



Making Work Pay PA Position on H.B. 1164 – The “Child Care Cliff” Bill

The Making Work Pay PA coalition is a state-wide group of advocacy and direct service organizations that have come together to develop recommendations for measures that government can implement to better ensure that low-income families are always better off when parents go to work, work more hours, or earn promotions or raises.

While the Making Work Pay PA coalition supports measures that make work pay, in the case of subsidized child care - which has never been fully funded -- any such measure must be considered in connection with its possible impact on the waiting list for child care subsidy. The cost of such measures potentially add to the time that those who least can afford child care must wait before receiving subsidies that they need in order to work.

H.B. 1164 has two distinct parts. One part of the bill would increase the exit income limit for CCIS subsidized child from 235% of the federal poverty level to 300% of the poverty level, while leaving the income limit for entry into the subsidy program at 200% of poverty.

The second part of the bill would grant co-pay discounts, i.e., reduce co-pays, for families that work more than 20 hours per week. The more hours the family works, the greater the discount. Co-pays would be calculated as a percentage of family income, and those percentages would decrease as hours increase.

Increasing the Exit Income Limit

- Making Work Pay PA generally supports the idea behind increasing the exit income limit for CCIS child care. Currently families that lose eligibility for subsidy when their income exceeds 235% of poverty can experience a significant increase in child care costs. Raising the income limit to 300% of poverty would allow subsidy to be more gradually phased out for these families.

While we agree with this in principle, we would like to know more about how this measure could impact the child care waiting list. We think it would be useful to seek from OCDEL (Office of Child Development and Early Learning) the following information in order to better evaluate the bill:

1. An estimate of the number of families who could potentially continue to receive subsidy if the exit income limit were increased to 300%;
 2. The annual cost of continuing subsidy to these families;
 3. The number of families that could end up being added to the waiting list if subsidy were continued to these higher income families. (This is a function of both of the above factors).
- This proposal also seems to us to be premature. DHS will have to revise its CCIS child care regulations in the coming year to respond to changes in federal law. There are several possible approaches to complying with the new federal rule requiring an eligibility transition for families

whose income increases after they are found eligible. We suggest delaying H.B. 1164 until next budget year to allow the administration to analyze the effect of different options on the waiting list.

MWP PA Position: We recommend that H.B. 1164 be delayed until next budget year. We would welcome the opportunity to continue working with the General Assembly on the exit income limit provisions of the bill in the coming year.

Co-Pay Discounts

- We have a lot of confidence in the cliff effect study done by the Coalition for Low-Income Pennsylvanians (CLIP) and the broader earlier study done by PathWays PA that look at the impact of earnings increases on public assistance work supports, including subsidized child care. We think the study helps us evaluate where changes may be needed in order to make sure that work pays – or alternatively where they are not needed.

While the CLIP and PathWays studies show that families can face a significant increase in expenses when their income rises above 235% of poverty and they have to assume the full cost of child care, the studies also indicate that up until that point, families are **better off** when their earnings increase, notwithstanding the fact their co-pays increase. In other words there is already an economic incentive in the subsidized child care program for parents to take on additional hours or to accept wage increases, at least until income reaches 235% of poverty. There is thus no need to reduce co-payments for those working greater hours to avoid a cliff effect. We do not see a serious problem that this proposal addresses.

The white paper explaining H.B. 1164 includes data which we think illustrates our point. According to the data, the vast majority of families receiving CCIS child care are already working 40 or more hours per week. Clearly, this would not be the case if it were true that the CCIS program penalizes, rather than rewards families for working more hours. The paper indicates that the cost of providing the co-pay discounts proposed in H.B. 1164 to these families would be almost \$15 million. We find it hard to justify spending this amount of money to further reward families receiving subsidy for something they are already doing, while thousands of other low-income working families receive no subsidy at all because they are on a waiting list.

MWP PA Position: For the above reasons, the coalition cannot support the Co-Pay Discount provisions in H.B. 1164. We recommend that they be removed from the bill.

Sincerely,
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