



OPPORTUNITY COSTS, WORKFORCE LOSS

NEBRASKA'S CHILD CARE PROBLEM

Nebraskans value hard work and family, and parents need to know that their children are in a safe and enriching environment while they are working. Building the robust workforce that Nebraska needs for the future depends on ensuring that working parents have access to affordable and quality child care.

Quality early childhood programs give children the best chance for success later in life¹, but balancing work and child care is challenging for many parents. Today, the average annual cost for center-based infant care in Nebraska, at \$12,272, is higher than the cost of tuition at the University of Nebraska-Lincoln.²

The child care subsidy program, sometimes referred to as Title XX, helps put child care costs within reach for working parents who are struggling to make ends meet, but current policy prevents many Nebraska parents from accessing it. Eligibility for the subsidy in Nebraska is currently set at one of the lowest levels in the country³, at 130% of the federal poverty level (FPL), or \$27,729 annually for a family of three.⁴

In this report, we consider the economic and policy barriers that Nebraska parents face as they balance work, child care, and family needs. Nebraska parents are working hard to provide for their children, but more and more, hard work isn't enough—wages haven't kept up with the cost of raising a family. We also share the experiences of Nebraska parents, in their own words, as they struggle to move from living paycheck-to-paycheck to achieving the American Dream. Removing barriers to child care ensures that parents can get ahead and contribute fully in the state's economy.

IMPOSSIBLE CHOICES FOR WORKING PARENTS

Nebraska parents are working hard:

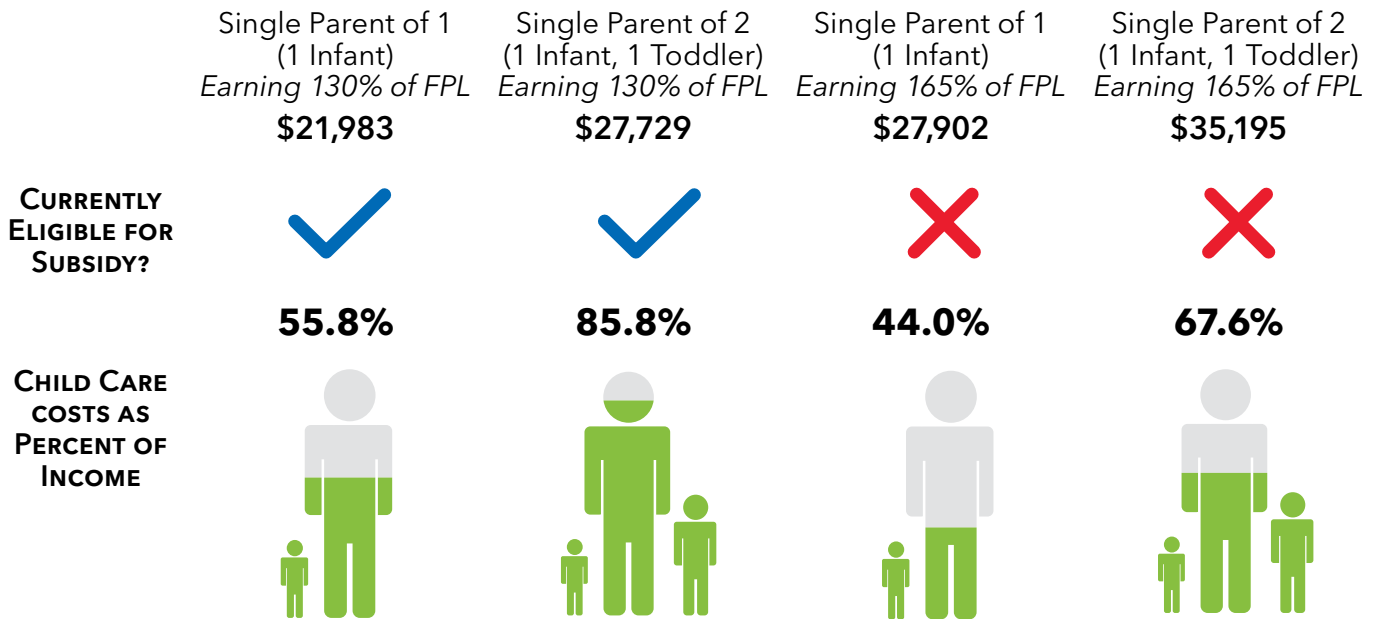
- 77% of Nebraska children have all available parents in the workforce;⁵
- 3% of Nebraskans are unemployed; and⁶
- 8% of Nebraska workers hold multiple jobs.⁷

