

“The Cost of Child Care”

A Hunger-Free Community Report

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“The families in the worst financial trouble are not the usual suspects. They are not the very young, tempted by the freedom of their first credit cards. They are not the very elderly, trapped by failing bodies and declining savings accounts. And they are not a random assortment of Americans who lack the self-control to keep their spending in check. Rather, the people who consistently rank in the worst financial trouble are united by one surprising characteristic. They are parents with children at home.”

--Elizabeth Warren & Amelia Warren Tyagi, The Two-Income Trap

The Connection Between Child Care and Food Security

Over the past decade, the costs needed to cover a family's basic needs have risen significantly. The rising costs of housing, energy, health care, transportation, and child care have forced families to forgo balanced meals and nutritious foods—and sometimes meals altogether—so that they can keep a roof over their heads, stay warm, pay for reliable transportation, medical care, and safe child care.

For most food insecure Oregonians, family economic stability is an income issue. Full-time work does not guarantee an income adequate to pay for basic necessities, particularly child care. Research has shown that hungry and food insecure Oregonians are likely to be children and their working parents.ⁱ

Since child care is a necessity for working families and not being able to afford it forces families into dire circumstances, the focus of this report is the affordability of child care. Ten percent of a family monthly income contributed to child care is the affordability benchmark for Oregon, but data in recent years have revealed that a number of Oregon parents are paying up to a quarter of their income for child care.

Food Security

The United States Department of Agriculture (USDA) defines food security for a household as access by all members at all times to enough food for an active, healthy life. “Food security includes at a minimum (1) the ready availability of nutritionally adequate and safe foods, and (2) an assured ability to acquire acceptable foods in socially acceptable ways (that is, without resorting to emergency food supplies, scavenging, stealing, or other coping strategies).”ⁱ According to this definition, a majority of Oregon's low-income families should be classified as “food insecure.” Compared to other states, Oregon has a high food insecurity rate, revealing that 12.9 percent of Oregonians are at risk for hunger.

Profile of Oregon's Food Insecure Families:

Young Adults with Children Likely to be in Food Insecure Households

The Northwest Job Gap Study finds that only 24 percent of all jobs in Oregon are currently paying enough to support a two-parent, two-child household where one parent stays at home. Single parents raising two children are also unlikely to be making a living wage, as only 18 percent of jobs pay a living way for this type of household. What this research leads us to question further is the food security for households with earned incomes.ⁱⁱ

The dilemma for working parents is very prevalent in Oregon, particularly in the Portland metropolitan area. A couple who lives in North Portland describes their situation as one of constant evaluation and prioritization. They have a three year-old who attends a local child care center. The mother works part-time while attending college, and her husband works full-time. Almost on a daily basis, she must ask herself, “should I pay for gas to get to school, or food, or child care?”

In December of 2003, the Oregon Center for Public Policy (OCPP) released an analysis that revealed that the youngest adults have the highest hunger and food insecurity rates. OCPP's

analysis shows that 27 percent of Oregon’s youngest adults, aged 18 to 24, lived in a food insecure household in 2002. Households with children experienced rates of food insecurity that were more than twice as high as the rates among households without children.ⁱⁱⁱ

The catch-22 is certainly evident for families that include two parents, both working either full or part-time. Families that have two parents working full-time at low-income jobs very rarely qualify for state child care assistance, but these are the families that often require child care assistance the most to be able to work. Also, if a family that is currently receiving assistance were to increase their working hours or receive and accept a raise a pay, it may very well relatively severe assistance cuts.

For example, there is a family of four in which parents earn Oregon’s minimum wage, \$7.50/hour. The father works part-time (20 hours per week in this case), while the mother works the full-time 40 hours per week. Their monthly earned income is \$1,956. Based on these figures, the Department of Human Services’ ERDC Copayment Estimate^{iv} calculator, this family’s copay would be about \$260/month. This probably means that Oregon is contributing around \$350 toward the monthly childcare expenses for this family. If the part-time father decided to work full-time, the family’s monthly earned income would become \$2,608, an amount that falls in the level that makes them ineligible for ERDC assistance.

