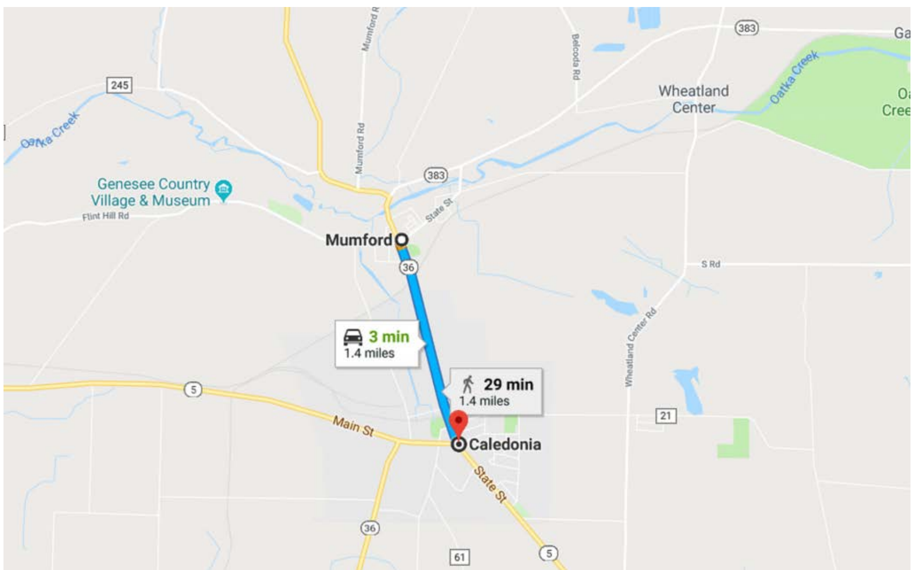
A Cal-Mum Case Study: County Lines and Child Care Costs

Imagine two families who live a half an hour southwest of Rochester, NY. Jessica and Christopher Smith live with their two young children in the Village of Caledonia, in the northwest corner of Livingston County, while Jessica's sister Ashley and her husband Joshua Miller are less than 2 miles away with their two young children in Mumford, part of the Town of Wheatland in Monroe County. All four parents are in their late twenties, graduates of Caledonia-Mumford High School, and have decided to live in that community to be close to one another and near friends and family. Each family has 1 and 3 year old children, and when their kids reach school-age, they'll attend Caledonia-Mumford schools, just like their parents.



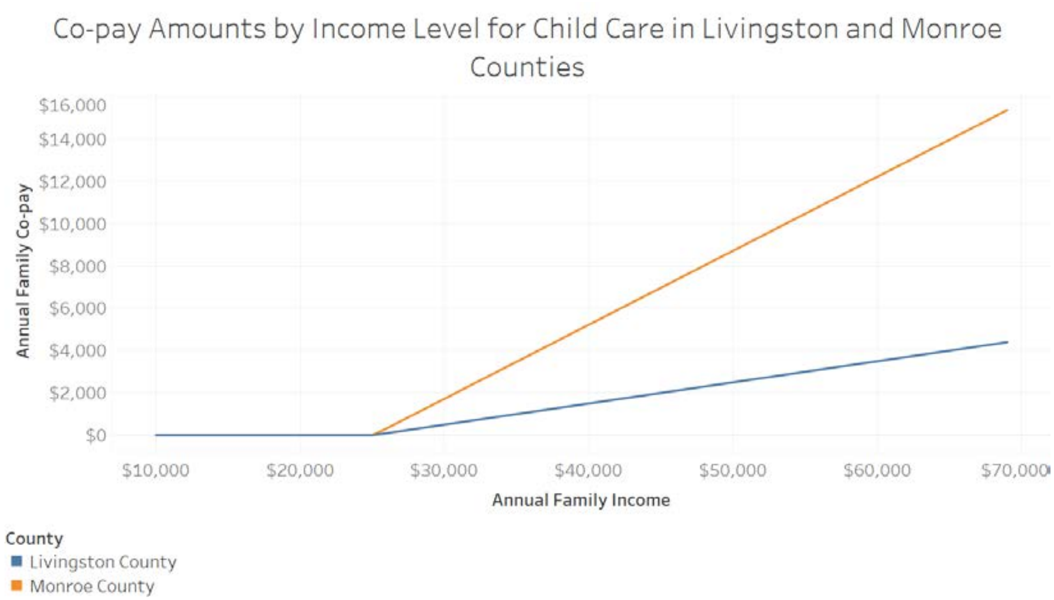
Each parent works in full-time jobs, but still struggle to cover expenses each month. Both families make $40,000 a year apiece, which puts them just below 160% of the poverty threshold. The only difference between these two families are their addresses.

