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Hawaii cuts result in 10% fewer families taking preschool aid

Families look elsewhere, including unlicensed care, after cuts in subsidies

By **Mary Vorsino**
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The number of families receiving state subsidies to cover preschool tuition costs has dropped by about 10 percent after the state's decision to decrease the amount of help families can get, and providers say parents appear to instead be opting for cheaper, unlicensed care or leaving their children with relatives.

The subsidies, which cover a portion of childcare costs, are provided on a sliding scale based on income. In certain cases the reduction in subsidies meant parents who were paying \$120 a month for one child's care now have to pay \$540.

Providers also say they're expecting more decreases in families getting subsidies, which were cut in February, as programs set up to help residents tackle the new financial stresses of lower subsidies end or run out of money.

Some 7,026 low- and moderate-income families now receive the childcare subsidies, down 10 percent — 700 families — from January. The big drop-off has prompted the Department of Human Services to start looking at why families are opting out of the subsidies program, and where they're going for child care.

"We're going to do a complete demographic analysis of what happened to these people," DHS Director Lillian Koller said, adding that some of

the families probably "timed out" of care.

Others saw their household incomes rise, so were no longer eligible.

But Koller said those two factors wouldn't account for the big decrease.

The state cut subsidy amounts to meet budget restrictions, at a time when hundreds more families were turning to the program for aid.

Parents and childcare providers came out en masse to protest the changes, arguing they would force parents to stay home or put their kids in less expensive programs. Providers said the changes would put some of them out of business.

The impact of the changes in subsidies, though, has so far been somewhat cushioned with assistance programs, including a federally funded one that licensed childcare providers could draw from to make up the difference in what families lost with the decreased subsidies. Now, those programs are starting to end.

And providers are worried about what's next.

Christina Cox, president of KCAA Preschools of Hawai'i and liaison for Childcare Business

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Coalition, which represents 44 licensed preschools, said as emergency aid ends, families are pulling their kids out of licensed programs and putting them in cheaper, unlicensed ones or enlisting the help of relatives.

She said some smaller providers already have closed their doors.

"We're all just holding our breath now," she said.

Cindy Ballard, the O'ahu coordinator of PATCH, a childcare resource and referral agency, said she knows of at least 25 licensed child-care providers on the island that have shut down because parents are moving to unlicensed care.

She said that although unlicensed care is not necessarily bad, there are down-sides. One is that unlicensed facilities may be taking in more than the two unrelated children they're allowed to. Another is that unlicensed care can be less structured.

Ballard said licensed providers also are lowering their rates.

Hawaii's changes to childcare subsidies come as states across the nation are taking similar measures to save money. Nationally, such subsidies are recognized as a key element in making families more self-sufficient, by giving parents the ability to hold a steady job and not worry about where to send their children during the day.

Under the state's changes, a family of four that earns \$21,696 to \$23,856 a year and has a preschooler in a program that costs about \$600 a month, pays about \$180 a month — three times what they were paying under the old subsidy program.

The state pays the remaining \$420 with its subsidy.

Meanwhile, a family of four that earns \$43,380 to \$56,100 a year pays \$540 a month for care.

That's more than four times the \$120 that the family paid under the old program.

The subsidies are available for children from birth to 13 years old, and cover payments at licensed and unlicensed providers.

The new subsidy rate schedule was designed to help more families more equitably. It also did away with a so-called cliff effect, in which a family earning \$1 over the maximum allowable would get no subsidy, from an 80 percent subsidy.

Koller, of DHS, stressed that eligibility for the program didn't change.

And without decreases in subsidies, the program would have run out of money.

"We had to take fast action," she said.

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