



Case Studies for Understanding Child Care Policy Options

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Montana's child care system needs solutions for supporting the child care workforce and helping more families afford child care. Child care workers in Montana make low wages despite the value of their essential work. In 2022, the median wage for a child care worker in Montana was \$12.84 per hour, barely hovering above poverty level for a family of three.¹ Child care is already a big expense for families; for full-time infant care a family spends between \$9,100 and \$11,700.² This leaves child care programs to figure out the impossible task of balancing the true cost of high-quality care with what parents can afford. Competitive wages and benefits are hard to offer to child care staff without raising costs for parents.

Child care providers across the country struggle to balance higher wages and benefits with costs for parents. No state has built a perfect child care system, but many states have invested state dollars and implemented policies that are making a difference. This memo highlights case studies of promising child care policies from other states. Montana can improve the child care system by finding solutions to increase child care staff wages and benefits and by investing in the Best Beginnings like the following states have done.

North Dakota

North Dakota invested \$66 million for child care in the 2023-25 biennium.³ Most of the funds go to the Child Care Assistance Program or directly to providers.

- **Child Care Assistance Program: \$42.8 million**
 - \$22 million to maintain expanded eligibility for child care assistance;
 - \$15 million to increase the reimbursement rate for infant and toddler participants;
 - \$3 million to increase the reimbursement rate for higher quality rating levels;
 - \$2.3 million to waive the copay for families making less than poverty level;
 - \$500,000 for outreach and application assistance for the child care assistance program;
- **Provider Grants: \$11.8 million**
 - \$7 million for grants and shared services (like a substitute pool, insurance, etc.);
 - \$1.8 million in grants for expanding access to care during nontraditional hours;
 - \$3 million in grants for quality infrastructure;
- **Child Care Workforce: \$3 million**
 - \$2 million for stipends to cover child care worker training;
 - \$1 million to streamline background checks;
- **Employer-based Child Care Benefits: \$8 million**
 - \$5 million for employer-led child care programs, a pilot where cost is shared among employers, families, and the state (ND Working Parents Child Care Relief);⁴ and
 - \$3 million toward child care benefits for state employees.

¹ U.S. Bureau of Labor Statistics, "[May 2022 State Occupational Employment and Wage Estimates.](#)"

² Child Care Aware of America, "[Price of Care: 2022 Child Care Affordability Analysis.](#)"

³ North Dakota KIDS COUNT, "[2023 Legislative Session: Children's Well-Being Bills.](#)"

⁴ North Dakota Health & Human Services, "[ND Working Parents Child Care Relief.](#)"

Additionally, North Dakota invests state money into a four-year-old grant program, a mixed-delivery approach to funding preschool slots. North Dakota invested **\$14.4 million for the 2023-25 biennium to continue supporting slots for preschool-age children.**

During the 2023 session, North Dakota proposed a child care tax credit to families making less than \$120,000, but it did not pass. This credit would have allowed a family to claim 40 percent of the federal child and dependent tax credit or 10 percent of the child tax credit, whichever was larger. Revenue loss from this tax credit was estimated at \$9.9 million per biennium.

Table 1. Comparison of the child care landscape in Montana and North Dakota.

	Montana	North Dakota
Number of children age birth to 5	<u>70,292</u>	<u>60,414</u>
Number of licensed or registered child care slots	<u>24,349</u>	<u>35,886</u>
Number of child care workers	<u>2,120</u>	<u>3,870</u>
Median wage of child care workers	<u>\$12.84</u>	<u>\$12.86</u>
Cost of child care & percent of median income <i>Cost is based on infant care</i>	Center: <u>\$11,700</u> 14% <u>median income</u> Family: <u>\$9,100</u> 11% <u>median income</u>	Center: <u>\$9,984</u> 10% <u>median income</u> Family: <u>\$8,240</u> 8% <u>median income</u>
Eligibility for child care assistance	<185% poverty level (\$56,160 family of 4)	<300% poverty level (\$97,332 family of 4)
Children participating in child care assistance	<u>6,715</u>	<u>5,934</u>
Reimbursement rates <i>Rates based on infant, full-time care, and no bonuses. Both states offer bonuses based on quality, location, etc.</i>	Center: <u>\$58/day</u> Family: <u>\$45/day</u>	Center: <u>\$64/day</u> Family: <u>\$49/day</u>