Given their work statuses, family incomes, and children's ages, both families qualify for child care assistance. New York State's income-eligible child care subsidy program is funded by a combination of federal, state, and county tax dollars, and is directly administered by New York State's counties. This program is designed to help low-income parents remain in the workforce while raising young children. Center based infant child care in New York State is over $15,000 per year, according to [Child Care Aware of America](). Without assistance, the cost of child care can be so great that it makes little financial sense for a parent with young children to work. And while having a stay-at-home parent makes sense for many families, others would like to work, but actually cannot afford to maintain a job given the cost of care. Meanwhile, local employers often complain about being unable to find qualified workers to fill open jobs and help expand their businesses.

The federal and state governments set parameters for the management of the child care subsidy system in our state, but considerable discretion is left to counties. New York's counties are given significant latitude in determining the family's share of the cost of subsidized child care. The Children's Agenda's colleagues at the Empire Justice Center helpfully publishes this information each year.

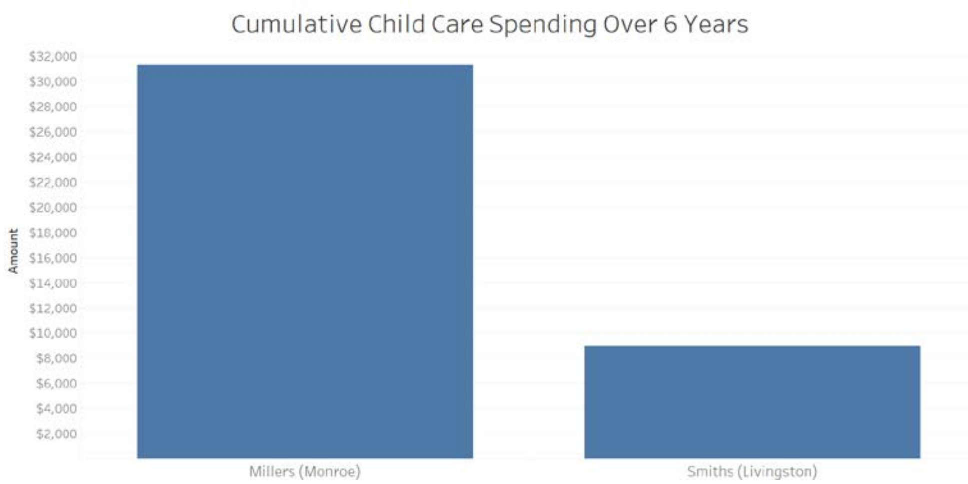
As noted above, the imaginary Smith family lives in the Village of Caledonia in Livingston County. That county requires that if a family wishes to receive child care assistance, they must pay 10 cents on every dollar they earn over the poverty threshold of $25,100. Over the course of a year, the Smith's spend $1,490 on child care, while the subsidy system covers the remaining cost (capped at a weekly rate set by the State).

The Millers may live in the same school district as the Smiths, only a mile and a half away, but they also reside in a different county. Monroe County sets the family co-pay at the state maximum of 35 cents of every dollar a family earns over the poverty threshold. This means that the Millers, despite receiving child care assistance, must still spend $5,215 a year on child care, three and a half times more than the Smiths.

