

Sparing No Expense:
A Look at Child Care Costs in Connecticut
A Year Later



Prepared by the Office of Senator Chris Murphy
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Introduction

Parents will do just about anything for their children, including scrimping and saving to provide a better education, lifestyle, and ultimately future for their kids. One of the main expenses parents have, at least when their children are infants and preschoolers, is childcare. Over the last decade, the cost of child care in the United States increased twice as fast as the median income of families with children and the costs have only gone up in recent years. For example, infant care went up approximately 2 percent in child care centers and family settings over the last year. Nationally, it is estimated that the annual cost of center-based care for an infant exceeds the recommended level by the Department of Health and Human Services (10 percent of the state's median income) in 40 states and the District of Columbia. Infant care exceeded the annual median rent payments in 22 states and the District of Columbia and center-based care for two children exceeded housing costs for homeowners with a mortgage in almost half of the states.ⁱ

Last year, the Office of Congressman Chris Murphy surveyed childcare providers in 15 Connecticut towns to examine how much Connecticut families pay for daycare. The following report is an updated version of that initial study and again looks at costs by town, type of facility (in home and center-based) and various ages. As a result of these findings, Senator Chris Murphy and Congresswoman Rosa DeLauro will be introducing legislation to help Connecticut families defray the ever increasing costs of daycare by doubling the maximum amount for dependent care flexible spending accounts.

Study Highlights

- According to the survey, full-time child care in Connecticut costs on average \$11,462 – approximately 1 percent higher than the previous year. This represents 17% of the median household income for Connecticut, nearly double what the US Department of Health and Human Services considers to be the maximum affordable cost of child care.ⁱⁱ
- The cost of child care in Connecticut varies greatly by town. The town with the lowest average cost of child care is New London at \$8,060, while Stamford had the highest rates at \$15,952.
- The absolute lowest rate reported for care was found at a center in Hartford at \$6,257, while the highest rate was reported by a center-based provider in New Haven at \$21,580 a year.
- In every town, the average rate for center-based child care is consistently higher than home-based child care. The average price of center-based care for the entire state came to \$12,220 versus \$10,120 for care from home-based providers.
- Among the different age groups, the average cost of infant care in Connecticut is \$12,046, the average cost of toddler care is \$11,707 and the cost of pre-school care is \$10,631.

Legislation to Help Middle Class Families

- Since 1981, Congress has allowed employers to provide flexible spending accounts to their employees. These accounts give employees the option of setting aside money tax-free to pay for their dependent care needs. In 1986, these accounts were capped at \$5,000. However, this amount was never indexed for inflation or increased -- leaving middle class families struggling with higher child care costs.
- Last year, then-Rep. Christopher Murphy, along with Rep. Rosa DeLauro, introduced the *Child Care Flex Spending Act* (HR 5938) to double the existing \$5,000 maximum for families that make less than \$200,000. This increase could help make child care more

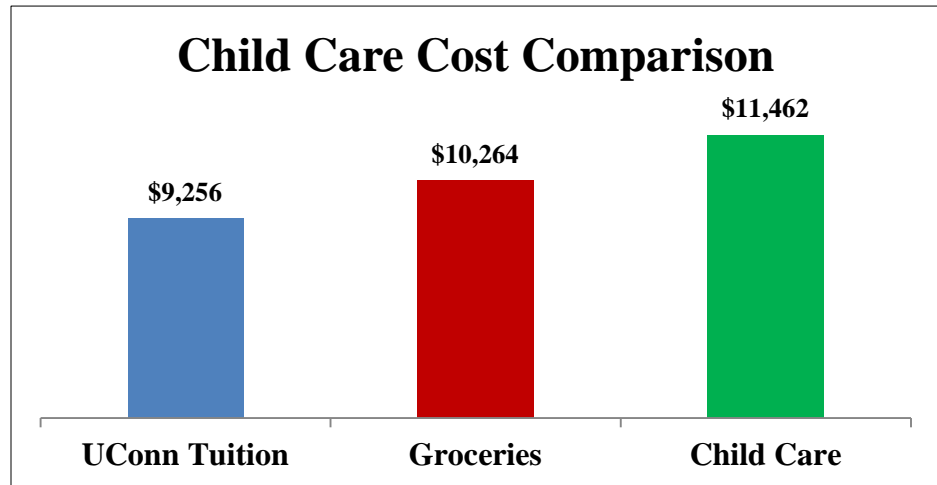
affordable to thousands of Connecticut families. Senator Murphy and Congresswoman DeLauro plan to reintroduce the legislation this year to assist Connecticut families.