**Something Doesn’t Add Up:
Family Budgets for Oregon Families**

A family’s ability to meet its most basic need is an important measure of economic stability and well-being. While many agencies use poverty thresholds to evaluate the severity of economic deprivation in the US, basic family budgets, or “the income a family needs to secure safe and decent-yet-modest living standards in the community in which it resides,” offer a more accurate measure of economic welfare.^v This type of analysis is crucial because it shows that oftentimes, work simply is not enough to sustain a family. The following is the Economic Policy Institute’s estimate of a family of four’s actual monthly budget. A family of four at 100% of the poverty threshold is \$1,667.^{vi} The monthly disparity between these two montly totals is almost \$2,000.

Basic Family Budget for Family of Four (Two Parents, Two Children)^{vii}

Portland, OR

Housing	\$717
Food	\$587
Child care	\$855
Transportation	\$375
Health care	\$316
Other necessities	\$352
Taxes	\$416
Monthly total	\$3,618

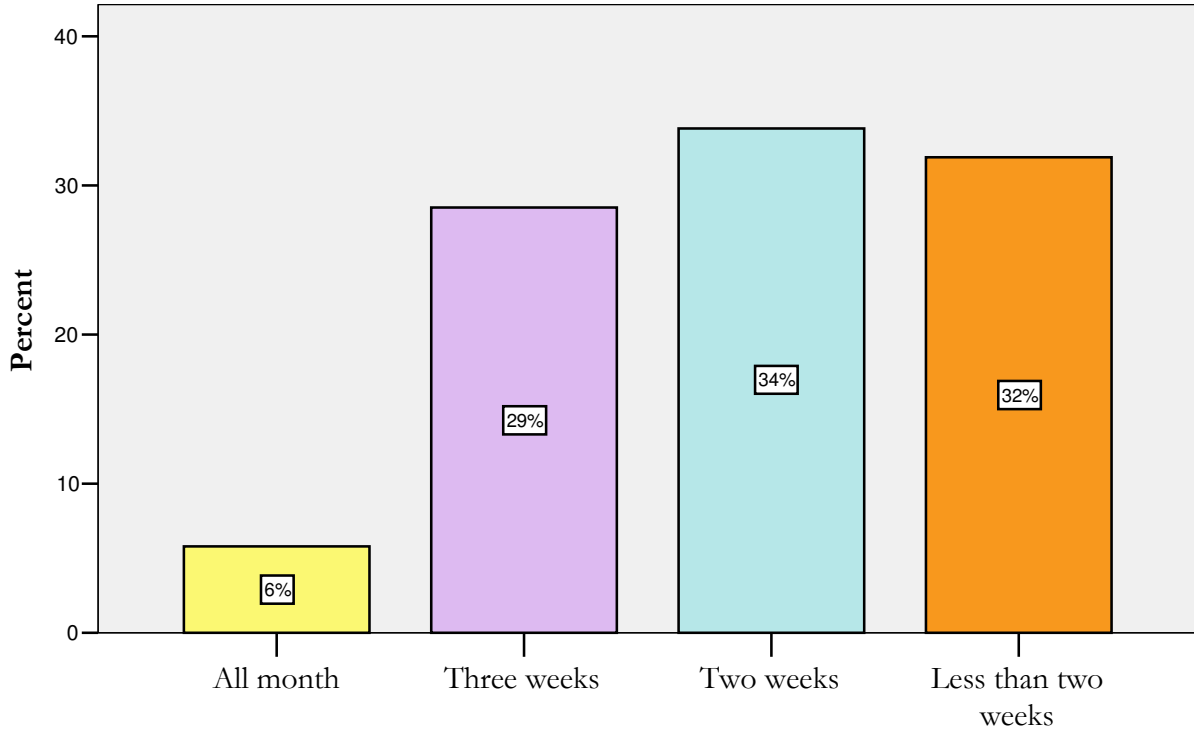
**Real Family Budget for Family of Three (One Parent, Two Children)
Newport, OR**

Item	Amount Paid by Parent
Housing	\$167
Food	\$241
Child Care (for one child)	\$81
Transportation	\$129
Health Care	\$26
Energy	\$100
Taxes	Refunded Monthly
Other Necessities:	
Student Loan Payment	\$75
Phone	\$35
Toiletries, clothes, etc.	\$100
Cable	\$55
Vitamins	\$25
Monthly Total	\$1,034
Monthly gross income	\$800

It is very clear that this budget, as frugal as it is, cannot be covered by this mother's monthly gross income. The children in the family are six and four years old. This mother only pays for child care for her daughter, who is four, so even this strained budget is not inclusive of both children's care.

