

April 29, 2019

Child Care and Housing: Big Expenses With Too Little Help Available

By Douglas Rice, Stephanie Schmit, and Hannah Matthews¹

Stable, affordable housing and high-quality, affordable child care are essential to families' economic stability, parents' ability to work, and children's healthy development. But due to inadequate funding, just *1 in 6* children eligible for child care assistance — and *1 in 5* families with children eligible for housing assistance — receives it. As a result, many low-income families struggle to pay for child care and housing, and many are forced into lower-quality or less stable child care arrangements and housing that is overcrowded, substandard, or located in neighborhoods with fewer opportunities for parents and children.

Funding for federal housing and child care assistance is inadequate because:

- Unlike Medicaid or food assistance through the Supplemental Nutrition Assistance Program (SNAP), federal child care and rental assistance programs are not entitlement programs — that is, they do not serve everyone who applies and is eligible because the programs' funding is capped and does not automatically expand to meet increased need.
- A majority of the federal funding for child care and all of the funding for rental assistance programs is subject to the annual congressional appropriations process and, while the programs enjoy bipartisan support, funding is not high enough to serve all eligible families. This partly reflects the overall limits (or caps) on annual funding for appropriated programs that have been in place in recent years, which have made it hard for policymakers to provide enough funding to serve more eligible families.

Child care and housing assistance are crucial supports for low-income families that can improve their economic and housing stability and promote their children's healthy development and long-term success, paying dividends for families and the country overall. But the programs' funding gaps limit their reach.

This year, policymakers can take an important step in helping more families afford high-quality child care and stable housing. The President and Congress must agree on overall funding levels for discretionary programs to prevent funding levels from returning next year to the very low levels that

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the 2011 Budget Control Act (BCA) requires. In 2020, non-defense discretionary (NDD) funding, which supports housing and child care programs as well as many others, would fall \$54 billion below the 2019 funding level — an 11 percent cut after adjusting for inflation — if overall funding is set at the BCA levels. Policymakers should reach a budget agreement providing more adequate NDD funding and then use some of those resources to make sizable new investments in child care and housing assistance so more children can reap the short- and long-term benefits they provide.

Many Families Struggle to Afford Housing and Child Care

Housing Instability Risks Children’s Healthy Development

Housing instability, driven primarily by the large and growing gap between poor families’ incomes and housing costs, is a significant risk factor for children’s healthy development.² Among children, homelessness is associated with increased likelihood of cognitive and mental health problems, physical health problems such as asthma, physical assaults, and poor school performance. Other types of housing instability can harm children, too. Frequent family moves have been linked, for example, to attention and behavioral problems among preschool children, while low-income children who switch schools frequently tend to perform less well academically and are less likely to complete high school.³

Periods of homelessness and other types of housing instability are common among poor families with children that do not receive rental assistance. A survey of 2,500 poor families with children conducted as part of a rigorous, seven-year study of families receiving Temporary Assistance for Needy Families found that 45 percent had experienced housing instability in the prior year, including 13 percent that had lived on the streets or in a shelter.⁴ More broadly, roughly 150,000 families with 290,000 children spent at least part of 2017 in a homeless shelter, while more than 1 million school-age children were in families that had to double up with other families due to economic hardship.⁵

² Heather Sandstrom and Sandra Huerta, “The Negative Effects of Instability on Child Development: A Research Synthesis,” Urban Institute, 2013, <https://www.urban.org/sites/default/files/publication/32706/412899-The-Negative-Effects-of-Instability-on-Child-Development-A-Research-Synthesis.PDF>; Diana Becker Cutts *et al.*, “US Housing Insecurity and the Health of Very Young Children,” *American Journal of Public Health*, 2011; and Kathleen M. Ziol-Guest and Claire C. McKenna, “Early Childhood Housing Instability and School Readiness,” *Child Development*, Vol. 85, 2014.

