



LB856 | Child Care Subsidy Eligibility for the Early Childhood Workforce

Policy Brief | 2024

□ Key Points

- ▶ Nebraska faces serious obstacles in recruiting and retaining talent in its child care industry, which offers comparatively low wages and few supports for early childhood professionals who are also working parents.
- ▶ Other states are currently piloting programs to address this challenge by making subsidized child care more accessible to the families of early childhood educators.
- ▶ LB856 would make more of Nebraska’s early childhood professional workforce eligible for the child care subsidy by excluding all earned and unearned household income requirements for qualifying applicants.

■ Recruiting and retaining Nebraska's early childhood workforce

Early childhood professionals are essential to the success of our economy. While Nebraska’s workforce has rebounded to pre-pandemic levels, there are 11% fewer child care professionals now than in 2018,¹ which means fewer options for our state’s working parents. Low wages and high turnover in child care create a ripple effect of instability throughout all sectors of business and industry. Making the child care subsidy more accessible for working parents in the child care profession can help address these challenges by:

- ▶ Reducing the expense of child care for child care employees, enabling them to take home more of their paychecks and spend that money on goods and services needed by their families.
- ▶ Empowering child care programs to compete more effectively with fast food and retail stores, whose ability to offer higher pay would be offset by the decrease in child care expenses through access to the subsidy.
- ▶ Making careers in child care a more rewarding and viable option so it is easier to fully staff child care programs. This produces a multiplier effect by increasing the supply of child care and enabling more working parents to participate in other sectors of the Nebraska workforce.

| Median Hourly Wage of NE Workers ¹ | | Turnover in NE Child Care Workforce ² | Ratio of NE Child Care Employees per 1,000 NE Workers ¹ | |
|---|------------------|--|--|------------|
| \$13.34 | \$21.20 | 30% | 9.3 | 8.3 |
| Child Care Employees | Statewide Median | (2022-23) | 2018 | 2022 |

■ LB856 recommendations and requirements

LB856 would make the child care workforce income eligible for child care subsidy by excluding all earned and unearned household income from the eligibility determination. To qualify, the applicant or a household member must be:

- ▶ Self-employed at a licensed child care, or employed at a licensed child care, Head Start or Early Head Start program.
- ▶ Employed for at least 20 hours per week.
- ▶ Listed in the Nebraska Early Childhood Professional Record System (NECPRS).

Households will still need to meet all other child care subsidy requirements.

■ Amendment to address eligibility for family child care home providers and employees in smaller child care programs

Currently in Nebraska, family child care providers cannot receive the child care subsidy for the care of their own children and are not able to enroll their children in a different child care program to receive subsidized care. Similarly, Nebraska restricts the ability of parent-employees from providing care for their own children while receiving child care subsidy reimbursements.

These restrictions could limit the impact of LB856, particularly in Nebraska's rural areas, where family child care and small child care centers are most needed. Proponents of LB856 have conducted thorough federal and state-by-state research of subsidy rules and regulations with the intent of advancing an amendment to ensure LB856 benefits the early childhood workforce equitably. This amendment keeps Nebraska in alignment with federal child care subsidy rules while expanding options for family child care homes and small licensed child care programs by:

- ▶ Requiring child care employers to make reasonable accommodations so employees are not caring for their own children. Should no reasonable accommodations be available, parents can care for their own children while receiving the subsidy.
- ▶ Allowing self-employed child care providers (i.e., family child care homes) to enroll a child in a program other than their own to receive subsidized care.

The amendment would also require the Nebraska Department of Health and Human Services to submit an annual report to the Legislature detailing how many households and children are approved for subsidy under LB856 by county and provider type, allowing the Legislature to measure the impact of the legislation across the state.

■ Proof of concept: Kentucky's 'categorical eligibility' regulatory change

To address the child care needs of early childhood professionals, Kentucky enacted a regulatory change in October 2022 that excluded all earned and unearned income in determining subsidy eligibility for child care employees. After one year, over 3,200 parents employed in child care who were not otherwise eligible enrolled in the state's subsidy program. Approximately 5,600 children are now receiving subsidized child care benefits as a result.³

Similar programs are being implemented in Arizona, Iowa and Rhode Island, with additional states planning to introduce similar policy changes.

□ Potential impact of LB856 in Nebraska

Access to the child care subsidy for child care professionals is likely to reduce turnover and attract more talent to the early childhood workforce. Based on the outcomes of Kentucky's regulatory change, **Nebraska could expect more than 2,000 early childhood professionals to enroll in the subsidy in the first year of implementation.** If each of those professionals provides care for an average of eight children, **LB856 has the potential to ensure stable care for more than 16,000 children of working Nebraskans.**

References

- ¹ Bureau of Labor Statistics. 2022. Occupational Employment and Wage Statistics, Nebraska, May 2018-May2022. Accessed 9/12/2023.
- ² Nebraska Department of Labor. 2023. Childcare Industry Employment Data requested by First Five Nebraska and received 9/13/2023.
- ³ Powell, A. and Dade, A. 2023. What the Bluegrass State Can Teach Us About Increasing Access to Child Care. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/publications/brief/kentucky-model/>.

