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EXPANDING ACCESS TO CHILD CARE ASSISTANCE:

OPPORTUNITIES IN THE CHILD CARE AND DEVELOPMENT FUND ON INCREASING AFFORDABILITY

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This fact sheet is part of a series developed from an in-depth report to help state child care agencies and advocates assess existing policies and identify opportunities to increase access to child care. For additional information and policy considerations, please reference the ***full report****: "Expanding Access to Child Care Assistance: Opportunities in the Child Care and Development Fund."*

INCREASING AFFORDABILITY

Affordability poses one of the main challenges for families when accessing child care services. This is especially true for families of color, particularly those with low incomes, who have **historically faced disproportionate** barriers in affording child care. Many families with low incomes are eligible for child care assistance, but a lack of federal investment forces some state child care agencies to set income eligibility thresholds below federal limits. As a result, only a **limited portion** of eligible families are able to access assistance in their state. However, state child care agencies have the flexibility to ensure that high costs don't prevent families from getting the child care they need. While some of the policy considerations below are possible without a major investment, making larger changes will require state child care agencies to allocate additional state funding and receive increased federal investment.

UPDATES FROM THE MARCH 2024 FINAL RULE

The ***final rule*** *includes updated requirements and encouragements for states to make child care assistance more affordable to families. For more information, please see CLASP's "****The Child Care and Development Fund 2024 Rule: Detailed Summary and State Examples.****"*

- **Market rate survey reports:** The final rule requires that states and territories include data on the extent to which child care providers who accept assistance through the Child Care and Development Fund (CCDF) charge more to families than the required family co-payment in instances where the provider's price exceeds the subsidy payment, including data on the size and frequency of any such amounts.
- **Capping family co-payments:** The final rule requires that family co-payments cannot exceed seven percent of a family's income and the total payment to a provider (subsidy payment amount and family co-payment) must not be impacted by the reduction in family co-payments.
- **Waiving co-payments:** The final rule also makes it easier for Lead Agencies to waive co-payments for a wider range of populations without needing to request approval in the CCDF State Plan. These populations include children in foster and kinship care; children experiencing homelessness; children with disabilities; and children enrolled in Head Start or Early Head Start. It also encourages states to waive co-payments for families making 100-150 percent of the federal poverty level (FPL).

CURRENT BARRIERS INCLUDE BUT ARE NOT LIMITED TO:

- Unaffordable co-payments that are difficult for families to calculate when seeking care.
- State income eligibility thresholds below federal limit.
- Insufficient federal and state funding.
- Providers charging families additional fees to account for the true cost of care.

POLICY CONSIDERATIONS

- Waive co-payments, or set them below 7 percent, for the most vulnerable families, including both priority populations and those with very low incomes.
- If funding allows, raise the **initial income eligibility limit** of families to 85 percent of State Median Income (SMI) or above this level.
- Seek alternative state revenue sources, like taxes on higher-income individuals or other **innovative ideas**.
- Explore alternative methodology strategies, such as a **cost estimation model**, to better align with the true cost of care.

PROMISING STRATEGIES

- **New Mexico** has made great strides in **increasing investments** to expand eligibility and access to child care services. Families who qualify for assistance had the full cost of their child care covered through June 30, 2023. Additionally, as of May 1, 2022, the state Early Childhood Education and Care Department started using funds through the American Rescue Plan to waive child care assistance co-payments for any qualifying family. To qualify, a family must earn less than 400 percent of the FPL, an increase from 350 percent. This investment will be supported even after the stabilization funding expires in September 2024. New Mexico policymakers passed House Bill 83 in February 2020, which drew on the state's Land Grant Permanent Fund to create an **Early Childhood Education and Care Fund**. It was established with $300 million on July 1, 2020. Additionally, in 2021, New Mexico became the first state, following the District of Columbia, to conduct a **cost estimation model** to better inform their subsidy rates instead of only using market-rate surveys.
- **Illinois** **reduced co-payments** for most families in the state. Payments were lowered to $1 per month for families with incomes at or below 100 percent of the FPL. Across the state, 80 percent of all families were expected to see a reduction in their monthly co-payments, which will remain permanently capped at 7 percent of family income.
- **South Dakota** significantly **lowered costs for families** by reducing and eliminating co-payments. Families with adjusted gross income at or below 170 percent of the FPL do not have a co-payment. Families with adjusted income over 170 percent of the FPL will have a co-payment of under 1 percent of the family income.

Note: The barriers and considerations outlined above are not comprehensive. For a more detailed list, please visit the full report.

For questions or additional information, please contact Rachel Wilensky at rwilensky@clasp.org.