Protecting Child Care Access for Families With Young Children Participating in Guaranteed Income Programs

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Guaranteed income programs, which provide families with direct unrestricted cash payments, represent a promising avenue for supporting the health and well-being of families with low incomes who have young children. However, because guaranteed income receipt may affect families' ability to qualify for child care subsidies, policymakers must consider policy strategies that allow families to maintain access to this essential support.

The idea of providing families a guaranteed income—a type of unrestricted cash transfer provided directly to individuals or families with low incomes to ensure they have a minimum level of cash resources—began as early as the 1930s. Guaranteed income continued to gain traction as an important tool for economic justice, particularly for Black Americans, during the Civil Rights Movement. As Dr. Martin Luther King, Jr. famously wrote in his book, Where Do We Go From Here?, "The solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income." Today, guaranteed income programs are proliferating across the country—playing an important role alongside other social safety net programs (e.g., programs designed to reduce poverty and support individuals and families by offering a range of benefits and services, including assistance with food, housing, health care, and child care) in supporting economic well-being and economic justice for families.

However, participation in a guaranteed income program can inadvertently affect a family's eligibility for child care subsidies and other social safety net benefits. For example, a $1,000 monthly payment from a guaranteed income program could be counted as additional family income, which could reduce the family's benefit amount or make them ineligible for a specific benefit entirely. As a result, a family's "net" resources (income plus benefits) could be less than the full guaranteed income amount and, in some cases, actually result in a net loss. The loss of child care subsidies can not only result in reduced net resources, but also affect parents' ability to work and limit access to high-quality child care for families with young children.

In this brief, we present information on the benefits of guaranteed income programs and the importance of protecting child care benefits for families receiving a guaranteed income. Additionally, we provide recommendations for protecting access to child care subsidies for families receiving guaranteed income.

Key policy recommendations in this brief

Policymakers can help protect child care subsidy benefits for families participating in guaranteed income programs by:

- Seeking state waivers to safeguard access to child care subsidies for specific guaranteed income programs
- Creating state policy environments, either through state administrative or legislative action, that protect access to child care subsidies
- Updating Child Care and Development Fund (CCDF) State Plans to exclude cash received from guaranteed income programs from income determination for child care subsidies
- Updating federal CCDF guidelines regarding income determination for cash received through guaranteed income programs

Guaranteed income programs should supplement, rather than replace, other benefit programs to support child and family well-being.

Guaranteed income programs can support the health and well-being of families with young children living with low incomes. Research increasingly points to the clear benefits of guaranteed income programs. Evaluations, both domestic and international, have demonstrated repeatedly that guaranteed income programs reduce poverty, boost economic well-being and physical health, and increase access to education and employment for families and individuals with low incomes. Recent evidence also suggests the importance of these programs in supporting the healthy development of infants and toddlers. Guaranteed income programs are cost-effective mechanisms for supplementing household incomes, supporting pathways to economic mobility, and reducing economic disparities.

By providing families with direct cash, guaranteed income programs allow families the dignity and flexibility to meet their needs at their own discretion. Importantly, these programs are meant to supplement, not replace, other existing benefits (e.g., housing vouchers, child care subsidies) as part of the social safety net. This is particularly important for families living in deep poverty, who experience an additive benefit of participating in multiple social safety net programs. Unfortunately, due to inconsistencies in how cash from guaranteed income is considered in income determinations for means-tested benefits, some families may be at risk of experiencing a benefits cliff, or a loss of means-tested benefits due to the nominal increase in their income from the guaranteed income program payment. For families with young children, this cliff can be particularly steep—especially for families receiving a child care subsidy to offset the cost of child care.

To protect these benefits, many guaranteed income programs request waivers to protect families' benefits from specific programs (e.g., Supplemental Nutrition Assistance Program [SNAP], Special Supplemental Nutrition Program for Women, Infants, and Children [WIC], Temporary Assistance for Needy Families [TANF]). Some states, like Illinois, have also passed legislation that allows programs to temporarily exclude cash received through pilot guaranteed income programs in determining income eligibility for select programs. However, to date, there have not been any permanent statewide or federal efforts to protect child care subsidies for families enrolled in guaranteed income programs. This is an important oversight, as child care subsidies are often one of the largest dollar amount benefits available to families with young children.

Child care subsidies are an important part of the social safety net.

Affordable, high-quality child care supports the healthy development of young children and enables parents to participate in the labor force: Access to this care is critical for families' economic well-being. Child care subsidies, available through federal funding provided by CCDF, are available to eligible families with low incomes (typically at or below 85% of state median income) to offset the cost of care. States and territories have some flexibility in the design and implementation of their subsidy systems, including reimbursable amounts, parent co-pays, eligibility criteria, and, importantly, how income is calculated for eligibility. All decisions on the design and implementation of these subsidy programs are outlined in each jurisdiction's CCDF Plan.

States and territories are required to detail how they will determine income eligibility for child care subsidies and what is considered "countable income." States vary in their treatment of many cash benefits

Examples of cash gifts and income eligibility in three CCDF State Plans

Nevada: "Cash gifts are not counted if they are given voluntarily without payment in return and are received too irregularly to be reasonably anticipated."

Ohio: "Cash contributions received by the family from persons, organizations, or assistance agencies are fully counted."