To cover the disparity between her monthly income and the family's costs, she oftentimes picks up work for her landlord at her apartment complex and then receives housing credit to make ends meet.

Monthly Duration of Food Stamps



Monthly Duration

Population: Those who responded to the question, “If you need child care to be able to work, what have been the biggest problems you face?” by checking “costs too much”

Source: Oregon Food Bank Survey (2004)

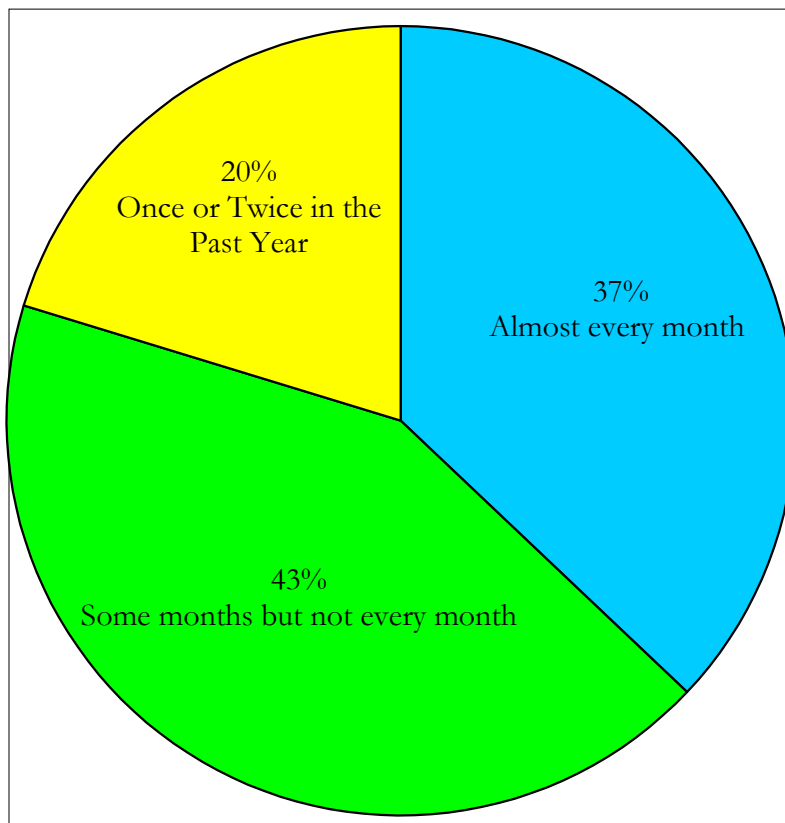
What is a monthly food stamp allotment based on?

Food stamp benefits are based on the “Thrifty Food Plan,” USDA’s speculative estimate of what it would cost to purchase a market basket list of particular amounts and kinds of food representing a minimally adequate diet. It is the most frugal of four food plans developed by USDA as standards of family food use and costs. The Food Stamp Program assumes that households will be able to purchase the Thrifty Food Plan using their benefits in addition to 30 percent of any income they receive.

“USDA research shows that only 12 percent of low income households who spend at the Thrifty Food Plan level get their recommended dietary allowances for 11 key nutrients,” finds the Food Research and Action Center (FRAC), a leading national organization working to improve public policies to eradicate hunger and malnourishment in the United States.

The Thrifty Food Plan contains a number of assumptions that are likely outdated and inaccurate for many food stamp recipients. Although the Food Stamp Program assumes that households will be able to purchase the Thrifty Food Plan with their benefits, many studies show that food costs are so high in many areas of the country that the maximum food stamp benefit is insufficient to purchase the Thrifty Food Plan.^{viii}

Frequency of children's meals skipped of the population of families that are affected by child care costs



Population: Those who responded to the question, “If you need child care to be able to work, what have been the biggest problems you face?” by checking “costs too much”

Source: Oregon Food Bank Survey (2004)

The Child and Adult Care Food Program (CACFP) is a key source of support for serving nutritious meals and snacks in child care centers, family child care homes, Head Start, after-school programs, shelters and adult day care centers. The program provides reimbursement for food and meal preparation costs, ongoing training in the nutritional needs of children, and onsite assistance in meeting the program's strong nutritional requirements. CACFP plays a vital role in creating and maintaining quality, affordable care for preschool and school-age children.

