places that often do not provide the quality services that licensed quality child care programs offer children and their families.

Given limited federal funding and growing concerns over the availability of sustainable state general funds, the Department recognizes the need to take positive strides forward in a new, innovative way using a plan that has been approved by Commissioner Nicholas Toumpas. Soon the Department will convene a group of committed and key stakeholders to discuss in detail the results of the survey report and to outline certain steps that address the sustainability of funding that affords access to licensed and quality child care for those families in the greatest need.

Meanwhile, I would like to thank all the child care providers who responded to our surveys. And I'd like to recognize Janine Lesser, the TANF/Child Care Program Specialist on my staff, for her enduring work in completing the attached research and analysis, and to Dr. Ellen Wheatley for her insightful review. If you have any questions, please feel free to contact Janine Lesser at 603-271-9325.

Sincerely,

Terry R. Smith
Director

Attachment

Access of TANF Children to Regulated Child Care

Child Care Provider Survey: Out-of-Pocket Child Care Expenses for TANF Children

January 15, 2015

Division of Family Assistance

New Hampshire Department of Health and Human Services

Executive Summary

The mission of New Hampshire's TANF Program is to serve as a cash safety net for low income children while moving those children out of poverty through employment of their parents. In 2013-14, to evaluate performance related to this mission, New Hampshire's Division of Family Assistance surveyed child care providers to gain more specific information relative to how the Child Care Scholarship Program impacted TANF both as a cash safety net and as a facilitator to economic independence for TANF recipients. The leading issue is that the cash benefit TANF clients receive is statistically about $50 less than the monthly rent they owe. Added to that, as a condition of eligibility TANF recipients have a 20 or 30 hour a week work requirement. Every able-bodied recipient with a child under age 13 is eligible for child care. Yet 66% of TANF parents do not apply for the Child Care Scholarship Program so that their child care costs can be paid by the State.

The survey data raise several urgencies for administration of the TANF program. First, data show that two-thirds of TANF children are not in regulated care. Instead, they are with relatives, neighbors, or boyfriends. A second urgency is that research has consolidated definitive proof that toxic stressors associated with poverty disrupt neural growth in children, especially among 0-5 year olds, with effects that last through the K-12 years and up. While regulated child care is state-inspected and consequently more certain to offer impoverished families a safe setting that can reduce the impact of toxic stress, data in this report indicate that TANF families are priced out of the regulated child care market even when the parent participates in the NH Child Care Scholarship program.

Prior to 2002, general anecdote held that the New Hampshire's child care scholarship program met the full cost of child care for a TANF family. However, in 2005 the Division of Family Assistance (DFA), the division in charge of the TANF Program, was embarking on a new evidence-based practice management model. One of the first scientific evaluations DFA conducted was a survey of child care providers. The results of this survey indicated that TANF parents not only *did* experience out-of-pocket costs for child care, but that these costs actually made regulated child care unaffordable to TANF recipients despite the Child Care Scholarship program's reimbursement. In a separate but related analysis, DFA also reviewed the size of the TANF cash grant in relation to cost of rent and found that the grant is consistently $50 less than the rent landlords certify they owe. That is the context for the affordability of child care: TANF clients cannot afford rent, hence any out-of-pocket expense beyond that is also unaffordable. DFA's 2005 child care provider survey established that 78% of surveyed child care providers charged clients a co-payment to supplement the state reimbursement rate. The average out-of-pocket cost TANF parents incurred was $77 per month per child.

In 2009 the NH Division of Children Youth and Families redesigned the child care scholarship program to meet federal requirements. To assess the impact of the new scholarship design, DFA

conducted a new updated survey in 2013 of 64 centers representing 143 early childhood and school-age program sites. The federal mandate for the child care scholarship redesign was not also accompanied by additional funds. Survey data show that redesign shuffled provider reimbursement rates and client out-of-pocket expenses but ultimately afforded TANF recipients no net financial relief. In 2005 clients paid an out-of-pocket average $77 per child per month for costs associated with State reimbursements that failed to cover provider rates. In 2013 co-payments per se are not as egregious an expense to TANF recipients, but still pose a problem. In reviewing all twelve categories of rates for the surveyed providers, the percentage of providers that have at least one category of rate over the state reimbursement averages out to 63%.

While co-payments are not as prevalent or as high since redesign, other expenses have taken their place. Before 2005, TANF clients paid zero dollars for "cost share" or co-payment. In 2013, TANF recipients must pay $22.52 per month in cost share. Also, most providers (79.69%) charge additional fees for activities, transportation, or late pickup. Another 45.31% of providers charge TANF families the first week's fee before they begin services for the child. But the most costly of the new out-of-pocket expenses to TANF clients is the "service level drop." Child care providers charge for days when the child does not attend whether due to sickness to the child or parent, or due to the center closing for holiday or vacation. State policy will reimburse for services unless total absences in the week cause the service level to drop from full-time to half-time or half-time to part-time. Then the TANF parent must pay the difference. Provider payment data demonstrate that service level drops cause an out-of-pocket expense to Scholarship Program recipients 34% of the time, or in other words once every three weeks. Charges range from $38 to $78 per week per child.

Cumulative out-of-pocket costs to TANF recipients are subject to more variables than they were before the 2009 redesign, but demonstrate no net reduction in client out-of-pocket expenses. With no additional funding, redesign brought about no improvement in the take-up rate among TANF recipients, who still cannot afford to send their children to regulated care where the child's safety and learning environment may be more able to combat the toxic stressors of the family's poverty. This issue does not affect only TANF recipients, but TANF leavers also. Among TANF parents who left cash assistance for employment over the past four years, 39% of individuals recidivated back onto TANF citing the unaffordability of child care as a contributing factor.

To improve the access of TANF children to regulated child care, it is necessary to find means to supplement unaffordable out-of-pocket expenses for both TANF recipients and TANF graduates. New Hampshire has taken steps forward, such as the redesign of the child care scholarship system and the establishment of an early childhood council (SPARK NH). But the identification of the financial resources needed to keep regulated child care open to low income families and ensure early learning opportunities for impoverished children has yet to happen. What remains clear is that old funding dependencies, particularly DHHS supplemental funding, have shrunk. DHHS generally has received reduced operating budgets for several biennia and currently faces a budget shortfall for this fiscal year in the multi-millions of dollars. Note further that DFA has transferred $37.4 million in

TANF funds to supplement the Child Care and Development Block Grant over the past 10 years, including $4.8 million in SFY 2013 alone. The access issue remains unchanged.[1]

TANF Child Care Co-Payment Survey
August-September 2013

Background:

The effect of welfare programs on American children has evolved over the past 18 years. Prior to 1996, welfare (then called Aid to Families with Dependent Children) was primarily a cash safety net for low income children. Because the governing regulations did not strictly require work expectations, children were cared for primarily in the home by their parent. The landmark legislation of 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), changed the face of welfare. Welfare was now called Temporary Assistance to Needy Families (TANF), and federal law emphasized the temporary nature of welfare by requiring parents to meet work participation requirements and be subject to time limits. The new law also meant that children now needed to be cared for by someone other than parents while parents participated in work activities, and eventually, regular employment. The need for stable and supportive child care grew for two additional reasons. One, work participation requirements were further strengthened in 2006 by The Deficit Reduction Act. And two, a growing body of research highlighted the crucial nature of children's brain development during their 0-5 years. The research drew attention to what early childhood development meant to adult outcomes, and how early environment and life circumstances affect those outcomes. The National Academy of Science published *From Neurons to Neighborhoods* in 2000, and followed it up in 2001 with *Eager to Learn.* These publications, among many others, brought the importance of brain development to the attention of the American public. Today, approaches to administering welfare must consider where and how children in low income families are being cared for during their early years.

In July of 2013, the Division of Family Assistance (DFA) had been aware that the monthly TANF Snapshot Report consistently showed a child care scholarship use rate of about 26% of TANF recipients mandatory for work programs: that is, TANF recipients for whom child care was crucial. For confirmation, DFA requested a series of specialized reports that showed the child care "take-up rate" for New Hampshire Employment Program (NHEP is the mandatory TANF work program) participants with a child less than 13 years of age. When data was adjusted to remove recipients exempt from the work requirement (due to having a child under one year of age), the scholarship use rate increased to 34%. That indicated that 66% of the NHEP caseload, with a child 13 or younger, was not using the New Hampshire Child Care Scholarship (NHCCS). Knowing these parents are required to participate with NHEP, DFA set about determining what barriers might exist to child care participation by posing a set of questions that would answer 1) what the 2013 cost of licensed child

[1] It must be noted for context that data results of both surveys were moderated by DFA's transfer of $37.4 million in TANF funds to supplement the Child Care and Development Block Grant over the past 10 years, including $4.8 million in SFY 2013 alone. . The TANF block grant has remained unchanged since 1996,.

care centers is to TANF families; and 2) what type of child care NHEP participants are using, if they were not utilizing the scholarship.

This report also provides updated information to the *2006 TANF Child Care Co-Payment Survey Report*. The 2006 report was based on a survey of 73 child care centers and 1 group home-based provider. It gathered information about child care cost to TANF parents over and above the state reimbursement, costs TANF parents would need to meet in order to comply with TANF work requirements.

In 2009, the Department implemented a redesign of the NHCCS in response to federal requirements. This redesign was the result of a year-long process on the part of the Child Development Bureau and a group of child care stakeholders. The redesign tied the reimbursement rate to the 50th percentile of provider rates across the state, according to the bi-annual market rate survey. The redesign also came into federal compliance by instituting a sliding required client cost share of 4.75% to 20% of gross family income. The redesign divided the cost share among all children in a family who were enrolled in child care. Although the redesign plan does not have the ability to recognize New Hampshire's regional pricing variations, the plan establishes a statewide standard that allows eligible families to find child care that will not charge above what the state has identified as its reimbursement rate.

