

□ Key Points

- ▶ In 2021, LB485 temporarily increased families' access to the child care subsidy and commissioned a study to evaluate the impact of raising household income eligibility from 130% to 185% of the Federal Poverty Level (FPL). For a family of four in 2025, this equates roughly to \$42,000 (130% FPL) and \$59,000 (185% FPL). These provisions will sunset on October 1, 2026.
- ▶ Expanded income eligibility helps working parents with young children. After expansion, more households receiving subsidy were employed, and those with infants were more likely to receive child care assistance.
- ▶ LB304 would eliminate the expiration of the current income eligibility levels set by LB485. If the sunset is upheld, Nebraska will rank 48th in the nation for subsidy access based on household income of 130% FPL.

■ Summary

LB304 maintains income eligibility levels enacted into law under LB485 in 2021 by removing the sunset date of October 1, 2026. The threshold for subsidized care of 185% of the federal poverty level (FPL) and 200% FPL for transitional child care assistance would be retained. Federal funds must be used to pay for the subsidy expansion population (130% to 185% FPL). No state general funds may be used for direct state aid to this population.

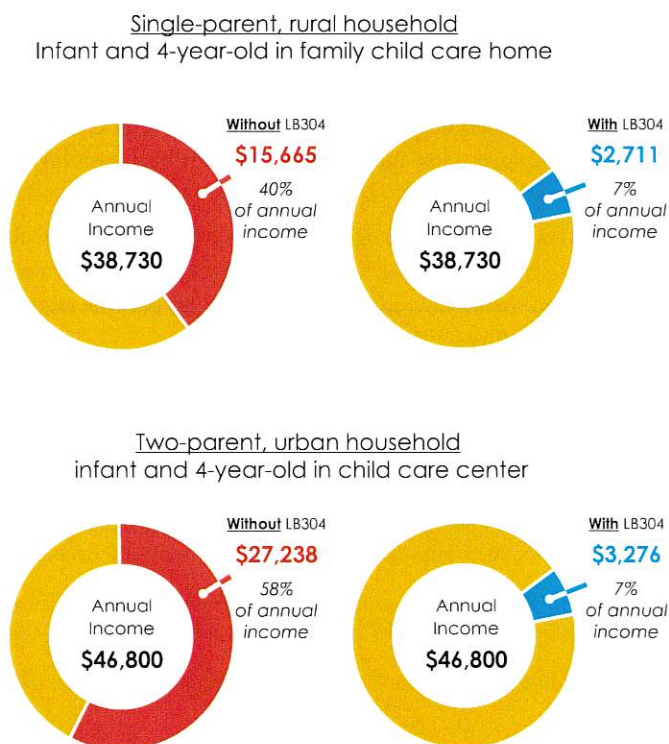
■ Background: Financial burden on Nebraskans in the workforce with young children

Child care expenses can be a significant challenge to the financial stability of Nebraska families of all income levels, as well as our state's ability to field a productive workforce. Nebraska's child care subsidy plays an important role in addressing these challenges.

Child care subsidies are publicly funded programs offered in each state to offset the high costs of child care, enabling parents to pursue employment or education so they can better provide for their families.

Without supports like the subsidy, parents often reach a point where the high cost of child care outweighs the benefits of participating in the workforce. Therefore, lack of access to the subsidy leaves families with fewer pathways for achieving financial stability while depriving employers of workers for jobs across all sectors of business and industry.

Figure 1: Child care cost scenarios at 150% FPL with and without subsidy access^{1,2}



Federal and state policy context

While child care subsidy programs are funded through combined state and federal resources, the federal Child Care and Development Block Grant Act gives states a wide degree of flexibility to set eligibility thresholds based on household incomes. For the past 20 years, Nebraska's income eligibility requirements for subsidy have been among the most stringent in the nation. LB485 (2021) specified that expanded eligibility levels would be temporary, allowing time to conduct an impact study, which has concluded. Subsequent legislation extended the sunset to October 1, 2026.

