



2015 Policy Priority

REDUCE CHILD CARE CLIFFS THAT GET IN THE WAY OF FAMILIES WITH CHILDREN GETTING AHEAD

SPECIFIC NEEDED ACTIONS

Provide new state funding necessary for expanding eligibility for the child care assistance program to 155 percent of the federal poverty level in the 2015-6 budget year, with a planned phase-in for increasing to 185 percent of poverty by the 2019-20 budget year.

Revise the sliding fee schedule to smoothly phase out the level of subsidy above the current cut-off of 145 percent of poverty.

Every Child Counts is the advocacy initiative of Child and Family Policy Center. For more information, contact Sheila Hansen (shansen@cfpciowa.org or 515-280-9027 x 114) or visit www.cfpciowa.org.

January 2015

Both Iowa and the federal government have established programs to support working families in getting by and caring for their children. Increasingly, these efforts are tied to employment. Aid to Families with Dependent Children (AFCD) was replaced by the Temporary Assistance to Needy Families (TANF), limiting the time that families can receive assistance and tying eligibility to seeking work, even when children are very young. Iowa is a leader among states in workforce participation of all parents in a household (both parents in a two-parent family or the parent in a single-parent family) when children are young. The new norm for families with young children is to be in the workforce. This, in turn, requires those families to find child care.

While many programs to support working families—the federal and state Earned Income Tax Credit and the Supplemental Nutrition Assistance Program (SNAP), for instance—phase out slowly as family income increases, Iowa’s child care assistance program ends abruptly far below what it takes to meet daily needs.

Families with incomes above 100 percent of poverty make modest co-pays, but once their income increases to a level even slightly above 145 percent (about \$28,600 for a family of three), rather than a further reduced child care benefit, the family loses its assistance altogether. The result is that families find themselves falling off a major “cliff” in terms of family income—the equivalent of over \$4,000 per child who had been receiving child care assistance.

Obviously, families earning a little above 145 percent of poverty are still struggling to get ahead and cannot afford such out-of-pocket expenses. In fact, most economic studies show that families, and particularly families with young children and child care responsibilities, are not economically able to get by without outside support until they reach at least 200 percent of the poverty level. The result of Iowa’s child care eligibility cutoff has been that some families have had to turn down pay

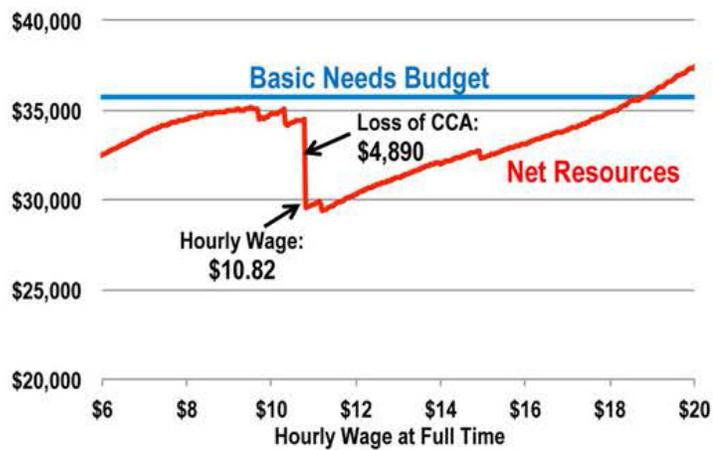


Iowa’s child care assistance program does not phase out slowly as family income rises, but ends abruptly.

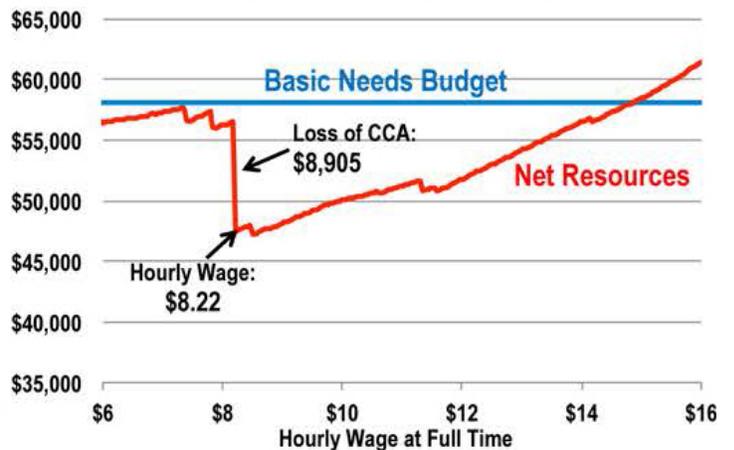
Cliff effect: How net resources change as earnings increase under current law

Source: Iowa Policy Project, Reducing Cliff Effects in Iowa Child Care Assistance

Single Parent with One Child



Married Couple (Both Working) with Two Children



As a family's income rises past 145 percent of poverty, they lose their entire child care assistance, even though a family at that income level is unlikely to be able to meet its basic needs.

The low income cut-off level for child care assistance in Iowa discourages advancement and hurts Iowa's economy.

raises or job advances so they can continue to receive subsidies. Others have had to disrupt their child's care, often moving him or her into a less secure setting or by juggling home life and adding to family stress.

At 145 percent of poverty, Iowa's eligibility cut-off for child care subsidies ranks among the bottom five U.S. states. While ideally there would be a sliding fee schedule up to 200 percent of poverty or more, a fee schedule that at least continues but phases out the subsidy at 185 percent of poverty is the minimum needed to eliminate this cliff effect.

Not only does Iowa's low cut-off level create economic challenges to families, it also discourages advancement and makes it discouraging to families seeking to get ahead. Absence of affordable child care also has impacts on productivity and reliability in the workforce and can impact small businesses as well as families themselves.

While it may not be possible, from a fiscal perspective, to close the entire cliff effect in one legislative session, progress can be made toward this end. A phase-in of eligibility going up to 185 percent of poverty over the next five years, starting with a step up to 155 percent of poverty in 2015, would address one of the biggest barriers working Iowa families with young children face as they seek to get their children off to a good start while themselves pursuing jobs and careers.



Child & Family
POLICY CENTER

505 5th Ave., Ste 404
Des Moines, IA 50309