



LB95 | Categorical Subsidy Eligibility for parents working in child care

Policy Brief | January, 2025

□ Key Points

- ▶ A stable early childhood workforce is necessary to fully staff child care programs that enable parents to participate in the workforce in all areas of business and industry, leading to higher quality of life and increased economic activity on a broad scale in Nebraska.
- ▶ Child care traditionally employs many working parents, but low pay and minimal benefits routinely drive these workers to seek more rewarding employment in other industries.
- ▶ Making more parents working in child care categorically eligible for subsidy benefits would act as a workplace benefit to attract and anchor more child care employees in their careers, providing stability to an industry that other working parents rely on.

■ Summary

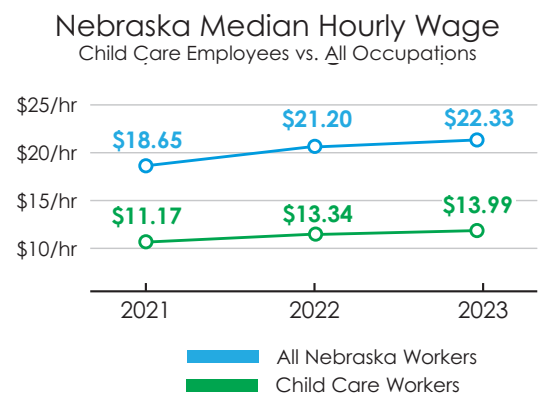
LB95 creates a three-year pilot program that will make more child care employees categorically eligible for the child care subsidy to meet their own families’ needs. Eligibility for the pilot program depends on the applicant’s annual income, weekly hours worked and other requirements. This pilot program would go into effect October 1, 2025 and end September 30, 2028. The overall intent of the bill is to determine how categorical eligibility for the subsidy would encourage more early childhood professionals to enter and remain employed in Nebraska’s struggling child care industry.

■ Background: Challenges to the child care workforce

Child care is essential for mobilizing a younger, more vibrant workforce to fill existing and emerging jobs throughout the state. Through the combined efforts of lawmakers and the public and private sectors, child care in Nebraska is finally showing some signs of returning to pre-pandemic conditions. Even so, the supply of high-quality, licensed child care programs prior to the pandemic was insufficient to meet the needs of working parents – and therefore, the needs of Nebraska’s employers. If Nebraska employers want to fill the over 50,000 jobs that are available monthly in the state,¹ it is critical that our state offers the child care capacity that makes it an attractive place to work.

Supply-side shortfalls in child care in Nebraska are closely connected to the financial challenges of early childhood professionals—especially those striving to provide for the needs of their own families. The median hourly wage for child care employees is \$13.99, well below that of all Nebraska workers (\$22.33). This disparity, along with lack of benefits, routinely drives talent toward more financially rewarding opportunities outside early childhood care and education.

Nebraska’s child care sector still struggles with high turnover rates. LB95 will encourage more child care workers to pursue their careers in this industry, providing the “workforce behind the workforce” our state needs. For each early childhood educator who receives child care assistance for their own children, an average of 8 children under age 6 would have stable enrollment in a program, helping more working parents to stay engaged and productive in our state’s workforce.



Source: U.S. Bureau of Labor Statistics. (2024). May 2023 Occupational Employment and Wage Statistics, Nebraska. Accessed 8/23/2024. https://www.bls.gov/oes/current/oes_ne.htm

■ Legislative Context: Subsidy access as a child care workforce incentive

Because the child care industry employs many parents with young children of their own, it is uniquely positioned to compete with a workforce benefit that other industries struggle to offer—onsite child care for employees. In 2024, State Senator John Fredrickson (District 20) introduced LB856 to provide this workforce benefit and stabilize the child care industry.

While state budgetary constraints prevented LB856 from advancing with all its provisions intact, the bill did succeed in removing administrative barriers to subsidy access for parents employed in child care. During the 2024 interim, Senator Fredrickson conducted a study (LR427) to investigate ways to address barriers to make more parents working in child care income-eligible for the subsidy while still acknowledging the fiscal realities facing our state.

□ About LB95: Piloting expanded subsidy access for parents working in child care

LB95, introduced by Senator Fredrickson, revisits the intent of LB856 to strengthen the child care workforce. The bill implements a three-year pilot program that makes qualifying parents working in child care categorically eligible for child care subsidy benefits. These benefits apply if the applicant or a household member:

- ▷ Does not exceed 85% of the State Median Income (SMI);
- ▷ Is employed or self-employed at a licensed child care, or is employed at a federal Head Start or Early Head Start program;
- ▷ Is employed in child care for at least 20 hours per week; and
- ▷ Has an account in the Nebraska Early Childhood Professional Record System (NECPRS).

LB95 also requires the Nebraska Department of Health and Human Services to submit a report to the Legislature to assess the impact of the pilot program, which begins October 1, 2025 and ends September 30, 2028.

■ Conclusion

In combination with the provisions of LB856, LB95 will enable more child care businesses to offer subsidized care for the children of eligible employees as a workplace benefit. This will enable child care providers to compete more effectively with employers in other industries who are able to offer traditional benefits such as health insurance and retirement contributions. Because Nebraska is already challenged in keeping up with the demand for a broader labor pool, supporting a key industry that facilitates workforce participation overall should be an economic priority for our state.

References

- ¹ Nebraska Department of Labor. NEworks: Advertised Jobs and Unemployment, January-November 2024. <https://networks.nebraska.gov>. Accessed December 20, 2024.