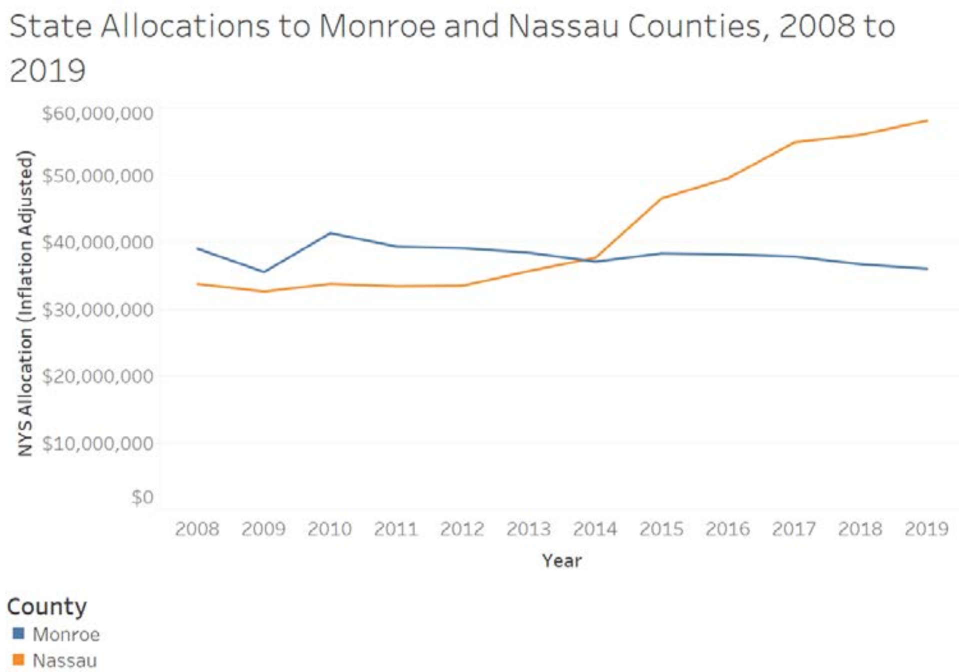


High family co-pays are terribly counterproductive to the purpose of child care assistance. The income eligible child care assistance program is intended to make employment "worth it" to a parent, but high co-pays can defeat the value of maintaining a job. Suppose each parent in the Miller household makes $20,000 in gross income per year and takes home approximately $18,000 a year after taxes. Nearly 30% of their take home pay goes to child care! After paying for that, they make less than $7 an hour. It shouldn't be a surprise to anyone if the Millers conclude that it simply isn't worth it for both Ashley and Joshua to remain in the workforce, even if having two earners would improve their household financial picture and keep them on a long-term career trajectory.

Both families will likely have to pay for six years of child care before their children enter the school system. Assuming each family's income is steady over those six years, the Millers will pay $22,350 more than the Smiths toward child care before everyone's children enter school. That's a considerable sum of money that they could have used instead to buy a home, invest in adult educational opportunities, save for retirement or college, or simply to meet every day expenses throughout that period of time.



Counties set their parent co-pay rates due to a number of reasons, including demand within the county for child care assistance and the county's capacity to spend additional county tax dollars on subsidies. Ideally, state child care allocations to counties would be based on each of those factors – but they are not. Instead, the state allocations are based on the total amount of child care assistance spent by the counties over the past five years. Those counties that spend additional local dollars can, over time, get more state funding, while those that do not spend will see their state funding decline. Boosting local spending to lower parent copay can bring more funding to a county's child care assistance program, helping more families over time. Adjusted for inflation, Livingston County's allocation from the state has increased by 8% since 2007-08, while Monroe's has declined by 8% over the same period. Nassau County, for example, has invested heavily in child care over the past decade, and has increased its inflation adjusted state allocation by 72% since 2007-08.



What can be done?

New York State's methodology for allocating funds to counties should include some calculation of the need for child care assistance within that county, like incorporating the number of working families under 200% of the poverty threshold and the number of families that sought and qualified for assistance in a year. The state should also commit to making child care truly affordable for working families, and set a significantly lower ceiling on family co-pays in the state. Lowering the maximum co-pay from 35% to 20% of earnings over the poverty threshold would make child care more affordable throughout the state and begin to address some of the inter-county inequities that exist. The state could also offer targeted additional allocations to counties with a high demand for assistance that are lowering parent co-pays to 20% to ensure that this policy change does not reduce the number of families receiving child care assistance.

While they wait for New York State to improve statewide policy, counties above a 20% parent co-pay should find ways to reduce their co-pays through their annual budget processes. Monroe County may find it financially difficult to lower from 35% to 20% in one year, but even lowering the rate to 30% in 2019 would represent significant progress. Even that modest copay reduction would meaningfully help thousands of working families in the county, could spur greater participation and attachment to the workforce in this community, and ultimately could result in a larger child care assistance allocation from the state.