³ Will Fischer, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children,” Center on Budget and Policy Priorities, updated October 7, 2015, <https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

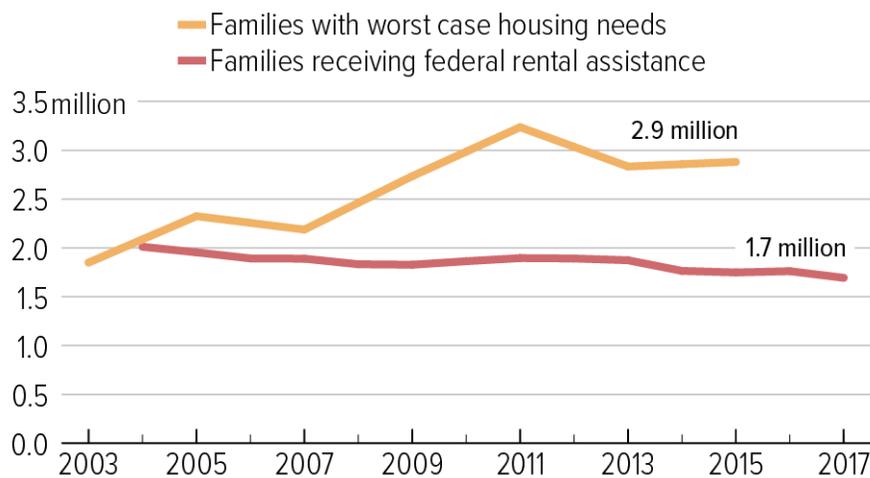
⁴ Thirty-one percent lived doubled up with friends or relatives at some point during the year. Michelle Wood, Jennifer Turnham, and Gregory Mills, “Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation,” *Housing Policy Debate*, Vol. 19, No. 2, 2008, pp. 367-412.

⁵ A large number of pre-school-age children likely live in similar circumstances. National Center for Homeless Education, “Education for Homeless Children and Youth, Federal Data Summary, School Years 2014-15 through 2016-17,” February 2019, <https://nche.ed.gov/wp-content/uploads/2019/02/Federal-Data-Summary-SY-14.15-to-16.17-Final-Published-2.12.19.pdf>.

High housing costs contribute to housing instability; rental costs have risen much faster than household incomes since at least 2003.⁶ The typical renter household’s income was the same in 2017 as it was 16 years earlier after adjusting for inflation — but median housing costs rose 10.7 percent in inflation-adjusted terms over that period. Rising rents have been particularly harmful to lower-income families, with an alarming increase in the number of families with “worst case housing needs,” meaning they pay more than half of their very low incomes for housing, live in severely substandard housing, or both. A near-record 8.3 million households have worst case housing needs — and 2.9 million of them are families with children, a 56 percent increase since 2003.⁷ (See Figure 1.) Serious housing problems have grown across every demographic, racial, and ethnic group and affect renters living in urban, suburban, and rural areas in all parts of the country.

FIGURE 1

Rental Assistance to Families with Children Has Not Kept Pace with Need



Note: Families with children have at least one member under 18 at home. A family has “worst case housing needs” if it doesn’t receive rental assistance, pays more than half of household income in rent and/or lives in substandard housing, and its income does not exceed half of the area median income. Data on “worst case housing needs” only available through 2015. Rental assistance includes all Department of Housing and Urban Development (HUD) programs with subsidies whose value varies based on the tenant’s income except Housing Opportunities for People with AIDS/HIV and McKinney-Vento permanent housing.

Source: HUD’s Worst Case Needs 2015 report and Picture of Subsidized Households data

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⁶ Alicia Mazzara, “Census: Renters’ Incomes Still Lagging Behind Housing Costs,” Center on Budget and Policy Priorities, September 13, 2018, <https://www.cbpp.org/blog/census-renters-incomes-still-lagging-behind-housing-costs>.

⁷ Nicole Elsasser Watson *et al.*, “Worst Case Housing Needs, 2017 Report to Congress,” Department of Housing and Urban Development Office of Policy Development and Research, August 2017, <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs.html>.

Low-Income Families Lack Access to Affordable Child Care

Child care provides significant benefits to working parents and their children, research shows. Parents with access to affordable, dependable child care are less likely to face child care interruptions that can lead to absences or other schedule disruptions in the workplace. And when parents can further their education and participate in the workforce, children benefit because parental employment improves families' economic circumstances and children's social and emotional well-being.⁸

Participating in a high-quality child care program also benefits children directly by offering stable, nurturing environments that support children's learning and well-being. Research shows high-quality child care programs have a positive impact on very young children's health and development.⁹

Yet many families struggle to meet the high costs of child care and many children lack access to quality child care settings. In 2017, annual child care costs for an infant in center-based care ranged from an average of \$5,307 in Mississippi to \$23,666 in the District of Columbia.¹⁰ In 28 states and the District of Columbia, center-based infant care costs more annually than in-state tuition at a public university.¹¹

Child care consumes a particularly large part of the budgets of poor families. For families in households with incomes less than the federal poverty level who pay for child care, child care costs average 30 percent of their income,¹² compared to 18 percent for families with incomes between 100 and 200 percent of poverty and 7 percent for families making over 200 percent of poverty.¹³ (See Figure 2.) Parents without access to affordable child care may have to use less safe, lower-quality care in order to put food on the table or tighten their budget somewhere else to pay for expensive care. In some cases, they may have to choose between work and their children's care.