Voices: The Parents' Story

A young couple who lives in Portland, Mary and John, both 23, have a three year-old daughter named Megan. John works full-time in construction, and Mary works part-time, while she attends school part-time. Their combined monthly income puts them below the Federal Poverty Line and they worry about money on a daily basis. Like so many of Oregon's families, child care expenses have taken a toll on their budget. "The prices of everything aren't based on minimum wage," they have quickly come to realize.

Megan is currently enrolled at a child care center, one with which John and Mary express much satisfaction for a couple of reasons. The center willingly accepts children who receive child care assistance and as a recipient of the Child and Adult Care Food Program (CACFP) funding, the center is able to provide the meals Megan needs while she is away from her parents.

"We try to budget weekly, but we're always struggling at the end of the month."

**--Mary and John,
parents of three
year-old Megan**

Megan has low blood sugar, so if she goes without food, it is very detrimental to her health. To make sure food lasts the entirety of the month, Mary makes sure they have a stock of low-cost noodle boxes in case the end of the month makes them necessary. "You have to sacrifice nutrition to have a full stomach," Mary says. For in most months, the family cannot make it to the fourth week without worrying that food will run out.

Even getting to the point of full stomachs is often a struggle. When Mary and John are struggling to make ends meet and worried about stretching finances to last the entire month, they will often skip meals and go hungry themselves to make sure their Megan is fed. John used to be employed by the military and would bring all of his Meals Ready to Eat (MREs) home to be sure they were there as an emergency stock. With a myriad of stories like Mary and John's across the state, it is no wonder that households with young adults and children in the household are likely to experience higher adult hunger rates.

Mary and John realize that they must both work. And while they receive state supports such as WIC (Women, Infants, and Children), the Oregon Health Plan, and Food Stamps, in addition to ERDC, they have felt the effects of Oregon's recent assistance eligibility changes and cuts. John became frustrated with his inability to change jobs, because in the interim, he would have no child care assistance and therefore was not able to take the new job. "It just seems like they set it up to make it harder for you."

In addition to the impact on this family's ability to buy food, it is the miscellaneous expenses that add to the strain. "Our daughter has gone through so many growth spurts in the past year. It's become so hard to keep her in clothes that fit her."

Voices: The Provider's Story

Oregon's child care providers are among the lowest-paid workers in the state. Since there is a growing gap between the current market prices and DHS's subsidy rates, providers who accept DHS clients are particularly negatively affected. Because DHS asserts that 70% of ERDC clients utilize in-home care, it is extremely important that we recognize what the lifestyle and financial situations that in-home care providers face on a daily basis.

Lindsey, a licensed in-home child care provider in North Portland who works 24-hour days, six days of the week. Since she is able to accommodate parent clients who work night or swing-shifts, she usually begins her week at 4:00 AM and works until 11:30 PM on Saturday. This provider represents the type of caregiver many Oregon children interact with on a daily basis. She currently has 25 children enrolled in her in-home care program and is usually able to accept about 10 clients who receive child care assistance.

She is herself receiving housing subsidies and is at least \$1000 in debt, but she continues to provide services to her clients that cannot always pay her. "I've been caring for some of these kids for years," she says. "And I am not going to just turn them away if their parents can barely afford to feed them in their own homes.

This is why Lindsey often makes a particular effort to serve dinner to many of the children she cares for at 4:00 PM to ensure that the children will eat a well-rounded meal that evening. She receives some funding from the Child and Adult Care Food Program (CACFP) to meet the costs of food for the children. Lindsey also occasionally stocks up on Emergency Food Boxes, or EFBs, from food pantries to give to her charges so that they go home with full stomachs. She is shocked to learn that sometimes, the school-aged children she cares for and most of whose parents work full-time, have not eaten all day.

Lindsey points out the importance of community resources and safety nets of which she takes advantage. She is a member of the the Child Care Improvement Project (CCIP), a network organization that serves southwest Portland and Multnomah County. She has been a recipient of education grants, which are available for network child care providers to help pay for tuition, books, child care and transportation while they complete educational classes to improve their child care and business practices. Providers can also receive yearly resource grants of up to \$300 to be used towards improving the child care environment or their business practices.

**"Should I work or should I have
my kids eat next month?"
--mother of three in Northeast
Portland**

Family Financial Stability

To provide a glimpse into the factors that often contribute to a family's financial stability, a couple in Toledo, OR talks about the relative flexibility they have with their child care schedule because they are established public employees. They realize that the mid-Oregon coast has many issues with providing accessible child care, their jobs usually provide them with the flexibility to pick their daughter up by 3:30, as opposed to 5:30, when a more traditional day-shift job might allow.

