Child Care Copayment Affordability Study:

Are Washington State's Child Care Copayments Reasonable and Affordable?

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December 1997

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Document No. 97-12-3301

Washington State Institute for Public Policy

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Current assignments include a wide range of projects in criminal justice, youth violence, social services, and K-12 education.

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The authors wish to thank the members of the Child Care Technical Advisory Committee for their many helpful questions and insights. The valuable contributions of time and effort by Marna Miller and Mark Gardner of the Department of Social and Health Services are also gratefully acknowledged. And, finally, thanks to Debra Fabritius for her support and diligence in bringing together the final draft of this report.

FIGURES AND TABLES

EXECUTIVE SUMMARY

The Washington State Institute for Public Policy was directed in EHB 3901 to conduct a study of reasonable, affordable child care copayments that are realistic for low-income families. The Institute was also asked to review the child care copayment schedules of other jurisdictions and to model the economic impact of child care copayments on low-income families.

Washington State's new child care copayment schedule became effective on November 1, 1997. The new schedule is the result of the same legislation that created WorkFirst, the state's response to the Personal Responsibility and Work Opportunity Act (PL104-193). The employment emphasis of WorkFirst makes the state's child care subsidy program a critical element of welfare reform.

Highlights

- Three guidelines were developed specifically for this report. They take into account the following factors: (1) a consideration of the limited resources available to some families, (2) data on typical child care expenditures, and (3) the policy goal of making work pay. These guidelines help define an affordable copayment schedule (an answer of ***no*** to any guideline indicates the schedule may be problematic):

  - Does the copayment schedule recognize that below a minimum income copayments may compete with expenditures on basic necessities such as shelter, utilities, or transportation?

  - Is the maximum copayment (representative of what families with similar incomes spend on child care) at or below 12 percent of family income?

  - When a family's earned income increases, does the copayment schedule avoid reductions in the family's total resources?

- When measured against these affordability guidelines, Washington's copayment schedule appears to be, for the most part, reasonable and affordable. However, some areas may be problematic:

  - The $10 minimum copayment may not be realistic for some families with total resources below the Federal Poverty Level (FPL).

  - Some copayments may be slightly higher than what the U.S. Census shows as typical expenditures on child care. A few families may spend up to 13.1 percent of their incomes on copayments. Nationally, similar families spend an average of 12 percent of their incomes on child care.

  - When their incomes exceed 175 percent of FPL, a few families may encounter rapid increases in child care copayments as they take on the full costs of child care.

- Washington's copayment schedule was compared with the copayment schedules of 28 other states:

  - The beginning and ending points of Washington's schedule *are similar to most of the other states surveyed*.

  - Washington State families with gross incomes between 100 and 145 percent of the FPL pay *lower* copayments than would similar families in most of the other states surveyed.

- A micro-simulation model was developed to test the interactions of state and federal policy decisions on family resources. As income changes, food stamps, TANF, earned income tax credit, tax burden, and child care copayments also change. The model calculates the total resources available to a hypothetical family for any level of income and for different child care copayment scenarios. Graphs and tables generated by the model help demonstrate the effect a given copayment schedule might have on a family's total resources.

  Although developed specifically for this copayment study, the model can be applied to a range of other issues regarding low-income families. The Institute will provide copies of the model upon request and through its web site: http://www.wa.gov/wsipp.

- Research Recommendations: The introduction of Washington State's new child care copayment schedule and similar changes to the schedules in other states provide an opportunity for data collection and research that will shed light on the effects of copayments on clients and providers. Several issues stand out as deserving particular attention:

  - *Demand for Subsidized Care:* The relationship among the child care market, copayments, and income eligibility limits on the demand for subsidized child care.

  - *Quality and Characteristics of Subsidized Care:* The effect of copayments and the income eligibility limit on the type and quality of child care used by parents: hours in care; choice of centers, family homes, in-home care, relatives, or illegal care; and number and age of children in care.

  - *The Supply of Subsidized Care:* The effect of copayments on the willingness and ability of providers to offer services to TANF and other low-income families receiving assistance.

  - *What Happens When the Subsidy Ends:* The child care arrangements of families who leave the state's child care subsidy programs compared with those still on assistance and those in the general population.

INTRODUCTION

In 1997, the Washington State Institute for Public Policy was directed in EHB 3901 to conduct a study of reasonable, affordable child care copayments that are realistic for low-income families, to review the child care copayment schedules of other jurisdictions, and to model the economic impact of child care copayments on low-income families.

The focus of this review is the state's copayment schedule which became effective on November 1, 1997. The new schedule is the result of the same legislation that created WorkFirst, the state's response to the Personal Responsibility and Work Opportunity Act (PL104-193).

The *Child Care Copayment Affordability Study* addresses the following:

- An *overview* of the state's child care programs for low-income families and how child care is subsidized is presented in Section 1.
- Section 2 provides a *comparison* of the copayment schedule for Working Connections with schedules in use prior to November 1997. Working Connections is Washington State's child care subsidy program for low-income families.
- In Section 3, the copayment schedules of 28 *other states* are compared with Washington's copayment schedule.
- Guidelines to assess the *affordability* and *reasonableness* of child care copayment schedules are described in Section 4.
- A *micro-simulation model* demonstrating the economic impact of alternative copayment schedules on families using subsidized child care is presented in Section 5.
- And Section 6 provides *observations* of Washington's current child care copayment schedule in light of interactions between child care copayments and all other client resources.

Several related child care issues are not addressed in this report. First, subsidy rates, the upper limit on the state's contribution to subsidized child care, are only briefly discussed. While they are critical to the program, subsidy rates are virtually unrelated to the parent copayment amount and have no bearing on affordability. Second, the effect of copayments on the supply and demand of subsidized child care is not part of this analysis. Because the program is new, the behavioral responses of families toward work requirements and copayments is largely unknown. Similarly, little is known about how this change in copayments may impact the willingness of providers to supply care to subsidized clients.

SECTION 1: CHILD CARE ASSISTANCE PROGRAMS IN WASHINGTON STATE

For each month in 1997, Washington State subsidized all or part of the cost of child care for approximately 40,000[1] children under 13 years of age in roughly 23,500 families. The state subsidizes child care for qualified families by making direct payments either to licensed child care providers or to parents when the child care is provided at home.

A majority of the state's subsidized child care is administered through the Economic Services Administration (ESA) of the Department of Social and Health Services (DSHS). Before WorkFirst[2] was enacted, ESA administered three distinct child care programs: Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills (JOBS), and Transitional Child Care (TCC). All other child care programs were administered separately through the Division of Children and Family Services (DCFS), the Division of Alcohol and Substance Abuse (DASA), and the Department of Community, Trade and Economic Development (CTED). The Office of Child Care Policy in DSHS coordinates child care policy among the separate divisions and departments.

In 1997, federal welfare reform ended the entitlement for all ESA child care programs. As part of the state's implementation of its welfare reform, the Legislature decided to create one child care program for low-income families: *Working Connections*. Working Connections provides financial assistance to families who would have previously been subsidized through AFDC, JOBS, or TCC. Working Connections also serves families who would previously have been subsidized through the DCFS state-funded program, Employment Child Care (ECC).[3] To qualify for a Working Connections child care subsidy, a parent (both parents if a two-parent family) must be in an approved activity[4] and have a gross income at or below 175 percent of the Federal Poverty Level (FPL).

Between 1985 and 1997, the average number of children served each month by the state's child care subsidy programs more than quadrupled. Expenditures grew over eight-fold. (Changes in the way the state compensated child care providers contributed to the increase in costs relative to the increase in cases.) Figures 1 and 2 on page 3 show the average number of children in subsidized care each month and the total direct subsidy expenditures for the last six biennia.

The work requirements imposed by welfare reform greatly increase the number of families for whom child care is now necessary. For the 1997-99 biennium, the state budgeted over $350 million to pay for child care subsidies. The appropriations for all the state's child care programs are summarized in Table 1.

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[1] Analysis of 1997 Social Service Payment System data, DSHS Research and Data Analysis. About 3.6 percent of children under the age of 13 receive state subsidized child care.
[2] WorkFirst is Washington State's Temporary Assistance for Needy Families (TANF) program, developed in reaction to federal block granting of income assistance programs.
[3] The ECC program subsidized child care of low-income, working parents who were at risk of becoming dependent on AFDC.
[4] Approved activities may include subsidized or unsubsidized employment, vocational education, working toward a GED, WorkFirst orientation, job search, or community service.

All child care subsidy programs in Washington State use the same provider reimbursement rates and fall under the same regulatory authority. Working Connections is by far the state's largest child care subsidy program. It is one of only two programs that require a copayment for all families and is the only program explicitly designed to meet the child care needs of low-income and WorkFirst clients.[5] Therefore, this study focuses on the possible experiences of WorkFirst and other low-income families using Working Connections child care.

Table 1

The 1997-99 Budget for Washington State Child Care Programs

	1997-99 Biennium	Percent of Grand Total
Economic Services Child Care		
Working Connections	$318,064,000	78.9%
Field Support	$18,642,160	4.6%
Headquarters	$2,243,602	0.5%
Economic Services Total	*$338,949,762*	*84.0%*
Children's Administration Child Care		
CPS/CWS* Child Care	$18,813,430	4.7%
Seasonal Child Care	$13,786,000	3.4%
Teen Parent Child Care	$4,250,410	1.1%
Interagency Child Care	$6,750,000	1.7%
Homeless Child Care	$1,158,000	0.3%
Child Care Training	$1,410,000	0.3%
Community Block Grants	$500,000	0.1%
Resource and Referral	$2,645,000	0.7%
Child Care Quality	$2,533,000	0.6%
Field Staff	$10,301,653	2.6%
Headquarters	$1,900,032	0.5%
Children's Administration Total	*$64,047,525*	*16.0%*
Grand Total	**$402,997,287**	**100.0%**

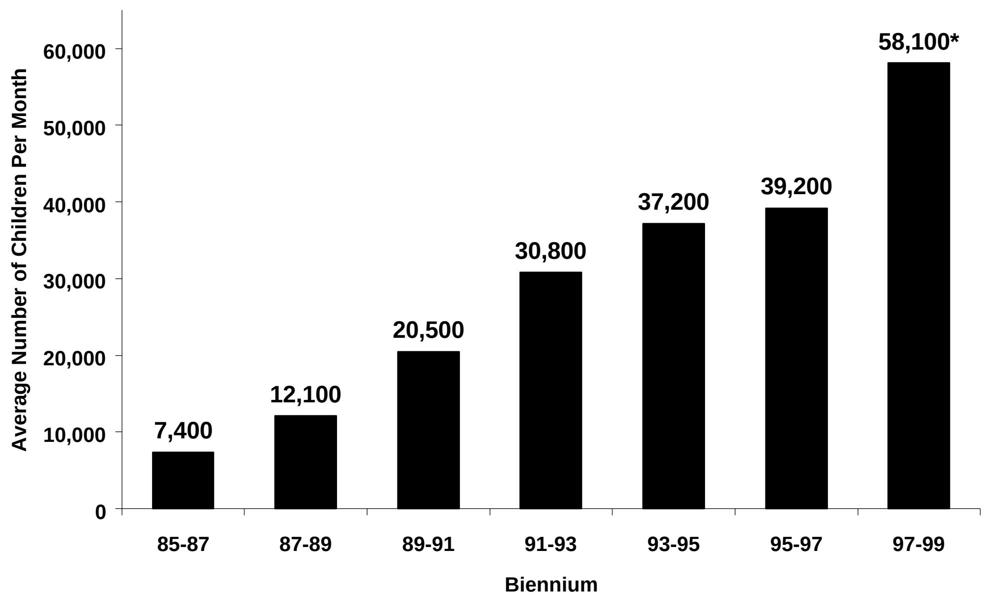
Source: Washington State DSHS Budget Office.

*Child Protective Services/Child Welfare Services

[5] The DCFS Seasonal Child Care program, which serves low-income seasonal workers, also requires copayments.