⁸ Rebekah L. Coley and Caitlin McPherran Lombardi, "Does Maternal Employment Following Childbirth Support or Inhibit Low-Income Children's Long-Term Development?" *Child Development*, Vol. 84, 2012. Results in this study were most significant for African American children.

⁹ Jack P. Shonkoff and Deborah A. Phillips, eds., *From Neurons to Neighborhoods: The Science of Early Childhood Development*, National Research Council and Institute of Medicine, 2000.

¹⁰ ChildCare Aware of America, "The US and the High Cost of Child Care," 2018 Report Appendices, <http://usa.childcareaware.org/wp-content/uploads/2018/10/appendices18.pdf?hsCtaTracking=189a8ba7-22d8-476b-aa2e-120483a43702%7Ce7f035de-f88f-4732-8204-a30353610929>.

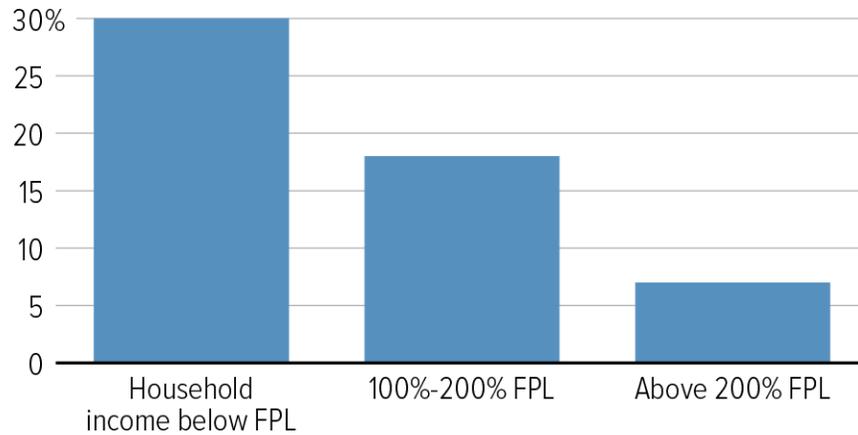
¹¹ ChildCare Aware of America, "The US and the High Cost of Child Care," 2018 Report, https://cdn2.hubspot.net/hubfs/3957809/costofcare2018.pdf?_hstc=&_hssc=&hsCtaTracking=b4367fa6-f3b9-4e6c-acf4-b5d01d0dc570%7C94d3f065-e4fc-4250-a163-bafc3defaf20.

¹² Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements: Spring 2011," U.S. Census Bureau, April 2013, <https://www.census.gov/prod/2013pubs/p70-135.pdf>.

¹³ *Ibid.*

FIGURE 2

Poor Families That Pay for Child Care Spend an Average of 30 Percent of Their Income on It



Note: Calculations include only households with child care expenditures. FPL = Federal poverty level.

Source: US Census Bureau 2013: "Who's Minding the Kids? Child Care Arrangements: Spring 2011"

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Child Care and Housing Assistance Is Effective But Limited

Even With Recent Child Care Funding Increase, Substantial Unmet Need Remains

Child care assistance provides low-income families with subsidies to help offset their child care costs, allowing them to go to work or school while providing young children with positive early learning experiences necessary for healthy development. Parents receiving child care assistance benefit from improved employment outcomes, including higher employment rates and greater job retention.¹⁴ One study, for example, shows that families receiving child care subsidies are not only more likely to be employed in general, but also more likely to have more stable employment.¹⁵ Access to subsidies also allows working families with low incomes to use their limited income to meet other basic needs, such as food, rent, and utilities.

The Child Care and Development Block Grant (CCDBG) is the primary federal program funding child care assistance for low-income working parents. Some 1.3 million children received CCDBG-funded child care in an average month in fiscal year 2017, the most current year with data available.

