

Trends in State Eligibility Policies

A CCDF Issue Brief

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State CCDF Plans

This Child Care and Development Fund Issue Brief examines State child care assistance eligibility policies as detailed in the Child Care and Development Fund (CCDF) Plans for FFY 2004-2005 of the 50 States, the District of Columbia, and Puerto Rico. The State CCDF Plans for FFY 2004-2005 became effective October 1, 2003, and may be amended as policies or initiatives change.

Eligibility for Child Care Assistance

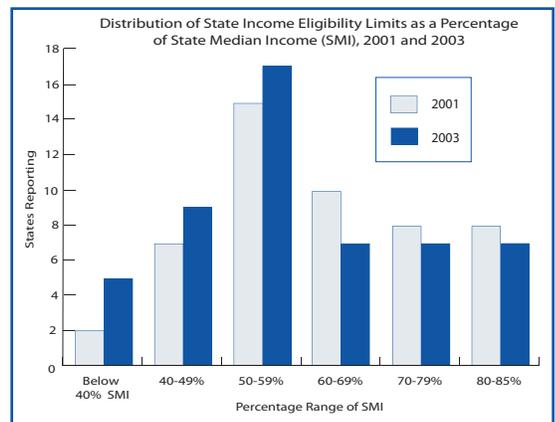
The Child Care and Development Fund (CCDF) provides \$4.8 billion in block grants to States, Territories, and Tribes to subsidize the cost of child care for low-income families. Eligible families must meet certain income requirements and must need child care so they can work or participate in approved training

or education. Income thresholds may vary from State to State, but by statute eligibility for CCDF-funded assistance is limited to families with incomes at or below 85 percent of State Median Income (SMI).¹ Typically, eligible families pay a fee or copayment directly to the provider, who also receives a reimbursement from the State.²

Income Eligibility

In practice, States balance income eligibility levels, reimbursement rates, and copayments against available funding, a complex task made more challenging in many States by the tight fiscal circumstances of recent years. In 2003, State income eligibility limits ranged from 28 to 85 percent of SMI; with five States—Hawaii, Maine, Mississippi, Puerto Rico, and Texas—setting income eligibility limits at the Federal maximum.³ Overall, States reported an average income eligibility level equivalent to 59 percent of SMI. By comparison, in 2001

five States set income thresholds at 85 percent of SMI, and the average limit was 62 percent of SMI. Between 2001 and 2003, 26 States lowered their income limits. Twelve States *increased* eligibility limits, making more families eligible for child care assistance. The relative decreases were more modest (median 6 percent of SMI) than the relative increases in income thresholds (median 9 percent of SMI).



FAST FACTS...

- ▶ Five States cap eligibility at the CCDF maximum income levels.
- ▶ Twenty-six States *lowered* income eligibility thresholds between 2001 and 2003.
- ▶ Twelve States *raised* income eligibility thresholds between 2001 and 2003.
- ▶ Serving TANF families and those transitioning off TANF remains a top priority among States.

Tiered Income Eligibility Thresholds

In most States, a single income eligibility threshold is used to determine whether a family may receive child care assistance. In 2003, seven States reported using a lower income limit when making eligibility determinations for families first seeking child care subsidies, and applying a higher income threshold as families' eligibility is periodically redetermined. This two-tier eligibility strategy allows families to retain child care assistance while experiencing modest success in the job market.

In Massachusetts, for example, a tiered approach is used to support self-sufficiency as well as continuity of care for families with special needs children. Families not currently receiving subsidized child care must have an income at or below 50 percent of the SMI in order to access the subsidized child care system. Once it has a subsidy, a family will remain eligible until their income reaches 85 percent of SMI. For families with a child with a documented disability, the initial income eligibility level is 85 percent of SMI. In addition, a family that has a child with a documented disability who is

in child care is eligible for subsidized care for any other children at the higher income eligibility limits.