Figure 1

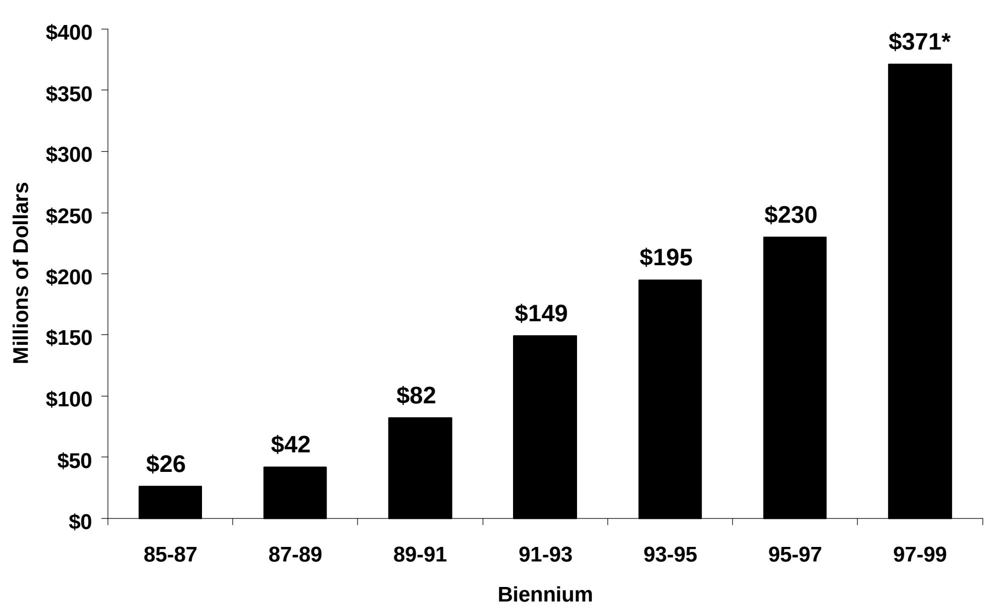
Average Number of Children Served Per Month by Washington State Child Care Subsidy Programs



**Based on the 1997-99 total budget for child care subsidies divided by an estimate of the average cost of care.*
Source: DSHS Research and Analysis. Does not include foster, homeless, DASA, or First Steps child care.

Figure 2

Total Expenditures on Child Care Subsidies in Washington State (Dollars Not Adjusted for Inflation)



**Budgeted*
Source: DSHS Research and Analysis. Does not include foster, homeless, DASA, or First Steps child care.

How Child Care Is Subsidized

Two sources of compensation exist for providers who care for children in Working Connections: the *parent copayment* and the *state's contribution*. The amount of the parent copayment is discussed in the next section. The state's contribution to child care costs is determined as follows.

The state subsidizes child care by paying a participating child care provider its usual and customary rate *minus* the parent copayment amount. There is, however, an upper limit on the total amount the provider may receive. If a provider's customary rate is greater than this limit, the state's contribution equals the upper limit minus the parent's copayment. If the provider's customary rate is less than the upper limit, the state's contribution equals the provider's customary rate minus the parent's copayment.

For licensed child care, the state sets its maximum subsidies at the 59th percentile[6] of market rates for a given category and location (Table 2) of care. According to federal regulations regarding the Child Care Development Fund (CCDF), states are free to set their own maximum subsidies, granted they provide parents equal access to a full range of child care options. Unlicensed, in-home care[7] is subsidized at $1.91 per hour for the first child minus the parent copayment. In all cases, the larger the parent copayment, the smaller the state's contribution to child care costs.

The maximum amount (the state contribution plus the parent copayment) any provider may receive per month for any category of licensed child care is shown in Table 3. For example, consider an infant in Region 1 who receives full-time care in a center. In that case, the most a provider may receive for child care is $416 per month. In Region 3, the maximum amount a family-home provider may receive for a school-age child in full-time care is $374 per month.

When a client is authorized for a child care subsidy, the parent copayment is calculated and subtracted from the total cost of authorized care. The remainder is the state's subsidy amount, which the state sends directly to the provider. The state takes no part in the copayment. In the case of unlicensed, exempt in-home care—when an unrelated adult provides child care in a parent's home—the state sends the state's contribution to the parent.

Table 2

Counties Located Within DSHS Regions

REGION	COUNTY
REGION 1	Adams, Chelan, Douglas, Ferry, Grant, Lincoln, Okanogan, Pend Oreille, Spokane, Stevens, Whitman
REGION 2	Asotin, Benton, Columbia, Franklin, Garfield, Kittitas, Walla Walla, Yakima
REGION 3	Island, San Juan, Skagit, Snohomish, Whatcom
REGION 4	King
REGION 5	Kitsap, Pierce
REGION 6	Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania, Thurston, Wahkiakum

[6] The percentile used to set the maximum rates depends upon expected caseloads, market rates, and the state's budget for subsidies. Previously, federal regulations required states to set the maximum at the 75th percentile.
[7] Child care provided in the parent's or an unlicensed relative's home. The state pays $0.95 per hour for each additional child in in-home care.

Table 3
Maximum DSHS Child Care Subsidy Rates
Effective November 1, 1997

Center Care

Full-Time: Dollars per Month

	DSHS Regions					
Age Group	**1**	**2**	**3**	**4**	**5**	**6**
Infant	$416	$435	$576	$700	$500	$504
Toddler	375	370	492	555	410	440
Preschool	340	330	427	479	374	380
School-age	330	302	361	450	340	352

Part-Time:* Dollars per Hour

	DSHS Regions					
Age Group	**1**	**2**	**3**	**4**	**5**	**6**
Infant	$3.20	$3.50	$4.30	$5.00	$5.00	$4.75
Toddler	2.75	3.00	3.60	4.00	3.50	3.00
Preschool	2.51	2.72	3.25	4.00	3.00	2.75
School-age	2.51	2.68	3.10	3.50	3.00	2.24

Family Home Care

Full-Time: Dollars per Month

	DSHS Regions					
Age Group	**1**	**2**	**3**	**4**	**5**	**6**
Infant	$366	$352	$528	$559	$396	$440
Toddler	330	330	449	534	396	418
Preschool	330	330	400	484	374	352
School-age	308	286	374	418	330	330

Part-Time:* Dollars per Hour

	DSHS Regions					
Age Group	**1**	**2**	**3**	**4**	**5**	**6**
Infant	$2.64	$2.13	$3.00	$4.17	$3.13	$2.86
Toddler	2.00	1.88	2.50	3.50	2.50	2.40
Preschool	2.00	2.00	2.50	3.00	2.00	2.25
School-age	2.00	2.00	2.67	2.92	2.60	2.40

Source: DSHS Research and Data Analysis, 1996 Surveys of Child Care Centers and Homes

*Part-time care is defined as less than 30 hours per week.

SECTION 2: WASHINGTON STATE'S CHILD CARE COPAYMENT SCHEDULE

The monthly copayment—the parent's share of the authorized child care cost—is based solely on family income and family size. Prior to November 1997, copayment schedules also varied with each child care program. Parents faced different copayments depending on whether they used AFDC or JOBS child care, TCC, or ECC. In 1997, changes in federal funding eliminated the distinctions between these programs.

The following table provides a comparison of the Working Connections copayment schedule with those used in the now defunct AFDC, JOBS, TCC, and ECC programs.[8]

Table 4

Washington State Child Care Monthly Copayment Schedules: Previous Programs Compared With Working Connections

(Based on a Family of Three)

	Copayment Schedules for Previous Programs			**Working Connections**
Monthly Income	AFDC/JOBS Copayment	Transitional Copayment	Employment Copayment	New Copayment
$400	$0	$5	$1	$10
$600	$0	$5	$1	$10
$800	$0	$5	$1	$10
$1,000	Ineligible	$5	$1	$20
$1,200	Ineligible	$5	$1	$20
$1,376	Ineligible	$25	$31	$28
$1,400	Ineligible	$31	$43	$37
$1,500	Ineligible	$56	$93	$77
$1,600	Ineligible	$81	$143	$117
$1,700	Ineligible	$106	$193	$157
$1,720	Ineligible	$111	$203	$165
$1,800	Ineligible	$131	Ineligible	$197
$1,900	Ineligible	$156	Ineligible	$237
$1,944	Ineligible	$167	Ineligible	$254
$2,000	Ineligible	$181	Ineligible	Ineligible
$2,046	Ineligible	$192	Ineligible	Ineligible

[8] The methods for calculating the child care copayment amounts are described in Appendix B.

By comparison, the Working Connections copayment schedule is not a radical departure from previous policy. However, Table 5 shows some of the key differences.

Table 5

Comparisons of Working Connections With Previous Child Care Programs

	WORKING CONNECTIONS	ECC	TCC	AFDC/JOBS
MAXIMUM ELIGIBLE INCOME	175% FPL	162% FPL	Variable*	87% FPL
MINIMUM COPAYMENT	$10	$1	$5	$0
COPAYMENT AT 162% FPL (THREE-PERSON FAMILY)	$165	$203	$111	Ineligible
TIME LIMIT	None	None	12 months	None
WHO IS ELIGIBLE	All Families	All Families	Families Leaving AFDC	Families Receiving AFDC

*Families in TCC remained eligible until the copayment equaled the full cost of care.

Income Eligibility Limits. Working Connections has a slightly higher income eligibility limit than the former ECC program. Under ECC, a three-person family with income less than $1,800 per month qualified for child care assistance. Under Working Connections, this family's income eligibility limit is $1,944 per month. Only families leaving AFDC were eligible for TCC, meaning the income eligibility limit for *enrolling* in TCC was effectively the same as the income level that qualified for a welfare grant. No maximum upper eligibility limit existed for TCC because once a family became eligible, it remained so until the copayment equaled the full cost of care.

Changes in Copayments. The distribution in Figure 3 is *hypothetical*. It illustrates what may happen if families formerly using AFDC or JOBS child care, TCC, or ECC moved directly onto Working Connections. In reality, the process happens gradually as some families are reauthorized for subsidized child care and others leave the program. The distribution of clients at various copayment amounts will also change as a result of new work requirements under WorkFirst, time limits, and changes in copayment amounts.

If all the families who were in the previous child care system (AFDC/JOBS, TCC, ECC)[9] were moved directly into Working Connections, their copayments would change as follows: 50 percent (previously AFDC/JOBS clients) would see their copayments increase from $0 per month to $10 per month. Twenty-two (22) percent (previously ECC clients) would have their copayments increase from $1 per month to $10 per month. Twelve (12) percent (formerly TCC clients) would have their copayments increase from $5 per month to $10 per month.

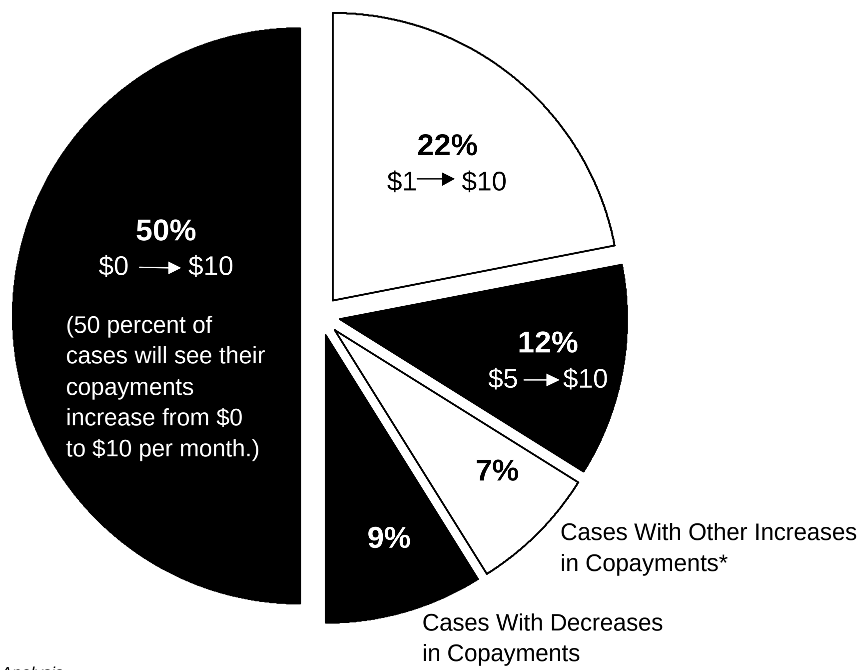
[9] Based on the fiscal year ending June 1997.

Of the families previously in TCC and ECC who paid higher-than-minimum copayments, those formerly using TCC will see their copayments increase with Working Connections, while those formerly using ECC will experience a decrease.