¹⁴ For a review of the research, see Gregory Mills, Jennifer Compton, and Olivia Golden, "Assessing the Evidence About Work Support Benefits and Low-Income Families," Urban Institute, 2011, <https://www.urban.org/research/publication/assessing-evidence-about-work-support-benefits-and-low-income-families>.

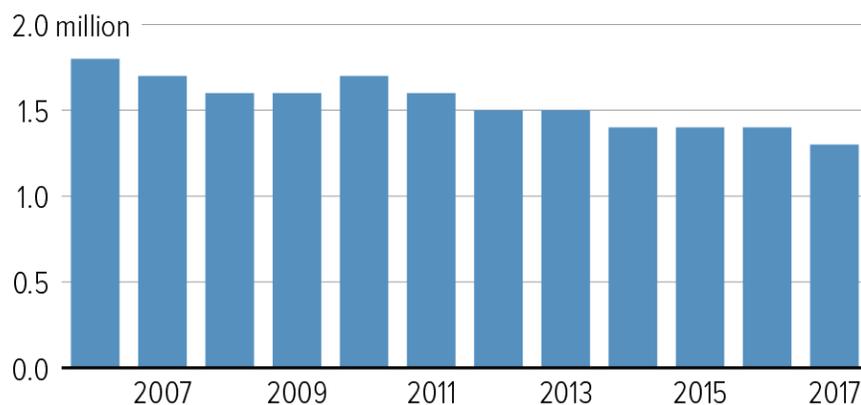
¹⁵ Elizabeth E. Davis, Deana Grobe, and Roberta B. Weber, "Rural-Urban Differences In Child Care Subsidy Use And Employment Stability," *Applied Economics Perspectives and Policies*, Vol. 32, No. 1, 2010, pp. 135-153.

However, CCDBG funding has long been inadequate and, until recently, actually declined in purchasing power. Because states had insufficient funding, some 450,000 fewer children had CCDBG-funded child care in 2017 compared to 2006. (See Figure 3.) And as of 2015, just 15 percent of children who qualified for child care assistance under federal eligibility parameters got any help due to funding shortfalls.¹⁶

FIGURE 3

Child Care and Development Block Grant Serving Far Fewer Children Than in 2006

CCDBG participation by fiscal year



Source: Administration for Children and Families

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Congress was able to increase CCDBG funding substantially in 2018 and then to maintain that commitment in 2019, largely due to the budget deal that the President and Congress reached in 2018 to raise overall funding for non-defense discretionary programs above levels required under the BCA. Discretionary child care funding increased from \$2.9 billion in 2017 to \$5.3 billion in 2019.¹⁷

States are using the added funds to expand access to child care assistance and implement important reforms in line with Congress’ bipartisan 2014 reauthorization of CCDBG to improve the health, safety, and quality of child care and to make child care assistance a more stable support for families. These include investments in monitoring providers for compliance with health and safety standards, training and professional development for child care workers, and expansion of eligibility so that families can retain assistance for longer periods and after modest increases in income. More

¹⁶ “Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2015,” Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, <https://aspe.hhs.gov/pdf-report/factsheet-estimates-child-care-eligibility-and-receipt-fiscal-year-2015>.

¹⁷ Child care also receives funding from the “mandatory” side of the budget, and these funds remained frozen over this period. Thus, overall funding for child care increased by a smaller percentage overall than the sizable increase in discretionary funding.

than half of the states are using, or plan to use, the additional federal child care funds to raise the amounts paid to providers serving children with subsidies (a key mechanism to attract and retain qualified staff), increase the number of high-quality providers who will accept children with subsidies, and ensure child care providers earn enough to support themselves and their families. Eight states are using, or plan to use, the additional funds to serve families on the waiting list for child care assistance. Louisiana expanded child care assistance to approximately 4,500 children who were on a waiting list, and Mississippi expanded child care assistance to an additional 7,000 children.¹⁸

While the increase likely halted the decline in the number of participating children, a large unmet need for assistance remains. Indeed, total funding for child care in 2018 remained \$1 billion below total funding in 2001 after adjusting for inflation. Without further investment of federal funds, the share of children eligible for child care assistance who receive it will likely remain roughly unchanged in 2019 and beyond.¹⁹ Thus, in the 2020 appropriations process, Congress should build on the recent progress and increase child care funding so that the number of children receiving this important support can rise.