- In addition, the maximum amount and maximum income level would be indexed to the Consumer Price Index to ensure that it will not erode over time as it has over the past 27 years. Had this policy been in place since 1986, the maximum would now be \$10,682.

Programs to Promote Affordable Child Care

Congress has attempted to address the issue of child and dependent care costs for middle class families in the form of two separate tax benefits: the Dependent Care Tax Credit (DCTC) and Dependent Care Assistance Program, otherwise known as flexible spending accounts (FSA).

Depending on income level, the DCTC can be claimed for a maximum of 35% of dependent care costs, up to a total of \$3,000 for one child or \$6,000 for two or more children.



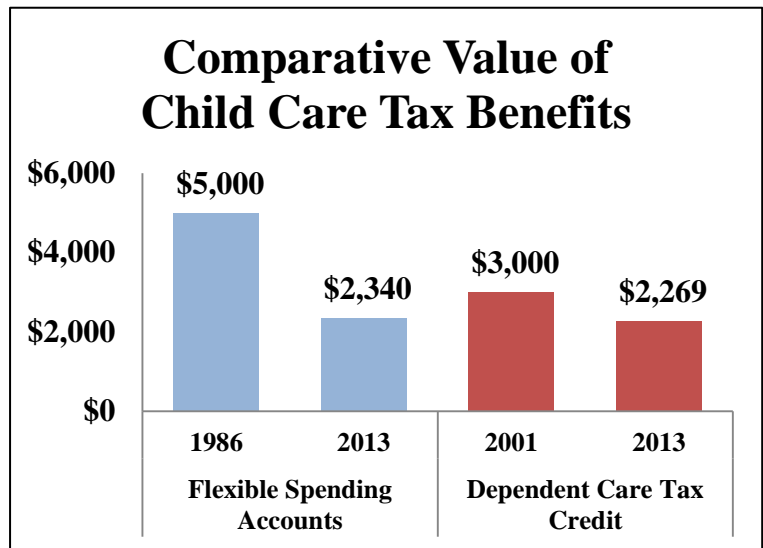
Flexible spending accounts on the other hand, allow employers to offer their employees a tax-free specifically for child care costs. By allocating these funds to this type of account, employees can allocate up to \$5,000 of their salary each year tax-free since they have committed to using these funds for dependent care. If all of these funds are not used, they forfeit the remaining balance of their account. Perhaps due to this “use it or lose it” rule, employees allocate on average only \$3,050 to their FSA accounts.ⁱⁱⁱ According to research, employers are increasingly offering these types of accounts to their employees. A 2012 report found that 62 percent of employers surveyed offered dependent care assistance plans. Of this total, 53 percent of employers with 50 – 99 employees offered them and 84 percent of employers over 1,000 employees offered them.^{iv} This is up from 45 percent of employers who offered dependent care flexible spending accounts in 2005.

Flexible spending accounts were first established in the Economic Recovery Tax Act of 1981 and were last adjusted as part of the Tax Reform Act of 1986. While important at the time, the laws failed to index the amounts over time, which has significantly eroded the benefits. FSA benefits are worth only 47% of their 1986 value and DCTC benefits are now worth only three-fourths of what they were in 2001, when this benefit was last increased.^v Stated differently, the maximum dependent care tax credit benefit of \$3,000 in 2013 would buy you only \$2,269 worth of care in 2001 dollars, and the maximum flexible spending account benefit of \$5,000 in 2013 would buy you only \$2,340 worth of care in 1986 dollars. Alternatively, had the dependent flexible spending account been adjusted each year for inflation from 1986, as it would be under the *Child Care Flex Spending Act*, the maximum amount would be \$10,682.