Figure 3

Percent of Cases Experiencing Changes in Monthly Copayments Due to the Advent of Working Connections

(Based on prior distribution of AFDC/JOBS, TCC, and ECC cases)



WSIPP 1997

Source: DSHS Research and Data Analysis

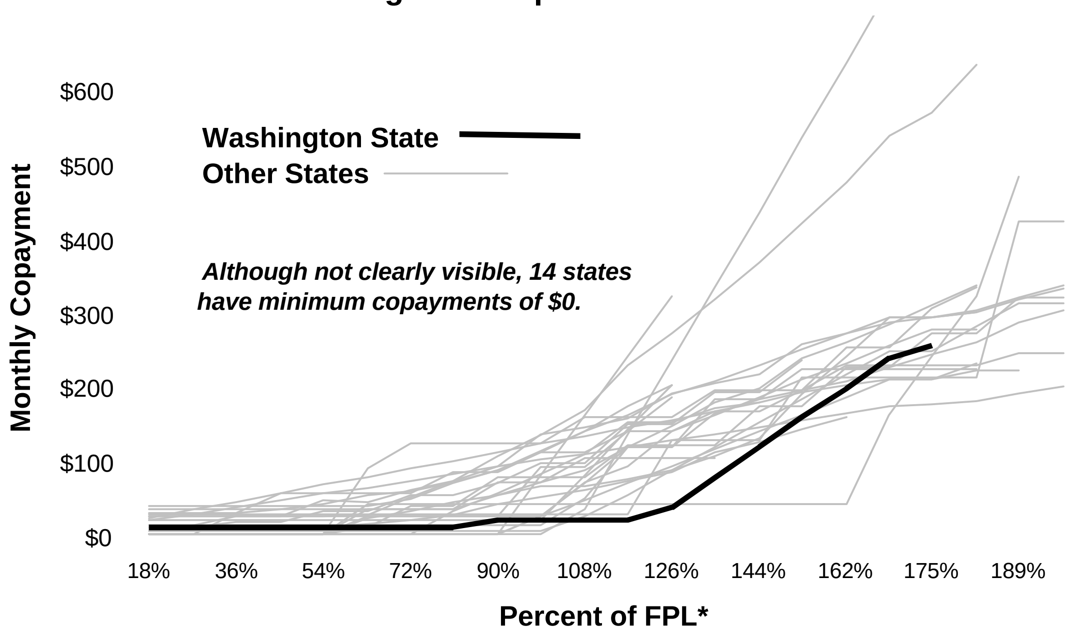
** Approximately 5 percent of these families would no longer be eligible for a child care subsidy.*

SECTION 3: OTHER STATES' COPAYMENT SCHEDULES

All 50 states were asked to provide information about their child care copayment schedules. Twenty-eight states responded with information on their sliding fee scales. Figure 4 compares Washington with other states to show how a hypothetical family's copayment changes with income.[10] Washington is represented by a thick black line while other states surveyed are represented by thin gray lines. Though similar to other states at the beginning and end of the distribution, Washington's copayment is considerably lower at income levels between 100 and 145 percent of FPL.

Figure 4

Child Care Copayment Schedules for Three-Person Families: Washington Compared to Other States



WSIPP 1997

** Data points correspond to gross monthly income in increments of $100. See Appendix A for data.*

Table 6 shows how Washington State's copayment schedule compares with the schedules of 28 other states based on the following selected characteristics:

- **Minimum Copayment.** Fourteen states do not require copayments of TANF recipients. Seventeen states have minimum copayments that are less than Washington's.
- **Copayment at 100 percent of FPL.** Washington has the fourth least expensive copayment at this level of income.
- **Copayment at 175 percent of FPL.** Washington's copayment places it in the middle of the distribution of states that subsidize child care at this income level.
- **Income limit.** Eighteen states have higher eligibility limits than Washington.

[10] The basis for comparison was a single parent with two preschoolers in full-time, licensed child care.

Table 6[11]

Child Care Copayment Schedule Characteristics: State-by-State Rankings
(Based on One Parent With Two Children)

Minimum Copayment			Copayment at 100% FPL			Copayment at 175% FPL			Income Limit as % of FPL		
Rank	State	Copay	Rank	State	Copay	Rank	State	Copay	Rank	State	Copay
1	Alabama*	$0	1	South Dakota	$0	1	South Carolina	$95	1	Alaska**	287%
2	Arizona*	$0	2	Montana	$5	2	North Carolina	$175	2	Massachusetts	249%
3	Arkansas	$0	3	Nebraska	$12	3	Indiana	$207	3	Maine	234%
4	Indiana	$0	**4**	**Washington**	**$20**	4	Oklahoma	$209	4	North Dakota	220%
5	Iowa	$0	5	Wyoming	$20	5	Alaska	$210	5	Wisconsin	217%
6	Kentucky	$0	6	Indiana	$23	6	Kansas	$223	6	North Carolina	211%
7	Massachusetts*	$0	7	Iowa	$23	7	North Dakota	$228	7	Georgia	210%
8	Michigan*	$0	8	Kansas	$24	8	Michigan	$240	8	Alabama	200%
9	Missouri	$0	9	Alaska	$25	9	Georgia	$241	9	Michigan	195%
10	North Dakota*	$0	10	Michigan	$40	10	Alabama	$247	10	Florida	185%
11	Oklahoma	$0	11	South Carolina	$43	**11**	**Washington**	**$254**	11	Indiana	185%
12	South Dakota	$0	12	Mississippi	$50	12	Massachusetts	$271	12	Kansas	185%
13	Texas*	$0	13	Alabama	$65	13	Iowa	$276	13	Montana	185%
14	Virginia*	$0	14	Georgia	$69	14	Maine	$292	14	Nebraska	185%
15	Montana	$5	15	Arizona	$69	15	Montana	$292	15	Oklahoma	185%
16	Maine	$6	16	Massachusetts	$77	16	Wisconsin	$292	16	Oregon	185%
17	Illinois	$9	17	Arkansas	$80	17	Florida	$304	17	South Dakota	185%
18	Mississippi	$10	18	Oklahoma	$81	18	Nebraska	$308	18	Iowa	182%
19	**Washington**	**$10**	19	Missouri	$92	19	Oregon	$566	19	South Carolina	175%
20	Nebraska	$12	20	Illinois	$95	20	South Dakota	$777	**20**	**Washington**	**175%**
21	North Carolina	$18	21	North Carolina	$100	21	Arizona	*Ineligible*	21	Mississippi	165%
22	Wyoming	$20	22	Kentucky	$109	22	Arkansas	*Ineligible*	22	Illinois	164%
23	Kansas	$24	23	Florida	$110	23	Illinois	*Ineligible*	23	Virginia	162%
24	Oregon	$25	24	Virginia	$111	24	Kentucky	*Ineligible*	24	Texas	150%
25	Alaska	$25	25	Wisconsin	$112	25	Mississippi	*Ineligible*	25	Arkansas	138%
26	South Carolina	$26	26	Texas	$122	26	Missouri	*Ineligible*	26	Arizona	135%
27	Florida	$28	27	North Dakota	$123	27	Texas	*Ineligible*	27	Kentucky	135%
28	Georgia	$34	28	Maine	$133	28	Wyoming	*Ineligible*	28	Missouri	133%
29	Wisconsin	$39	29	Oregon	$135	29	Virginia	*Ineligible*	29	Wyoming	133%

* Free for TANF families
** Alaska has a higher FPL

[11] Appendix A contains a table showing all of the states' copayment schedules for a three-person family.

SECTION 4: AFFORDABILITY GUIDELINES

Affordability is an elusive concept that cannot be addressed by traditional economic analysis alone. Economics essentially tells us that what is purchased is affordable. Therefore, an affordable copayment should reflect *typical expenditures* on child care. This is an adequate solution for some families, but it does not consider the constraints faced by poorer families who may barely be able to meet their basic necessities. Research on poverty measurement and family budgets identifies *minimum incomes* below which some families cannot afford to purchase basic necessities—or, perhaps, a child care copayment.

A reasonable copayment schedule will have affordable beginning and ending points and a smooth transition between the two. A smooth transition means there is a *marginal benefit* to increased work effort, or at the least, a family is not made worse off when it increases its income. In brief, this study uses three approaches to help define affordability and reasonableness:

- *Minimum Income Approach:* This approach acknowledges there is a minimum income below which a copayment may force untenable tradeoffs among basic necessities such as shelter, utilities, and transportation.

- *Typical Expenditures Approach:* With this approach, affordability is defined by what people actually pay for child care. It assumes that if families purchase child care, then it must be affordable.

- *Marginal Benefit Approach:* As income grows, any unreasonably large increases in copayments that result could make a family worse off and may discourage work effort. This approach emphasizes a smooth transition of copayments from the lowest to the highest eligible incomes.

Based on these approaches, three guidelines are proposed to construct an affordable copayment schedule. Each guideline is posed as a question. An answer of ***no*** to any guideline indicates the copayment schedule may not be affordable.

1. ***Does the copayment schedule recognize that below a certain minimum income copayments may compete with expenditures for basic necessities such as shelter, utilities, or transportation?***

The first guideline is based on the minimum income approach to affordability and establishes a *beginning point* for an affordable copayment schedule.

Evaluating the affordability of a child care copayment is not the same as estimating the value of child care. Economists can easily accomplish the latter by looking at what other goods and services people are *willing* to forgo in exchange for child care. At extremely low levels of income, however, the other goods and services are shelter, utilities, transportation, and other basic necessities which may be extremely difficult to forgo.

For an example of the budget constraints some families face, consider an unemployed mother of one who is in a WorkFirst activity requiring child care. Her food stamps cover the cost of food. She also receives $440 in TANF each month with which she pays for shelter, utilities, transportation, and other basic necessities such as laundry. A typical one-bedroom apartment with utilities costs $469.[12] Unless this family has access to considerably less expensive housing or cuts back on other basic necessities, it is unlikely it will have any money left at the end of the month with which to make a copayment.

Requiring a copayment from families with constrained budgets is not solely an issue of fairness or compassion for Working Connections clients. The potential impact on child care providers is a point of concern for the provider community, child care experts, and program managers. If a family does not have $10 left with which to make a copayment, providers who care for the children of WorkFirst clients risk having their monthly revenues reduced by the amount of the child care copayment (an amount the state would have paid if there were no copayment). This loss of revenue may affect the willingness of some providers to care for children from these families.

Perceived Benefits of a Minimum Copayment. The debate about minimum copayments often includes discussion regarding the perceived value of a copayment for a client. Some claim that families benefit by making a copayment: people place greater value on that for which they pay, copayments prepare the family for the realities of employment, and copayments also foster responsibility. However reasonable these assumptions, they have yet to be measured and may have a downside. For example, if minimum copayments are extremely low (e.g., $1 per month), clients may see them as more of a nuisance than an obligation. (There is anecdotal evidence that the $1 copayments of the previous ECC program frequently went unpaid.) It is doubtful that providers will place great emphasis on whether or not they receive a $1 copayment. However, if larger minimum copayments go unpaid, providers may become less willing to care for Working Connections clients.

A statewide survey of providers, to be conducted by DSHS, is scheduled for the spring of 1998. The study will determine how consistently clients make copayments and how copayments affect the willingness of providers to care for subsidized children. Even when this information is available, a reasonable affordability guideline must still consider the income constraints of the poorest families.

Identifying a minimum income standard. Most people agree there is a minimum standard of living below which families cannot meet basic necessities. However, it is difficult for people to agree on what goods and services constitute the basic necessities of life. Such standards change over time and differ from region to region. Even in the same city, attitudes and opinions about what is *necessary* will lead to different estimates of what constitutes a basic level of income. Still, one cannot address the issue of affordability without acknowledging that such a minimum living standard exists.

The choice of a minimum income standard is arguably an arbitrary one. A number of measures are available, three of which are the FPL, some fraction of the state's median

[12] Typical cost is the state median fair market rent for a one-bedroom apartment according to Housing and Urban Development's *1996 Fair Market Rents for Washington State Counties and Metropolitan Areas*. Utility costs are taken from the utility component of the Washington State Need Standard.

income (SMI), and the Washington State Basic Need Standard. These standards are compared in Table 7.[13] While a strong case can be made for any of these standards, the FPL's currency and familiarity make it a practical choice.[14]

Table 7
Measures of Minimal Income: 1997

Family Size	Federal Poverty Level	35 Percent of State Median Income	Washington State Need Standard
1	$658	$749	$788
2	$884	$980	$996
3	$1,111	$1,211	$1,233
4	$1,338	$1,442	$1,450
5	$1,564	$1,672	$1,670
6	$1,791	$1,903	$1,896

Sources: Washington State Economic Services Administration;
Federal Register, Volume 62, No. 46, March 10, 1997.

It is not the purpose of this report to define a level of income necessary to provide a family with its basic necessities. Instead, an affordability guideline is proposed which states that a copayment may be problematic for some families with very low incomes. A few alternative minimum income standards have been presented that policymakers may want to consider.

However, for the sake of discussion, the FPL is the minimum income standard used in this report. Using this standard suggests that families with *total resources*[15] below the FPL cannot afford any copayments.