Housing Assistance Improves Families' Well-Being But Only Small Fraction of Needy Families Gets Help

Federal rental assistance is responsible for more than half of the affordable housing available to extremely low-income renters.²⁰ Rigorous studies have found that rental assistance sharply reduces homelessness and housing instability (see Figure 4), as well as hardships such as overcrowding and food insecurity.²¹ Homeless families with children that receive rental assistance benefit in other ways, too: their children are less likely to exhibit behavioral problems, change schools, or be separated from their families.²²

¹⁸ National Women's Law Center, "States Use New Child Care and Development Block Grant Funds to Help Children and Families," January 2019, <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/01/NWLC-report-on-state-uses-of-new-child-care-funds.pdf>.

¹⁹ Karen Schulman, "Overdue for Investment: State Child Care Assistance Policies, 2018," National Women's Law Center, October 2018, <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/11/NWLC-State-Child-Care-Assistance-Policies-2018.pdf>.

²⁰ Urban Institute, "Mapping America's Rental Housing Crisis," updated April 27, 2017, <https://apps.urban.org/features/rental-housing-crisis-map/>. "Extremely low-income" means household income is less than 30 percent of area median income or the poverty line, whichever is higher. "Affordable" means rent and utilities do not consume more than 30 percent of household income, which is the federal standard of affordability.

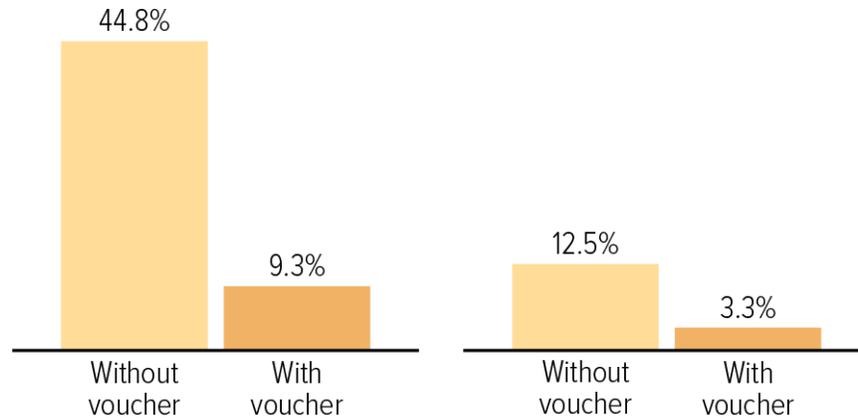
²¹ Wood *et al.*, *op cit.* Daniel Gubits *et al.*, "Family Options Study: 3-Year Impacts of Housing and Services Interventions for Homeless Families," Department of Housing and Urban Development Office of Policy Development and Research, October 2016; Daniel Gubits *et al.*, "Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families," Department of Housing and Urban Development Office of Policy Development and Research, July 2015; both reports are available at https://www.huduser.gov/portal/family_options_study.html.

²² Gubits *et al.* (2015 and 2016), *ibid.*

FIGURE 4

Housing Choice Vouchers Sharply Reduced Homelessness and Housing Instability Among Families With Children

Vouchers reduced homelessness and housing instability by four-fifths... **...and reduced homelessness by three-quarters**



Note: Chart compares housing status of low-income families in six cities that were randomly selected to receive a voucher and used it for at least part of the previous year to families in a control group who did not use vouchers. Families experiencing “housing instability” were living doubled-up with friends or relatives at some point during the prior year.

Source: Michelle Wood, Jennifer Turnham, and Gregory Mills, “Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation,” *Housing Policy Debate*, 2008.

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Rental assistance is also highly effective at reducing poverty; it lifts out of poverty more than one-third of the people receiving it.²³ Indeed, the recent consensus report from the National Academies of Science, Engineering, and Medicine on reducing child poverty proposed significantly expanding rental assistance as part of an effective approach to poverty reduction.”²⁴

In addition to reducing hardship, housing vouchers and other rental assistance can enable families to live in safer, less poor neighborhoods with quality schools and other opportunities, which a strong body of research finds improves families’ health and children’s chances of long-term success. Research shows that children whose families move to low-poverty neighborhoods when they are young are far more likely, for example, to attend college and earn significantly more as adults and

²³ Center on Budget and Policy Priorities, “Chart Book: Economic Security and Health Insurance Programs Reduce Poverty and Provide Access to Needed Care,” updated March 21, 2018, <https://www.cbpp.org/research/poverty-and-inequality/chart-book-economic-security-and-health-insurance-programs-reduce#part1>.