But hard work doesn't always pay:

- 22% of Nebraska jobs are low-wage jobs;⁸
- 23% of Nebraska households have incomes that vary from month to month; and⁹
- 10,000 Nebraska workers earned minimum wage or less.¹⁰

Hard work should be enough to provide for those you love, but too often, families are forced to make tough decisions as wages stagnate and the cost of raising a family increases.¹¹ Child care costs can easily outweigh the paychecks offered by low-wage work, sometimes resulting in parents declining pay increases or extra hours. This is often referred to as the public assistance “cliff effect.” At a time when workforce shortages continue to hold the state economy back¹², Nebraska can’t afford to continue disincentivizing work for parents.

FIGURE 1. CHILD CARE COST BURDEN¹³



YOUNG CHILDREN MOST AT RISK

Young children are more likely to be living in poverty than any other age group in Nebraska and nationally. For parents of newborns, child care is not only costly, but often impossible to arrange for those who are unable to take parental leave. Due to state regulatory restrictions, licensed child care providers only provide care for infants that are six weeks or older, leaving many new parents in a lurch. New parents who can least afford to lose a paycheck are forced to either quit, take unpaid leave without a guarantee that they’ll be employed upon return, or to utilize unregulated caregiving arrangements.

Parents of infants and toddlers, who tend to be younger and early on in their careers, are often faced with a host of other barriers, including low-wage work, lack of access to paid leave to care for sick children, irregular work schedules, and household debt. Raising a young child without the practical and financial help of a partner is even more challenging—46% of single parents with a young child live in poverty. Single Black and Latina mothers, faced with compounding headwinds of race and gender disparities in the labor market, are even more likely to experience poverty when their children are under five years of age.¹⁴

This troublesome convergence of barriers to work, called “The Parent Trap” in one study, leaves families with young children especially vulnerable to poverty and unstable employment. Even after controlling for age, educational attainment, and race, the study found a significant and negative effect on income and work among families with young children that eases only when children reach school age.¹⁵

A WORKFORCE INVESTMENT: CHILD CARE ASSISTANCE

Families are eligible for a child care subsidy to offset costs if they need care for children age six weeks to age 12 for an average of less than 12 hours a day on a regular basis. Each parent or the usual caretaker must be employed or pursuing vocational, educational, or job-related activities in order to receive a subsidy.¹⁶

Families who are receiving cash assistance through the Aid to Dependent Children (ADC) program or earning up to 100% of the federal poverty level (FPL) are not required to contribute a copayment. Families earning more than 100% of FPL must pay a portion of their child care costs, which increases as their income rises.¹⁷

Families receiving a subsidy may choose from providers who are licensed, approved, or license-exempt by the state, which ensures that providers meet certain health and safety requirements. Payments are only made toward actual attendance. In cases where a licensed provider charges by enrollment only, payments can be made to providers for absences and enrollment fees.¹⁸

Once determined eligible, families can continue to receive the subsidy unless their child care needs change. Families must be redetermined to be eligible at least once every 18 months, but not more than once a year. At redetermination, up to 10% of a household's gross income may be disregarded.

If household income increases above 130% of FPL after a family has already been determined eligible at the initial stage, they may continue receiving a subsidy through Transitional Child Care (TCC). This allows families to continue receiving a subsidy for up to 24 consecutive months or until their income exceeds 185% of FPL.