Previously, when this Lincoln County mother had worked part-time at a discount superstore, she found that it was much harder make ends meet. The part-time job also afforded her some time to care for her infant daughter, so their family expenses did not include full-time child care during that period.

“Child care bills can make things tight,” they acknowledge, “but it’s our choice.” They realize that their relatively secure jobs and dual incomes afford them the luxury in having this choice in the first place. Despite the fact that this Lincoln County family is financially stable, they still estimate that they pay about ten percent of their income for child care, a percentage that serves as a goal for maximum percentage of income for Oregon families to pay toward child care.

Child Care Costs’ Effect on Nutrition

The effect of the cost of child care on Oregon families’ monthly budget are clear. A working, single mother of a seven year-old in North Portland participates in ERDC, but her income level allows her to receive only \$12 per month in state assistance. She contributes about 25% of her monthly income to pay her co-payment. Because of what this working mother spends on child care, among other monthly expenses, she is not able to afford the nutritious variety of groceries and fresh foods she would like to feed to her daughter. She often worries from where their next meal will come and says, “Every week, I worry about the grocery bill,” she says.

This same working mother who worries about merely making sure there is enough money to buy food has been forced to cut well-balanced meals from her child’s diet and substitute more affordable meals like macaroni and cheese or chicken pot pie. Not only do high cost of child care affect the quantity of food a family is able to purchase, but the quality and oftentimes, nutritional value of food. Higher-carb, non-perishable foods that are filling are less expensive than perishable foods or fresh produce, so families are able make them last until the next paycheck. “Pastas go a long way,” agrees John, the North Portland father of Megan.

When it comes to buying produce, “when I buy pickles or fruit at the beginning of the month, they think that’s a treat,” says a mother of three. While common sense tells us that poverty impacts a child’s nutrition negatively, the statistics corroborate it. Low-income households typically decrease food expenditures by reducing the quality and variety of food instead of the quantity of food that they purchase. As a result, they may rely on low-cost, low-nutrition foods that tend to be high in calories.

State supports help but do not go far enough.

Strong policy supports and adequate public assistance for parents can make an enormous societal difference in the lives of Oregon’s families. For low-income families or those on public assistance, receiving subsidies for child care is a crucial piece of the puzzle. These subsidies make it possible for parents to work and become self-sufficient.

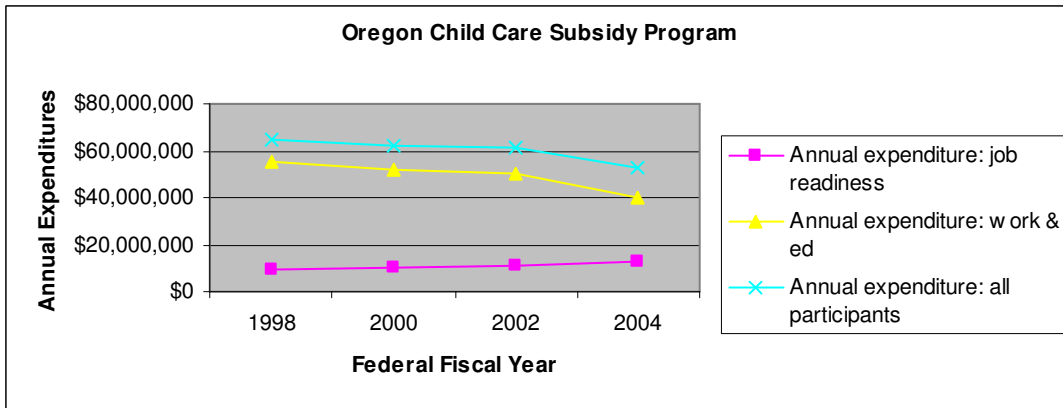
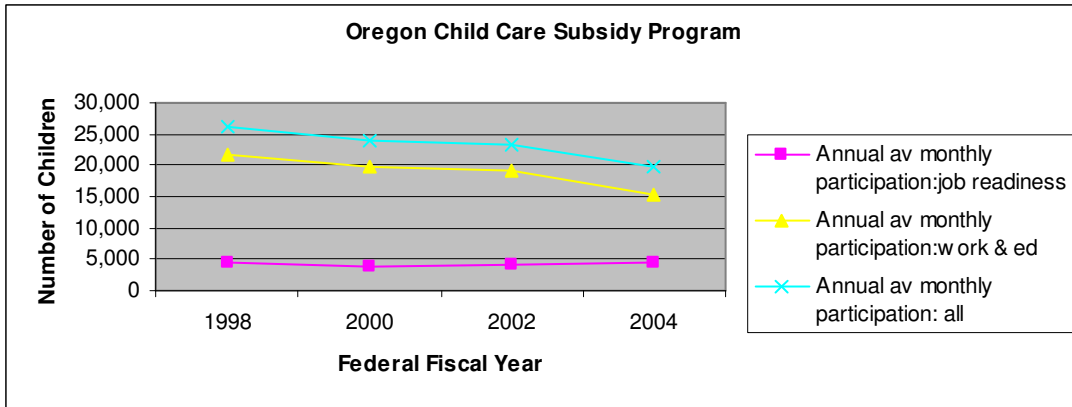
“Thank goodness for school meals.”
 -North Portland mother of three