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[13] The U.S. Department of Agriculture developed the FPL in the early 1960s. Originally derived from research on food costs and household budgets, it has since been updated for inflation. The SMI is published yearly by Washington State's DSHS Budget Division. Any fraction of SMI may be an alternative to the FPL (the choice of percentage is not determined by any scientific methodology). The Basic Need Standard is the Washington State Department of Social and Health Service's estimate of the cost of maintaining a minimally adequate standard of living. It was last updated in 1990 and is adjusted for inflation annually.

[14] Many analysts as well as the originator of the FPL consider it to be an inadequate guideline for a minimal family budget. When the FPL was developed in the 1960s, surveys showed that the average family spent about one-third of its income on food. The FPL was set at three times the USDA's Thrifty Food Plan, a diet considered inadequate to fulfill long-term nutritional requirements. Now, families spend about one-fifth of their income on food. Given the FPL's inadequate base and its lack of adjustment for medical costs, many analysts have proposed a revision upward, with amounts ranging from 150 percent to 200 percent of the existing FPL. For further reading on this topic see Patricia Ruggles, *Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy*, Washington, DC: Urban Institute Press, 1990.

[15] Total resources are the sum of all income including TANF, food stamps, and the earned income tax credit. For a family who takes advantage of these supports, total resources (and benefits) equal 100 percent of FPL when wage income is equal to approximately 22 percent of FPL.

2. Is the maximum copayment at or below 12 percent of a family's gross income?

The second guideline is based on the typical expenditures approach to affordability. This relies on data about what families actually spend on child care.

Another way to judge the affordability of a copayment is by comparing it to typical family expenditures on child care. After all, it seems reasonable to suggest that a family subsidized by taxpayers pay proportionally as much of its income for child care as other families with the same income. Table 8 summarizes the average weekly child care expenses of families with children aged five and under.[16] Poorer families, families on public assistance, and single-parent families tend to spend less on child care than do wealthier families, but their child care expenses consume a larger share of their total incomes.

The typical expenditure approach is of little use in evaluating affordability for families with resources below the FPL. As proposed in the first guideline, some families who cannot meet their basic necessities may not be able to make any copayment. Additionally, if families cannot afford child care at any cost, they are not represented in the data that generate average expenditures on child care; these data describe the average cost of child care for families who can *afford* child care. Nevertheless, the maximum copayment for families at higher income levels (above the FPL) should reflect typical family expenditures on child care. According to the U.S. Census (Table 8), families with monthly incomes from $1,200 to $2,999 spend an average of 12 percent of their income on child care. Most of the families in Working Connections who have resources above the FPL are within this income range. Therefore, an affordable copayment should not cost families more than 12 percent of their income.

This guideline is similar to a suggestion made by federal regulators. Language appears in the preamble to proposed rule changes regarding the CCDF and states the following:

> *. . . in our view, copayment scales that require a low-income family to pay **no more than ten percent** of its income for child care, no matter how many children are in care, will help ensure equal access.*[17] (emphasis added)

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[16] U.S. Department of Commerce, Bureau of the Census, "What Does it Cost to Mind Our Preschoolers?" *Current Population Reports, Household Economics Studies*, Series P70-52, (September 1995).
[17] §98.43(b) of Subtitle A of Title 45 of the Code of Federal Regulations. http://www.acf.dhhs.gov/HyperNews/get/ccdb-full.html. November 1997.

Table 8

Weekly Child Care Costs for Children Five and Under by Families With Employed Mothers, Fall 1993 (National Average)

	Weekly Expenses	Percent of Income
All Families	$74.15	7.55%
Marital Status		
Married, Husband Present	$77.88	6.97%
Never Married	$60.07	12.48%
Monthly Family Income		
Less than $1,200	$47.29	25.14%
$1,200 to $2,999	**$60.16**	**11.98%**
$3,000 to $4,499	$73.10	8.46%
$4,500 and over	$91.93	5.67%
Poverty Level		
Below Poverty	$49.56	17.73%
Above Poverty	$76.03	7.34%
Public Assistance		
AFDC	$46.47	17.13%
Food Stamps	$45.42	14.60%
Non-recipient	$77.61	7.28%

Source: U.S. Department of Commerce, Bureau of the Census.

3. When a family's earned income increases, does the copayment schedule avoid reductions in the family's total resources?

The third guideline is based on the marginal benefit approach and emphasizes a reasonable, smooth transition from the beginning to the end of the copayment schedule. A smooth transition means a family will not be made worse off when their income increases.

While it is reasonable to expect a family to pay increasingly larger shares of its child care expenses as income grows, an increase in income may trigger a copayment so high the family suffers a net *loss* of total resources. Such a copayment schedule penalizes a family seeking self-sufficiency. For example, if a $20 increase in monthly earnings triggers a $100 increase in copayments, the family may be better off working fewer hours. Considering this, a copayment schedule designed according to this guideline will reward increased work effort.

This guideline is similar to suggestions made by federal regulators. The preamble to proposed changes to Section 98.43 of Subtitle A of Title 45 of the Code of Federal Regulations states that:

> *When devising the fee scales, Lead Agencies should try to ensure that small wage increases do not trigger large increases in copayments, lest continuation on the path to self-sufficiency be jeopardized for any family.*

When used in concert, these three guidelines define a reasonable and affordable copayment schedule. An answer of ***no*** to any one of the three guidelines indicates that the copayment schedule may not be affordable.

SECTION 5: THE FAMILY RESOURCE WAGE PROGRESSION MODEL

Families using subsidized child care may also receive TANF grants, food stamps, earned income tax credits, dependent care credits, or other resources that change with income. These families also face different tax rates, insurance premiums, and child care copayments as their incomes change. The *Family Resource Wage Progression Model* (FRWP), developed for this study, calculates the total resources available to a family as its earned income changes.

The FRWP Model

The FRWP model calculates a family's total resources[18] for different levels of earned income (resource-wage progression). Two methods are used to analyze resource-wage progression. The first shows the changes in total resources as earnings progress from 0 to 200 percent of FPL. The second calculates the change in total resources for every additional $100 of earned income. The figures in Section 5 and Section 6 were generated by this model.

Inputs

The FRWP model requires seven inputs.[19] These inputs are necessary to calculate after-tax income and benefit levels as a family earns progressively higher wages. The inputs are:

1. ***Number of children under age two needing child care.***

2. ***Number of other children (over age two) needing child care.***

3. ***Number of children not requiring child care.***

4. ***Child Care Copayment Scenario.*** The model allows the user to test multiple child care copayment schedules to determine how different scenarios affect a hypothetical family's resources.

5. ***Place of Residence.*** Shelter costs (necessary for food stamp calculations) are based on Housing and Urban Development's *1996 Fair Market Rents for Washington State Counties and Metropolitan Areas*. The place of residence can also determine child care costs once the family is no longer eligible for subsidized child care (see Input #7).

6. ***Tax Year.*** The model is based on IRS tax tables and rules for tax year 1997. However, a provision is added to include the "child tax credit" passed in the Taxpayer Relief Act of 1997. The child tax credit allows a credit of $400 for each child in tax year 1998 and $500 for each child in tax year 1999.

[18] "Total Resources" refers to the sum of (1) net wages, (2) earned income tax credits, (3) TANF grant, and (4) food stamps.
[19] See Appendix C for Model Input Screen.

7. ***Unsubsidized Child Care.*** The model can also display a family's transition off subsidized child care, according to two scenarios. The first assumes the family will spend a fixed portion of its income on child care (Table 8), regardless of the type of care selected. The second scenario is based on the type of child care purchased by the family (part-time or full-time, family home, or child care center). The cost of each choice is based on the DSHS market rate survey according to geographic region (Table 3).

Calculations

The FRWP model simulates the effect alternative copayment schedules may have on resource-wage progression. Measures derived from this simulation are presented in the figures that follow:

Percentage of Income Spent on Child Care. Figure 5 shows the percentage of before-tax (gross) income that a hypothetical family spends on child care for a given copayment schedule. Here, a family with a before-tax income of 175 percent of FPL is spending 13.1 percent of that income on the child care copayment.

Resource-Wage Progression*.* Figure 6 shows how a family's total resources change in relation to wages; it displays total family resources for before-tax earned incomes from 0 to 200 percent of FPL. A family's *total resources* are calculated as follows:

1. ***Net Income (after taxes and child care expenses).*** The family's net income is based on a single person filing as head of household in 1997. Applicable deductions and credits include a standard deduction, dependent deductions, dependent care credits, and FICA taxes. Child care copayments are also subtracted from wage income.[20]

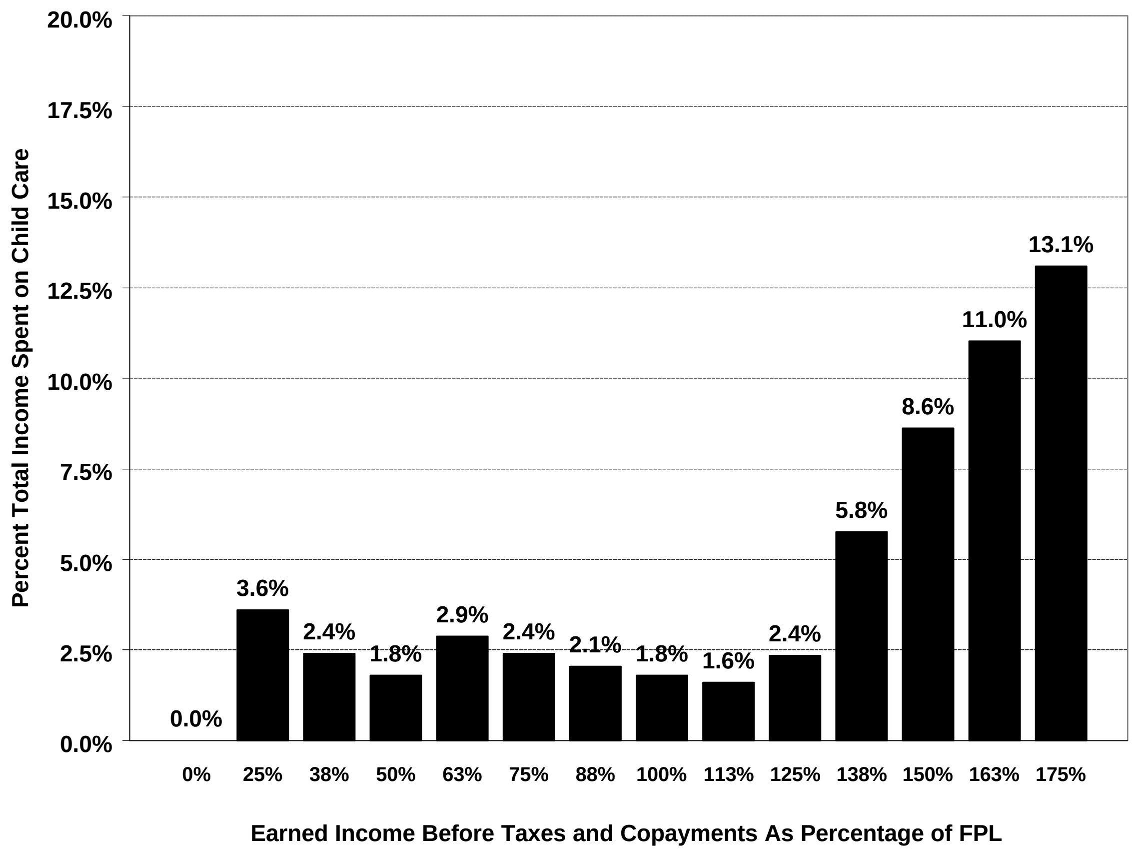
2. ***Earned Income Tax Credit (EITC).*** The earned income tax credit is based on the EITC table from the 1997 IRS tax forms. The amount used here is the monthly advanced EITC, which is 60 percent of the total EITC divided by 12.[21]

3. ***TANF Benefit.*** The total TANF grant for which the family is eligible. One-half of earned income is subtracted from the family's maximum grant.

4. ***Food Stamps.*** Families with income below 130 percent of FPL are eligible for food stamps. The food stamp benefit levels are based on a number of income deductions, including deductions for shelter, dependent care, and child care.

[20] It is assumed that the family is covered by Medicaid.
[21] According to the Center on Budget and Policy Priorities, 80 to 86 percent of eligible families take advantage of the earned income tax credit. http://www.cbpp.org/handup.htp.