PROGRAM FUNDING AND PARTICIPATION

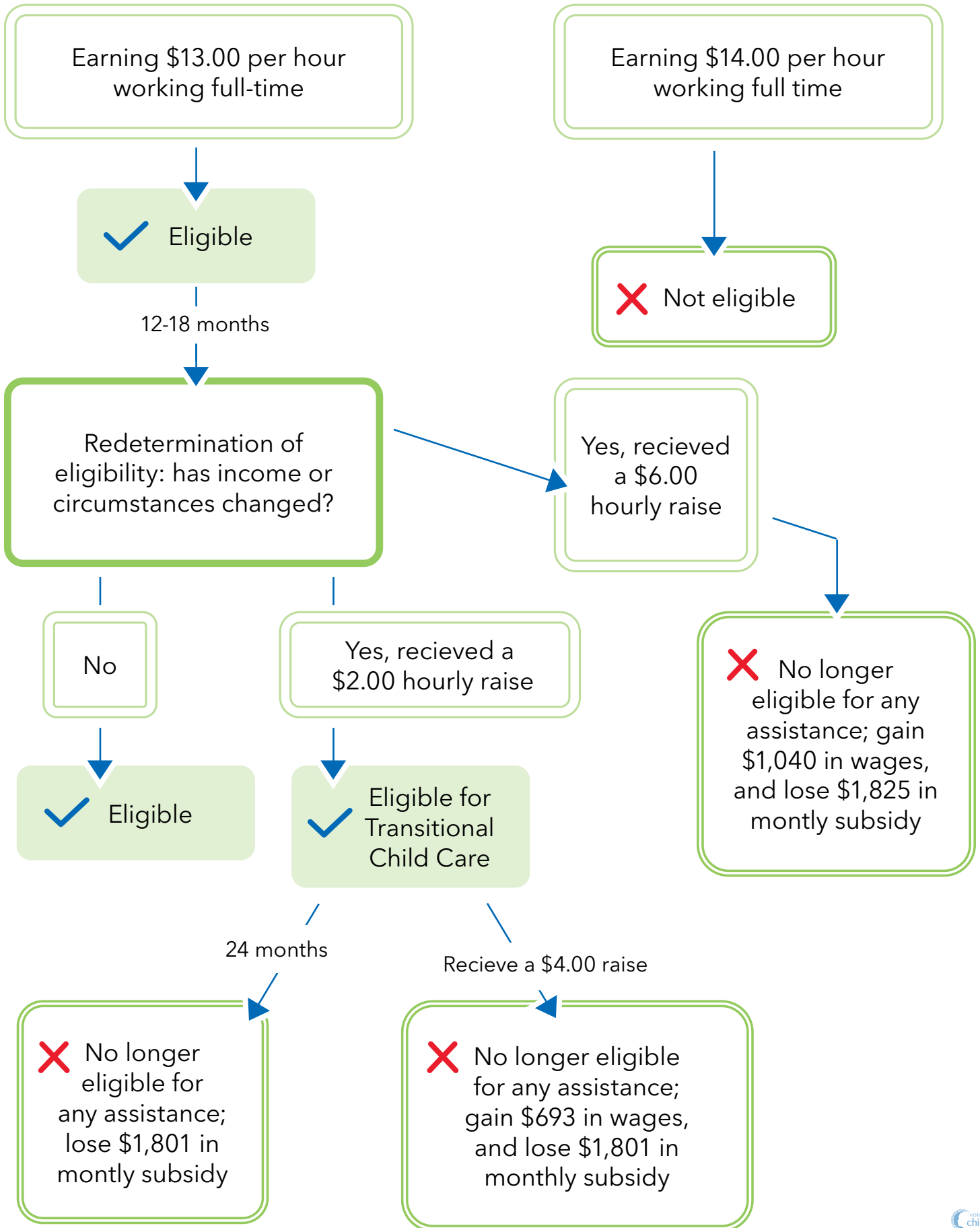
The largest source of funding for child care subsidies is the Child Care and Development Fund (CCDF). Federal funds are contributed in fixed amounts to the CCDF, and states contribute a maintenance amount of funding. Through this structure, states must comply with basic guidelines set forth by the federal government, but have considerable flexibility in administering the program, including setting income eligibility levels. In State Fiscal Year 2017, Federal Funds accounted for 40% (\$41,267,390) of child care subsidy expenditures. The program served a total of 29,860 children during the year, with an average annual subsidy payment of \$3,344 per child.¹⁹

FIGURE 2. CHILD CARE SUBSIDY PARTICIPATION BY INCOME RANGE (SFY 2017)

130% - 185% FPL	4,459
100% - 130% FPL	9,679
BELOW 100% FPL	23,828

NUMBER OF CHILDREN BY INCOME RANGE

FIGURE 3: SINGLE PARENT OF 2 (1 INFANT, 1 TODDLER) MONTHLY CHILD CARE COSTS FOR CENTER-BASED PROVIDER



BROKEN PROMISES TO WORKING PARENTS IN NEBRASKA

Nebraska has one of the lowest levels of initial eligibility for child care assistance in the country. A single parent of two working full-time earning an hourly wage of \$13.50 would not be eligible to receive child care assistance, even though home-based care for one infant would amount to more than a quarter of her income.²⁰

Eligibility for the program was previously set at 185% of FPL but in 2002, then-Governor Johanns line-item vetoed funding for the program, lowering eligibility to 120% of FPL. At the time, lawmakers promised that the cut was only temporary to help balance the state budget, but the program was never fully restored. Finally, in 2013, the Legislature raised eligibility to its current level at 130% of FPL, though still woefully out of pace with what families need.