Redesign ended the state's relationship with a group of specialized centers called "contract centers." Contract centers were established in recognition of the challenges very low income single parent families faced in working towards financial independence. The centers were paid at a higher rate than licensed centers, to provide a limited group of eligibility services to the families that were enrolled. The redesign also ended the ten days in six months of paid absence days that TANF children were able to access free of charge for illness or family emergency at a licensed, non-contract center, and the unlimited days of absence for which the contract centers could charge. The redesign changed reimbursement from a system of days or hours to a system of three categories of weekly hours: part-time (1-15), half-time (16-30) and full-time (31 and above). The client's assigned level of service is identified by calculating the number of hours required for employment or education, plus commute time. The redesign continued the Department policy of reimbursing providers based on the number of hours the child is present at the center, not the number of hours the child is enrolled.

The last seven years have seen many changes in the child care industry in New Hampshire: of the 74 centers that participated in the first 2005 survey, 23 are either no longer in business, or no longer providing services to children with a NHCCS.[2] The Department has tracked the trend that shows fewer centers and licensed family child care homes, with the number of slots dropping slightly.

Neurological research has clarified the nature of development for the 0-8 years for children. The research shows that these early years lay the foundation for what children will accomplish as adults, as the workforce, caretakers and community of tomorrow. NH Policy Institute has provided information on NH's future demographics and subsequent work force in several publications, here in a September 2013 release:

> In the long term, economic growth depends on a small handful of factors: the change in the size of the labor force, the skills

[2]This trend mirrors the data from the Child Care Licensing Unit, NH Department of Health and Human Services.

> possessed by those workers, and the amount of capital invested in the local economy....It is likely that the labor force-to-population ratio will decline in the future, as the population ages and a greater portion of New Hampshire residents enter their retirement years. Without increases in capital investment and technology to offset these declines, they will likely be associated with a drop in economic output.[3]

Survey Goals:

- Collect information on cost of child care to TANF recipients;
- Collect information on child care center policies on costs and fee collection;
- Provide information on how well TANF families can access regulated care.

Survey Need: DFA conducted a co-payment survey in 2005 resulting in a report showing the gap between state reimbursement levels and the ability of clients to pay out-of-pocket expenses. The average co-payment was $77 per month. The type of employment that is now available in New Hampshire to entry-level workers with low skill and education levels cannot provide income that allows financial access to the regulated care that is available. The trend in New Hampshire, and nationally, has been towards more service sector jobs with fluctuating, unpredictable hours and wages, including nights and weekends.[4]

With this current survey, DFA collected data to determine whether TANF families are able to access regulated child care. The goal is to better understand the impact of child care fees on families receiving TANF benefits and their ability to access regulated child care. The August/September 2013 survey of child care providers compiled information on current center policies concerning TANF client out-of-pocket expenses that are not covered by child care scholarships, quantifying the amount of those expenses where possible. TANF recipients still (as in 2005), since their cost share is the lowest, receive the highest Step 1 scholarship reimbursement rate for child care services. Data from this 2013 DFA survey suggest that cumulative child care cost shares and co-payments may still make child care unaffordable to TANF clients, despite them being at the highest level of scholarship availability.

Survey Sample : According to Child Development Bureau statistics, 90% of the children enrolled in the NH Child Care Scholarship program are enrolled in licensed child care sites, 84% of which are child care centers (the remaining 6% are licensed homes and group homes). The child care centers who were invited to participate in this survey provide care for approximately 59% of the average number of children per month for whom the Department pays a child care subsidy. TANF families represent an average of 31.5% of the scholarship population. This percentage represents all TANF programs, NHEP and the Family Assistance Program. The percentage of TANF recipients who accessed the NHCCS program during 2012 ranged between 15 and 21%, according to the monthly TANF Snapshot Report. However, when the NHEP case number with a child under 13 years of age was isolated from the total all-program TANF case number, the percentage increased slightly. When

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[3] Barrick,D., Delay,D., Lautenschlager, D., McHugh, K.A., Norton, S. "What is New Hampshire? A collection of data for those seeking answers", September 2013 *New Hampshire Policy Institute*

[4] http://www.nhes.nh.gov/elmi/products/oes-prod.htm

those cases with a child under 12 months who were exempt from participation with NHEP were subtracted, this further reduced the number of cases that would require child care. Still, the percentage only rose to 33.5%.

Survey Methodology: To determine whether TANF parents are actually required to pay more child care costs than the scholarship program covers, the DFA collected:

- Policy information on whether centers charge TANF recipients fees additional to the NHCCS cost share;
- Policy information on whether centers charge a co-payment on top of the cost share;
- Data showing if there is a difference between the state reimbursement rate and center rate, and the size of that difference;
- Policy information on whether centers charge for those days the child did not attend the center, and for which the state does not reimburse;
- Policy information on whether centers have a strategy in place to notify parents about their current balances.

Survey Monkey was the primary tool utilized for the 2013 survey. The survey was sent to a distribution list of 75 centers with a historically high rate of invoicing for the NHCCS. Of the 75 centers, there were 64 responses representing 142 early childhood and school age care sites. Two of the 75 centers have closed, and four did not respond after repeated contacts. Statewide, 84% of TANF children who are receiving scholarship services are enrolled at a child care center. All survey participants are child care centers, reflecting where the majority of children accessing the NHCCS are enrolled.

The survey consisted of a total of ten questions. Three questions identified the center, the region in which they were located, and the name of the person completing the survey. The remaining seven questions covered the policy areas around costs above the state-identified cost share, charging for absences the state did not cover, informing families about financial responsibilities, registration and other fees. The survey can be found in Appendix "A." The second step in the survey process collected the rate schedule for each center. Centers make decisions about the ages of children for whom they will provide services, dependent on their business plan and preferences. Centers independently establish their fees. The programs may count age groups and schedules differently than the Department and so it was necessary to create a conversion strategy. In order to compare and identify the cost of services to TANF parents, the center rates were re-formatted into a state reimbursement format. The reformatted rates were sent back to the participant centers for their approval, to make sure it was a close approximation of how they would a charge a parent.

The following data is based on the answers and rates collected from the 64 centers, representing 143 early childhood and school age program sites.

Survey Results:

Completed Surveys: *64 surveys were completed.*

District Office/CCR&R Catchment Area	Completed Surveys 2013	Completed Surveys 2005
Claremont	3	3
Concord	8	12
Seacoast (Portsmouth/Salem)	5	6
Manchester	17	21
Keene	5	2
Southern (Nashua)	10	7
Laconia	7	6
Conway	1	5
Rochester	5	6
Berlin/Littleton	3	6
Total	**64**	**74**

The smaller number of participating centers reflects the smaller number of licensed centers in NH.

The following table provides a global comparison of NHCCS enrollment, quality standard program participation (License-Plus and Accreditation) and co-payment either under or over the state rate, by region. The co-payment numbers in parentheses indicate a provider fee amount that is less than the state reimbursement rate. Data show a very wide range of ratios of scholarship enrollment compared to total center enrollment: from 8% to 100%. The average scholarship enrollment was 49% of total enrollment. For comparison purposes, since child care fees are over or above depending on service level and age group, the chart shows the co-payment for the preschool age group at the full-time service level.

NHCCS enrollment/Center Enrollment	Quality Participation	Fee Comparison for Preschool (weekly co-payment)	DO Region
53%		($5.00)	Manchester
50%		($10.00)	Manchester
46%		$0.00	Manchester
79%	License Plus	$15.00	Manchester
16%		$42.00	Manchester
99%	Accredited, License Plus, Sliding scale	$5.00	Manchester
100%	License Plus, Sliding scale	$5.00	Manchester

NHCCS enrollment/Center Enrollment	Quality Participation	Fee Comparison for Preschool (weekly co-payment)	DO Region
31%	Accredited	$5.00	Manchester
42%	Sliding scale	$14.00	Manchester
10%		$0.00	Manchester
61%		($5.00)	Manchester
8%			Manchester
26%		$10.00	Manchester
33%	Accredited, License Plus	$0.00	Manchester
62%		$5.00	Manchester
21%		$10.00	Manchester
61%		$15.00	Southern
88%		SACC only, no Pre School	Southern
54%		($30.00)	Southern
32%		$45.00	Southern
54%		$20.00	Southern
100%	License Plus	($10.00)	Southern
91%	License Plus	$10.00	Southern
9%	Accredited, License Plus	$45.00	Southern
21%		$50.00	Southern
13%		$42.00	Southern
57%	Accredited/HS/EHS	$0.00	Concord
13%		($30.00) SACC	Concord
32%	License Plus	($1.00)	Concord
35%	License Plus	$2.00	Concord
28%	License Plus	$15.00	Concord
37.5%	License Plus	$0.00	Concord
55%	License Plus	$0.00	Concord
31%	Sliding scale	($25.00)	Laconia
79%		($30.00)	Laconia
100%		($20.00)	Laconia
42%		($20.00)	Laconia
61%	Accredited/License Plus	($15.00)	Laconia
100%		(10.00)	Laconia
58%	License Plus	($5.00)	Laconia

NHCCS Enrollment/Center Enrollment	Quality Participation	Fee Comparison for Preschool (weekly co-payment)	DO Region
15%	Accredited/License Plus	$58.00	Seacoast
8%	License Plus	$60.00	Seacoast
43%		$15.00	Seacoast
16%		Service starts at K, rates are under	Seacoast
57%		$25.00	Seacoast
64%	License Plus	$15.00	Rochester
33%	License Plus	$0.00	Rochester
92%	License Plus	($3.00)	Rochester
47%	Accredited/License Plus/Head Start/Sliding scale	$0.00	Rochester
45%	Accredited	($20.00)	Berlin/Littleton
47%	License Plus	($25.00)	Berlin/Littleton
47%		$5.00	Berlin/Littleton
38%		$0.00	Claremont
22%		$24.00	Claremont
55%		($20.00)	Claremont
48%	License Plus	$3.00	Conway
92%	License Plus	$18.00	Keene
82%		$10.00	Keene
48%	License Plus/Sliding scale	($1.00)	Keene
89%	License Plus	$8.00	Keene
36%		($8.40)	Keene

The above table shows the differences in co-payment expectations by region. The Seacoast and Southern regions show the highest level of copayment, while the Laconia region shows the lowest level. The table also shows the number of programs with high NHCCS program enrollment seeking the higher quality standards of the License Plus and accreditation programs. Programs with higher level quality ratings are recognized as producing better outcomes for children and families.