Tiered Income Eligibility Thresholds as a Percentage of Federal Poverty Level (FPL) or State Median Income (SMI)*

State	Initial Income Limit		Ongoing Income Limit	
	% of SMI	% of FPL	% of SMI	% of FPL
Florida	49%	150%	66%	200%
Kentucky	50%	150%	55%	165%
Massachusetts	50%	190%	85%	323%
Minnesota	44%	175%	63%	250%
Montana	46%	125%	56%	150%
West Virginia	51%	150%	63%	185%
Wisconsin	51%	185%	56%	200%

Source: Compiled from State Child Care and Development Fund Plans, FFY 2004-2005.

* States may set income limits as a percentage of FPL, but use SMI when submitting CCDF Plans. In 2003, the FPL for the 48 contiguous States and the District of Columbia was \$15,260. Most States used 2003 FPL figures; Montana used the 2002 FPL. Most States reported 2003 or 2004 SMI; Massachusetts used 2000 SMI. Nebraska applies a higher income threshold for families in its Transitional Child Care program, but does not have a general two-tiered eligibility limit.

Special Eligibility Considerations

Many States establish special eligibility considerations to assure access to child care services for targeted populations such as children receiving protective services, teenagers with physical or mental disabilities, children under court supervision, and children in foster care. In general, more States implemented such policies, but the increase from 2001 to 2003 was modest. For example, in 2003 19 States (compared to 15 in 2001) reported choosing to provide child care assistance to children in foster care whose foster parent was not employed or participating in an approved training or education program. The only decrease—again modest—came in the number of States that reported making respite child care available for children in protective services, which fell from 22 in 2001 to 18 in 2003.

Service Priorities

In addition to the Federal requirement that all States give priority to families with “very low incomes” (as defined by the State) and children with special needs, States have defined multiple service

priorities that encompass other groups of children and families as well. These priorities matter most when the demand for child care assistance exceeds funding, and they can be a means for States to implement waiting lists. In 18 States, for example, families receiving Temporary Assistance for Needy Families (TANF) and/or transitioning off TANF have *first* priority for child care assistance, down from 24 States in 2001. Another 15 States identified children with special needs and/or children from “very low income” families as their *first* service priority. Two States use continuity of care as the first priority, assuring that children already receiving subsidized care or a new child of a participating family receive care without interruption.

CCDF Plans indicate that TANF families in 24 States are guaranteed child care services, unchanged since 2001. Families transitioning off TANF are guaranteed child care services in 15 States; however, in 12 States, transitional families’ access to child care subsidies is subject to a time limit.

Conclusion

While half of the States reported lowering income caps, nearly a quarter *raised* those thresholds. States continue to set service priorities and have begun to experiment with tiered eligibility limits that together target support to families as they leave welfare and succeed in the job market. ■

Endnotes

¹ Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Pub. L. No. 104-193, section 658P. The CCDF Final Rule, 45 CFR Parts 98 and 99, was promulgated in the *Federal Register*, July 24, 1998; §98.20 addresses eligibility.

² “State Child Care Policies: Trends in Rates Ceilings and Family Fees” (July 2004), an NCCIC Issue Brief, by Dave Edie and Eric Karolak, available online at <http://nccic.org/pubs/issuebriefs/trendsfamfees.html>. Additional information regarding CCDF Plans is available at <http://nccic.org/pubs/stateplan/stateplan-intro.html>.

³ Consistent with prior year analyses, only data from the 50 States, Puerto Rico, and the District of Columbia are examined here. Most States reported income limits using 2003 or 2004 SMI data; however, 14 States used SMI data ranging from 1994 to 2002. A 50-State data summary is available online at <http://nccic.org/pubs/index.html>.

About this Brief

This CCDF Issue Brief was developed at the direction of the Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, to meet the information needs of State Child Care Administrators. The Brief was prepared for the Child Care Bureau by Eric Karolak, National Child Care Information Center, through contract #233-01-0011 with Collins Management Consulting, Inc.

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