CHILD CARE AFFORDABILITY:
HOW PARENTS GET HELP PAYING FOR CHILD CARE

Prepared by The Early Years Institute

November, 2008

The affordability of child care will affect a family's ability to sustain gainful employment and have their children spend time in healthy, high-quality learning environments while they work. Child care affordability depends on the number and age of their children, the hours and type of care used, the fees charged, family income, geographic location and whether the family is eligible for any government subsidies. Many parents piece together several programs to meet a range of needs, including reliance on family, friends and neighbors. Thus, some families have modest costs, while others pay around $13,500 for a licensed early childhood program. The government provides several ways to offset the costs of child care.

Child Care Tax Policy

For families that pay taxes, there is up to $2,100 available from the federal Child and Dependent Care Tax Credit and up to $2,310 from the NYS Child and Dependent Care Tax Credit. There is also up to $4,824 from the federal Earned Income Tax Credit and up to $1,447 from the NYS Earned Income Tax Credit. The IRS reports that approximately 25% of eligible taxpayers do not claim the Earned Income Tax Credit. Families are also eligible for $1,000 per child from the federal Child Tax Credit and up to $330 per child from the Empire State Child Tax Credit. Employers also have the option of helping parents afford child care through the federal Dependent Care Assistance Plan (DCAP). Once implemented by an employer, employees who apply can receive pre-tax dollars to spend on their child care, up to $5,000 per year. No more than one percent of employees take advantage of DCAPS, in large part because they often rely on family members and neighbors who do not want to report the income they receive from parents.

Government subsidies for low-income families

Eligibility. States determine the income limits for who is eligible for child care subsidies. As of 2008, all states set the income eligibility for child care above 100% of the federal poverty level ($17,600 a year for a family of three in 2008). A family with an income above 200% of poverty ($35,200 a year for a family of three) could not quality for assistance in about 75% of the states. Yet, in the majority of communities across the country, a family needs an income equal to at least 200 percent of poverty to meets basic needs, including housing, food, child care, transportation, health care and other necessities, based on a study by the Economic Policy Institute.[1]

[1] Sylvia Allegretto, Basic Family Budgets: Working Families' Incomes Often Fail to Meet Living Expenses Around the U.S. (Washington, D.C.: Economic Policy Institute, 2005), http:/www.epinet.org/briefingpapers/165/bp165.pdf.

In New York State, parents with incomes under 200% of poverty, can receive government assistance to help pay for child care while they work. New York funds the assistance with dollars from a federal block grant, which accounts for approximately 85% of all money spent on child care subsidies in New York, with the remainder coming from state or local funding. Eligibility for this federal benefit varies depending upon where the parent lives.[2] Both Nassau and Suffolk Counties rely on the block grant for most child care subsidies, but due to the high cost of living on Long Island, both counties also use another federal program, called Title XX, that allows families with higher incomes to be eligible for child care assistance. Under Title XX, a family of two ($38,500) can receive child care subsidies if their family income is up to 275% of poverty, or 255% of poverty for a family of three ($44,880), and $225% for a family of four ($47,700). Suffolk spent $7.7 million dollars on this expanded eligibility, while Nassau spent $9.2 million in Title XX child care services in 2007.

Local Parent Co-Payments. Most states require families eligible for subsidies to pay a portion of child care costs based on a sliding fee scale, where higher co-payments are required for those with higher incomes. If co-payments are not set at reasonable levels, low-income families have difficulty affording the co-payments and may need to change their child care arrangements or not participate in the child care assistance program. New York State allows districts flexibility in setting co-payments. The co-pay percentage in Nassau County is 17.5%, while it is 25% in Suffolk County. This means that a Suffolk family with the same income, number of children, and child care choices as a family in Nassau County, will pay about $1300 more per year because of the higher co-pay required in Suffolk County. Other differences between the two counties include a policy that protects a family when the parent loses his or her job and needs child care while looking for work. Nassau has allowed payments for two weeks, while Suffolk covered four weeks of child care assistance for this purpose. Also, if a parent works the second or third shift at work and has an infant, Suffolk will pay for care needed while they work AND while they sleep, while Nassau will not.

Waiting Lists. States do not guarantee eligible families that they will receive child care services. They may place eligible families on a waiting list or freeze intake by turning away families without adding their names to a waiting list. Some families on the waiting list eventually receive assistance, while others wait for months or never receive help at all. Many low-income families on waiting lists have limited choices because they are unable to afford the care they want for their children without assistance. Waiting lists in New York State are maintained at the county level. Nassau County has never had a waiting list and uses county dollars when federal or state funds are insufficient to meet the demand. Suffolk County has had a waiting list, and due to recent state cutbacks, the County has frozen intake, and has denied child care subsidies to about 750 eligible families in 2008.

[2] Social Services Law§410-x(4); 05 OCFS LCM-17.