

# Futures Dimmed: The impact of eligibility cuts and fee increases on child care access

By Rob Thompson  
Policy Director, NC Child

## INTRODUCTION

Child care subsidies provide low-income families with vouchers for high-quality child care, which enables parents to earn a living while their children receive an early education or participate in an after-school learning opportunity.

These educational opportunities result in children having greater K-12 success and an increased likelihood to attend college.<sup>i</sup> Furthermore, by providing parents with the ability to earn a good day's wage, child care subsidies promote family economic security, which is linked to positive outcomes in every realm of child development, from health to education to future employment.<sup>ii</sup>

## WHO IS ELIGIBLE FOR CHILD CARE SUBSIDIES?

As a result of changes made by the state legislature in 2014, fewer children are eligible for child care subsidies. Below is a brief summary of those changes along with an estimated statewide impact.<sup>iii</sup>

1. Restriction of Income Eligibility: Income eligibility is lowered from 75% of State Median Income (\$50,244 per year for a family of four) for children ages 0-12 to:

- 200% of the federal poverty level (FPL) for children ages 0-5 (\$47,700 for a family of four), and for children with special needs;
- 133% of the FPL for children ages 6-12 (\$31,716 for a family of four).

## Key Numbers:

- 6,227: # of children who have lost or will lose access to child care subsidies as a result of new income eligibility restrictions.
- 937: # of children living with grandparents or other relatives who also lost child care as a result of new eligibility restrictions.
- 26,156: # of children in 2014 who came from families that paid prorated fees for child care subsidies, which were eliminated in the 2014 legislative session.

*IMPACT:* Based on enrollment in September 2014, the month before the eligibility change went into effect, the N.C. Division of Child Development and Early Education (NC DCDEE) estimates that income eligibility changes will result in the loss of child care subsidies for 6,227 children statewide by October 2015.<sup>iv</sup> (For a county-by-county breakdown, see Table 1.)

2. Elimination of Prorated Parental Fees: Prorated parental fees were eliminated. Families who need part-time care will now pay 10% of their gross monthly income.

*IMPACT:* During the 12 month period prior to the implementation of this policy, an estimated 26,156 children came from families who paid a prorated fee for child care subsidies. It's unclear how many of these families would no longer be able to afford subsidized child care if they have to pay the full copayment.

3. Redefinition of Family Income Unit: The income of non-parent relative caregiver, like a

grandparent, is now counted against a child's eligibility for child care subsidies.

*IMPACT:* According to NC DCDEE, an estimated 937 families could have been impacted by this change.<sup>v</sup>

## CONSEQUENCES FOR CHILDREN, FAMILIES, AND THE ECONOMY

*Opportunities to support the healthy development of a child's brain, or her "brain architecture," are diminished by the loss of high-quality child care.*

- Child care subsidies encourage healthy brain development in two ways:
  - They support high-quality learning opportunities, which have a positive impact on brain architecture.<sup>vi</sup>
  - They help families stay out of poverty, which has been connected in recent studies to impaired brain development in young children.<sup>vii</sup>

*Children's early learning opportunities and 3<sup>rd</sup> grade proficiency are diminished.*

- Young children, including some preschool age children, no longer have access to early learning opportunities when their parents become ineligible or cannot afford to pay more.
- Many school-age children are losing out on after-school learning opportunities that provide supervision and guidance for their educational and reading readiness progress.

*Parents are no longer able to work and maintain steady employment, and become self-sufficient.*

- Parents who can no longer prorate their parental fees for part-time care must often pay double the cost, and the full-time fees may actually cost more than program charges. These parents can no longer afford child care which limits their ability to work.

Some may require additional public financial assistance because they are earning less.

- Working parents with two different age children face financial challenges when they are income eligible for one preschool-age child, but not for their school-age child, and this situation typically results in their inability to afford child care for both children.

*Child care providers are losing capacity to serve low-income children and families.*

- Child care providers are serving fewer low-income children ages 0-3. Providers keep their doors open by providing a mix of classes—classes for very young children cost more to operate because of high staffing ratios.