Registration Fee: *Do you charge a registration fee for TANF families in your program?*

Registration fees are small source of revenue for child care centers that help cover the administrative cost of enrolling a family at a center.

–	Yes (Number)	No (Number)	Total Respondents–	Range	Average
Do you charge a registration fee for TANF families?	73.44% (47)	26.56% (17)	64	$5-$100	$55
Is this an annual fee?	49.09% (27)	50.91% (28)	55		

Seventy-three percent of surveyed child care providers charge a registration fee in 2013, as compared to 53% in contract centers and 76% in licensed centers in 2005.

Registration fees are still the norm, with 47/64 of the centers charging a registration fee, and 27 of those centers charging the fee on an annual basis. The average amount of the registration fee is $48.00 per child. In the 2005 survey, 76% of licensed centers, and 53% of the former contract centers, charged a registration fee. Contract centers had originally received a higher rate of reimbursement to reflect enhanced services to low-income families that would have helped eliminate the registration fee for TANF families. Child care registration fees do not represent a barrier for families working with NHEP, as NHEP pays registration fees directly to providers for a child once per year, per provider. However, for families that graduate TANF for low and moderate wage jobs, registration fees may be a significant barrier to accessing regulated child care and may increase the risk factor for recidivism to TANF.

Size of the registration fee in 2013:
$1-25 range: **25.64%** (10)
$26-50 range: **48.72%** (19)
$51-75 range: **17.95%** (7)
$76-100 range: **5.13%** (2)

Additional/other fees: *Do you charge any additional fees for TANF Parents? (Example: late pick-up fees or activity fees, etc.)*

Survey-reported additional fees were primarily late pick-up fees, activity fees, and transportation fees. Also, there were fees for a parent neglecting to sign in or sign out, field trips, late payment, returned checks, excessive absence without notification, and book fees. Book fees are associated with Kindergarten programs, in those centers that offer a Kindergarten program. Every provider had a late fee that ranged from $1.00/minute to $35.00 for the first 15 minutes. A majority of centers reported program, activity, and field trip fees. The program and activity fees ranged from $75.00 annually to $115 for the Kindergarten year. Centers also charged for late payment at a rate of $10 to $40, and for checks returned for insufficient funds at a rate of $20.00 or up to the bank fee. Transportation fees for those centers who offered transportation ranged from $60/year to $10/week.

–	Yes–	No–	Total Respondents–
Do you charge any additional fees for TANF Parents? (example: late pick-up fees or activity fees, etc.)	**79.69%** 51	**20.31%** 13	64

Payment for child care services up front: *For families who have a NH Child Care Scholarship, do you require the first week's fee before you begin services for the child? For families who have a NH Child Care Scholarship, do you ask that they pay for child care services until you begin receiving reimbursement from the state?*

While upfront payment for child care services would represent a barrier to the access for TANF families to regulated child care, the survey response indicates that at least ½ of the providers have identified alternate strategies for verifying eligibility, and minimizing the requirement for the subsequent payment of the upfront fee. Web-billing allows a provider to see in real time whether a child is linked and eligible for invoicing, and indicates when a child has become ineligible. Providers may require the first week's cost share and/or co-payment upfront, but not the entire fee. Other providers may offer to pro-rate the required first and last week up front over a period of time. There is a general recognition that eligibility for TANF financial assistance clearly indicates a very low level of available resources needed to meet the financial requirements of enrolling at a child care center.

–	Yes–	No–	Total # of Responses–
For families who have a NH Child Care Scholarship, do you require the first week's fee before you begin services for the child?	45.31% (29)	54.69% (35)	(64)
For families who have a NH Child Care Scholarship, do you ask that they pay for child care services until you begin receiving reimbursement from the state?	48.44% (31)	53.13% (34)	(65)

Provider comments:

- Will allow a family to start services based on caseworker contact: 10% of provider comments (3)
- Only charge the cost share and co-payment upfront: 13.33% of provider comments (4)
- Won't allow the family to start services until linked to them as the provider: 33.33% of provider comments (10) "Linked" means the provider has been connected to the client allowing for payment.
- Charge the first week fee before beginning services: 10% of provider comments (3)
- Can be flexible, knowing the financial constraints of TANF: 20% of provider comments (6)
- Will allow the family to begin services and the estimate amount of the cost share: 10% of provider comments (3)

Co-Payment fees: *" Is it your policy to charge TANF families the difference between the state reimbursement and your fee?"*

The 2005 survey showed that co-payments (the difference between the state reimbursement rate and the provider fee) were the principal source of problems for TANF families when accessing child care outside the contract centers. In 2005 78% of surveyed child care providers charged clients a co-payment to supplement the state reimbursement rate. The contract centers had a much lower co-payment, because they had a higher level of state reimbursement. The 2009 redesign of the child care reimbursement system ended the state's contracts with the contract child care centers, and changed the level at which *all* child care providers are reimbursed to the 50th percentile of the most recent market rate survey. As of 2009, the reimbursement rate is set according to the type of provider (licensed center, licensed home, license exempt center, license exempt home), age of the child, and number of hours a parent verifies they need services.

	Yes	No	Total # of Responses
Is it your policy to charge TANF families the difference between the state reimbursement and your fee?	75% (48)	25% (16)	(64)
Do you charge the difference in service levels if a week includes absences due to illness or holiday, and there is a drop to a lower service level?	69.84% (44)	30.16% (19)	(63)

Average weekly Co-Payment, by age category, *2005:*

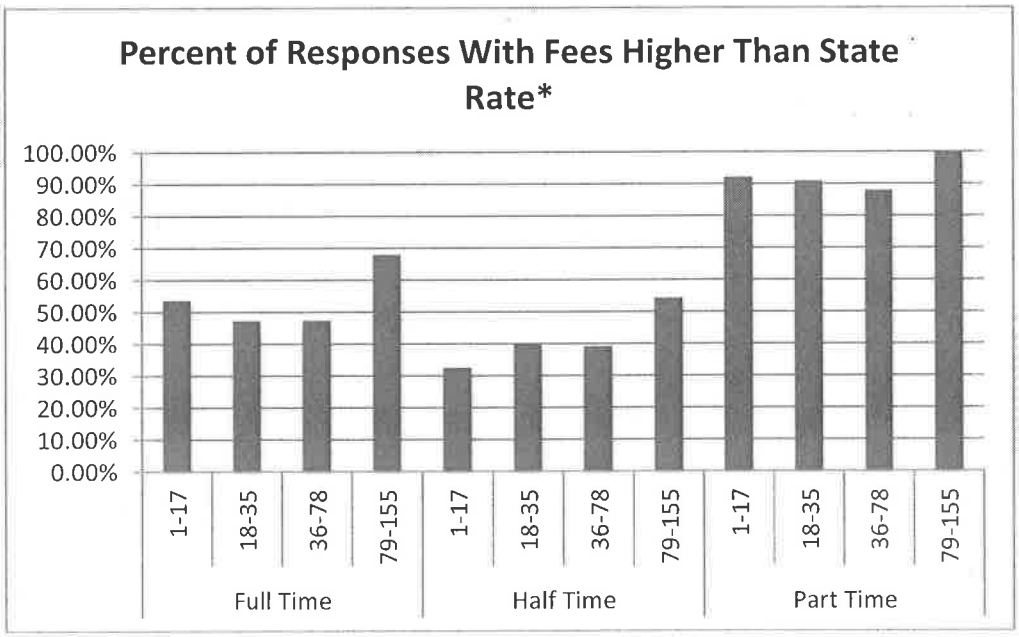
	Infants	Toddlers	Pre K	Kindergarten	SA, PT	SA, FT
Co-Payment amount (Full-Time)	$49.00	$36.00	$27.00	$18.00	$15.00	$24.00

Average weekly Co-Payment, by age category, *2013*:

The amounts below show the co-payments for the centers with fees above the state rate, who would charge a co-payment. The average of all centers, including the centers whose rates are below the state rate, will be lower.

	Infants (1-17 months)	Toddlers (18-35 months)	Pre K/Kindergarten (36-60 months)	Kindergarten (60-78 months)	SA, PT (79-155 months)	SA, FT (79-155 months)
Co-Payment amount (Full-Time)	$27.49	$22.37	$20.79	$20.79	$19.44	$22.07

How many centers have fees above the state reimbursement rate, and what is the size of the resulting co-payment?



* 1-17, 18-35, 36-78 and 79-155 refers to children's age groups measured in months. Change table title.

The 2013 survey shows a lower level of difference between state reimbursement and provider fee than the 2005 survey, but in 2013 the same center may have fees that range over and under the state rate for different service levels at different ages. Looking at average co-payments does not tell the whole story when considering total out-of-pocket cost. Because a provider can have fees that range at state reimbursement for full-time, under state reimbursement for half-time and over state reimbursement

for part-time, the amount for which a parent will be responsible will depend on the number of hours they are involved in training, education or employment, the age of their children and the number of hours their children attend care. The service level assignment will indicate whether they are responsible for a co-payment in addition to their state-assigned cost share.

The highest concentration of centers with rates over the state reimbursement rates is in the part-time category where 88-100% of the centers charge rates higher than the state rates for the part-time service level, requiring a family to pay additional out-of-pocket expenses. This affects a smaller number of TANF families who are using child care. On 12/12/13, there were 508 TANF children enrolled at a full-time service level, 377 enrolled at a half-time service level, and 33 enrolled for a part-time service level.