Oregon’s Employment Related Day Care (ERDC) program pays a portion of child care costs for low-income working families, including families that have recently moved off welfare into employment. Families must pay a portion of their child care bill, called the ‘co-pay,’ based on their family size and income. There may be an additional expense, known as the ‘differential,’ since most child care providers charge more than the subsidy covers.

“If it weren’t for ERDC, I wouldn’t be able to afford to work now that my children are in a half-day program,” explains a mother of two who lives in Newport. She understands the importance of family economic self-sufficiency and desires to be financially stable, but points out that the odds are often stacked against low-income families. When this Newport mother talks about assistance from the state, she finds she could not raise her family without the supports she receives. However, she points out, “what they’re not taking into account is the cost of food, gas, health care—the whole picture.” This mother in Newport participates in the Food Stamp Program. But, as many families in Oregon are finding, food stamps typically only last a family about three weeks.

The following chart provides trend information for the Oregon’s child care assistance programs: JOBS, TANF, and ERDC. As the chart and graphs depict, both the number of children served and expenditures decreased significantly between 1998 and 2004. Cuts in the program mean that eligibility levels for parents change and that fewer parents can qualify for, and take advantage of, state assistance.

Federal Fiscal Year	1998	2000	2002	2004	
Annual average monthly participation: Job readiness	4,424	3,964	4,173	4,489	
Annual average monthly participation: Work & ed	21,851	19,946	19,012	15,361	19% Decrease in number served
Annual average monthly participation: all	26,275	23,910	23,185	19,850	14% Decrease in number served
Federal Fiscal Year	1998	2000	2002	2004	
Annual expenditure: job readiness	\$8,948,313	\$10,084,555	\$11,375,645	\$12,791,424	
Annual expenditure: work & ed	\$55,446,256	\$52,075,276	\$50,114,927	\$40,318,659	20% Decrease in amount spent
Annual expenditure: all participants	\$64,394,569	\$62,159,830	\$61,490,572	\$53,110,083	14% Decrease in amount spent



Source: Oregon Child Care Research Partnership (Weber, 2005).

The Reality for Student Parents

As a student parent, it is oftentimes even more difficult to make ends meet, especially without a partner or supplemental income. Even if one parent of a couple attends college part-time, finding a job that is not an entry-level or retail job is challenging. Mary, the mother of three year-old Megan, is often exasperated at her reality, as she would like to contribute to the family’s monthly income as she attends school. “School can make life stressful when you’re a parent,” Mary says.

“Without the Food Stamp Program, I’d be in trouble.”
 -Southeast Portland mother of two and full-time student

Because of the over-burdened budgets that Oregon families face, taking on loans and other college expenses is daunting. Like the parents discussed earlier, students rely on state and federal assistance to make ends meet as well. A Southeast Portland mother of two receives child care assistance through Temporary Assistance for Needy Families (TANF), but says she struggles to make ends meet every month. Nonetheless, she realizes the importance of assistance for her situation. “Without the Food

Stamp Program, I'd be in trouble," she says. Food Stamps supplement virtually all of this family's grocery budget, but to cover expenses, such as gas and diapers for her toddler, she turns to small, private scholarship funding. Through a local program, she receives about \$50 per month for costs that are not food.