²⁴ National Academies of Sciences, Engineering, and Medicine, “A Roadmap to Reducing Child Poverty,” February 2019, http://sites.nationalacademies.org/dbasse/bcyf/reducing_child_poverty/index.htm.

less likely to become single parents.²⁵ Parents in these families also showed significant improvements in mental health, as well as lower rates of diabetes and extreme obesity.²⁶

In recent years, policymakers have made meaningful investments to reduce homelessness among veterans and help more people with disabilities live independently in their communities at a cost they can afford. For example, the more than 100,000 new Housing Choice Vouchers for homeless veterans that policymakers have funded since 2008 are credited with reducing veterans' homelessness by nearly 50 percent.²⁷ And, among other housing investments, the 2018 funding law included the largest-ever expansion of rental assistance for people with disabilities.

In the fiscal year 2020 appropriation, policymakers should turn their attention to helping more families with children afford stable homes with access to quality schools and other opportunities, building on the model of their recent targeted investments in new housing vouchers for homeless veterans and people with disabilities.²⁸ Rental assistance is highly effective, yet only 22 percent of eligible low-income families with children receive it due to funding limitations.²⁹ And the number of families with federal rental assistance has actually fallen over the past decade and a half.³⁰

Policymakers Can Take an Important Step This Year

In 2018, Congress and the President reached an agreement to increase the overall level of funding available for non-defense discretionary programs and avert the deep cuts that would have occurred if funding had reverted to the very low levels otherwise required under the 2011 Budget Control Act. That budget deal, which applied only to fiscal years 2018 and 2019, averted deep cuts, while also providing significant funding that allowed Congress to make important investments. Notably, Congress provided a historic increase in child care funding and important investments in housing

²⁵ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review*, Vol. 106, No. 4, 2016, pp. 855–902, <https://opportunityinsights.org/paper/newmto/>.

²⁶ Jeffrey Kling *et al.*, "Moving to Opportunity and Tranquility: Neighborhood Effects on Adult Economic Self-Sufficiency and Health from a Randomized Housing Voucher Experiment," National Bureau of Economic Research, 2004; Jens Ludvig *et al.*, "Neighborhoods, Obesity, and Diabetes — A Randomized Social Experiment," *New England Journal of Medicine*, Vol. 365, No. 16, October 2011, <https://www.nejm.org/doi/full/10.1056/NEJMsa1103216>.

²⁷ "HUD Reports Homelessness Unchanged in U.S. in 2018 with Notable Declines Among Veterans and Families with Children," Department of Housing and Urban Development press release, December 17, 2018, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_147.

²⁸ One particularly promising idea is to target new housing vouchers on families with young children who are either homeless or living in neighborhoods of concentrated poverty. This is a joint proposal by the Urban Institute and the Center on Budget and Policy Priorities that was developed as part of the U.S. Partnership on Mobility from Poverty, which was funded by the Gates Foundation. See Barbara Sard, Mary K. Cunningham, and Robert Greenstein, "Helping Young Children Move Out of Poverty by Creating a New Type of Rental Voucher," February 2018, https://www.cbpp.org/sites/default/files/atoms/files/rental_vouchers_paper.pdf.

²⁹ Center on Budget and Policy Priorities, "Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance," updated August 2017, <https://www.cbpp.org/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance>.

³⁰ Alicia Mazzara, Barbara Sard, and Douglas Rice, "Rental Assistance to Families with Children at Lowest Point in Decade," Center on Budget and Policy Priorities, updated October 18, 2016, <https://www.cbpp.org/research/housing/rental-assistance-to-families-with-children-at-lowest-point-in-decade>.

programs, in addition to investments in a range of other priorities, such as substance use disorder prevention and treatment, infrastructure, and environmental protection.

That deal has expired, meaning Congress and the President must now negotiate another agreement this year, or funding in 2020 for non-defense discretionary programs will fall sharply below 2019 levels. Fortunately, there is bipartisan support in Congress for raising the overall funding levels above the austere levels in the BCA, though the President's budget plan calls for allowing the BCA's deep cuts to go into effect.

If Congress and the President once again reach a budget deal that not only averts cuts but allows for investments, child care and rental assistance programs should be high on the list of priorities for funding increases. And those increases should be large enough to meaningfully expand access to these critical supports for families with children. Investing in these areas can help dramatically change the circumstances of families with low incomes, improving their economic stability and children's well-being. Such investments will also reduce poverty and improve children's long-term prospects, which will pay dividends to the nation as a whole.