

THE HIGH PRICE OF CHILD CARE

A Study Profiling the Cost of Care Within Licensed Centers in New Jersey



NJACCRRRA

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The High Price of Child Care: A Study Profiling the Cost of Care Within Licensed Centers in New Jersey presents 2008-09 data on the cost of child care in New Jersey, specifically full-time child care provided through center-based programs. The study profiled the range of fees charged in each municipality of the state to establish a portrait of New Jersey's overall child care fee structure, broken down by county and age of child. In addition to examining the range of fees across the state, the study calculated county market rates.

Child care has become one of the major resources supporting the family of the 21st Century. Regulated child care fills an important need for both families and the economy. An interest in creating a high-quality, yet affordable child care system is directly linked to economic and social benefits for the state. When the state's child care demands are met, parents can work, employers can fill jobs, the tax base can grow, and children's needs for nurturance, supervision, socialization and intellectual stimulation are met. It is essential that families be able to access and afford high-quality care for their children.

In New Jersey, 389,189 children under age six are in care because their parents work; 270,902 are children of women in the labor force (2009, NACCRRRA). In 2008, there were a total of 4,006 licensed child care centers in New Jersey providing 281,497 child care slots. Finding quality child care is a challenge for families. The child care center must be accessible, offer the needed services and hours, and have openings. The center must also be affordable. For most New Jersey parents, child care is a major household expense, often straining household budgets and forcing parents to make sacrifices, sometimes in the quality of the child care arrangement they select for their child. The current recession has made child care even less affordable.

The High Price of Child Care: A Study Profiling the Cost of Care Within Licensed Centers in New Jersey highlights the many challenges New Jersey families face in paying for child care and offers recommendations that the state and the federal government should take to improve the affordability and quality of child care.

Child care is expensive.

In 2008, the average annual price of full-time center-based infant care ranged from \$8,424 per year to \$13,594 per year, with a state average of \$11,372. The average cost to a family depending on full-time child care for a 4-year old ranged from \$7,011 to \$10,730 a year, with a state average of \$9,253. For the average family, the five least affordable counties for full-time infant care were: Passaic, Mercer, Ocean, Cumberland, and Hudson.

For female-headed households, the five least affordable counties for full-time infant care were: Cumberland, Gloucester, Passaic, Mercer, and Camden. For the average family, the five least affordable counties for full-time, center-based care for a four-year-old were: Passaic, Ocean, Cumberland, Mercer, and Hudson. The five least affordable counties for female-headed households depending on full-time, center-based care for a four-year-old were: Cumberland, Passaic, Mercer, Camden, and Hudson.

Child care fees are higher than many significant household expenses.

Child Care as Percentage of Monthly Income: The U.S. Department of Health and Human Services recommends that parents spend no more than 10% of their family income on child care. Yet on average, the cost of infant care represent 17% of New Jersey's median household. Depending on the county in which they live, NJ families earning the median household may pay between 13% and 19% of their total income for full-time infant care. For female headed households, the average cost of infant care fluctuates by county to represent between 25% and 47% their total income. The state's average cost of child care for an infant represents 36% of a female-headed household's income. The cost of care for families with a four-year-old represents between 11% and 16% of the median household income or between 19% and 40% of a female headed-household's income, depending on their home county. The state average cost of child care for a four-year old represents 30% of the female headed-household's income.

Housing Costs: The monthly cost of child care for two children exceeded monthly housing costs for renters in all counties except one. In seven counties, the monthly cost of child care for two children exceeded the average housing costs for owners AND renters. In the remaining 13 counties, the child care costs were higher than housing costs for renters.

Cost of Public College Tuition: When comparing the state average rate of child care to college tuition, the average price of infant care is higher than the price of basic tuition at any of New Jersey's four-year public colleges and the average price of child care for a 4-year old is higher than the price of tuition at all but two of the state's public colleges.

Download the complete state report at www.njaccrra.org.

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New Jersey's maximum child care subsidy reimbursement rate falls **BELOW** the market rate in all 21 counties

An examination of current New Jersey Department of Human Services reimbursement rates for families receiving child care subsidies vis-à-vis the data generated by the survey reveals that the maximum reimbursement rates in New Jersey are significantly below the market rate in all 21 counties. This limits parental choice by forcing subsidized families to either pay the difference between the center rate and voucher payment or place their child in an under-funded child care arrangement with insufficient resources to ensure quality.

The economic recession has compounded how the high price of child care challenges families throughout the state. The cost of child care in New Jersey continues to increase while thousands of the state's parents face unemployment or reduced work hours. Some parents have responded to the current economy by withdrawing their child(ren) from organized child care programs or licensed settings. This means that more children may be in unregulated settings where providers have not had a background check or training in health and safety practices, such as first aid or CPR, or training in child development to ensure age-appropriate activities to promote the social, emotional, physical and cognitive development of children. Particularly with the current economy, it is essential that more families receive assistance to afford the cost of quality child care.

Working families earning low incomes have very few choices without assistance. But, many families in New Jersey, not just the working low income families, are struggling with the high cost of child care. It is essential that a system be developed to underwrite the cost of child care so that all families, and not just wealthy families, can afford the cost of quality child care.

Child care is especially unaffordable for single parents.

The state average cost of **infant care represents 36% of a female head of household's income**, and **30% of their income for four-year old care**. The cost of full-time child care for female head of households represents between 25% and 47% of their income for an infant, and between 19% and 40% of their income for a four-year-old, depending on the county in which they reside.

NJACCRRRA proposes these recommendations to improve access to affordable, high-quality care:

Child care is a major part of family life and a critical support for working parents, particularly for single working parents. Working families earning low incomes have very few choices without assistance. But, many families in New Jersey, not just the working low income families, are struggling with the high cost of child care. It is essential that a system be developed to underwrite the cost of child care so that all families, and not just wealthy families, can afford the cost of quality child care. NJACCRRRA proposes these recommendations to support families in their search to access affordable, high-quality child care:

- ◆ Increase federal and state investments in child care fee assistance and quality improvement efforts to provide stable and predictable funding to cover a child care center's full range of expenses for a high-quality program;
- ◆ Raise the maximum reimbursement rates to reflect the 75th percentile of rates local child care providers charge families without a subsidy to ensure eligible children have equal access to quality child care;
- ◆ Provide resources for planning and developing child care capacity to increase the availability of child care options for working families;
- ◆ Raise the income eligibility threshold to allow struggling families access to child care subsidy support;
- ◆ Revise tax codes to help families at all income levels pay for care;
- ◆ Implement a Quality Rating and Improvement Scale so families have qualitative information about child care options, and develop tiered reimbursement rates based on the provider's quality rating; and
- ◆ Design a system to help underwrite the cost of child care so that all families, not just wealthy families, can afford the cost of quality child care.

Download the complete state report at www.njaccrra.org.



NJACCRRRA

The New Jersey Association of Child Care Resource and Referral Agencies (NJACCRRRA) is a non-profit organization representing child care resource and referral agencies serving the twenty-one counties of New Jersey. We believe that all children deserve access to high quality, affordable child care. We recognize that families need support in understanding and accessing the child care options in their community, and we represent those agencies that help them do so.