National Child Care Information Center
A service of the Child Care Bureau

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NCCIC State Technical Assistance Audioconference Report

SLIDING FEE SCALES AND DIFFERENT INCOME ELIGIBILITY LEVELS FOR FAMILIES ENTERING AND EXITING SUBSIDY PROGRAMS

November 10, 2003

The National Child Care Information Center coordinated a peer-to-peer audioconference as a response to requests from States for information and technical assistance on subsidy administration issues. Specifically, the audioconference focused on the implementation of different income thresholds for determining eligibility for child care subsidies and on the design of family sliding fee scales. The purpose of the call was for States to exchange information on the topics, discuss issues, and learn from one another.

Participants: Participants included representatives of eight States as well as ACF Region officials, and NCCIC staff. The following States participated: Colorado (Anne Keire, Leslie Bulicz); Florida (Pat Schuler, Gladys Wilson); Massachusetts (Rod Southwick); Montana (Linda Fillinger, Patty Russ, Chris Hettinger, Randy Haight); Ohio (Charles McMillon); Oklahoma (Nancy VonBargen, Mark Lewis, Susan Hall, and Laura Brown); South Dakota (Pat Monson); and Utah (Lynette Rasmussen, Ann Stockham, and Dave Baldwin).

Facilitators: Oxana Golden (NCCIC State Technical Assistance Specialist, ACF Region VIII) and Dave Edie (NCCIC State Technical Assistance Specialist and former Wisconsin State Child Care Administrator).

TOPIC 1: TWO-TIERED ELIGIBILITY LEVELS

Background

Federal Child Care Development Fund guidance allows States broad discretion when establishing income eligibility thresholds for families seeking child care financial assistance. Although most States use a single income threshold when determining whether families are eligible to receive government subsidies to assist with the cost of child care, several States have implemented a two-tiered eligibility framework in the recent years. **Colorado, Florida, Massachusetts, Montana,** and **Wisconsin,** use a lower income limit when making eligibility determinations for families first seeking child care subsidies, and apply a higher income threshold as families' eligibility is periodically redetermined.

State	Initial Income Eligibility Threshold	Ongoing Income Eligibility Threshold	Comments
Colorado			Counties have authority to extend eligibility for 6 months, even if a family exceeds income eligibility limits, but at this time no counties are implementing the policy.
Florida	150% FPL	200% FPL	
Massachusetts	50% SMI (approx. 200% FPL)	75% SMI	Once eligible, families remain eligible until their income reaches 75% SMI.
Montana	125% FPL	150% FPL	Once eligible, families remain eligible until their income reaches 150% FPL.
Wisconsin	185% FPL	200% FPL	Once eligible, families remain eligible until their income reaches 200% FPL.

Impact of Two-tiered Eligibility Policies
In some States no formal cost projection was made to determine the effect of their two-tier approach; in other States, the policy was introduced as a conscious effort to address fiscal considerations. Still, the number of families continuing to receive child care subsidy assistance at the high ongoing threshold accounts for a small percentage of the total. In **Massachusetts**, where the two-tier income eligibility threshold has been in effect for nearly 15 years, about eight percent of the child care caseload is comprised of families with incomes at higher levels than the initial eligibility threshold (50% SMI). In **Montana**, the policy was implemented as a cost containment measure. The income eligibility levels were decreased, however a tiered level eligibility policy was implemented. State staff project—based on historical data on the numbers served at various income levels—that 14 percent of Montana's caseload will have incomes between 125 percent and 150 percent of the Federal Poverty Level (FPL).

The continuing fiscal stress that States are experiencing may affect their approach to tiered income eligibility thresholds. **Florida** policymakers have discussed raising the initial eligibility level from 150 percent of poverty to 185 percent of poverty, but so far have decided against that change. The State serves approximately 40,000 children in families with incomes below 150% FPL. Under a program called the Child Care Executive Partnership, Florida businesses can provide matching funds to draw additional subsidy funds to their areas, with initial eligibility levels up to 200 percent FPL. A State law allows any child to stay in the program until they enter Kindergarten, paying their parent copayment share for their income level, which translates into the full cost of care for families above maximum income eligibility levels.

