https://childcareta.acf.hhs.gov/equal-access-resources

Affordable Co-payments

Affordability is a leading barrier for families accessing quality child care. According to the 2019 update to the Survey of Income and Program Participation, average child care spending amounts to nearly 10% of average family income for working families with children under 5. For low-income families, the cost of child care is even higher. Four out of 10 low-income working families pay full price for child care; child care costs consume 35% of their income.[1]

Child Care and Development Fund (CCDF) subsidies help make child care more affordable for many families earning below 200% of the federal poverty level. However, high co-payment levels and additional amounts child care providers charge above CCDF payment levels can have a significant impact on the affordability of high-quality child care. To help address this issue, the Child Care and Development Block Grant Act requires Lead Agencies to describe in their CCDF Plans how co-payments are affordable and do not act as a barrier to families receiving assistance.[2]

Affordable co-payments are an important component of equal access — the assurance that CCDF subsidy payments are sufficient to ensure eligible children have equal access to child care services comparable to those provided to families not eligible for CCDF assistance under any other federal, state, or tribal programs. The equal access provisions[3] are foundational to the primary goals of the program: improving low-income families' economic well-being and supporting children's development through access to high-quality child care.

This brief provides a summary of family co-payment requirements for Lead Agencies included in the CCDF Rule. It outlines mandates as well as areas of flexibility in co-payment policies and sliding fee scale structures.

Overview of the CCDF Requirements

The CCDF Rule does not define "affordability" for Lead Agencies. Rather, the preamble to the CCDF Rule outlines the goal of affordable co-payments and provides a benchmark for a family's share of the cost of child care.

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[1] Center for American Progress (2019). *Working families are spending big money on child care*. https://www.americanprogress.org/issues/early-childhood/reports/2019/06/20/471141/working-families-spending-big-money-child-care/.

[2] Child Care and Development Fund (CCDF) Program, Federal Register 45 CFR 98.16(k), pg. 67576, https://www.govinfo.gov/content/pkg/FR-2016-09-30/pdf/2016-22986.pdf

[3] View a graphic and more information about equal access at this link: https://childcareta.acf.hhs.gov/equal-access-resources

> *As CCDF assistance is intended to offset the disproportionately high share of income that low-income families spend on child care in order to support parents in achieving economic stability, ….. CCDF families should not be expected to pay a greater share of their income on child care than reflects the national average.*[4]

For families assessed a CCDF co-payment, the average co-payment was 7% of family income based on final fiscal year 2017 and preliminary FY 2018 CCDF state reporting.[5]

Affordability is addressed in the Lead Agency's policies for co-payments and the structure of the sliding fee scales. The CCDF Rule requires Lead Agencies to establish sliding fee scales that provide for cost-sharing for families receiving CCDF services.

The rule specifies that cost-sharing or co-payments:

- Should not act as a barrier to families receiving CCDF assistance.
- Must be affordable for families.
- Must enable families to access the full range of child care providers.

The regulation further defines that co-payments *must*:

- Be based on a sliding fee scale that is periodically revised by rule.
- Be based on family size and income and *not* based on the cost of care or the amount of the child's subsidy payment.
- Consider irregular fluctuations in earnings at time of initial determination and redetermination to ensure that temporary increases in income do not negatively affect family co-payments.
- Be set so that no increase in co-payments occurs during the minimum 12-month eligibility period (between the initial eligibility and redetermination period and subsequent redetermination periods).
- Be set to allow families the option to voluntarily report changes and to allow lead agencies to act on the information only if it would reduce the family's co-payment (or increase subsidy amount).

CCDF Lead Agencies have some flexibility based on their own needs and priorities. Co-payment policies can:

- Be based on additional factors (in addition to family size and income).
- Be based on a family fee or a per child fee.
- Be based on a percentage of income.
- Allow for the waiving of co-payments for certain families.
- Allow the additional reporting of changes in family income to help families transition off subsidy during a graduated phase-out period (so long as additional reporting does not create an undue burden for families).

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[4] Child Care and Development Fund (CCDF) Program, Federal Register 45 CFR Part 98, Preamble, pg. 67515, https://www.govinfo.gov/content/pkg/FR-2016-09-30/pdf/2016-22986.pdf.

[5] Office of Child Care (2019*). Characteristics of families served by the Child Care Development Fund (CCDF) based on preliminary FY2018 data*. https://www.acf.hhs.gov/occ/resource/characteristics-of-families-served-by-child-care-and-development-fund-ccdf.

- Gradually adjust co-payments in proportion to a family's income growth during a graduated phase-out period.
- Consider all appropriate deductions to a family's income when determining countable income.

CCDF Lead Agencies are encouraged to consider affordability for families at all income levels in designing sliding fee scales. The fee scale should be designed to ensure that small increases in earnings by parents during the graduated phase-out period do not trigger unaffordable increases in co-payments.

When increases in earnings result in a substantial decrease or a loss of supports, a disincentive to work or take a higher paying job is created. This impact, often called the cliff effect, is compounded as low-income families are often supported by multiple subsidies (e.g., child care, housing, and food assistance.)[6] Policies and a sliding fee scale with incremental and proportional adjustments in co-payments support family economic self-sufficiency and benefit employers by retaining and building their workforce.

Co-payment Considerations During Emergencies

Lead Agencies are required to adopt a child care disaster plan that ensures safe child care before, during, and after a state of emergency is declared or a major disaster or emergency occurs. Required components of the plan include guidelines for the continuation of child care subsidies and services (which may include provisions for emergency and temporary child care); coordination of post-disaster recovery of child care services; and requirements that providers receiving CCDF funds, and other providers as determined appropriate by the Lead Agency, have in place procedures for emergencies.

Lead Agencies may want to consider the following strategies that address family co-payments and incorporate them within the Disaster Plan:

- Establish conditions and parameters for waiving and reducing co-payments during emergencies.
- Incorporate provisions to reimburse providers for the loss of income from waived and reduced family co-payments.
- Create policies for the temporary use of in-home care during emergencies, including how family co-payments would be addressed.
- Develop policies regarding family co-payments for temporary child care.
- Ensure a process for tracking families affected by emergencies and their family co-payment contributions.

Lead Agencies are reminded that changes to co-payment policies that require amendments to the CCDF Plan and waivers to existing CCDF regulations must receive approval from the Office of Child Care.

[6] Albelda, R. & Carr, M. (2017). *One step forward, one step back?: Labor supply effects of minimum wage increases on single parents with public child care support*. Working Paper 2017-01. University of Massachusetts Boston.

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Conclusion

Affordable co-payments are an important component of the CCDF equal access provisions. The cost of child care can be a significant barrier for low-income families to access and retain child care, particularly high-quality care.

CCDF Lead Agencies have the flexibility to create sliding fee scales that meet the unique needs of their jurisdictions, their families, their child care markets, and their budgets. However, they must carefully consider the CCDF requirements and administrative tasks associated with sliding fee scales and co-payments to ensure families receiving child care subsidies have equal access to child care. Lead Agencies also need to consider how sliding fee scales and family co-payment policies can be adjusted during times of emergency to serve the needs of families.

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