Figure 5
Percent of Monthly Income Spent on Copayments for a Family Size of Three: Two Children in Child Care



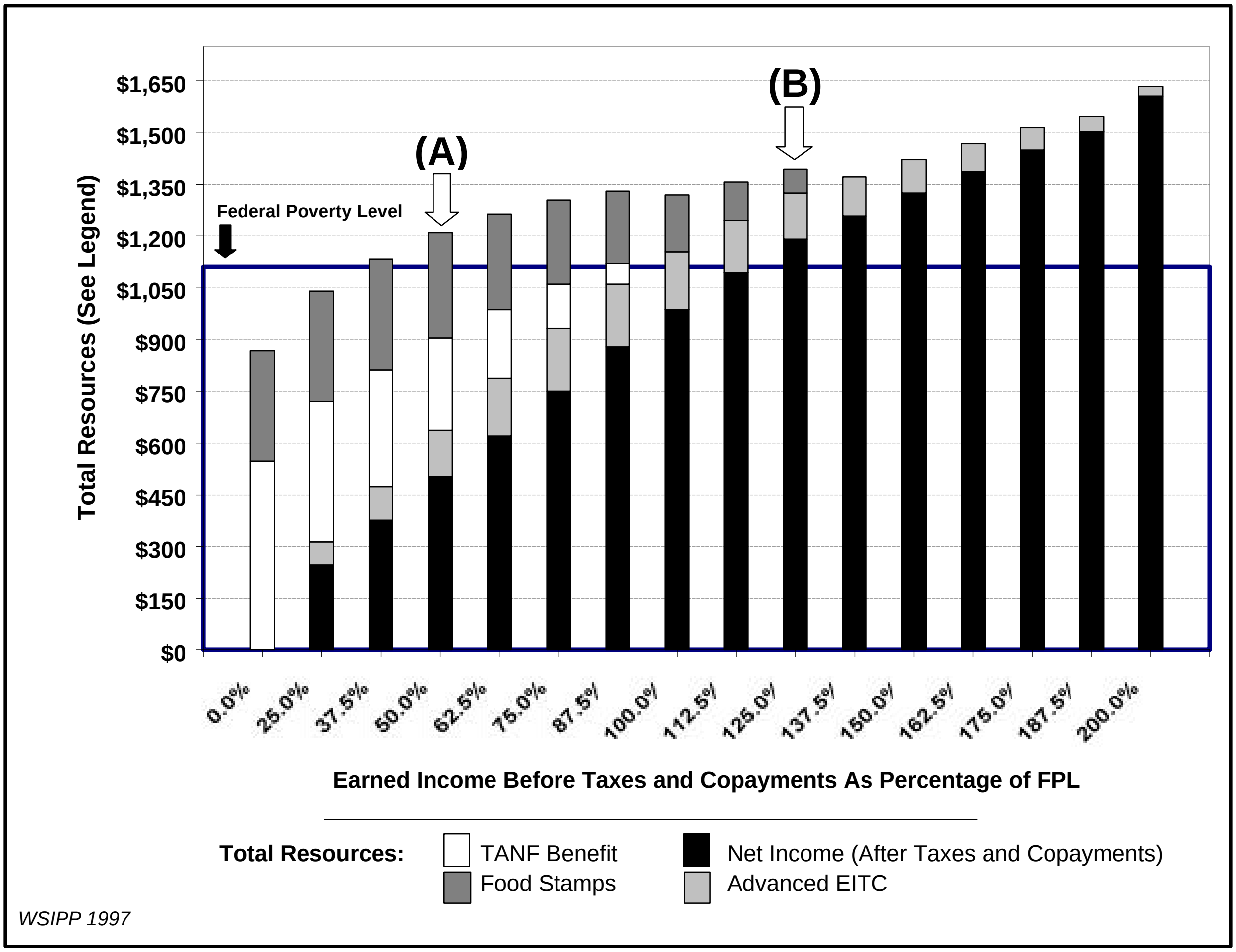
WSIPP 1997

An example of resource-wage progression is provided in Figure 6. Here, a family with before-tax income at 50 percent of FPL (A), has total resources (net income, EITC, TANF benefit, and food stamps) of approximately $1,200 per month. A family with before-tax income at 125 percent of the FPL (B) has total resources just under $1,400 a month.

Figure 6

Change in Total Resources With Respect to Monthly Income

For Three-Person Families Making Working Connections Copayments

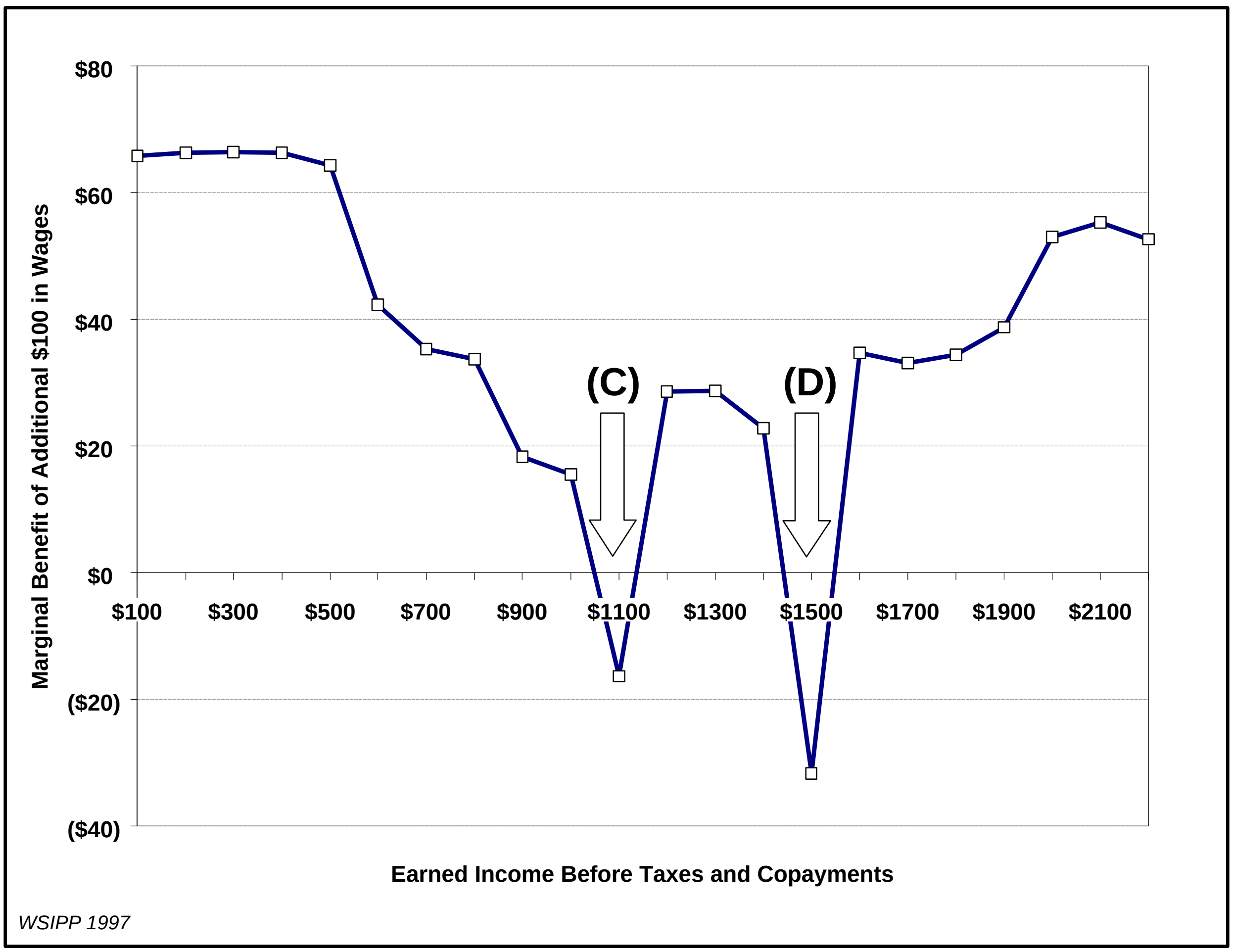


Marginal Benefit. Figure 7 demonstrates how a family's total resources change if it earns an additional $100 in wages. All other things equal, if the marginal benefit is above the zero-line, the family is better off earning an additional $100. Figure 7 shows how a family with before-tax earnings of $1,000 ends up with about $17 (C) less in total resources if its income increases to $1,100. A family with earnings of $1,400 ends up with about $31 (D) less in total resources if its income increases to $1,500. This measure does not take into account other benefits associated with increased work effort such as employment benefits, improved potential, job satisfaction, or enhanced reputation.

Figure 7

Benefit of Earning an Additional $100 per Month in Wage for a Family Size of Three: Two Children in Child Care

For Three-Person Families Making Working Connections Copayments



Copies of this model are available upon request from the Washington State Institute for Public Policy or from the Institute's web site: http://www.wa.gov/wsipp.

SECTION 6: EVALUATING WASHINGTON'S COPAYMENT SCHEDULE

When measured against the proposed guidelines, Washington's copayment schedule appears to be, for the most part, reasonable and affordable. However, two of the three affordability guidelines suggest that, at certain levels of income, the state's schedule may be problematic. The schedule: (1) imposes a copayment on families with resources below the FPL, and (2) has a maximum copayment that is more than 12 percent of income for a few families. This section describes how a copayment schedule (in this case, Washington's) may be evaluated using the FRWP model and the affordability guidelines.

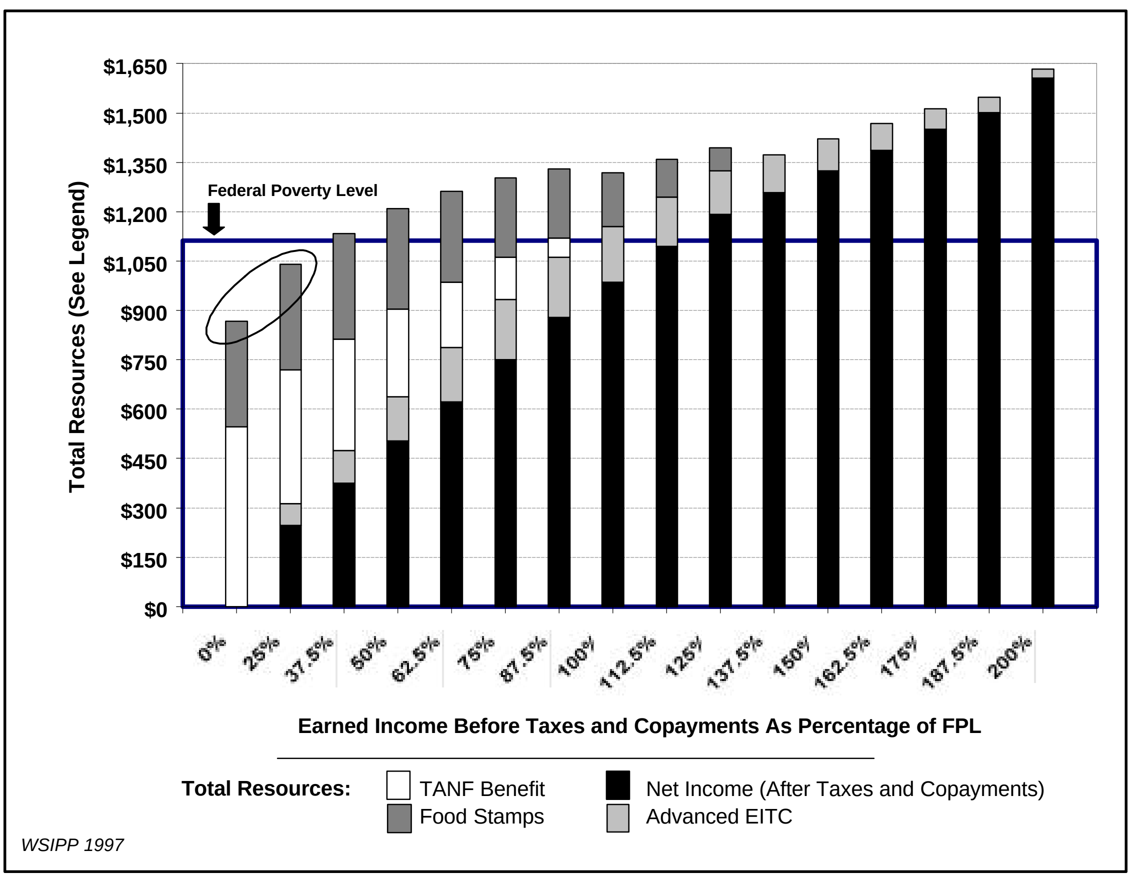
1. Does the copayment schedule recognize that below a certain minimum income copayments may compete with expenditures for basic necessities such as shelter, utilities, or transportation?

