

CCDF Family Co-payments and Sliding Fee Scales

Affordable co-payments are an important component of equal access. The cost of child care can be a significant barrier for low-income families to access child care. A 2011 study conducted by the U.S. Census Bureau found that families below the poverty level spent nearly four times the percentage of their income on child care than other families—30 percent compared to approximately 7 percent for families living above the poverty level.¹ To help address this issue, the Child Care and Development Block Grant Act as amended made reforms to state, territory and tribal Child Care and Development Fund (CCDF) programs to ensure that co-payments are affordable and do not act as a barrier to families receiving assistance.

Overview of the CCDF Final Rule

The law² requires states to establish a sliding fee scale that provides for cost-sharing for families receiving CCDF funds. A sliding fee scale means a system of cost-sharing (co-payments) based on family size and income. The law specifies that cost-sharing should not act as a barrier to families receiving CCDF assistance. Co-payments must help families afford child care and enable them to access the full range of child care providers. This discussion brief will focus on a summary of the requirements contained in the CCDF final rule and programmatic objectives for Lead Agencies to consider when designing their sliding fee scales.

Regulatory Requirements and Lead Agency Options

While the definition did not change, the Administration for Children and Family Services moved the regulatory language on family co-payments from sliding fee scales section of the 1998 regulations to the equal access section of the CCDF Final Rule.³ This change recognizes the role affordable co-payments has in providing subsidy families with access to stable, high-quality child care. Lead Agencies have flexibility in designing their co-pay policies. They should evaluate and implement policies that meet the following criteria addressed in the equal access section of the CCDF regulations:

- Sliding fees must be based on family size and income.
- Lead Agencies may base co-payments on other factors, such as establishing lower co-payments for child care programs with higher quality ratings.
- Lead Agencies may not base co-payments on the cost of care or the amount of a child's subsidy payment.
- Lead Agencies must periodically revise their sliding fee scale by rule.
- Co-payments must be affordable and not be a barrier to families receiving assistance.
- Initial determination and redetermination processes must take irregular fluctuation in earnings into account to ensure that temporary increases in income do not affect eligibility or family co-payments.

¹ *Who's Minding the Kids? Child Care Arrangements: Spring 2011*, U.S. Census Bureau, 2013.

² 42 U.S.C. 9857 *et seq*

³ 45 CFR 98.45(k)

- Lead Agencies have the option to waive co-payments for families whose incomes are at or below the poverty level or have children who receive or need to receive protective services, or that meet other criteria established by the Lead Agency (e.g., a family experiencing homelessness).
- Lead Agencies must act on information provided by the family that would reduce the family's co-payment or increase the family's subsidy.
- Lead Agencies must not increase co-payments during the minimum 12-month eligibility period between initial eligibility determinations and redeterminations.
- Lead Agencies may implement additional reporting of changes in family income to help families transition off child care assistance, and to gradually adjust co-payment amounts for families determined to be eligible under a graduated phase-out period.

CCDF regulations require Lead Agencies to track through the market rate survey, alternative methodology, or a separate source, information on the extent to which child care providers participate in the CCDF subsidy program and any barriers to participation. In addition, the CCDF Final Rule requires the states to submit “the total monthly child care co-payment by the family” in the quarterly ACF-801 report⁴ and requires reporting, if applicable, of any amount charged by the provider to the family that exceeds the required co-payment in instances where the provider's price exceeds the subsidy payment.⁵ CCDF Plans must include a description of the rationale for the policy on whether child care providers may charge additional amounts to families above the required family co-payment, including a demonstration that the policy promotes affordability and access. Lead Agencies must also provide an analysis of the interaction between any such additional amounts with the required family co-payments, and of the ability of subsidy payment rates to provide access to care without additional fees.

CCDF Plan Provisions

Section 3.4 of the [draft 2019-2021 CCDF Plan Preprint](#) requires Lead Agencies to provide a summary of the data and facts relied on to determine that each family's contribution is affordable and supports access to a full range of child care providers. The summary must include information on whether the Lead Agency allows providers to charge families additional amounts above the required co-payment when the provider's price exceeds the subsidy payment, including:

- The rationale for allowing providers to charge families additional amounts above the required co-payment, including a demonstration of how the policy promotes affordability and access for families
- Data on the size, frequency and extent to which CCDF providers charge such additional amounts
- An analysis of the interaction between the additional amounts charged to families above the required family co-payment, and the ability of current subsidy payment rates to provide access to care without additional fees
- How the family contribution/co-payment is affordable and is not a barrier to families receiving CCDF funds

Fee Scale Design

Lead Agencies have flexibility in designing their fee scales. For example, some limit co-payments to the first two or three children in care. Others have “per family” fees instead of requiring families to pay a fee for each child in

⁴ 45 CFR 98.71(10)

⁵ 45 CFR 98.71(11)

care. Lead Agencies also have the option of charging lower fees to families with children enrolled in quality rated programs. Regardless of the design of the fee scale, Lead Agencies should consider how their co-payment practices meet core goals and objectives of the CCDF program:

- Together with subsidy payment rates, provides families with the ability to access higher-quality care
- Reflects families' ability to pay regardless of the number of children in care or the price charged by providers
- Minimizes the "Cliff Effect" by establishing broad income ranges or tiers between incremental changes in co-payments that gradually increase required family contributions and avoid the abrupt termination of assistance
- Is consistent with CCDF's dual goals of promoting financial stability and fostering healthy child development

Lead Agency Considerations

Listed below is a series of questions for Lead Agencies to consider when designing their sliding fee scale. The list is not intended to be all inclusive, but it can provide a framework for developing the fee scale and related policies.