In **Colorado**, each county determines income eligibility policy, within a State-determined range of 130 – 225% FPL. Counties have authority to extend eligibility for six months above a county's income eligibility levels, but no higher than the federal maximum. In previous years, some counties implemented this policy, however at this time no counties are implementing this option.

In 1996, Wisconsin opted to use Federal Poverty Level, rather than State Median Income (SMI), as the standard for setting income percentages, partly because the poverty level was used for most other programs serving low-income families, and partly because FPL is intended to indicate a family's ability to meet basic needs. Eligibility for child care was set at 165% FPL in 1996; currently, initial eligibility is at or below 185% FPL, with continuing eligibility up to 200% FPL. Data from 2003 indicate that only 3 percent of Wisconsin's subsidy caseload falls in the 185-200% FPL range.

Implementation

Massachusetts officials tried to make it easier for low-income/working families to receive subsidies. While the parent fee scale may change in the future, the State is likely to leave policies for the lowest income families in place. Implementation of the two-tiered approach has been well received and the overall policy—developed with considerable input from providers, advocates, and community organizations—appears to have solid political support.

The two-tiered eligibility policy in **Montana** has reduced program costs, but there are concerns that many poor families can't access the program. Montana wanted to ensure they could serve the families currently on the caseload and families receiving Temporary Assistance to Needy Families (TANF). In **Florida**, where families with incomes below 150% FPL account for 40,000 children served, implementation has been successful, but fiscal pressures have deterred the State from altering the statutory entry level for eligibility.

Political support is solid for **Colorado's** decentralized system. However, when a county lowers its eligibility threshold, fallout can be felt in neighboring counties. One metropolitan county changed their eligibility level from 185% FPL to 130% FPL, and families began to move short distances to neighboring counties in order to continue eligibility. While local control allows sensitivity to local costs of living and preferences, it sometimes affects equity across counties.

State analysts in **Wisconsin** determined that as families move into the income range 150-200% FPL, they often have less disposable income than when they were at lower income levels, because they lose Food Stamp assistance, are no longer eligible for other benefits, and experience tax credits being replaced by tax liabilities. This analysis helped win support for subsidy eligibility at higher income levels as policymakers were concerned that families would cycle in and out of TANF without sustained work supports at higher income levels. The higher income eligibility threshold held even during a recent difficult budget that grappled with structural deficits in TANF and State general revenue.

Policymakers must weigh eligibility thresholds against sliding fee scale levels and reimbursement rate ceilings when designing a subsidy system. After caseloads in **Ohio** jumped from 85,000 to 105,000 per month, the State reduced family eligibility from 185% FPL to 150% FPL as a cost containment measure. Questions have arisen about the appropriate policy trade-offs to contain costs; Ohio chose to continue to cap parent fees at 10 percent of family income while reducing eligibility thresholds. In **South Dakota**, where initial income eligibility was raised from 150% FPL to 200% FPL, copayments increase as income levels increase.

Waiting Lists

When demand for child care assistance exceeds funding, States must choose whether to adjust policies or freeze intake, often implementing a waiting list for assistance.

South Dakota reported that it has never had waiting lists and that it was likely policymakers would reduce eligibility levels rather than establish waiting lists, which can be complicated for families, and time-intensive to administer.

Wisconsin had large waiting lists before 1996. Waiting lists were difficult to manage and often inaccurate because in counties with large waiting lists, families would stop calling for help. In **Montana**, which has a waiting list, State staff noted if families remain on the list for long periods of time it may be difficult to locate them and family circumstances and need may change dramatically. Implementing a waiting list also has an advocacy aspect, because to do so is to identify actual families requesting, but not receiving, child care assistance to quantify unmet demand, however imperfectly. Alternatively, without a waiting list, legislators and others may assume there is no unmet need. Consequently, **Utah** is exploring other ways of demonstrating unmet need, including applications at certain income levels to determine need.

TOPIC 2: SLIDING FEE SCALES/COPAY

Background

Federal Child Care Development Fund guidance requires States to establish sliding fee scales that are based on income and size of a family, and may be based on other factors as appropriate. States may also waive contributions from families with incomes at or below poverty levels.

States were asked to briefly explain the following policies:

1. **Whether they used Federal Poverty Levels or State Medians Income in their sliding fee scale.**
2. **If their slide fee scale include factors other than family size and family income.**
3. **If they had a formula to calculate copays and if they have automated copay calculations.**

Note: the terms "fee" and "copay" are used interchangeably to mean the cost for which the family or parent is responsible.

