February 26, 2014

Senator Kathy Campbell, Chair

Health and Human Services Committee
Room 1402, State Capitol
Lincoln, NE 68509

RE: Support of LB 81

Chairwoman Campbell and members of the Health and Human Services Committee,

My name is James Goddard and I am the Director of the Economic Justice and Health Care Access Programs at Nebraska Appleseed. Nebraska Appleseed is a nonprofit organization that fights for justice and opportunity for all Nebraskans. I am here today to testify in support of LB 81.

Affordable childcare is vital to allow families to work and to keep children safe. In Nebraska, the Child Care Subsidy Program provides assistance to low-income families that are working their way towards independence, by helping cover the costs of childcare on a sliding scale. The program helps parents have a safe place for their children while they find work, maintain employment, or gain the education and skills needed to get a job. Without this assistance many Nebraskans would be unable to work.

In 2002, eligibility for the Child Care Subsidy Program was cut from 185% to 120% of the federal poverty level (FPL), with promises that eligibility would be restored. The initial eligibility threshold has since been raised to 130% FPL, and eligibility is set at 140% at redetermination. However, many families experience the “cliff effect” due to our eligibility limit.

The cliff effect occurs when a family’s income increases modestly, and pushes a household over eligibility limits for childcare assistance. While a family’s income has increased, the income often is not sufficient to offset the loss in support, leaving a family in a worse position. Because of this, families often cannot accept a modest raise, work more hours, or get a better job without risking losing the support of childcare assistance. In short, the cliff effect can discourage work and prevent families from moving ahead.

LB 81 would help to encourage work and address the cliff effect by allowing families to earn more income and retain childcare support. The bill allows individuals that qualify for
the subsidy at current levels to have transitional support if their incomes exceed current limits, up to 185% FPL, for 24 consecutive months. As a family's income increases so does their share of cost for the childcare. iii In simple terms, LB 81 would allow participants to take a job or a raise (up to about $3,100 per month) and maintain childcare assistance, for which they pay a portion, whereas currently they could lose childcare assistance with a small raise or new job. iv

In sum, LB 81 would go far to ensuring that more Nebraska children will be in safe environments while their parents are working, and may enable more families to find work or take a pay raise. This is not only good policy for the welfare of Nebraska's families, but also for the health of Nebraska's economy.

For these reasons, we urge the committee to advance LB 81.

Sincerely,

\[Signature\]

NEBRASKA APPLESEED
James Goddard, J.D.
Director
Economic Justice & Health Care Access

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i There is a range of income eligibility for the program. Some families are eligible at about 47% FPL with no cost sharing (ADC eligibility). Others families are eligible at 130% FPL, and must pay a portion of the cost of childcare to the provider.

ii This means a family of three can earn only about $2,375 per month and remain eligible for the subsidy.

iii At the higher end of the income scale, families could pay up to about 18% of their income on childcare and the Child Care Subsidy Program would pay the remainder to the childcare provider.

iv The bill would also align transitional childcare eligibility with Aid to Dependent Children levels (both programs would allow transitional childcare up to 185% FPL for 24 consecutive months).