- How does the Lead Agency's sliding fee scale take family size and income into account?
- Does the Lead Agency base the co-payment as a 'per family' fee or it charges families a fee for each child in care?
- Based on the Lead Agency sliding fee scale, what amount of a family's contribution is affordable?
- Are co-payment calculations administratively simple and will the CCDF eligibility system calculate and assign payment amounts to specific children?
- Is the Lead Agency sliding fee scale easy for agencies staff, families, and providers to understand?
- Does the Lead Agency set family co-payment as a percentage of income or a dollar amount?
- Will co-payments for any families be waived for families with income below the federal poverty level?
- Does the Lead Agency waive co-payments for children that receive or at risk of receiving protective services?
- Will the Lead Agency adjust co-payments during a period of graduated phase-out of assistance?

Countable Income

The way Lead Agencies define countable and excluded income has a significant impact on the ability of families to afford child care. Many states deduct or exclude income from sources that are intended to provide direct support to children, are considered unavailable to parents, or provide incentives for relatives or other adults to provide a home for displaced children. Common types of income deducted or excluded by states include:

- Education loans and Pell Grants
- Title IV-E payments to foster parents and subsidized guardians
- Adoption assistance/adoption subsidies
- SNAP benefits
- Child support payments and arrearages received by families

- Child support payments paid outside of the home
- Non-recurring lump payments
- In-kind income
- Job training expenses
- Earned income tax/tax refunds
- Earnings of minors and teen parents
- Federal and state income tax credits
- Military housing and food allotments
- Income from work study
- Disaster relief and other forms of temporary assistance received during emergencies

Examples of Sliding Fee Scale Considerations

Sliding Fee Scale Considerations (2016 2018 CCDF Plans as of November 2017)											
State	Fee is a Set Dollar Amount					Fee is a Percentage of Countable Income					Fee Varies Locally
	Same Fee for Each Child	Fee is Discounted after Two or More Children	Per Child Fee up to a Family Maximum	No Fee Charged after a Certain Number of Children	Fee is Per Family	Same Fee for Each Child	Fee is Discounted after Two or More Children	Per Child Fee up to a Family Maximum	No Fee Charged after a Certain Number of Children	Fee is Per Family	
AL	X										
CA					X						X
DC		X	X	X							
FL	X	X									X
IL					X						
MD							X			X	
ME										X	
MI	X										
NV						X					
NH										X	
NJ				X							
NY					X			X		X	X
ND					X						
OH										X	
PA					X						
PR		X									
RI										X	
SC	X										
TN		X	X								
TX		X									X
UT								X	X		
VA										X	
WI										X	
WY			X								

Sliding Fee Scale Example - Michigan

Family / Group Size	Family Contribution \$0 (Family Limit \$45)	Family Contribution \$15 (Family Limit \$83)	Family Contribution \$30 (Family Limit \$83)	Family Contribution \$45 (Family Limit \$121)	Family Contribution \$60 (Family Limit \$159)	Family Contribution \$75 (Family Limit \$197)	Family Contribution \$90 (Family Limit \$235)
1	\$0-1005	\$1006-1307	\$1308-1628	\$1629-1949	\$1950-2271	\$2272-2592	\$2593-2913
2	\$0-1353	\$1354-1759	\$1760-2169	\$2170-2579	\$2580-2989	\$2990-3399	\$3400-3809
3	\$0-1702	\$1703-2213	\$2214-2711	\$2712-3210	\$3211-3708	\$3709-4207	\$4208-4705
4	\$0-2050	\$2051-2665	\$2666-3252	\$3253-3839	\$3840-4427	\$4428-5014	\$5015-5601
5	\$0-2398	\$2399-3117	\$3118-3793	\$3794-4469	\$4470-5145	\$5146-5821	\$5822-6497
6	\$0-2747	\$2748-3571	\$3572-4336	\$4337-5100	\$5101-5865	\$5866-6629	\$6630-7394
7	\$0-3095	\$3096-4024	\$4025-4732	\$4733-5439	\$5440-6147	\$6148-6854	\$6855-7562
8	\$0-3443	\$3444-4476	\$4477-5127	\$5128-5778	\$5779-6428	\$6429-7079	\$7080-7730
9	\$0-3791	\$3792-4928	\$4929-5522	\$5523-6116	\$6117-6710	\$6711-7304	\$7305-7898
10	\$0-4139	\$4140-5381	\$5382-5918	\$5919-6455	\$6456-6992	\$6993-7529	\$7530-8066

* To be initially eligible for the CDC program, a family's gross monthly income cannot exceed the income limit by family size in the \$15.00 Family Contribution column. Ongoing eligibility for assistance ends if income exceeds the income limit per family size in the \$90.00 Family Contribution column.

Family Contribution amounts are per child, per two-week pay period, not to exceed the family limit amount.

References

Administration for Children and Families, Office of Child Care (September 2016). *CCDF Final Rule*: <https://www.acf.hhs.gov/occ/resource/ccdf-final-regulations>

Administration for Children and Families, Office of Child Care (December 2016). *Child Care and Development Fund Frequently Asked Questions*: <https://www.acf.hhs.gov/occ/resource/ccdf-final-rule-faq>