Below is a table indicating state responses:

State	FPL or SMI	Factors other than family size and income?	Other comments
Colorado	FPL	Number of children in care.	Formula slides from 6% of income to 14% of income. Additional per-child fee for families above 100% FPL.
Florida	FPL		Copay is half as much for part-time care, and there is a sibling discount. Local coalitions determine fee schedules.
Massachusetts	SMI	Number of children in care, part-time, and school-age care	Copay calculation is automated. Copay schedule is applied statewide. No copay for families below 100% FPL or for those on TANF. Every $100 increase per month in income, copay goes up $.50 to $1.50. Copays range from 10% to 18% of family income. Full copay for first child, ½ for second, ¼ for additional children in care.
Montana	FPL	No	Formula: copay goes from $10 minimum to 14% of gross income. Increases every 5% of FPL. No income disregarded. Copay is 3% of income at lowest levels.
Ohio	FPL	No, but copay has shifted from a per-child fee to a family fee	Every 5% FPL change in family income, copay goes up, to a maximum of 10% of family income. Copay has shifted from a per-child fee to a family fee.
Oklahoma	FPL	Number of children in care. Exempts some income.	Has a formula. Dept. has authority to adjust copay levels (and eligibility levels) if funding insufficient.
South Dakota	FPL	No	Has moved from percentage of cost model to percentage of income. No copay below poverty. Copay

State	FPL or SMI	Factors other than family size and income?	Other comments
			capped at 15% of family income. Copay is frozen for 6 month period, even if income goes up. Frozen for 1 yr for transition off of subsidy.
Wisconsin	FPL	Number of children in care whether care is in licensed or non-licensed setting, and whether care is part-time or full-time.	In 1996, state implemented a percentage of cost copay schedule that went on a flat line from 10-100 % of cost. Policy rescinded by the Gov, within one day. Task Force appointed wanted "real life" costs considerations factored in: high copays when additional children in care, and when more formal settings (licensed) used.

The "Cliff Effect"

In developing and implementing a sliding fee scale, States balance affordable copays with the need to prepare families to assume the full price of care when they no longer qualify for assistance. The challenge is to avoid or minimize a "cliff effect" that leaves families suddenly facing an enormous bill from their child care provider instead of a small copay amount.

Wisconsin had long policy discussions about the "cliff effect" and decided that eligibility would have to extend to income levels beyond what was politically feasible in order to phase out copays reasonably. In the end, the State opted for lower copays for the vast majority of caseload, and to tolerate a significant cliff effect for the small percentage of families that lost eligibility due to higher income. **Oklahoma's** approach to the "cliff effect" is the same as Wisconsin's assessment.

South Dakota's copays are equivalent to 15 percent of family income at 200% FPL, so families may be significantly impacted when they exceed income eligibility limits.

Colorado also had extensive discussions about cliff effects. The Legislature decided to allow counties to extend benefits an additional six months, to help ease families off the program and provide help to families in planning how to manage once of the system. However, at this time, no counties have implemented the extension, largely because of pressure to fund existing caseloads.

In **Ohio**, copays are capped in statute at 10 percent of family income. Administering that requirement and mitigating a severe cliff effect has proven challenging, state staff report.

Copays and TANF Participants

Colorado, Florida, Ohio, and Montana require families participating in TANF to pay a copayment. **Oklahoma** is considering implementing a copayment.

Other Comments from Participants:

Participants also discussed how to assess a copay when more than one child is in care, or a child attends more than one program. **Colorado** indicated they charge a fee to the program with the highest cost of care.

Recommended Resources on the Web

- "Determination of Parent Copayment Levels" is an annotated resource list of State and national resources that provide information on how States determine copayments, and is available from NCCIC on the Web at http://www.nccic.org/faqs/copayment.html.

- Information on sliding fee scales is included in each State's Child Care and Development Fund Plan under Section 3.5. Summary reports and many of these plans are available online from the NCCIC at http://www.nccic.org/pubs/stateplan/stateplan-intro.html.

For additional information about any of the state initiatives discussed during the November 2003 audioconference on sliding fee scales and different income eligibility levels for families entering and exiting subsidy programs, please contact the National Child Care Information Center at 800-616-2242.

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