In Oregon, the Student Child Care Program provides financial assistance for child care to low-income student parents. This program has allowed hundreds of student parents to continue their educations. The program is funded with \$1 million for the current biennium, but more than 700 students are on the waiting list. This mother of two in Southeast Portland is one of those parents on the waiting list, but she realizes there is a slim chance

Promising Practices: Oregon Child Care Contribution Tax Credit

Even though child care providers are among the state's lowest-paid workers, parents still struggle to afford the cost of care. In order to exercise some choice in the quality of care for their children, the cost barrier for parents must be broken down, as some programs are beyond parents's financial means. In recognition of this parental dilemma, the 2003 Oregon Legislature enacted the Oregon Child Care Contribution Tax Credit. Each contribution to the program means that taxpayers receive an Oregon state tax credit of 75 cents per each dollar distributed.

Proceeds from the credits are being used to create a demonstration project to show how child care can work when adequately funded. "By simultaneously addressing quality, affordability, and provider compensation, this innovative tax credit program will reveal the true cost of quality child care and help restore balance in this critical sector of Oregon's economy," explains Brent Demoe, Special Projects Coordinator for the Child Care Division.

The Lane Community College Lane Family Connections has developed and is coordinating the application process and disbursement of money to child care providers. Providers that meet specific criteria will be eligible to receive funds to support providing quality child care to low and moderate-income families. The amount of money to be disbursed to a participating provider will be based on the incomes of the families the provider serves, the child care fees the provider charges and the actual cost to the provider providing quality, affordable child care. Parents who are enrolled with participating child care providers will have a portion of their child care fees paid based on family income level and the child care fee charged.

The outcomes of the Child Care Enhancement Pilot Program are:

- Decrease parent cost of child care to 10 percent or less of family gross income
- Increase child care provider wages to at least the median income of the region, Lane County
- Increase child care provider access to professional development through scholarships, tuition reimbursement, or other enhancements

What is the ultimate cost of child care for Oregon parents?

The bottom line is evident. Parents cannot get and keep their jobs if they do not have a safe, reliable caregiver for their children while they work. Not only are low-income parents with child care costs put under constant financial strain and emotional stress, they are forced to skip meals, cut their children's meals, rely on Emergency Food Boxes, incur debt, and sacrifice other items of their budgets.

Supporting child care means supporting communities.

Child care is an investment in communities. It's an investment that can have measurable returns, in terms of money, and immeasurable returns in terms of quality of life, quality of our children's experiences, and the quality of our future citizens and workforce. Child care serves as a foundation for our workforce and our economy.

About the Project

"The Cost of Child Care Project," a joint effort of Children First for Oregon and the Congressional Hunger Center, explores the link between the high cost of child care in Oregon and how this affect families' budgets, particularly their ability to buy food. Children First for Oregon conducted individual interviews with nine parents, as well as two in-home child care providers.

A focus group was also held at a local child care center consisted of four parent participants to further inform the report. Additionally, researchers involved in the project at Children First spoke with a number of child care experts and advocates and Department of Human Services representatives, in order to accurately capture the child care dilemma for parents in Oregon.

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Children First for Oregon is a non-profit, nonpartisan advocacy organization dedicated to improving the lives of Oregon's children by shaping statewide public policy. We work to make sure every child can be healthy, safe and secure. We educate elected leaders, engage citizens, lead strategic alliances and advocate for data-driven policies and smart investments in Oregon's future - our children.

ⁱ Oregon Hunger Relief Task Force, *Act to End Hunger*, 2004.

ⁱⁱ Will Pittz, Dennis Osorio, and Paul Sommers, *Northwest Job Gap Study: Living Wage Jobs in the Economy*, 2005.

ⁱⁱⁱ Oregon Center for Public Policy, *Oregon Hunger Issues: Finding #3 from OCPP's Analysis of a State Health Survey*, December 2003.

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- ^{iv} Oregon Department of Human Services, “ERDC Copayment Estimate,”
<http://dhsmanuals.hr.state.or.us/ERDC_CALC/FMPRO?db=ERDCCALC.fp5&-lay=Main&-format=input.htm&-findany>
- ^v Economic Policy Institute, *Basic Family Budgets: Working Families’ Incomes Often Fail to Meet Living Expenses Around the U.S.*, September 2005.
- ^{vi} Oregon Center for Public Policy, “What is Poverty?”
- ^{vii} Economic Policy Institute, Basic Family Budget Calculator
< http://www.epi.org/content.cfm/datazone_fambud_budget>
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<http://www.frac.org/html/federal_food_programs/programs/fsp_faq.html>