## POLICY RECOMMENDATION

To ensure that children from low-income families and relative caregivers have access to high-quality child care, NC Child recommends the following adjustments to subsidy eligibility and copayment policy:

- Establish income eligibility at 200% of Federal Poverty Level for all children ages 0-13.
- Reinstate the policy to allow proration of family co-pay rates for part-time child care.
- Exclude the income of a "nonparent relative caretaker" from the definition of family income unit.

These changes will ensure that most families who need child care subsidies will be eligible for them. In the future, the state legislature should consider expanding funding for child care subsidies to reduce the waiting list, which is 31,359 as of May 2015.<sup>viii</sup> Broadening access to child care subsidies will improve outcomes for children by providing them with early and out-of-school learning opportunities and by promoting the financial health of their families.

*NC Child is a policy advocacy organization that produces research and policy options to promote the health, education, safety and well-being of North Carolina's children.*

## ENDNOTES

<sup>i</sup> Pungello, E. P., Campbell, F. A., & Barnett, W. S. (2006, December). Poverty and early childhood educational intervention (Policy Brief No. 1).

<sup>ii</sup> For a summary of this literature, see Gershoff, E.T., Aber, J.L., & Raver, C.C. (2003) Child Poverty in the U.S.: An evidence-based conceptual framework for programs and policies.  
[http://sitemaker.umich.edu/carss\\_education/files/gershoff\\_aber\\_raver\\_2003.pdf](http://sitemaker.umich.edu/carss_education/files/gershoff_aber_raver_2003.pdf)

<sup>iii</sup> All estimates of policy change impacts are from the N.C. Division of Child Development and Early Education.

<sup>iv</sup> This eligibility change is implemented on a family-by-family basis at the time of their annual recertification. For instance, the eligibility for a child enrolled in July 2014 won't be reevaluated until July 2015, which is why the impact of this policy change will continue to be felt through October 2015.

<sup>v</sup> In the month before this change took place (December 2014), there were 2,427 non-parent relative cases. In the next month (January 2015), there were 1,490 relative cases, a difference of 937.

<sup>vi</sup> Tierney, A.L., Nelson, C.A. (2009) Brain Development and the Role of Experience in the Early Years. ZERO TO THREE.  
[http://main.zerotothree.org/site/DocServer/30-2\\_Tierney.pdf?docID](http://main.zerotothree.org/site/DocServer/30-2_Tierney.pdf?docID)

<sup>vii</sup> Noble, K.G., Houston, S.M., Brito, N.H., Bartsch, H., Kan, E., Kuperman, J.M. (2015) Family income, parental education and brain structure in children and adolescents. *Nature Neuroscience* 18, 773-778

<sup>viii</sup> Child Care Services Association,  
<http://www.childcareservices.org/repository/documents/ChildCareSTATEWIDE2015May.pdf>

## APPENDIX

### *County-by-County Impact of Income Eligibility Changes:*

Table 1: Children Receiving Subsidized Child Care in September 2014 who would be ineligible under new income eligibility guidelines effective October 1, 2014.

County	# Ineligible	Children Served	Percentage Ineligible
ALAMANCE COUNTY	113	1219	9%
ALEXANDER COUNTY	28	297	9%
ALLEGHANY COUNTY	3	104	3%
ANSON COUNTY	12	267	4%
ASHE COUNTY	4	194	2%
AVERY COUNTY	7	91	8%
BEAUFORT COUNTY	20	529	4%
BERTIE COUNTY	11	167	7%
BLADEN COUNTY	15	212	7%
BRUNSWICK COUNTY	67	937	7%
BUNCOMBE COUNTY	174	1874	9%
BURKE COUNTY	57	766	7%
CABARRUS COUNTY	84	961	9%
CALDWELL COUNTY	70	747	9%
CAMDEN COUNTY	1	31	3%
CARTERET COUNTY	24	355	7%