The following resource wage-progression, Figure 8, shows the total resources available to a family of three as its income increases. Families in the income ranges circled have total resources that are below the FPL, yet they must also make a $10 monthly copayment. Regardless of the possible merit in having all families pay a child care fee, a $10 copayment may not be affordable to families with total resources below the FPL (gross income below 37.5% of FPL).

Figure 8

Change in Total Resources With Respect to Monthly Income

For Three-Person Families Making Working Connections Copayments



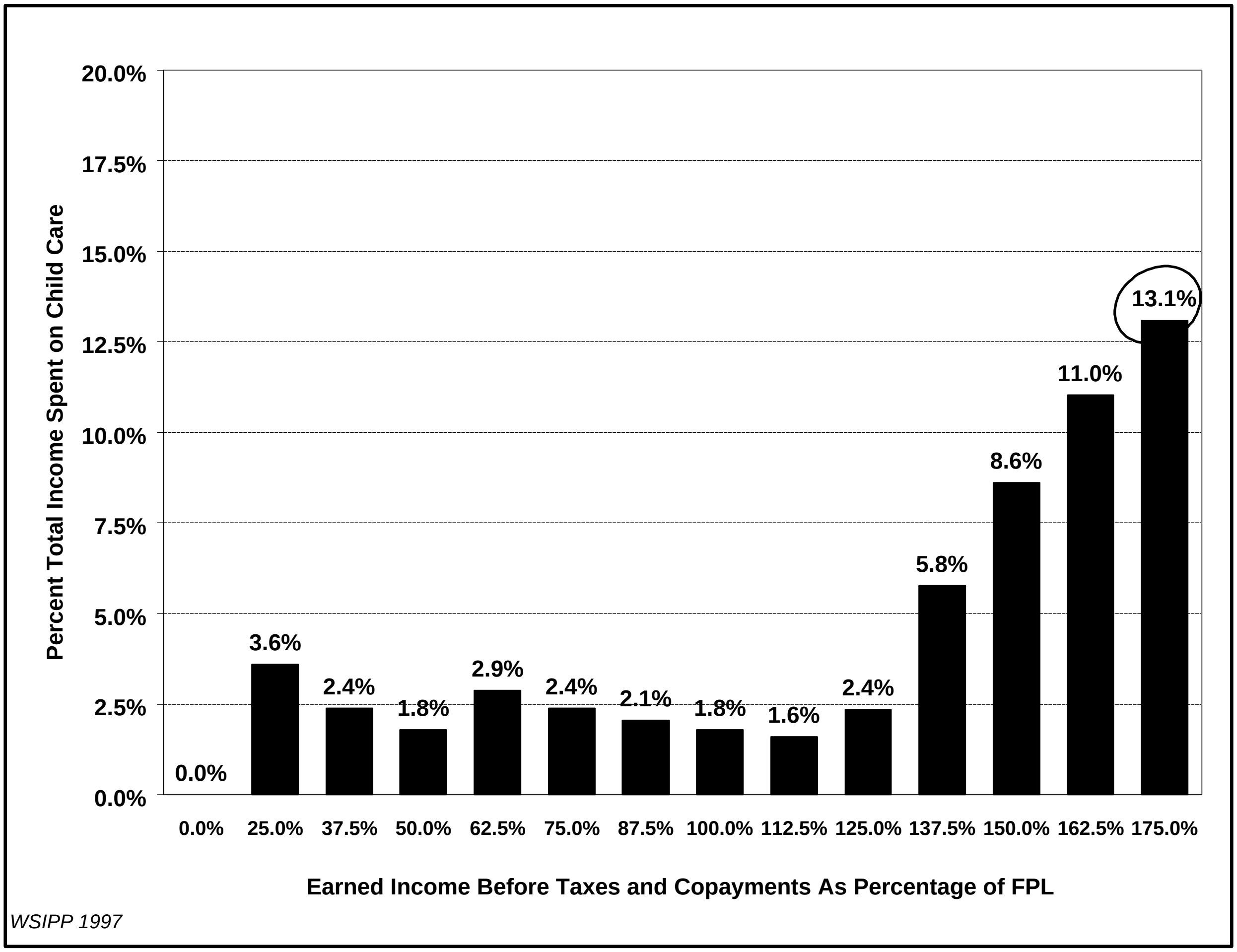
2. Is the maximum copayment at or below 12 percent of a family's gross income?

Families at the upper income ranges (circled, Figure 9) spend 13.1 percent of their income on copayments. This is slightly higher than typical (12 percent of income) child care expenditures by families with similar incomes nationwide. Therefore, the copayment may not be affordable for some families with incomes nearing 175 percent of FPL.

Figure 9

Percent of Monthly Income Spent on Child Care for a Family Size of Three: Two Children in Child Care

For Three-Person Families Making Working Connections Copayments



3. ***When a family's earned income increases, does the copayment schedule avoid reductions in the family's total resources?***

The FRWP model demonstrates that Washington's copayment schedule appears to meet this guideline.

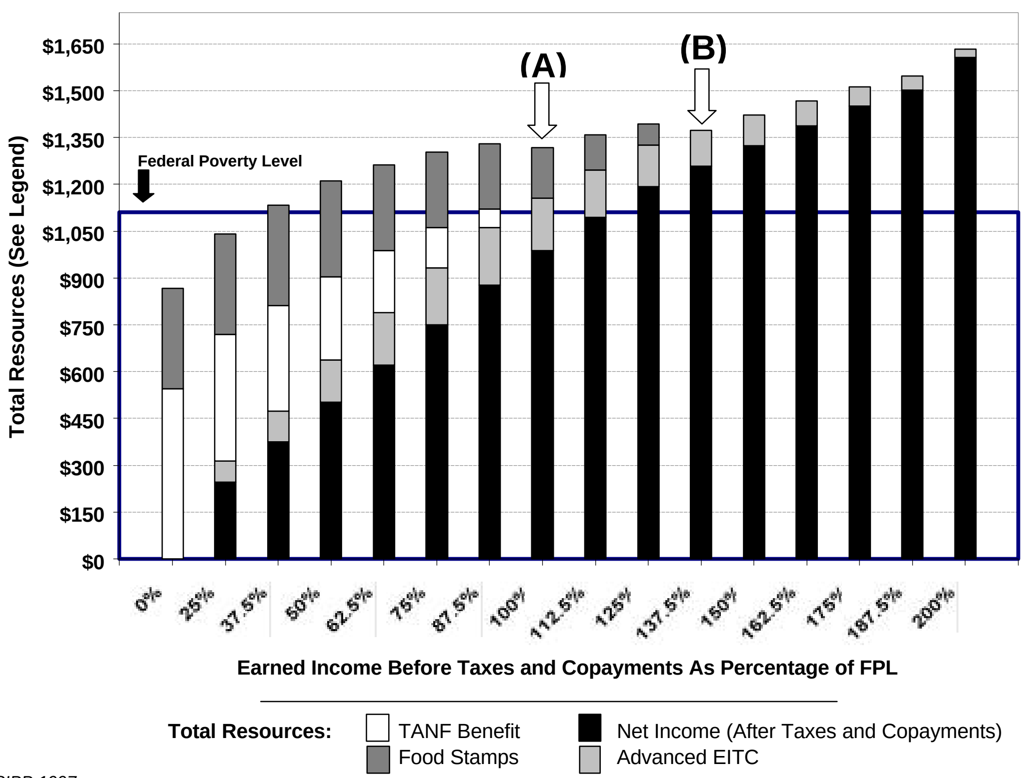
Figure 10 shows the resource-wage progression of a family who pays for child care according to the Working Connections' copayment schedule. Two instances are shown where the model calculates a loss of total resources when income increases. However, these two instances are not caused by the copayment schedule. They are the result of changes in the family's eligibility for *other* income-assistance programs.

The first loss (A), between 87.5 percent and 100 percent of FPL, is when the family becomes ineligible for a TANF grant. At the second loss (B)—130 percent of FPL—the family is no longer eligible for the food stamp program. In both instances, the interaction between food stamps, child care expenses, and earned income causes the loss of resources as earnings increase: this occurs because child care costs are deducted from income when calculating the food stamp amount. Thus, these losses will exist with any copayment schedule.

Figure 10

Change in Total Resources With Respect to Monthly Income

For Three-Person Families Making Working Connections Copayments



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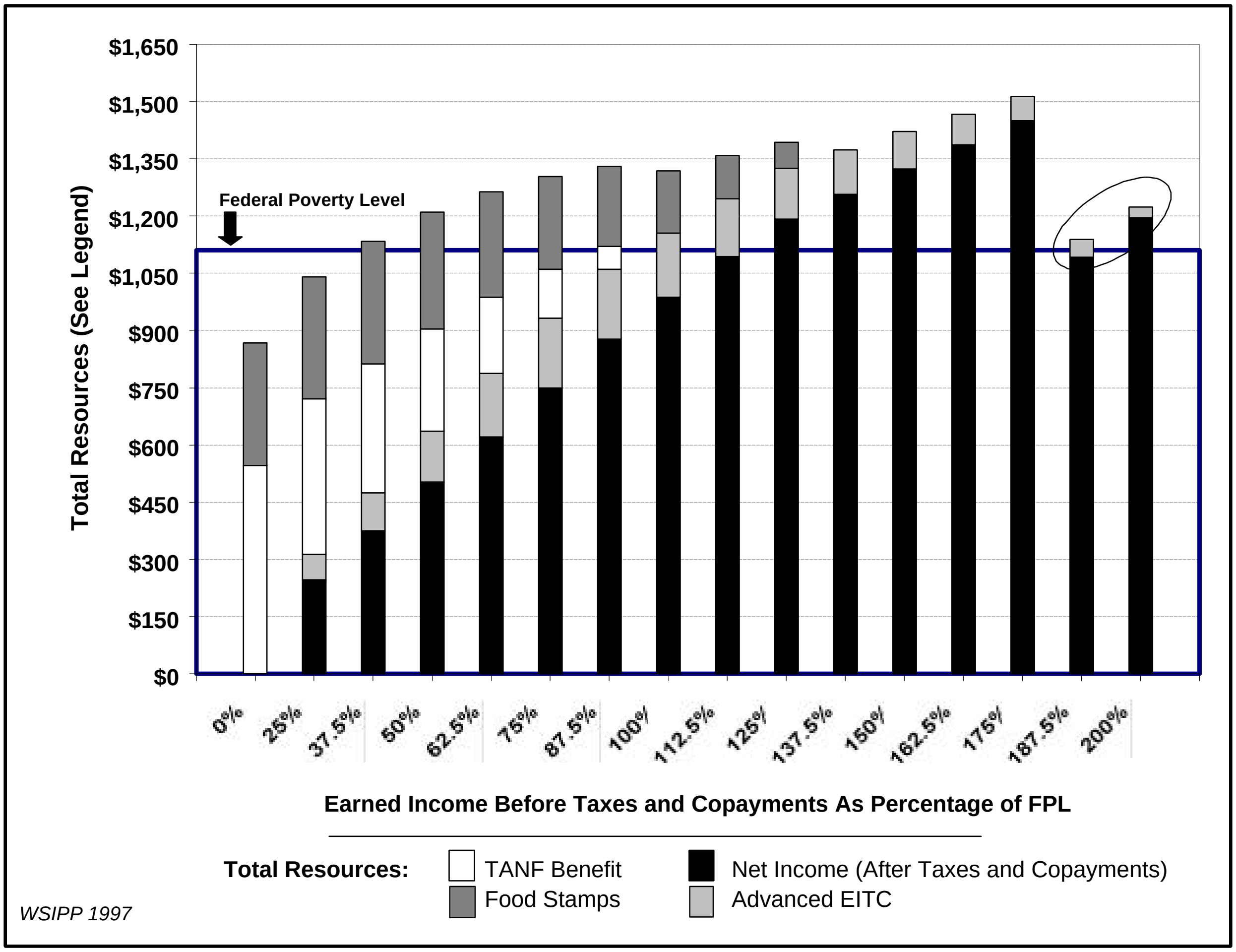
The Eligibility Cliff. So far, the copayment schedule has been evaluated in relation to the effect it might have on families who are receiving child care subsidies. As families work toward self-sufficiency, they eventually become responsible for the full cost of their child care. This is referred to as the *eligibility cliff*. The effect of the eligibility cliff is highly dependent on the assumption of what a family spends on child care after losing its subsidy.