Families at the part-time service level are most likely to face co-payment obligations as 88-100% of the centers charge over the state rate for part-time care. This is the smallest category of TANF families, as of 12/12/13 33 were at part-time service level , with 377 at half-time and 508 full-time. Co-payment issues are also regional as rates trend higher in regions with more demand for child care. Also, families who require infant care will face the highest co-payment obligations with an average of $27.49/week at 54% of the centers surveyed.

The co-payment rates in Manchester District Office region are:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$205.21	$19.58	$221.33	14	6	42.86%	$185.00	$268.00	$3.46
	18-35	$192.43	$10.29	$201.29	14	7	50.00%	$170.00	$234.00	$1.43
	36-78	$175.50	$12.13	$182.13	14	8	57.14%	$160.00	$212.00	$5.50
	79-155	$148.33	$23.04	$159.00	9	5	55.56%	$135.00	$175.00	$12.37
Half-Time	1-17	$154.30	$19.58	$182.50	10	2	20.00%	$126.00	$195.00	$3.46
	18-35	$147.45	$9.16	$157.00	11	5	45.45%	$123.00	$165.00	-$0.39
	36-78	$139.27	$21.68	$153.20	11	5	45.45%	$123.00	$160.00	$7.75
	79-155	$98.33	$37.50	$122.50	9	4	44.44%	$75.00	$150.00	$13.33
Part-Time	1-17	$104.67	$26.55	$104.67	9	9	100.00%	$96.00	$130.00	$26.55
	18-35	$97.70	$23.77	$97.70	10	10	100.00%	$85.00	$120.00	$23.77
	36-78	$89.70	$23.94	$89.70	10	10	100.00%	$78.00	$104.00	$23.94
	79-155	$69.44	$26.95	$69.44	9	9	100.00%	$55.00	$100.00	$26.95

*Last column shows the overall average range between the state rate and provider fees.

Co-payment rates in Southern District Office region are:

		Of All Answers: Average Cost	Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$239.33	$43.13	$244.88	10	9	88.89%	$195.00	$289.00	$37.58
	18-35	$217.33	$30.38	$221.38	10	9	88.89%	$185.00	$250.00	$26.33
	36-78	$190.78	$32.43	$202.43	9	7	77.78%	$140.00	$220.00	$20.78
	79-155	$150.29	$39.54	$175.50	7	4	57.14%	$110.00	$200.00	$14.33
Half-Time	1-17	$187.86	$37.93	$194.17	7	6	85.71%	$165.00	$240.00	$31.62
	18-35	$164.86	$21.99	$169.83	7	6	85.71%	$135.00	$225.00	$17.02
	36-78	$144.13	$21.48	$153.00	8	6	75.00%	$115.00	$204.00	$12.61
	79-155	$101.14	$27.60	$112.60	7	5	71.43%	$65.00	$120.00	$16.14
Part-Time	1-17	$137.83	$59.71	$137.83	6	6	100.00%	$100.00	$180.00	$59.71
	18-35	$118.83	$44.90	$118.83	6	6	100.00%	$90.00	$150.00	$44.90
	36-78	$102.50	$36.74	$102.50	7	7	100.00%	$90.00	$135.00	$36.74
	79-155	$72.14	$29.65	$72.14	7	7	100.00%	$60.00	$94.00	$29.65

*Last column shows the overall average range between the state rate and provider fees.

Co-payment rates in the Concord/Laconia District Office region are:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$198.84	$10.58	$212.33	8	3	37.50%	$160.00	$215.00	-$2.91
	18-35	$180.14	$14.00	$205.00	8	3	37.50%	$140.00	$205.00	-$10.86
	36-78	$163.00	$8.50	$178.50	12	2	16.67%	$140.00	$185.00	-$7.00
	79-155	$149.78	$20.18	$156.14	9	7	77.78%	$120.00	$180.00	$13.82
Half -time	1-17	$138.59	$0.00	$0.00	8	0	0.00%	$123.75	$152.56	-$17.65
	18-35	$127.14	$2.16	$150.00	10	1	10.00%	$84.00	$150.00	-$20.70
	36-78	$111.09	$1.88	$133.40	11	1	9.09%	$84.00	$133.40	-$20.43
	79-155	$91.44	$32.50	$117.50	8	3	37.50%	$60.00	$140.00	$6.44
Part-Time	1-17	$97.04	$18.92	$97.04	7	7	100.00%	$82.50	$150.00	$18.92
	18-35	$88.99	$21.10	$95.03	10	8	80.00%	$56.00	$90.00	$15.06
	36-78	$77.65	$15.71	$81.47	11	9	81.82%	$56.00	$107.00	$11.89
	79-155	$63.34	$20.85	$38.97	8	8	100.00%	$45.00	$93.75	$20.85

*Last column shows the overall average range between the state rate and provider fees.

Co-payment rates in the Rochester/Seacoast District Office region are:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$228.38	$30.68	$232.43	8	7	87.50%	$200.00	$266.00	$26.63
	18-35	$214.25	$31.17	$222.17	8	6	75.00%	$190.00	$245.00	$23.25
	36-78	$181.00	$34.60	$204.60	9	5	55.56%	$99.00	$230.00	$11.00
	79-155	$156.00	$28.18	$164.14	8	7	87.50%	$99.00	$218.00	$20.04
Half-Time	1-17	$163.83	$29.43	$129.00	6	3	50.00%	$129.00	$200.00	$7.59
	18-35	$156.33	$20.91	$168.75	6	4	66.67%	$123.00	$182.00	$8.49
	36-78	$136.44	$16.58	$185.00	9	5	55.56%	$75.00	$171.00	$5.15
	79-155	$96.13	$21.67	$153.33	8	3	37.50%	$67.00	$140.00	-$6.38
Part-Time	1-17	$113.17	$35.05	$113.17	6	6	100.00%	$86.00	$160.00	$35.05
	18-35	$108.50	$34.57	$108.50	6	6	100.00%	$82.00	$145.00	$34.57
	36-78	$94.33	$35.12	$100.88	0	9	100.00%	$42.00	$139.00	$28.57
	79-155	$71.88	$29.39	$71.88	8	8	100.00%	$54.00	$89.00	$29.39

*Last column shows the overall average range between the state rate and provider fees.

Co-payment rates in the Berlin/Littleton, and Conway District Office regions are:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$189.00	$1.25	$203.00	4	1	25.00%	$153.00	$203.00	-$12.75
	18-35	$176.25	$9.00	$200.00	4	1	25.00%	$145.00	$200.00	-$14.75
	36-78	$160.75	$4.00	$174.00	4	2	50.00%	$145.00	$175.00	-$9.25
	79-155	$151.25	$15.29	$151.25	4	4	100.00%	$140.00	$175.00	$15.29
Half-Time	1-17	$84.00	$0.00	$0.00	3	0	0.00%	$100.00	$132.00	-$38.91
	18-35	$111.00	$0.00	$0.00	3	0	0.00%	$90.00	$123.00	-$36.84
	36-78	$103.67	$0.00	$0.00	3	0	0.00%	$90.00	$116.00	-$27.85
	79-155	$93.88	$11.83	$125.17	4	3	75.00%	$85.00	$105.00	$8.88
Part-Time	1-17	$76.67	$6.88	$85.00	3	2	66.67%	$60.00	$90.00	-$1.45
	18-35	$73.25	$5.74	$79.67	4	3	75.00%	$54.00	$84.00	-$0.68
	36-78	$65.75	$8.74	$74.50	4	4	200.00%	$54.00	$79.00	-$0.01
	79-155	$56.75	$14.26	$56.75	4	4	100.00%	$43.00	$70.00	$14.26

*Last column shows the overall average range between the state rate and provider fees.

Co-payment rates in the Keene/Claremont District Office regions are:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Responses Over State Rate	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$209.00	$19.05	$220.80	8	5	62.50%	$175.00	$239.00	$7.25
	18-35	$196.75	$19.75	$258.50	8	4	50.00%	$165.00	$239.00	$5.75
	36-78	$173.83	$15.00	$227.50	8	4	50.00%	$150.00	$194.00	$3.83
	79-155	$144.00	$28.64	$164.60	7	5	71.43%	$50.00	$194.00	$8.04
Half-Time	1-17	$143.20	$4.26	$160.50	5	2	40.00%	$114.00	$162.00	-$13.04
	18-35	$116.63	$7.66	$155.50	8	2	25.00%	$114.00	$162.00	-$12.74
	36-78	$123.37	$6.48	$138.00	7	2	28.57%	$113.00	$138.00	-$8.15
	79-155	$91.86	$28.00	$113.00	7	4	57.14%	$50.00	$138.00	$6.86
Part-Time	1-17	$90.33	$15.08	$93.20	6	5	83.33%	$76.00	$108.00	$12.21
	18-35	$98.29	$24.36	$98.29	6	5	83.33%	$76.00	$108.00	$24.36
	36-78	$81.07	$11.42	$81.07	7	7	100.00%	$66.50	$92.00	$15.31
	79-155	$64.00	$21.51	$64.00	6	6	100.00%	$50.00	$92.00	$21.51

*Last column shows the overall average range between the state rate and provider fees.

Statewide co-payment responses:

		Of All Answers: Average Cost	Of Responses Over State Fee: Average Difference in State Rate and Child Care Fee Schedules: Per Week	Of Responses Over State Fee: Average Cost	Number of Reponses Each Category	Reponses Over State Fee	Percent of Responses With Fees Higher Than State Fee	Minimum Rate	Maximum Rate	All Responses: Average Variance between State Rate and Child Care Fee Schedules*
Full-Time	1-17	$211.58	$27.48	$222.28	54	29	53.70%	$153.00	$289.00	$9.83
	18-35	$195.43	$22.15	$199.00	57	27	47.37%	$140.00	$250.00	$4.43
	36-78	$171.03	$20.79	$190.79	60	28	46.67%	$14.00	$230.00	$1.03
	79-155	$142.76	$22.07	$144.43	46	30	65.22%	$14.00	$194.00	$6.80
Half-Time	1-17	$147.19	$16.83	$242.51	36	9	25.00%	$100.00	$192.00	-$9.05
	18-35	$135.56	$5.36	$195.44	40	14	35.00%	$84.00	$165.00	-$12.28
	36-78	$115.72	$17.32	$169.32	52	17	32.69%	$14.00	$165.00	-$7.14
	79-155	$90.48	$24.81	$122.05	44	21	47.73%	$14.00	$138.00	$5.39
Part-Time	1-17	$95.74	$25.58	$108.43	38	33	86.84%	$60.00	$160.00	$21.74
	18-35	$93.44	$22.66	$98.59	41	37	90.24%	$54.00	$145.00	$19.51
	36-78	$81.36	$20.82	$86.58	48	41	85.42%	$14.00	$112.50	$15.60
	79-155	$62.70	$19.44	$56.39	43	46	106.98%	$14.00	$90.00	$20.21

*Last column shows the overall average range between the state rate and provider fees.