CASWELL COUNTY	6	114	5%
CATAWBA COUNTY	152	1801	8%
CHATHAM COUNTY	35	349	10%
CHEROKEE COUNTY	3	204	1%
CHOWAN COUNTY	10	178	6%
CLAY COUNTY	5	69	7%
CLEVELAND COUNTY	51	705	7%
COLUMBUS COUNTY	39	489	8%
CRAVEN COUNTY	100	1085	9%
CUMBERLAND COUNTY	264	3683	7%
CURRITUCK COUNTY	4	117	3%
DARE COUNTY	25	206	12%
DAVIDSON COUNTY	174	1392	13%
DAVIE COUNTY	24	204	12%
DUPLIN COUNTY	37	522	7%
DURHAM COUNTY	234	2639	9%
EDGECOMBE COUNTY	36	582	6%
FORSYTH COUNTY	185	2798	7%
FRANKLIN COUNTY	59	534	11%
GASTON COUNTY	160	1544	10%
GATES COUNTY	3	78	4%
GRAHAM COUNTY	2	41	5%
GRANVILLE COUNTY	32	322	10%
GREENE COUNTY	9	126	7%
GUILFORD COUNTY	448	4483	10%
HALIFAX COUNTY	57	600	10%
HARNETT COUNTY	70	883	8%
HAYWOOD COUNTY	38	730	5%
HENDERSON COUNTY	69	832	8%
HERTFORD COUNTY	9	265	3%
HOKE COUNTY	47	709	7%
HYDE COUNTY	0	26	0%
IREDELL COUNTY	59	934	6%
JACKSON COUNTY	30	334	9%
JOHNSTON COUNTY	133	1569	8%
JONES COUNTY	3	98	3%
LEE COUNTY	24	436	6%
LENOIR COUNTY	26	425	6%
LINCOLN COUNTY	54	523	10%
MACON COUNTY	27	350	8%
MADISON COUNTY	16	120	13%
MARTIN COUNTY	18	240	8%
MCDOWELL COUNTY	43	383	11%
MECKLENBURG COUNTY	551	6521	8%

MITCHELL COUNTY	14	143	10%
MONTGOMERY COUNTY	14	190	7%
MOORE COUNTY	39	646	6%
NASH COUNTY	54	593	9%
NEW HANOVER COUNTY	111	1746	6%
NORTHAMPTON COUNTY	22	196	11%
ONSLow COUNTY	157	1776	9%
ORANGE COUNTY	64	831	8%
PAMLICO COUNTY	9	117	8%
PASQUOTANK COUNTY	22	440	5%
PENDER COUNTY	15	367	4%
PERQUIMANS COUNTY	7	99	7%
PERSON COUNTY	18	273	7%
PITT COUNTY	83	1654	5%
POLK COUNTY	7	123	6%
RANDOLPH COUNTY	118	1034	11%
RICHMOND COUNTY	39	501	8%
ROBESON COUNTY	108	1796	6%
ROCKINGHAM COUNTY	65	834	8%
ROWAN COUNTY	87	961	9%
RUTHERFORD COUNTY	31	660	5%
SAMPSON COUNTY	45	635	7%
SCOTLAND COUNTY	15	398	4%
STANLY COUNTY	42	477	9%
STOKES COUNTY	39	280	14%
SURRY COUNTY	60	656	9%
SWAIN COUNTY	9	164	5%
TRANSYLVANIA COUNTY	12	178	7%
TYRRELL COUNTY	2	43	5%
UNION COUNTY	113	1314	9%
VANCE COUNTY	27	499	5%
WAKE COUNTY	457	5045	9%
WARREN COUNTY	29	226	13%
WASHINGTON COUNTY	6	135	4%
WATAUGA COUNTY	22	185	12%
WAYNE COUNTY	123	1331	9%
WILKES COUNTY	24	441	5%
WILSON COUNTY	42	776	5%
YADKIN COUNTY	13	161	8%
YANCEY COUNTY	2	71	3%
Statewide	6227	76989	8%

Note: Some duplication is possible in the statewide sum of county totals, since payment for children's care may be shared among counties during the month.