In Washington State, when a family loses eligibility because its income exceeds 175 percent of FPL, it encounters the eligibility cliff, which may be a road block to self-sufficiency. Figure 11 illustrates what happens if a family continues to use **full-time child care at a center** after losing its child care subsidy.[22] The family in this scenario (circled), with an earned income over 175 percent of FPL, is no better off economically than when its income was at 37.5 percent of FPL.

Figure 11

Impact on Total Monthly Resources if a Family Continues to Use Full-Time Child Care at a Center After Losing Its Child Care Subsidy

For Three-Person Families Making Working Connections Copayments



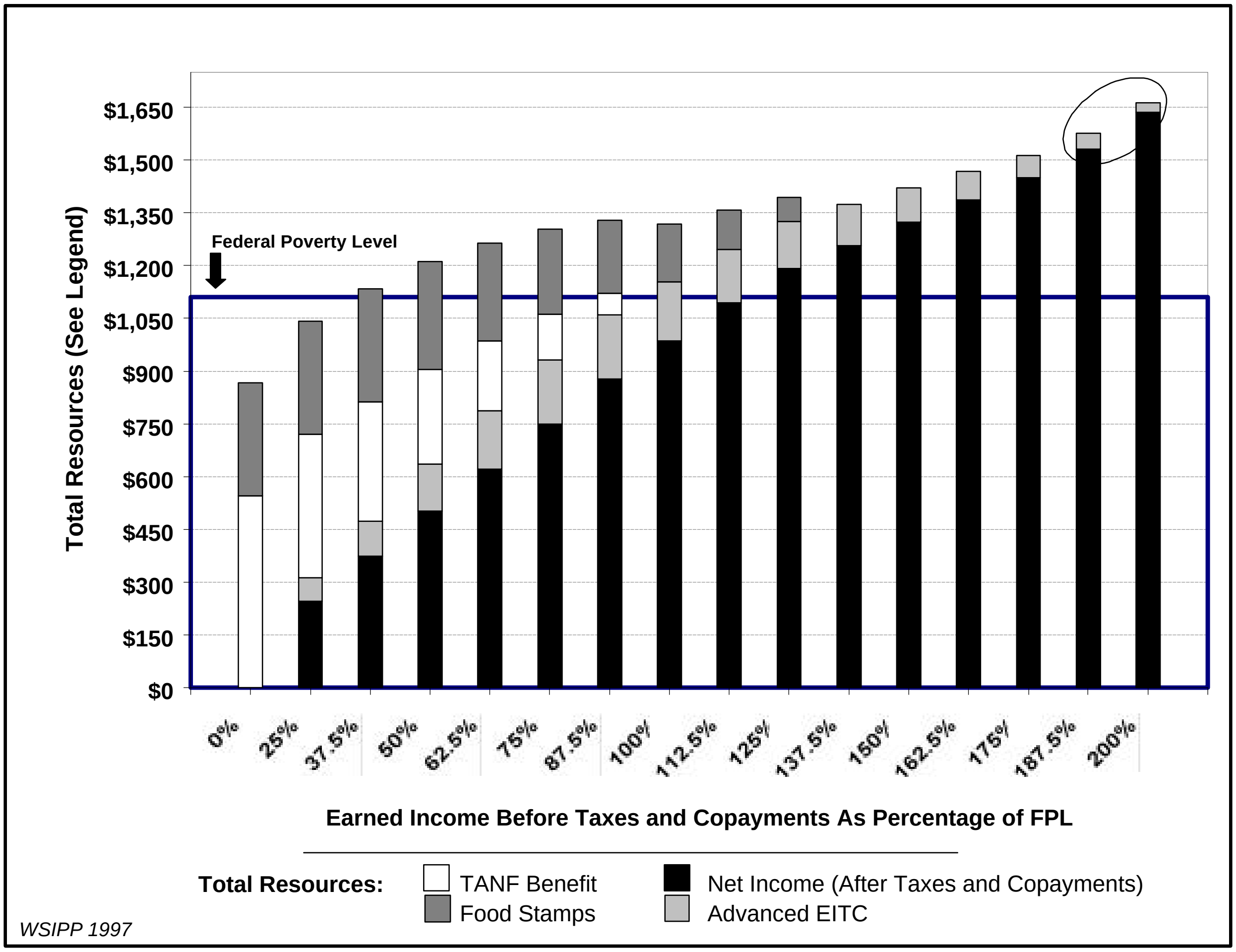
[22] Assumes the cost of full-time center-based care is equal to the median statewide rates found in the 1996 child care rate survey.

The preceding is only one hypothetical scenario. To see how the eligibility cliff is highly dependent on assumptions, consider a family who pays a **licensed family home to provide part-time care for two older children.** In this scenario (circled), illustrated in Figure 12, the family does not encounter an eligibility cliff. Instead, its total resources continue to increase even after losing the subsidy.

Figure 12

Impact on Total Monthly Resources if a Family Continues to Use Part-Time Child Care at a Licensed Home After Losing Its Child Care Subsidy

For Three-Person Families Making Working Connections Copayments



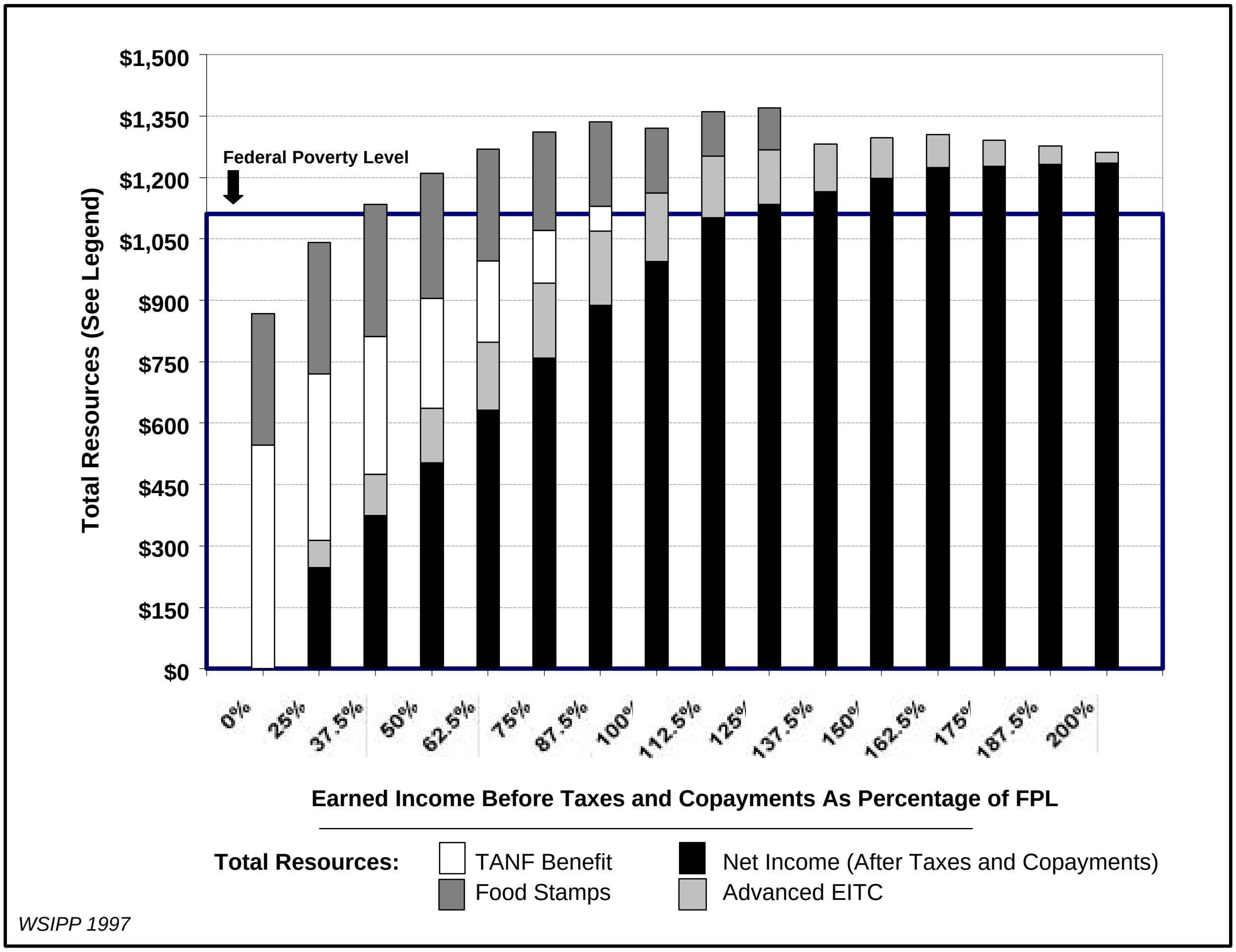
One strategy for mitigating the eligibility cliff is to raise copayment amounts more rapidly in order to put families approaching 175 percent of FPL closer to the *full cost* of care before losing their eligibility. As Figure 13 shows, mitigating the cliff by raising copayments only creates disincentives farther down the wage progression ladder. This scenario uses a copayment schedule that puts the family at the full cost of center-based care for two children. Because copayments are increasing more rapidly in order to get families closer to the full cost of care, families see little or no growth in their resources as income increases.

An examination of U.S. Census data on typical child care expenditures reveals that many families may find a way to reduce the height of the eligibility cliff. As was shown in Table 8, families with incomes in the range where they lose eligibility ($1,200 to $2,999) spend an average of only 12 percent of their income on child care. Considering that the cost of full-time center-based care used in the first example consumes over 35 percent of before-tax income (Figure 11), most families must find ways to avoid such expensive options. For instance, families without child care subsidies rely on relatives, friends, or other less formal—and less expensive—child care.[23]

Figure 13

Impact on Total Monthly Resources if a Family Continues to Use Full-Time Child Care at a Center After Losing Its Child Care Subsidy

For Three-Person Families Making Copayments That Reach the Full Cost of Care at 175 Percent of FPL



[23] Marna G. Miller and Jim Mayfield, *Short Term Consequences of Closing Enrollment for Employment Child Care in Washington State,* Olympia, WA: Washington State Department of Social and Health Services, March 1993.

If the cliff is a problem, it is a problem for very few families. Only 1.7 percent of families in Washington State's subsidized child care system were estimated to be at 175 percent of FPL when Working Connections was implemented.[24] Rather than increasing copayments, some states take an alternative approach to the eligibility cliff: they push the cliff back by extending income eligibility as high or higher than 200 percent of FPL for families who are already eligible for child care subsidies.

[24] Lyle Quasim, Secretary, Washington State Department of Social and Health Services. Memorandum to Dick Thompson, Director, Washington State Office of Financial Management, May 12, 1997.

CONCLUSIONS

Guidelines. The *Child Care Copayment Affordability Study* proposes three guidelines to enable policymakers to define an affordable copayment schedule. An answer of ***no*** to any of these three guidelines indicates the schedule may not be affordable. The guidelines were based on (1) a consideration of the limited resources available to some families, (2) data on typical child care expenditures, and (3) the policy goal of making work pay. The guidelines are as follows:

1. Does the copayment schedule recognize that below a minimum income copayments may compete with expenditures on basic necessities such as shelter, utilities, or transportation?

2. Is the maximum copayment (representative of what families with similar incomes spend on child care) at or below 12 percent of family income?

3. When a family's earned income increases, does the copayment schedule avoid reductions in the family's total resources?

Washington's Copayment Schedule. Although Washington's copayment schedule appears for the most part to be reasonable and affordable, some areas may be problematic when measured against these proposed guidelines. For example, families with total resources below the FPL may not be able to afford the $10 minimum copayment. Also, some families near 175 percent of FPL may spend up to 13.1 percent of their income on copayments. This is higher than what the U.S. Census data shows: nationally, families with similar incomes spend an average of 12 percent of their earnings on child care. In addition, as families take on the full costs of child care once their incomes exceed 175 percent of FPL, some may encounter rapid increases in child care copayments.

Washington Compared to Other States. When compared to the schedules of 28 other states, the beginning and ending points of Washington's copayment schedule are similar to most of the other states surveyed. However, families in Washington State with gross incomes between 100 and 145 percent of FPL pay lower copayments than families with similar income levels in most of the other states surveyed.

Economic Impact on Families. The Family Resource Wage Progression model, a computer micro-simulation, was developed specifically to test the interactions of state and federal policy decisions on family resources. As income changes, food stamps, TANF, earned income tax credit, tax burden, and child care copayments also change. The FRWP model calculates the total resources available to a hypothetical family for any level of income and for different child care copayment scenarios. Graphs and tables can be generated by the model to illustrate the effect a given copayment schedule might have on a family's total resources.