The exact impact of co-payments is difficult to determine. Some regions such as Seacoast and Nashua have high service fees, making the occurrence of co-payment requirements very likely; other regions have lower service fees, resulting in lower or no co-payments. Moreover, some providers responded with comments that described accommodating policies that recognize the financial difficulty of TANF clients living on the TANF benefit of a maximum of $675/month for a family of three. According to the survey responses, providers may offer a sliding scale, may not charge TANF parents the co-payment, may charge TANF parents less than the required difference, or may adjust payments for absent days that result in a service level drop. Per the survey, at least 75% of the surveyed centers charge TANF parents the difference between the state rate and their fee. In

reviewing all twelve categories of rates for the surveyed centers, the percentage of centers that have at least one category of rate over the state reimbursement averages out to 63%:

	Number of Responses	Number of Responses Over State Reimbursement	Average Amount of Difference
Full-Time	54	29	27.49
	57	27	22.37
	59	28	20.79
	47	32	25.51
Half -Time	40	13	28.99
	45	18	15.49
	51	20	20.15
	46	25	27.92
Part -Time	38	35	29.45
	44	40	26.68
	50	44	24.26
	46	46	24.07

The average difference between the state reimbursement rate and the provider fee, when there is a difference, is $20.44/week, or $88.50/month, over all service levels and age groups.

State cost share: a new area of impact

The state-identified family cost share was another area of change in the redesign. This part of the redesign was an area of non-compliance with federal regulations, as the US DHHS expects states to require families to share the cost of child care with the state. In 2005, the state-identified family share was $0/week for Step 1 families, $.25/week for Step 2 families, and $.50/week for Step 3 families. The redesign changed the state-identified co-payment (now called cost share) to a higher level: a percentage of the family income. The redesigned Step 1 cost share is 4.75% of family income and averages at about $5.20/week, or $22.52/month, for a TANF family. The $22.52 is compared to the former state-identified cost share, or co-payment, of $0. Where TANF parents had paid no co-payment, they are now required to pay 4.75% of their total income before any possible provider co-payment or absence fees. Requiring families to share in the cost of child care is required by federal regulations, and the amount that they must pay is decided by the state. This amount is subtracted from the state reimbursement amount paid to the provider, as the state expects the family to pay this share of the reimbursement rate to the provider. The size of the financial commitment expected of TANF parents using child care now includes the cost share in addition to the co-payment and in addition to other fees, if present.

A family of three earning a monthly gross income of $2,604.00 (current Step 4) per month is expected to pay 12.5 % of that income towards the cost share for their child care. This amount would be $75.17 per week, or $325.50 per month. This is an increase in the 2005 Step 3 requirement of $.50 per week, $2.17 per month; or the 2009 Step 3 requirement of $49.50 per week, $214.34 per month

for full-time child care. Faced with the redesign requirement of a flat child care budget, a part of the additional funds that were invested in bringing all providers up to the 50th percentile for reimbursement were found in increasing the parent contribution. The redesign task force created a gradually increasing cost share to moderate the "cliff effect." In order to address the problem of going from a $.50 cost-share to paying the full amount of the redesign child care cost share, the task force decided to increase parent cost share commensurate with their earnings until they were receiving very little child care scholarship support and were ready to take on the full cost of child care. The cost share responsibility was designed so that as income increased, the percentage of the scholarship decreased. With no additional funding available a reduction in the cost share for families requires a corresponding reduction in enrollment in NHCCS *or* provider reimbursement payments. The redesign maximized resources by reducing license-exempt provider (see foot note #14 on page 46 for definition of license exempt) reimbursements. Cost shares must be kept at their current (2014) level in order to not sacrifice enrollment. Annie Lowrey, in the April 30, 2014 New York Times article "Changed Life of the Poor: Better Off, but Far Behind:"

> Many crucial services, though, remain out of reach for poor families. The costs of a college education and health care have soared. Ms. Hagen-Noey, for instance, does not treat her hepatitis and other medical problems, as she does not qualify for Medicaid and cannot pay for her own insurance or care.
>
> Child care also remains only a small sliver of the consumption of poor families because it is simply too expensive. In many cases, it depresses the earnings of women who have no choice but to give up hours working to stay home.
>
> "The average annual cost for infant care in the U.S. is $6,000 or $7,000 a year," said Professor Ziliak of the University of Kentucky. "When you look at the average income of many single mothers that is going to end up being a quarter of it. That is just out of the reach for many folks."[5]

Service level drop fees: "*Do you charge the difference in service levels if a week includes absences due to illness or holiday, and there is a drop to a lower service level?*"

The majority of TANF families are enrolled for either the half-time or full-time service level. Missing days either because of center closings or client non-attendance, results in accumulation of debt for the parent to the center due to a service level drop because the state pays a provider based on

[5] Lowrey, A. (2014, April 30) Changed Life of the Poor: Better Off, But Far Behind, *New York Times* retrieved from http://nyti.ms/1rQEue1

days attended, not enrolled. If a child is enrolled for fulltime care, but attends less than 31 hours in a week, the provider must fund the gap between the attendance and the enrollment. The funding usually comes from the family.

In 2005 contract centers could bill the state for days a TANF child was absent due to illness or emergency. Licensed non-contract centers could bill for 10 days of absence in a six month period for a TANF child. Under redesign the entire scholarship population--regardless of step level--was given the opportunity to have absent days paid. The parent's schedule and center enrollment dictate how much of a drop of hours in attendance will result in a service level drop and consequent drop in state reimbursement.

The redesign intention was that this was a fairer absence policy that would pay for some absence for all families, rather than all absences for just TANF families. As long as a child's attendance did not fall below their enrolled service level number of hours, the state reimbursement would stay the same, and the family would not owe the provider additional fees. Whether a provider charges for the days the state does not reimburse is a matter of policy with each provider.

	Yes	No	Total # of Responses
Is it your policy to charge TANF families the difference between the state reimbursement and your fee?	75% (48)	25% (16)	64
Do you charge the difference in service levels if a week includes absences due to illness or holiday, and there is a drop to a lower service level?	69.84% (44)	30.16% (19)	63

Paying a child care provider for days a child was enrolled but did not attend is a third area of debt for TANF families. The survey shows that 70% of the surveyed providers charge a parent for those days in addition to the state cost share and any co-payment difference between the state reimbursement and provider fee. These "absent day" fees are not actually incurred by the client unless the unpaid absence causes the number of hours the client is being billed for to drop below those number of hours that constitute their assigned service level of part, half, or full-time. How often does this occur? A March 2014 Bridges report for provider reimbursements for 2013 shows that service level drops from the authorized level of service to a lower level of reimbursement occur 35% of the time for all provider reimbursements. We assume the number of drops for TANF families would be at least at the same level.

Below are the differences in dollars in weekly state reimbursement for a child care center when a child drops from a full-time to a half-time (31 hours and above, down to between 30-16 hours); and when a child drops from a half-time service level to part-time service level (from 16-30 hours, down to 15 hours or less). If a parent is participating with NHEP for 30 hours per week, the child would be at a full-time service level. In December, 2013, 508 children were in the full-time service level.

Example 1: If a full-time level child was attending the center for 34 hours/week, four days per week, 8.5 hours per day, and missed one day due to illness or the provider's holiday closing, this would reduce the State's reimbursement to the half-time service level. If the child was absent for the week, the parent would owe the entire fee.

Example 2: If a parent is participating with NHEP for 20 hours per week, the child would be at a half-time service level. In December 2013, 377 TANF children were at a half-time service level. To fulfill the 20 hour requirement, the parent usually enrolls for a four-day schedule, at 6 hours per day, for a total of 24 hours per week. If the child were to miss one day in the week, the service level would remain at half-time, and there would be no additional cost. If the child were to miss two days in the week the service level would drop to part-time and the parent would be responsible for the difference in reimbursement.

Age Group	Difference Between Full-Time and Half-Time Service Level Per Week	Difference Between Half-Time and Part-Time Service Level Per Week
Birth-17 months	$45.51	$78.12
18-35	$43.16	$73.92
36-78	$38.48	$65.76
70-155	$50.96	$42.51

Child care centers also most commonly charge for days they themselves are closed. Standard practice for child care centers is to charge on an enrollment basis. Center budgets depend on stable fees in order to keep their doors open—there are no holidays or days of absence for rent utilities, or salaries. Depending on center policy, TANF parents may be responsible for paying for the closed days at the center as well as the days their child is absent.

Age Group	50th Percentile Cost for 1 missed week, Full-Time Service Level	50th Percentile Cost for 1 missed week, Half-Time Service Level
Birth-17 months	$201.75/wk	$156.24/wk
18-35	$191.00/wk	$147.84/wk
36-78	$170.00/wk	$131.52/wk
70-155	$135.96/wk	$85.00/wk

When considering the cost of child care to a TANF family, we consider the *cumulative cost* of what a family must pay in addition to the state reimbursement. A TANF family's financial commitment includes the state-identified cost share, any difference in provider fee and state reimbursement rate, any additional fees, and any service level drops. Again, the 34% is not the rate of absence; it's the rate at which absence or closed days causes a drop in NHCCS reimbursement and--69.84% of the time--results in an out-of-pocket expense to the TANF recipient.