Figure 2: Change in Nebraska child care subsidy income eligibility thresholds

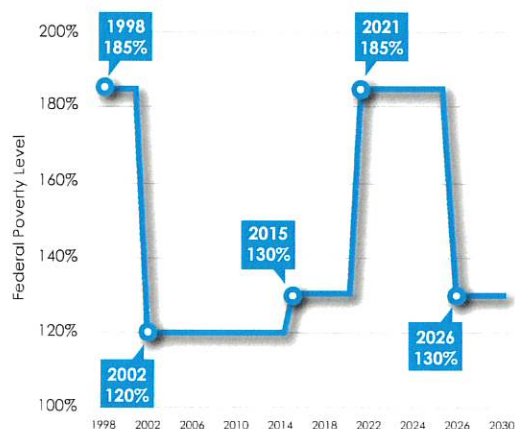
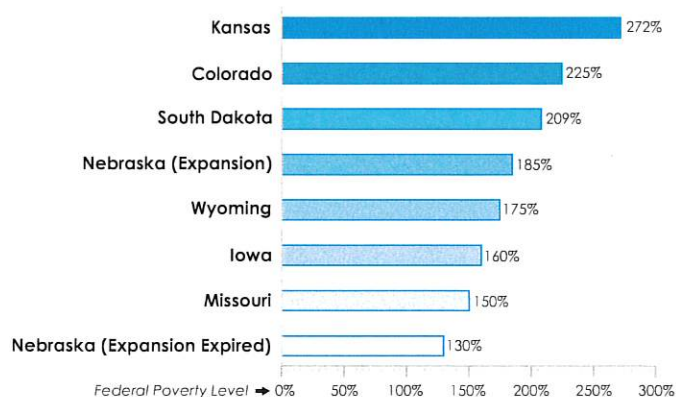


Figure 3: Nebraska's income eligibility compared to neighboring states (as of 2023)³



Impacts of increased subsidy access under LB485

First Five Nebraska, in collaboration with the Nebraska Department of Health and Human Services and other partners, conducted an impact analysis of expanded subsidy access during FY2022 – FY2023, per the provisions of LB485. Key findings included:

- ▶ **More families eligible:** Promoting the self-sufficiency of families is the purpose of the child care subsidy. Under LB485, about 4,300 children from over 2,500 families became eligible for the child care subsidy who would not have previously qualified for subsidized care.
- ▶ **Increased employment:** The vast majority of families became eligible for the subsidy because they were employed. For families who had not been employed, proportionally more were able to cite employment as the reason for receiving subsidized care after expanded income eligibility took effect (48.7% compared to 44.1%).
- ▶ **Increased infant care:** Infants are the most expensive age group to serve through child care, which is a significant barrier for parents seeking to return to work after the birth of a child. Researchers found that proportionally, more infants (17.8%) became eligible for subsidized care under LB485 than under previous eligibility levels (12.5%).

To learn more about the impact analysis conducted by First Five Nebraska, visit [nebraskalegislature.gov/FloorDocs/108/PDF/Agencies/Health and Human Services Department of/847 20240830-163951.pdf](https://nebraskalegislature.gov/FloorDocs/108/PDF/Agencies/Health%20and%20Human%20Services%20Department%20of/847%2020240830-163951.pdf)

References

- ¹ U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. (Undated). HHS poverty guidelines for 2025. <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>
- ² Daro, H., Welch, G and Bryant H. (2023). Nebraska child care market rate survey report 2023. Nebraska Department of Health and Human Services. <https://dhhs.ne.gov/Child%20Care%20Market%20Rate%20Surveys/2023%20Market%20Rate%20Survey%20Report.pdf>
- ³ Prenatal-to-3 Policy Impact Center (2023). Prenatal-to-3 policy clearinghouse evidence review: Child care subsidies (ER 07D.1023).