This FRWP model has applications for analysis of a wide range of other issues regarding low-income families. The Institute will provide copies of the model upon request and through its web site: http://www.wa.gov/wsipp.

Research Recommendations. The advent of Working Connections and changes in the child care programs of other states provide an opportunity for data collection and research on the effects of copayments for clients as well as providers. Several issues deserve particular attention:

- The demand for subsidized care and the relationship among the child care market, copayments, and income eligibility.
- The effect of copayments and the income eligibility limit on the type and quality of child care used by parents (hours in care; choice of centers, family homes, in-home care, relatives, or illegal care), and the number and age of children in care.
- The effect of copayments on the willingness and ability of providers to offer services to TANF and other low-income families receiving assistance.
- The effect on families when the subsidy ends: the child care arrangements of families who leave the state's child care subsidy programs compared with those still on assistance and those in the general population.

The *Child Care Copayment Affordability Study's* proposed guidelines will enable policymakers to define affordable copayments for families in Washington State. The research recommendations may help policymakers focus on future topics of study regarding the effects of Working Connections.

APPENDIX A: OTHER STATES' COPAYMENT SCHEDULES

Each state was asked to provide information about their child care copayment schedules. Twenty-eight states responded by sending information on their sliding fee scales. The following table contains the copayment schedules of all the states that responded to this request for information.

States calculate copayments in a variety of ways. Some calculate hourly, daily, weekly, or monthly copayments. Some are based on the number of children, others on the cost of care, and some as a percentage of family income. To ensure comparability, a number of assumptions were required: A month of full-time care was equivalent to 200 hours, 44 half-days, 22 days, or 4.3 weeks. Copayments were based on a three-person family with two preschoolers in full-time licensed care. The dollar amounts shown in the following table are for a specific scenario and do *not* provide a complete picture each state's copayment schedule.

State-by-State Comparisons of Monthly Child Care Copayment Schedules for a Parent With Two Preschoolers in Child Care

Gross Income	Percent of Poverty	Washington	Alabama*	Alaska	Arizona*	Arkansas	Florida	Georgia	Illinois
$200	18%	**$10**	$22	$25	$35	$0	$28	$34	$9
$300	27%	**$10**	$22	$25	$35	$0	$28	$34	$9
$400	36%	**$10**	$22	$25	$35	$0	$28	$34	$17
$500	45%	**$10**	$22	$25	$35	$0	$55	$34	$17
$600	54%	**$10**	$22	$25	$35	$0	$55	$34	$30
$700	63%	**$10**	$22	$25	$35	$0	$55	$34	$30
$800	72%	**$10**	$32	$25	$35	$0	$55	$34	$52
$900	81%	**$10**	$43	$25	$35	$0	$83	$34	$52
$1,000	90%	**$20**	$54	$25	$69	$0	$83	$52	$69
$1,111	100%	**$20**	$65	$25	$69	$80	$110	$69	$95
$1,200	108%	**$20**	$65	$25	$104	$160	$110	$86	$95
$1,300	117%	**$20**	$75	$25	$104	$240	$138	$116	$147
$1,400	126%	**$37**	$86	$126	$104	$320	$138	$116	$147
$1,500	135%	**$77**	$118	$126	$104		$166	$163	$191
$1,600	144%	**$117**	$151	$126			$166	$181	$191
$1,700	153%	**$157**	$183	$210			$193	$194	$234
$1,800	162%	**$197**	$215	$210			$251	$206	
$1,900	171%	**$237**	$247	$210			$251	$224	
$1,944	175%	**$254**	$247	$210			$304	$241	
$2,000	180%		$280	$210			$331	$258	
$2,100	189%		$312	$420				$284	
$2,200	198%		$312	$420				$301	
$2,300	207%			$420				$318	
$2,400	216%			$630				$335	
$2,500	225%			$630					
$2,600	234%			$630					
$2,700	243%			$630					

*** Indicates state child care is free for families on TANF**

State-by-State Comparisons of Monthly Child Care Copayment Schedules for a Parent With Two Preschoolers in Child Care

Gross Income	Percent of Poverty	Washington	Indiana	Iowa	Kansas	Kentucky	Maine	Massachusetts*	Michigan*
$200	18%	**$10**	$0	$0	$24	$0	$6	$4	$40
$300	27%	**$10**	$0	$0	$24	$0	$12	$6	$40
$400	36%	**$10**	$0	$0	$24	$29	$24	$6	$40
$500	45%	**$10**	$0	$0	$24	$35	$25	$6	$40
$600	54%	**$10**	$0	$0	$24	$40	$45	$9	$40
$700	63%	**$10**	$0	$0	$24	$52	$42	$9	$40
$800	72%	**$10**	$0	$0	$24	$58	$60	$39	$40
$900	81%	**$10**	$0	$0	$24	$69	$72	$39	$40
$1,000	90%	**$20**	$0	$0	$24	$86	$90	$77	$40
$1,111	100%	**$20**	$23	$23	$24	$109	$133	$77	$40
$1,200	108%	**$20**	$46	$69	$69	$138	$144	$77	$40
$1,300	117%	**$20**	$69	$92	$118	$173	$156	$120	$40
$1,400	126%	**$37**	$92	$138	$118	$201	$189	$120	$40
$1,500	135%	**$77**	$115	$161	$181		$203	$120	$40
$1,600	144%	**$117**	$138	$184	$181		$216	$172	$40
$1,700	153%	**$157**	$161	$207	$223		$255	$172	$40
$1,800	162%	**$197**	$184	$230	$223		$270	$224	$40
$1,900	171%	**$237**	$207	$253	$223		$285	$224	$160
$1,944	175%	**$254**	$207	$276	$223		$292	$271	$240
$2,000	180%		$230	$276	$223		$300	$271	$320
$2,100	189%						$315	$318	$480
$2,200	198%						$330	$318	
$2,300	207%						$345	$374	
$2,400	216%						$360	$430	
$2,500	225%						$375	$430	
$2,600	234%						$390	$490	
$2,700	243%								

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State-by-State Comparisons of Monthly Child Care Copayment Schedules for a Parent With Two Preschoolers in Child Care

Gross Income	Percent of Poverty	Washington	Mississippi	Missouri	Montana	Nebraska	N. Carolina	N. Dakota*	Oklahoma
$200	18%	**$10**	$10	$0	$5	$12	$18	$35	$0
$300	27%	**$10**	$10	$0	$5	$12	$27	$53	$0
$400	36%	**$10**	$10	$0	$5	$12	$36	$53	$0
$500	45%	**$10**	$10	$0	$5	$12	$45	$53	$0
$600	54%	**$10**	$10	$0	$5	$12	$54	$88	$0
$700	63%	**$10**	$15	$23	$5	$12	$63	$88	$0
$800	72%	**$10**	$20	$23	$5	$12	$72	$123	$0
$900	81%	**$10**	$26	$23	$5	$12	$81	$123	$32
$1,000	90%	**$20**	$41	$23	$5	$12	$90	$123	$55
$1,111	100%	**$20**	$50	$92	$5	$12	$100	$123	$81
$1,200	108%	**$20**	$60	$92	$24	$48	$108	$158	$107
$1,300	117%	**$20**	$71	$138	$53	$118	$117	$158	$150
$1,400	126%	**$37**	$83	$184	$87	$146	$126	$158	$150
$1,500	135%	**$77**	$110		$105	$178	$135	$193	$169
$1,600	144%	**$117**	$125		$129	$196	$144	$193	$176
$1,700	153%	**$157**	$141		$189	$236	$153	$193	$192
$1,800	162%	**$197**	$158		$238	$258	$162	$228	$200
$1,900	171%	**$237**			$292	$282	$171	$228	$209
$1,944	175%	**$254**			$292	$308	$175	$228	$209
$2,000	180%				$300	$334	$180	$228	$219
$2,100	189%						$189	$245	$219
$2,200	198%						$198	$245	
$2,300	207%						$207	$245	
$2,400	216%							$245	
$2,500	225%								
$2,600	234%								
$2,700	243%								

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State-by-State Comparisons of Monthly Child Care Copayment Schedules for a Parent With Two Preschoolers in Child Care

Gross Income	Percent of Poverty	Washington	Oregon	S. Carolina	S. Dakota	Texas*	Virginia*	Wisconsin	Wyoming
$200	18%	**$10**	$25	$26	$0	$22	$20	$39	$20
$300	27%	**$10**	$25	$26	$0	$33	$30	$39	$20
$400	36%	**$10**	$25	$26	$0	$44	$40	$39	$20
$500	45%	**$10**	$25	$26	$0	$55	$50	$39	$20
$600	54%	**$10**	$25	$43	$0	$66	$60	$39	$20
$700	63%	**$10**	$27	$43	$0	$77	$70	$39	$20
$800	72%	**$10**	$50	$43	$0	$88	$80	$47	$20
$900	81%	**$10**	$71	$43	$0	$99	$90	$69	$20
$1,000	90%	**$20**	$106	$43	$0	$110	$100	$86	$20
$1,111	100%	**$20**	$135	$43	$0	$122	$111	$112	$20
$1,200	108%	**$20**	$168	$60	$33	$132	$120	$138	$80
$1,300	117%	**$20**	$228	$60	$133	$143	$130	$159	$140
$1,400	126%	**$37**	$270	$77	$233	$154	$140	$189	$200
$1,500	135%	**$77**	$316	$77	$333	$165	$150	$206	
$1,600	144%	**$117**	$365	$77	$433	$176	$160	$228	
$1,700	153%	**$157**	$418	$95	$533		$170	$249	
$1,800	162%	**$197**	$474	$95	$633		$180	$271	
$1,900	171%	**$237**	$535	$95	$733			$292	
$1,944	175%	**$254**	$566	$95	$777			$292	
$2,000	180%		$632		$833			$301	
$2,100	189%							$318	
$2,200	198%							$335	
$2,300	207%							$370	
$2,400	216%							$391	
$2,500	225%								
$2,600	234%								
$2,700	243%								

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APPENDIX B: CALCULATING THE CHILD CARE COPAYMENT

According to WAC 388-290-090, the copayment amount is based on income and family size. Before calculating a copayment, income is adjusted to account for federal taxes. Once the total adjusted income (TAI)[25] is calculated, the copayment is determined by the following rules:

- If TAI is at or below 74 percent of FPL, then the monthly copayment is $10.
- If TAI is between 74 percent and 101 percent of FPL, then the monthly copayment is $20.
- If the TAI is over 100 percent FPL, then the monthly copayment is $20 or (TAI - FPL) x 47 percent, whichever is more. Families with gross income over 175 percent of FPL are ineligible.

Example 1: A working single parent of two receiving a TANF grant and food stamps. The parent earns $417/month and receives a $336/month TANF grant. Food stamps are not counted as income. The FPL for a family of three is $1,111/month. Earned income is less than 112.5 percent of FPL ($1,250), so adjusted income is .90 x $417, or $375. Adjusted earned income ($375) plus the TANF grant ($336) equals the TAI ($711). Dividing TAI by the FPL shows that this family has a TAI at 64 percent of the FPL. Their TAI is less than 74 percent FPL, so the copayment would be *$10/month*.

Example 2: A working single parent with three children and no public assistance. The parent earns $1,800/month and has no other income. The FPL for this family is $1,338. Income ($1,800) is greater than 112.5 percent of FPL ($1,505); therefore, adjusted income is .85 x $1,800, or $1,530. Because there are no other sources of income, the TAI is also $1,530. TAI is 114 percent of the FPL. Therefore, the copayment is calculated using the formula (TAI - FPL) x .47, which equals ($1,530 - $338) x .47, or *$90.24/month.*

Washington's Previous Copayment Schedules (Phasing out as of November 1, 1997):

Transitional Child Care Program for families leaving AFDC:
= the greater of $5 or (gross earnings - Washington State Need Standard) x 25%.

Employment Child Care for low-income families at risk of going on AFDC:
= $1 if under 38% of SMIAF,[26] then gross earnings - SMIAF x 50%.

AFDC and JOBS child care for families on income assistance:
No copayments.

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[25] TAI is the sum of unearned cash (the TANF grant) and adjusted income. Adjusted income is derived in the following manner: If gross income is less than 112.5 percent of FPL, then adjusted income equals 90 percent of gross earnings. If gross income is greater than 112.5 percent of FPL, then adjusted earned income equals 85 percent of gross earnings.
[26] State median income adjusted for family size.

APPENDIX C: FRWP MODEL INPUT SCREEN