The broken promise of 2002 had a lasting impact for many working families. The veto lowered eligibility drastically from \$27,787 to just \$18,312 for a family of three,²¹ at a time when average annual child care costs were \$4,420.²³ That same family can earn no more than \$27,729 in today's dollars to be eligible for assistance,²³ while center-based child care for a toddler averages at \$11,523 annually.²⁴

"DON'T GIVE ME A RAISE"

In listening sessions with Nebraskans, many parents expressed feelings of being trapped in a cycle of poverty that forces them toward bad outcomes at every turn. "The system is designed not to advance you, but to keep you stuck," a young Lincoln mother shared about her experience with losing access to child care assistance, "and you're just backtracking because as soon as you're starting to get ahead, you find out your income exceeds standards for this, this, and this."

"After I graduated with my bachelor's degree, I got a job, and I lost SNAP, Medicaid, and Title XX. All of it. [My salary] was not bad, but when you are in a one-income household...it was too much. That put me further in debt with credit cards. I had to use it to be able to survive."

When faced with a loss of child care assistance, a number of parents made difficult decisions that allowed them to make ends meet in the short-term—cutting back on hours, taking on debt, declining raises at work—but brought little long-term benefit. "I don't want to lose benefits, but I want to work more," said one mother, while another shared that after realizing she would lose her subsidy with a small increase in her wages, she returned to her boss and told him, "Don't give me a raise."

TOUGH COMPROMISES

In addition to reducing their hours at work or declining wages, many parents shared distressing compromises that they made in order to afford a safe and enriching place for their children while they worked. "I work a full-time job—I make \$13.29 an hour. I work a part-time job for two hours at \$26 a night," a single mother from Grand Island who lost her child care eligibility shared, "I hate to start a third job and take time away [from my son]. We only have the evenings together on the weekend. But it seems like when we get home, there's only time to eat and then take a bath and get ready for bed."

"The parents [I work with] are so overburdened and so overworked that they are incapable of focusing on the needs of their kids. They're not able to make sure that their kids are getting to school every day, or not hanging out with bad kids, or focusing on their relationship. So, there's fighting constantly. It's damaging to families, it's damaging to children's mental health, and eventually that damage will impact our society as a whole because you won't have a population of educated functioning adults."

- Social Worker from Grand Island

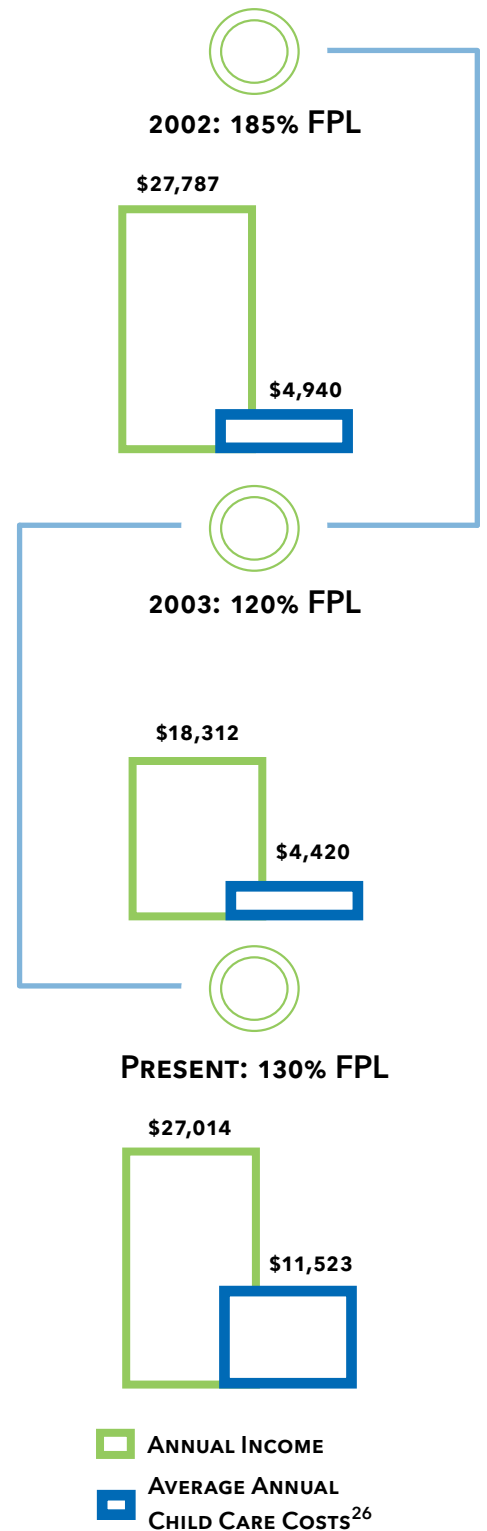
Another single mother, faced with losing her subsidy, made the decision to start working part-time, knowing she would be unable to afford quality child care on her full-time wages without assistance. "I wanted my son to be in a better environment, especially if I was going to be away for nine hours out of a day," she said, "I wanted him to be in an environment where he was really taken care of well and being stimulated and educated."