Policies to inform parents about child care cost and current balances *(questions below):*

Consistent feedback from NHEP case managers related problems of TANF parents being faced with a large debt at the child care center. The parents seemed unaware of the debt they had accumulated. They had no means of paying the balance, and were frequently asked to leave the center. In order to understand whether the parent did not understand their financial responsibility or whether the center was waiting until the debt reached crisis proportion to inform the parent, we asked the set of three questions below. These questions also helped us understand how to approach making sure NHEP clients understand what they are being told about debt, and to attempt to negotiate their financial responsibilities before the debt becomes unmanageable.

–	Yes–	No–	Total # of Responses
Do you have a strategy for ensuring parents understand their financial responsibility, including their obligation in NH Child Care Scholarship Program, before the child begins attending the child care center?	100% (64)	0% (0)	(64)
Do you have a standard practice to keep families informed about their balances?	96.88% (62)	3.13% (2)	(64)
Are TANF families less likely to meet their financial obligations than your other enrolled families?	57.14% (36)	42.86% (27)	(63)

The third question asked whether TANF families enrolled in the NHCCS program had more trouble staying up-to-date with their state-assigned cost share, any co-payment above the cost share, any additional fees, and those days for which the state did not pay—as compared to other parents who either had less of a scholarship reimbursement or had no scholarship at all, and were responsible for the entire fee. Fifty-seven percent of the surveyed centers answered that TANF families have more trouble meeting their financial obligations.

Here are some of the comments that accompanied the survey answers to the questions above, concerning the ability of TANF parents' ability to meet their financial responsibilities:

- "This will vary depending on the family, to be honest."
- "It is common that we lose tuition dollars for these families. I struggle to keep most of these families current with their payments."
- "Most families struggle to meet financial obligations."
- "We work hard to keep our fees affordable."
- "TANF families have been much more likely to get way behind in their payments than other families (and more likely to be removed from the program for non-payment). It is very frustrating when we try to work with a family, especially when there is a problem with their paperwork at re-enrollment so the state doesn't pay for a while, causing them to build up a balance. Several families have been removed from the program for this reason, and then they go to another center and do the same thing. We are forced to choose between being flexible with families who are facing hard times and risk losing significant revenue, or being inflexible with families and increasing their problems and causing the quality of life for the child to be diminished. I have heard that other states have a way to prevent TANF families who owe money to a child care from enrolling in another program and receiving assistance."

Centers stated that they try to develop policies that address balancing a family's needs with the family's ability to pay, and the need for the child care center to receive its full revenue as described in the child care budget. Here are some of the provider comments:

- "We discuss payments and $$ when I sign the 2530's and our enrollment person goes over the expectations. We send out statements weekly."
- "Payment responsibility is listed in the handbook, reviewed at enrollment, weekly invoices provided."
- "We have a letter families receive & sign off on upon enrollment. It is a bullet list of reminders for properly using the scholarship. We also explain how/when fees will be applied and review & retain a signature on our tuition agreement. All families receive weekly statements."
- "We strive for open and frequent communication w/ families and work with them to keep current."
- "The same rules apply to everyone. Tuition is due Monday whether it is a full price payment or a co-pay. Each day the tuition is late, a $5 fee is added. After one week of non-payment the child cannot return until the fees are paid. We do, however, make payment arrangements with families that need to. We don't charge extra fees if they make a plan with us first."

NH Child Care Scholarship Enrollment: *How many families in your center receive help from the NH Child Care Scholarship Program? What is your total child enrollment?*

To assist understanding access to regulated child care, DFA was interested in looking more closely at centers' enrollment ratio of parents paying the full cost of the child care, compared to those families whose fees are being paid by the scholarship program. Child care centers must, like any business, maintain a healthy balance between revenue and expenses. The largest revenue stream for child centers (outside of Head Start/Early Head Start centers) is parent fees. Expenses include teacher salaries and benefits (when offered), rent, utilities, program supplies, and administrative costs such as

bookkeeping and audits. When revenue is uneven or too low and cannot support expenses, the program must go out of business, or make cuts in the expenses. In order for a center to maintain fiscal stability, parent fees must be consistent and predictable. Child care subsidies can be inconsistent, as noted in the Maryland Research Capacity series:

> Multiple qualitative studies have documented discontinuity in child care arrangements resulting from subsidy exits. Reasons for subsidy exits cited in qualitative studies include administrative challenges in maintaining a subsidy, loss of subsidy eligibility, and parental choice to exit the subsidy system due to increasing family copayments. Studies in several states have found that the median length of a continuous period of subsidy receipt is relatively short. For example, one study of child care subsidy dynamics in five states, including Maryland, found subsidy spells from 1997 to 1999 to last an average of 3-7 months (average of 4 months in Maryland). Two studies have found that many families appear to remain income eligible after they stop using a child care subsidy. [6]

Answer Choices	Average Number	Total Number	Total # of Responses
Responses **How many families in your center receive help from the NH Child Care Scholarship Program?**	41	2,592	63
Responses **What is your total child enrollment?**	173	11,086	64

The most recent Market Rate Survey, 2011, shows that the number of child care centers that accept the child care scholarship has remained steady at 63% of all licensed centers in NH. In 2013, Early Learning NH hosted presentations by Louise Stoney on child care center budgets. Louise Stoney is an independent consultant specializing in early care and education policy, co-founder of the Alliance for Early Childhood Finance and a principal investigator of the Linking Economic Development and Child Care project. At Early Learning NH, Ms. Stoney emphasized that it is crucial to a center budget to stay at full enrollment and collect full payment for services rendered. New Hampshire's own experience supports this assertion, for of the 72 child care centers that participated in DFA's 2005 survey, 22 have closed their doors, a 30.5% decrease. Such a statistic over an eight year period is not unusual in New Hampshire. However, a review of the list of closed providers indicates a larger than normal number who were frequently found to be out of compliance with licensing regulations, and some who were closed by the state.[7]

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[6] Forry,N.;Welti,K.;Davis,L.;Kraft, C.;Daneri, P., "Subsidy Continuity in Maryland" 2012, *Maryland Research Capacity Brief Series*

[7] The experience seems to suggest that without additional funding, some centers must compromise the quality, health, and safety of the services they provide, or close their doors. This is certainly not the case with all centers—there are other valid reasons providers leave

The new reimbursement rate under redesign brought all providers up to the 50th percentile, close to the level of reimbursement of the contract centers. The 2005 survey had shown that the contract centers, at the 48th percentile, were able to provide services at a no or very low co-payment level because of their higher reimbursement level. This higher level of state reimbursement for all providers opened the door for TANF families to many more centers in the state—roughly ½ of the licensed centers would have no co-pay under this new design.

But at the same time the amount of the state-identified cost share, for which the parent is responsible, became much higher. A basic redesign requirement of the DHHS was that the new design must remain cost neutral, as the Department did not anticipate any new revenue would be available to fund any changes. In order to remain cost neutral, redesign was unable to avoid raising the state cost share.

Other sources of revenue: "Do you participate in the Child/Adult Care Food Program?"

	Yes	No	Total # of Responses
Do you participate in the USDA Child/Adult Care Food Program (CACFP) and receive reimbursement for the meals you serve?	70.3% (45)	29.7% (19)	64

For those centers that provide services to low-income families, participation in the CACFP program offers another source of revenue that can support their ability to provide healthy meals in the child care setting. In the 2005 survey, 53% of the surveyed child care centers participated in the CACFP program. In the 2013 survey, the percentage of centers that participate with CACFP has risen to 70%. The Department of Education attributes this promising increase to increased collaboration between the state agencies, non-profits and provider awareness. The 30% who do not participate in the CACFP program either do not serve meals or do not believe they qualify.

Conclusion

Prior to the 2005 TANF Child Care Co-Payment Survey, people outside the child care field believed that the state reimbursement for child care services met the full cost of child care to a TANF client. The Division of Family Assistance conducted a survey of child care providers that clearly indicated there were additional charges to TANF parents that would make the choice of regulated child care unaffordable, despite state reimbursement. Since the 2005 survey, the NHCCS has been redesigned

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the business. But generally, there is no margin in child care center budgets that can allow providers to accept less than full payment for services rendered. In order to provide services at a lower cost to families who cannot pay, and still maintain minimum standards, centers need additional funding sources. The Division of Family Assistance is supporting a three-part research project that will help child care providers and policy-makers in New Hampshire identify the 'true cost' of providing child care services.

to meet federal requirements. The mandate for redesign was not accompanied by additional funds. Redesign changes included:

- Eliminating contract centers as a level of reimbursement and an eligibility agent/partner
- Linking provider reimbursement to the required market rate survey at the 50th percentile for the full-time service level[8]
- Converting the hourly and daily reimbursement model to a weekly service level model
- Eliminating payment for absence days
- Establishing a cost share based on parent income and changing the step design from three to seven, up to 250 % of the Federal Poverty Level (FPL). The cost share percentages range from 4.75% at Step 1 to 20% of total family gross income at Step 7. For Step 1 the former range for cost share (co-payment) was $0 for TANF cash and NHEP Medicaid and 12-month Extended Medicaid recipients. For Step 2 (up to 140% of FPL) the cost share was $.25 and for Step 3 (141 to 190%) it was $.50. For the years 2008 and 2009 the cost share/co-pay changed to an hourly rate of $1.03 and a daily rate of $6.40 for Step 2, and $1.60 and $9.60 for Step 3, as an interim measure.