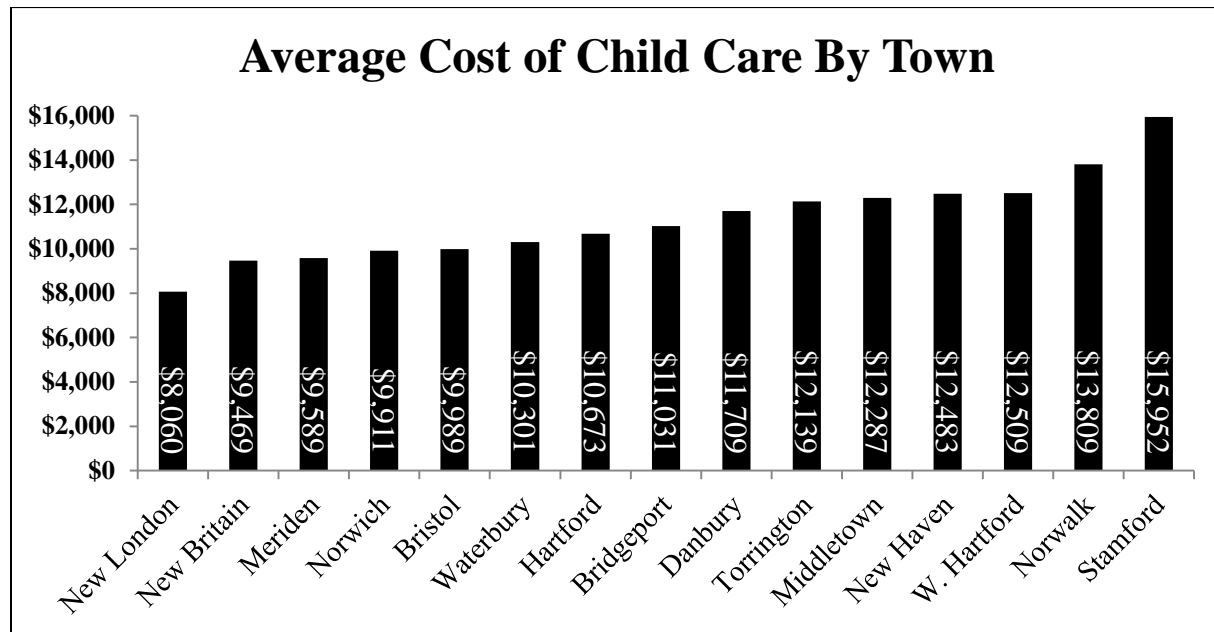
This effective decrease in child care benefits is contrasted by steadily increasing child care costs. This situation is simply untenable for the families of Connecticut. The results of this survey of 139 child care centers and providers in 15 towns across Connecticut paints a clear picture of child care costs throughout the state, underscoring the need for enhanced dependent care benefits at the federal level.

Survey Results

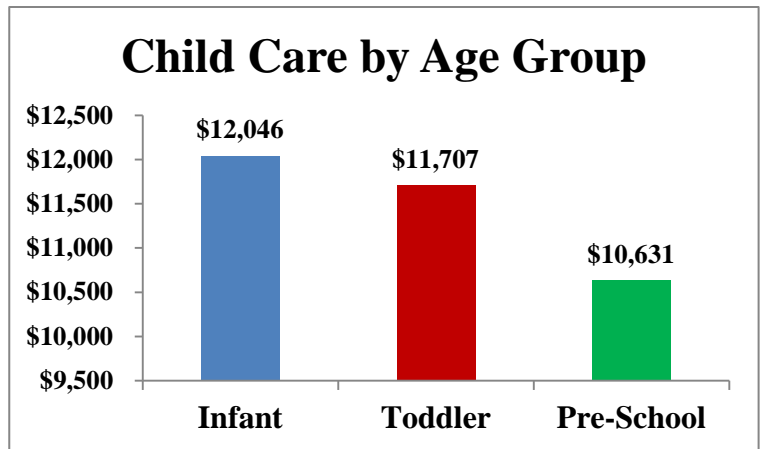
According to the survey, full-time child care in Connecticut costs, on average, \$11,462. This represents 17% of the median household income for Connecticut, which is well above the 10% that the US Department of Health and Human Services considers to be the maximum affordable cost of child care. Furthermore, these averages represent the cost of caring for a single child, whereas typical families must seek care for multiple children. To put these costs in perspective, a full year of in-state tuition at the University of Connecticut costs \$9,256 and a full year of groceries for a family of four costs \$10,264 (see figure).^{vi}



The cost of child care in Connecticut varies greatly by town. The town with the lowest average cost of child care is New London at \$8,060, while Stamford had the highest rates at \$15,952 (see figure). The absolute lowest rate reported for care was found at a center in Hartford at \$6,257, while the highest rate was reported by a center-based provider in New Haven at \$21,580 a year.