"You want to be able to spend time with your kids and be there for them, and not have to be somewhere for nine to ten hours every day. I like to be able to pick up my kids by four o'clock, you know what I mean? So that we can have the evening together."

FIGURE 4: THE BROKEN PROMISE OF 2002

A TIMELINE OF ELIGIBILITY FOR CHILD CARE ASSISTANCE

SINGLE PARENT OF TWO, DOLLAR VALUES IN CURRENT DOLLARS²⁵



OUTSIDE OF 9 TO 5

Many parents with lower-wage jobs also have unpredictable or irregular work schedules that create additional challenges to arranging child care. Parents who work on weekends or night shifts may find it impossible to find a safe and appropriate child care provider, as most facilities are only open during the regular work day. Left without many choices, parents are sometimes forced to seek alternative and potentially unsafe options for care.

"I work a lot of crazy hours. I don't work when all of the child care centers are open. I work in the evenings, I work on weekends, and I work when my families are available. In every job I've ever had, that's how it's been...except for when I worked in child care."

"AM I GOING TO MAKE IT?"

Child care affordability was often just one of the many sources of financial stress that parents were juggling. Housing and debt all weighed heavily on many parents. "When [the child care subsidy] goes away, you are not able to pay your rent," one Lincoln mother shared, "When you don't pay your rent, what are you going to do?" Many parents expressed hopes to save for the future—for emergency expenses, their children, for retirement. Although a number of parents had meticulous budgeting strategies, most felt that their goals were far out of reach, no matter how hard they worked: "You fix one problem, but then this other one pops up!"

The difficulty of living paycheck-to-paycheck, especially for single-parent families, is exacerbated by the slow pace of wages. "I've been at my job for seven years, and I've had a total of a \$1.30 [hourly] raise," explained one mother from Lincoln, who eventually went from full-time to part-time in order to remain eligible for her child care subsidy, "We're getting paid this amount of money but everything else is going up."

A number of parents described strategically cutting back hours at work to prevent the loss of child care subsidies, food assistance, or health care. One mother pointed out the bitter truth of such a decision: "Even when you work less hours and you have the benefit, when you're near retirement age, and you're going to get Social Security, that's going to impact how much you get back." With little room to take advantage of tax-deferred savings, such as retirement or educational accounts, the only relief in sight for some parents was counting down the days until their children became school-aged and would only require afterschool care.

CONCLUSION

From our continued conversations with Nebraska parents, it's clear that the aftermath of the broken promise of 2002 has had a lasting impact on family stability and workforce participation. In 2016, we released a similar report on the public assistance cliff effect, which included a survey of 296 Nebraska mothers from across the state. Nearly half of the surveyed participants reported facing the cliff effect, the majority of which strategized to prevent the loss of benefits, mostly by cutting hours at work.²⁷

These stories illustrate the overwhelming barriers that working parents in our state face as they struggle to find quality, affordable care for their children while they work. Policy changes that support parents in accessing child care as they work toward a better future for their children is good for kids, communities, and the state's workforce.

POLICY RECOMMENDATIONS

1. Raise the initial income eligibility level. Current state policy prevents many working parents from receiving the child care supports they need to fully participate in the workforce. Raising the initial income eligibility level to be in line with a wage that is family-sustaining ensures that parents are not forced to choose between advancing at work and affording safe and quality child care.

2. Increase flexibility for payment practices. Current state regulation provides some flexibility for parents with non-standard or unpredictable work schedules to use subsidies for in-home child care during the evening, overnight, weekend, or on holidays. To alleviate difficulties in arranging care during non-traditional hours, some states have created different payment structures for providers that operate during such times.

3. Strengthen complementary policies that support working parents. Access to paid family, medical, and sick leave is an essential support for working parents who cannot afford to take unpaid time off without worrying about losing their job. Especially for parents with young children, who are frequently sick as their immune systems develop, adequate time off eases the burden of finding an alternative arrangement when child care providers refuse sick children. Other strategies, such as food assistance or asset-building incentives, can also positively impact outcomes for children while supporting parents as they work toward financial stability.

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