The result is that while reimbursement levels to providers rose, the parent payment share rose to help meet those new expenses. The chart below shows how cumulative expenses in 2013 can combine to make regulated child care unaffordable for TANF families:

District Office	Maximum Cost Share for TANF, based on $1348/month maximum income, Step 1	Average Co-Payment, for those centers with fees over the state rate	Average Service Level Drop/week *	Estimate for weekly service for Step 1 at $1348 maximum income/month
Berlin/Conway/Littleton	$14.78/week ($64.03/month)	$6.42/week ($27.06/month)	$50.60	$21.20 (no drop) $71.80 (w/ drop)
Manchester	$14.78/week ($64.03/month)	$21.00/week ($90.30/month)	$45.00	$35.78 $80.78
Southern	$14.78/week ($64.03/month)	$53.00/week ($227.90/month)	$46.00	$67.78 $113.78
Concord/Laconia	$14.78/week ($64.03/month)	$13.65/week ($59.10/month)	$45.60	$28.43 $74.03
Rochester/Seacoast	$14.78/week ($64.03/month)	$28.95/week ($125.35/month)	$48.97	$43.73 $92.70
Claremont/Keene	$14.78/week ($64.03/month)	$16.74/week ($72.48/month)	$48.74	$31.52 $80.26

*Estimate of number of service level drops in a six-month period is 9. Should a service level drop occur, these amounts (in addition to normal cost share & co-payment responsibility), would be an additional $455.40 in Berlin/Conway/Littleton for the six-month period; $405.00 in Manchester; $414.00 in Southern; $410.00 in Concord/Laconia; $440.73 in Rochester/Seacoast; and $438.66 in Claremont/Keene.

[8] Methodology for determining New Hampshire provider reimbursement rates are found in the administrative rules, He-C 6910.17.Additional methodology used by the Child Development Bureau is based on review of child enrollment and use data.

Before redesign, the Department paid for absence for TANF children in delineated circumstances. After redesign, the Department pays for absence for all enrolled children as long as there are no service level drops. Where there are service level drops, the family must pay the difference to the provider. Consequently, the Department splits the cost of absence with families.

Post-redesign, TANF families and TANF graduates struggle with a range of costs to use regulated child care while they work. Differences in fees at age levels and service levels, or in regions, pose challenges for families as they move through NHEP participation while open for TANF cash assistance, and when they move on to employment and higher income. Under the redesign, this cost share increased from $0.00/month for TANF families in Step 1, to $22.52/month. The cost share is 4.75% of family income, and as income increases when TANF clients leave assistance for employment with a higher income, the calculation of 4.75% of income increases as well. In addition, TANF clients and graduates also must manage service level drop costs. A rule of thumb dollar amount, the average service level drop fee for one week for all service levels and age groups is $54.80 per child in out-of-pocket unplanned expense to TANF families. A Bridges report on service level drop occurrence shows that the service level drops 34.6% of the time.[9]

When a TANF parent secures employment, the Department will "disregard" 50% of the earned income. When a TANF parent reaches $8.22 /hour for a 40 hour week, their cash assistance will close. At this level of income--$17,098 per year-- a family of three has not yet hit the Step 1 yearly income cap of $19,530. The NHCCS 4.75% cost share level remains the same, but the cost share at this salary rises to $16.00/week, or $68.00/month. This same salary, for a family of two, would exceed the NHCCS Step 1 yearly income cap of $15,510, moving that family to Step 2 sooner and causing their cost share to rise to 7.5% of family income, or $107/month. As the earnings of TANF graduates increase, the program benefits that assist them decrease in reverse parallel, a process often called the "cliff effect." Division of Family Assistance TANF recidivism data suggest that access to child care is a substantial barrier to recipients who graduate TANF for employment. Recidivism is defined as TANF recipients who left TANF for employment, but who return within 12 months. The recidivism rate had been 33.6% in 2008, but due to the recession has been growing annually. SFY 2013's recidivism rate was 50.4%. DFA's survey of individuals over the past four years shows that 39% of individuals (86 of 219) indicate that child care was a problem that added to their need to reapply for TANF financial assistance. Of these, the majority indicated "I could not afford child care."

As TANF graduates search for employment in the new American labor market, weekend and night hours and fluctuating schedules are becoming increasingly common. The regulated child care market does not generally provide services for these hours. Describing the new labor market in *Spotlight on Poverty and Opportunity*, Anna Haley-Lock et al write:

> Low wage, hourly workers often struggle with inadequate and unstable work hours, producing a reality of low pay that goes beyond hourly wages. ...Employers increasingly offer part-time positions that do not promise a specific number of hours per week. Up to half of low-wage, part-time hourly employees, and

[9] For the January through March, 2013 time frame, 265,090 total child care claims were paid. Of these 91,715 were authorized for a higher service level than paid by the Bridges system.

> one-third of full-time ones, want more hours than they get. ...Major retailers have shifted from employing 70 to 80 percent of workers in full-time status to categorizing at least 70 percent of jobs as part-time....
>
> Work schedule variation and unpredictability have also become the norm. Using "just-in-time" scheduling, many service sector employers post schedules at the last minute and change them thereafter, aided by scheduling and sales monitoring software that tracks customer traffic fluctuations. Nearly 60 percent of hourly workers face weekly changes in work shifts, days, or both, and 20 to 30 percent of workers experience layoffs or reduced hours during slow periods. In some cases, employers even require workers to call in for hours rather than being formally scheduled.[10]

The barriers to regulated child care have always been difficult for TANF recipients to overcome, but in this new economy it is certain that barriers will persist in new and systemic ways. Moreover, recent research underscores the important implications these barriers have for TANF children living at 40% of federal poverty:

> Disadvantaged children who often experience deep poverty, violence and neglect simultaneously are particularly vulnerable to the pernicious effects of chronic stress. New research reveals that chronic stress alters children's rapidly developing biological systems in ways that undermine their ability to succeed in school and in life. But there is good evidence that specialized programs can help caretakers learn to be more supportive and responsive. High-quality childcare (sic) can offer a safe, warm and predictable environment amid otherwise chaotic lives, and home visiting programs can help both parents and foster parents learn to provide an environment of greatly reduced stress for their children.[11]

This chronic stress—also called "toxic" stress--permanently alters neural development in children who experience deep poverty. Because regulated child care is monitored, it offers parents a predictably safe environment for their children's normal development while they are working. Yet, TANF parents are not taking advantage of the scholarship program. In March of 2002 the take-up rate of the child care subsidy program among eligible TANF clients in work programs, was 28.1%. In March of 2014, it was 25.4%. In intervening years it averaged consistently about 26%. Roughly 75% of eligible TANF children whose parents are mandatory for work programs, are not enrolled in the NHCCS program. Priced out of regulated child care, most TANF parents turn to informal child

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[10] Haley-Lock, A., Alexander, C., Ruan, N., (2014, March 31) "Address Working Poverty by Promoting Work Hour Security in Low-Wage Jobs" Retrieved from www.spotlightonpoverty.org

[11] Brookings Institute 1775 Massachusetts Ave NW, Washington, DC 20036, March 2014

care by friends, neighbors, boyfriends and family. Because it is unregulated, informal care cannot offer the same predictable supportive opportunities that licensed care is designed to offer. The access of TANF and TANF graduates' children to regulated child care must be improved through better affordability. Traditional funding for the child care scholarship program has been from the Child Care Development Block Grant, supplemented by other State dollars, largely TANF. Over the past 10 years DFA transferred $37.4 million in TANF funds to supplement the Child Care and Development Block Grant, including $4.8 million in SFY 2013, yet the access issue remains without improvement. Federal funding for the Child Care Development Block Grant has increased slightly, but may not be enough of an increase to cover the new costs for quality established in the 2014 reauthorization of the program. New Hampshire's annual TANF block grant has not increased since 1995 when it was first established; inflation has eroded 50% of its purchasing power. Neither block grant shows promise as funding stream to improve child care access.

Addressing the affordability of child care requires systemic solutions. New Hampshire has taken steps forward, such as the redesign of the child care subsidy system; the establishment of an early childhood council, Spark NH; the gradual establishment of regional planning and coordination bodies for early childhood services; the establishment of a shared services alliance that is available child care providers statewide. But affordability remains the unaddressed problem: financial resources needed to keep regulated child care open to low-income families has yet to happen.

For these reasons, the Department of Health and Human Services has determined the need for new strategies to stabilize funding for child care in New Hampshire, to make regulated child care affordable for low-income children. DHHS will be seeking to create a strategic innovation model that broadens the circle of investors from what is currently government to include state and community stakeholders for whom regulated child care meets a core mission and for whom indirect costs accrue when children's safety, early learning, and financial security are compromised.

Appendix A: 2013 TANF Child Care Survey
Survey Monkey Format

The New Hampshire Department of Health and Human Services/Division of Family Assistance would like to better understand the impact of child care fees on a family receiving TANF benefits and the New Hampshire Child Care scholarship. We appreciate your cooperation in helping us to understand how families access child care services for their children. Please complete the survey below by Wednesday, August 14, 2013.
If you have questions/comments, please call Janine Lesser at (603) 2719325, or email at janine.a.lesser@dhhs.state.nh.us.

1. **What is the name of your Child Care Center?**

2. **Name of the person completing this survey:**

3. **Please check the region in which you are located (Please see email attachment for regional identification.)**
   Berlin
   Claremont
   Concord
   Conway
   Keene
   Laconia
   Littleton
   Manchester
   Rochester
   Seacoast
   Southern

4. **NH Child Care Scholarship Enrollment**

   - How many families in your center receive help from the NH Child Care Scholarship Program?
   - What is your total child enrollment?

5. **Registration Fees**

   - Do you charge a registration fee for TANF families?

   - Is this an annual fee?
   - If Yes, the amount of that fee is?

6. **Co Payment**

   - Is it your policy to charge TANF families the difference between the state reimbursement and your fee?

- Do you charge the difference in service levels if a week includes absences due to illness or holiday, and there is a drop to a lower service level?
- Opportunity for comment

7. Financial Obligations Notice

- Do you have a strategy for ensuring parents understand their financial responsibility, including their obligation in NH Child Care Scholarship Program, before the child begins attending the child care center?
- Do you have a standard practice to keep families informed about their balances?
- Are TANF families less likely to meet their financial obligations than your other enrolled families?
- Opportunity for comment

8. First Week Fee

- For families who have a NH Child Care Scholarship, do you require the first week's fee before you begin services for the child?
- For families who have a NH Child Care Scholarship, do you ask that they pay for child care services until you begin receiving reimbursement from the state?
- Opportunity for comment

9. Other Fees

- Do you charge any additional fees for TANF Parents? (example: late pickup fees or activity fees, etc.)
- If Yes, please list fee, frequency and amount:

10. USDA/CACFP

- Do you participate in the USDA Child/Adult Care Food Program (CACFP) and receive reimbursement for the meals you serve?