For most providers, both center- and home-based, the age of the child to be cared for affected the overall cost of care. Among the different age groups, the average cost of infant care in Connecticut is \$12,046, the average cost of toddler care is \$11,707 and the cost of pre-school care is \$10,631 (see figure).



In addition, provider type also had an effect on the cost of care. In every town, average rates for center-based child care are consistently higher than home-based child care. The average price of center-based care for the entire state came to \$12,992 versus \$10,216 for care from home-based providers.

Conclusion

While parents would most likely pay anything they need to for the peace of mind of knowing their child is being taken care of in a safe and nurturing environment, making child care more affordable is essential to a family’s economic viability and overall wellbeing. The current benefits offered by the federal government are outdated and insufficient to truly help families access this essential service. Families in Connecticut need these benefits just as much now as when they were last revised by Congress in 1986. Congress can and should act to ensure that they receive the level of benefits that they deserve.

The *Child Care Flex Spending Act* that Senator Murphy and Congresswoman DeLauro plan to introduce will update our tax laws to make them more responsive to working middle class families who are stretching their budgets to pay for quality child care.

Methodology

Data was gathered from child care centers and providers listed on the Connecticut United Way 2-1-1 Child Care Directory^{vii}. Weekly rates were requested for full-time care for children younger than one, children between the ages of 1 and 3 years, and children older than 3 years.

For each town, rates were obtained from approximately five child care centers and five home-based child care providers when there were enough centers listed on the 2-1-1 directory. available. In Meriden, New London, Torrington, New Britain and Middletown, the study looked at the fewer than five child care centers. In total, rates were obtained from 139 child care providers across 15 different towns. All attempts were made to survey the same child care providers as the 2012 report but some centers and in home caregivers could not be reached for this follow up report.

Many centers offer sliding fees based on family income. The rates reported in this survey are before any adjustment or subsidy is applied, i.e. the rate a family could expect to pay if they did not qualify for any subsidy or reduced rate based on their income.

ⁱ Child Care Aware of America 2012 report, Parents and the High Cost of Child Care - http://www.naccrra.org/sites/default/files/default_site_pages/2012/cost_report_2012_final_081012_0.pdf

ⁱⁱ 2012 American Community Survey 1-Year Estimate, Economic Characteristics for Connecticut - <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk> and U.S. Dept. of Health and Human Services, Child Care Bureau, Office of Assistance for Children and Families “Child Care & Development Fund: Report of State and Territory Plans FY 2008-2009.”, at: <http://www.researchconnections.org/childcare/resources/14784/pdf>

ⁱⁱⁱ Mercer Human Resource Consulting, National Survey of Employer Sponsored Health Plans, released July 2010, as cited in U.S. Congressional Research Service, “Dependent Care: Current Tax Benefits and Legislative Issues,” (RS21466; January 18, 2013), by Christine Scott

^{iv} 2012 Study of Employers, Kenneth Matos and Ellen Galinsky -

http://familiesandwork.org/site/research/reports/NSE_2012.pdf

^v Department of Labor, Bureau of Labor Statistics Inflation Calculator -

http://www.bls.gov/data/inflation_calculator.htm

^{vi} University of Connecticut, Office of Undergraduate Admissions, 2013-2014 Estimated Yearly Expenses for Full-Time Undergraduates - <http://admissions.uconn.edu/content/cost> and

U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, “Cost of Food at Home July 2013 Table - <http://www.cnpp.usda.gov/Publications/FoodPlans/2013/CostofFoodJul2013.pdf>

^{vii} United Way of Connecticut & 2-1-1 Child Care. Database: “Finding Child Care in Connecticut.” at: <http://search.211childcare.org>