Child care workforce policies

The future of Montana’s child care system depends on supporting the child care workforce. Maintaining the current child care supply and opening new slots is only possible with a stable child care workforce. Recruiting and retaining child care staff is difficult without higher wages and benefits. The following case studies are examples of policies implemented to support wages and benefits of the child care workforce.

Expanding eligibility to child care assistance for child care staff

In Kentucky, child care workers are eligible for child care assistance regardless of their income. Estimates show about 1,000 child care workers in Montana have children under age six and could benefit from expanded eligibility.⁵ Many child care workers in Montana are already eligible for a Best Beginnings Scholarship based on income, but a policy like Kentucky’s would ensure that all child care workers are eligible regardless of their specific situation. This type of incentive can help recruit and stabilize the child care workforce, which is essential to keeping the limited supply of slots open.

Kentucky’s program found that expanded eligibility criteria alongside an outreach campaign encouraged more people to sign up for child care assistance, including those already eligible who hadn’t yet applied. Outreach to child care staff about the Best Beginnings Scholarship and support through navigators to apply during work hours could help reach more eligible workers.

⁵ Center for the Study of Child Care Employment, “[What the Bluegrass State Can Teach Us About Increasing Access to Child Care,](#)” Oct. 26, 2023.

Through a federal grant, Montana is implementing Temporary Child Care Assistance for Child Care Workers.⁶ This temporary program expands eligibility for child care workers to 250 percent of the federal poverty level. Creating more permanent funding for this program can help further expand eligibility to all child care workers. The temporary program began accepting applications on September 15, 2023.

Robust compensation support payments to increase child care worker wages

Minnesota recently passed a program to support child care worker wages called the Great Start Compensation Support Payment program.⁷ The state provides a monthly support grant to regulated programs that is intended to increase compensation and benefits for workers. Child care centers are required to use the funds for increased pay or benefits. Family and group programs have more flexibility to use the funds for increased pay and benefits, facility costs, equipment or supplies, training or professional development, or mental health supports for children.

Each month, providers are eligible to receive \$375 per full-time equivalent employee. If a program uses all the funds for increased wages, the \$375 per month translates to about a \$2 raise per hour.

Comparatively, Montana recently awarded child care workers up to a \$1,600 stipend in 2022 and 2023 (paid in two payments of \$1,000 and \$600, six months apart). The \$1,600 translates to a \$0.77 raise over the course of one year for a full-time staff. The two biggest advantages of Minnesota's program:

- The amount a program or worker receives is more than twice as much in Montana's wage incentive program, allowing for more competitive wage increases; and
- The monthly payment structure that goes directly to providers allows a child care program to advertise and consistently pay higher wages. The alternate option of a once-a-year bonus does not offer the same hiring and retention opportunities for providers.

Montana's direct care worker wage supplement

While not a case study for the child care workforce, Montana has long supported wages for direct care workers through the Direct Care Wage and Healthcare for Healthcare Workers Program (part of the Senior and Long Term Care Division).⁸ Nursing facilities receive a lump sum payment to use for wage and benefit increases for direct care workers in addition to their Medicaid payment rate. Like Minnesota's program, directing the payments to nursing facilities allows programs to advertise and consistently pay higher wages, rather than relying on once-a-year bonuses as the only incentive.

⁶ Montana Department of Public Health and Human Services, "[Montana Child Care Retention and Recruitment Child Care Assistance for Child Care Workers.](#)"

⁷ Minnesota Department of Human Services, "[Compensation Support Payments.](#)"

⁸ Mont. Code Ann., [37.40.361](#).