Please note: Nonprofit centers may participate w/o percentage eligibility, for profit centers must serve 25% free/reduced lunch families to participate.
Contact Carole Dennis, 2713883
carole.dennis@doe.nh.gov

Appendix B: Current Status of 2005 TANF Child Care Co-Payment Report Recommendations

Making progress: 2005 Recommendations and Their Current Status

- **Payment of child care fees**: *As suspected and anecdotally reported at the NHEP Offices, child care can be an unmanageable expense for TANF families. There is a significant difference between start-up and on-going expenses charged by contract and licensed child care programs. Because the contract programs are more inexpensive, they are often full and maintain waiting lists, requiring a parent to look for child care with licensed providers who usually charge higher fees. For those child care providers who provide few services to families with a child care scholarship, the fees can be very high. In order to support a TANF parent in complying with the new participation requirements, there will need to be a mechanism available to an NHEP Employment Counselor to pay the up-front fees that will secure the space for TANF parent, and help with the on-going co-payments. NHEP Teams now have the ability to pay registration fees for families through Bridges. Families will also need help with start-up education or materials fees, and the "first week" full or co-payment fee for service, and ongoing co-payments, when appropriate. Since these fees are set by the child care program, and differ from one program to another, a TANF parent will have to bring information to the NHEP Employment Counselor that documents the child care fees that will allow payment.*

  Current Status: The child care system redesign leveled the playing field between contract centers and licensed child care centers by bringing the reimbursement rates for all licensed providers to the 50th percentile level. Although average rates vary widely by region, this makes at least half of licensed child care in New Hampshire as a state available to parents for the cost of their cost share only. The intervening continued growth in web billing and the advent and expansion of NH DHHS's online application and client user accounts for eligibility maintenance has greatly diminished the need for prepayment for services. NHEP continues to pay the registration fees, but there are no other allowable child care/Employment and Training expenses paid. As noted above, since 2005 families have been relieved of some up front and co-payment costs, but these costs simply reappeared as new forms of fees and expenses.

- **Continue to develop the Child Care Resource & Referral relationship**: *A common problem in coordinating public services for best accessibility and use by recipients of those services is a staff person's orientation to the service they are employed to provide. While staff can be very good at providing their own service, misunderstanding almost always exists in the services that their clients might also use, or need. Few people are experts in everything. Many members of the NHEP Teams have displayed a very good working knowledge of finding the child care that is essential to their clients. A good strategy to ensure that a team can take advantage of the expertise of all the services available to a client is to develop a closer working relationship between the line staff that provide the services. Since some of the CCR&R's currently have that relationship, while others do not, a first step will be to "benchmark" the good relationship, and work with the Child Development Bureau's Trainer/Mentor and the CCR&R Network to establish that working relationship with all NHEP Teams and CCR&R's.*

  The time frame within which a TANF client must secure child care will be much shorter in the new plan. In addition, under Universal Participation, the current automatic exemption for parents of

children 0-2 years of age will no longer exist. This will require a closer working relationship between CCR&R and NHEP staff. In the reauthorization plan client flow, the Family Services Specialist (District Office) will first notify a parent of the impending need for child care at application of TANF benefits, and of the availability of the supportive CCR&R services. Information will be included in the "end of interview packet" that will support a parent in starting their child care search.

At the next step at the NHEP Office, before TANF opens, if a parent is still indicating a need for child care, an appointment at the CCR&R will be scheduled. The NHEP Employment Counselor will reinforce what information must be gathered from a child care provider so "up-front" payment can be authorized, and encourage a parent to have the documentation available for the next appointment, when all services needed for full participation will be determined and authorized. The CCR&R will reiterate this information, and ensure a thorough search of available child care opportunities for each client.

Current Status: The CCR&R's are now part of the NHEP orientation, attendance at which is a condition of eligibility for TANF cash assistance applicants. The CRR&R has shown a high commitment to ensuring NHEP applicants and recipients have information about choosing child care, and the availability regionally. Despite the systemic improvement to educate all TANF applicants and recipients about child care, 25% take up rate of the child care subsidy is a clear indicator that client access is plagued by other serious issues that discourage participation, such as the cost of state share, services, fees and absent days.

- ***Work with NHEP Teams to identify child care need:*** *While NHEP Teams have done a wonderful job of sharing information on their clients' experiences with child care, the collection of ongoing shortages and problems will be invaluable to helping direct available resources to specific regions, age groups, and hours of child care, to ensure TANF family needs are met. The Division of Family Assistance will provide an "in-service" in concert with the partner CCR&R to help NHEP staff understand the child care system, and a form and collection program for ongoing data collection. This provision of point-in-time information will be shared with relevant state and community early care and education support and development services.*

  There is currently no state ability to address regional supply. While the information may about regional need and supply may exist in the CCR&R database, there would be no point in enlisting NHEP in this type of action.

- ***Identifying traditional low-income community child care supports for further development:*** *Head Start and Early Head Start provide high quality, comprehensive services to families at or below 100% of the FPG. This includes families receiving, or having recently received, TANF benefits. Many Head Start programs have attempted to address the need for extended hours and days for working families, and often represent the best set of supports for families struggling for financial stability. Many programs are currently drawing back from these services due to increasingly limited federal funding. Many states have identified the Head Start/Early Head Start infrastructure as an excellent opportunity for investment to ensure a stable source of high quality capacity for their TANF families.*

Also, the New Hampshire contract child care centers represent the most affordable child care available to TANF families in licensed centers. The contract child care centers can provide services at a lower rate because they are reimbursed at a higher rate (between 9-17%) by the state scholarship program. This allows them to absorb more of the cost of providing services. The Division of Family Assistance can also work closely with the Child Development Bureau and these child care agents to increase their capacity to serve their TANF clients.

Although the number of Early Head Start slots in the state remains low, Head Start now has child care wrap around available in many places. Head Start conducted outreach at many of the NEP orientations late summer and early fall in 2013. The former contract centers have continued to provide services to a high number of TANF recipients at an affordable level, and have transitioned to 'Strengthening Family Center" benchmarks, without additional funds or supports.

- ***Expanding child care capacity:*** *Equal to the problem of paying for child care, is the problem of finding child care. The NHEP staff consistently report that clients in some regions of the state are finding it very difficult to identify child care openings. Infant, toddler and school age child care are the three ages in which it is most difficult to find openings. There are community initiatives that are directed to support the development of new child care capacity. The Child Development Bureau finished a recent Request for Proposal process designed to support the development of new school age slots. The school age technical assistance agent who will be identified as a result of the RFP will work with New Hampshire communities in identifying the need, design and funding for their school age child care. The Division of Family Assistance can work with NHEP offices to ensure the information they receive from their clients is passed on to the support agent, to help direct the development of services to support the TANF families with whom they are working. NHEP offices should also be represented on the community development panels that will be convened to identify and design the school age projects.*

  The Child Development Bureau's project for infant and toddler child care addresses the capacity problem by both improving the quality and supporting and sustaining capacity through an annual seminar, and a center grant for equipment and materials. Exempt child care[12] *is also an important source of support for low-income families. It is affordable, and frequently provides an additional degree of comfort because of the familiarity between the provider and the parent. The Child Development Bureau has developed supports for Exempt providers through the establishment of fair reimbursement rates, advocacy and quality improvement supports. The Child Care Resource & Referral Agencies provide recruitment activities and on-going training and technical assistance to Exempt child care providers. Through urging by the Child Development Bureau, Early Learning New Hampshire has also convened a sub-committee specifically for the purpose of improving exempt child care in New Hampshire. Both Child Development Bureau and ELNH recognize exempt care as a primary resource for TANF families, especially for infant and toddler care. The Division of Family Assistance will work closely with both to identify and develop resources for exempt child care providers, to stabilize and increase their capacity through encouraging Family Child Care licensing. This includes working with the*

[12] Exempt child care refers to sites who are defined by state licensing rules as not needing to meet licensing requirements. For license-exempt family providers, a provider may care for three or fewer unrelated children in their own home without becoming licensed by the state.

Department of Education in recruiting new child care providers to enroll in the Child Adult Care Food Program.

Current Status: The Great Recession changed many things, including state budgets. Beginning in 2008, any funding that may have been available to help encourage capacity was reallocated to the child care scholarship program. Capacity, for the most part, was no longer a problem as many parents lost their employment or faced reduced hours, causing them to reconsider their child care choices. The Great Recession put significant pressure on the child care system. Also, in the effort to make the system more equitable, the child care redesign increased reimbursement rates for licensed providers, but reduced the reimbursement for license-exempt providers. The last four years have seen a significant migration from license-exempt care to licensed child care.

- ***Easing the co-payment pressure**: All parents, including families well into the middle class, are finding child care to be an almost insurmountable expense. The economic pressures on low-income families are becoming increasingly unmanageable as the capacity in the traditional low-income providers is filled. The current co-payment crisis has developed because the child care reimbursement rate at the 48th percentile leaves a gap in fee payment that a child care provider must cover with additional funding. For the majority of providers, especially licensed, non-contract providers, this means asking the parent to pay those uncovered fees. All state efforts towards raising the reimbursement rate will help ease the co-payment problem for families in all levels of the scholarship program, including families participating in employment activities, and families who are currently employed and trying to remain so.*

Current Status: The 2005 survey showed average co-payment costs of about $77 for pre-kindergarten children (more for infants and toddlers, less for school age). Redesign provided some co-payment relief, but increased client cost share and expenses for absence days. With no net cost reduction to TANF clients, their participation in the NHCCS program remained at just 26% both before and after redesign.