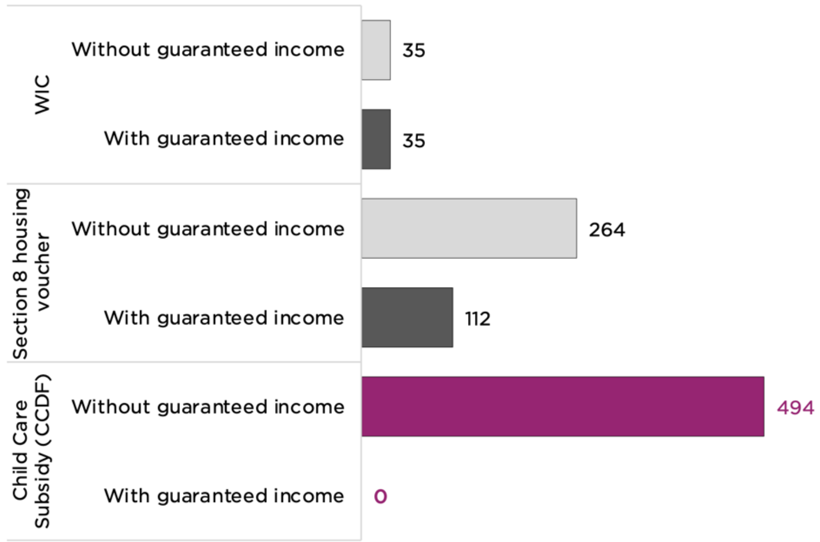
Utah: "Cash contributions from non-household members are counted. Irregular income, such as donations, cash prizes, gifts, and awards, are counted only if they can be reasonably anticipated in a month. Irregular income less than or equal to $30 per household member per quarter year is not counted."

Source: CCDF Policies Database

(e.g., TANF, and Earned Income Tax Credit [EITC]), although federal CCDF guidelines do not explicitly require them to respond to how guaranteed income might factor into income eligibility determination (see the "Examples of cash gifts and income eligibility in three CCDF State Plans" textbox). States and territories are, however, asked to describe how they treat "cash gifts." Cash from guaranteed income programs may be treated as a recurring monthly cash gift. Much of the language in the plans around recurring cash gifts specifies that this income is, in fact, countable (or likely countable), given the predictable nature of the cash. This means that, for families receiving both a guaranteed income and a child care subsidy, their ability to receive or maintain a child care subsidy may be at risk as their income increases.

The ways in which participation in a guaranteed income program might impact other benefits will likely vary depending on a family's specific circumstances. Figure 1 illustrates how select benefits for a family of two (including one infant) in Birmingham, Alabama with a monthly income of $2,456, just below 150 percent of the federal poverty level (FPL), would be affected by the receipt of a $1,000 monthly guaranteed income if means tested social safety net programs are not protected.

Figure 1. Example of changes in select benefits with and without a guaranteed income of $1,000
Household of two with a monthly income of $2,456 in Jefferson County, AL



Source: Federal Reserve Bank of Atlanta Guaranteed Income Dashboard, August 2023

Without additional protections to ensure families' continued access to other safety net benefits—particularly child care subsidies—guaranteed income programs will not have the full intended effect on family economic well-being.

Policy strategies can protect child care access for families with young children participating in guaranteed income programs.

As guaranteed income programs become more common, state, territory, and local policymakers must consider effective and sustainable methods of protecting access to child care subsidies for families with young children receiving a guaranteed income. Current approaches to protecting child care subsidy benefits for families receiving a guaranteed income are fragmented and typically require the guaranteed income program to request waivers from the state. Without protections, participation in guaranteed income programs can have the unintended consequence of exposing families to the child care benefits cliff, which may reduce their income, affect parents' ability to work, and result in young children's placement in child care arrangements that are not well-matched to families' needs.

Below, we offer recommendations for protecting child care subsidy benefits for federal, state, and local policymakers interested in designing new—and strengthening existing—guaranteed income programs that support families of young children. At the core of each recommendation is the exclusion of guaranteed income programs from income determinations used for eligibility for child care subsidies.

Seek state waivers to safeguard access to child care subsidies for specific guaranteed income programs.

This recommendation is meant for local leaders in the *current* state and federal policy environment. Waivers for specific guaranteed income programs would expand on the piecemeal approach used to safeguard food assistance and other benefits that recipients of guaranteed income may receive. As jurisdictions continue to design and launch guaranteed income programs, they should actively seek support from state leaders in protecting access to child care subsidies for families with young children.

Create state policy environments, either through state administrative or legislative action, that protect access to child care subsidies as guaranteed income programs proliferate.

This recommendation is also meant for local leaders in the current state and federal policy environment. In addition to waivers, some states have passed legislation to protect access to certain benefits (see the "Examples of legislation to exempt guaranteed income from social safety net income eligibility" textbox), which may help protect benefits for recipients of multiple guaranteed income programs in a given state.

Examples of legislation to exempt guaranteed income from social safety net income eligibility

Illinois **(2019)**: Excludes wages, cash transfers, or gifts from determination of eligibility for participants enrolled in a direct cash transfer research program for a period of no more than 60 months.

Minnesota **(2021)**: Exempts cash transfers from income eligibility for social safety net programs, including child care assistance programs, for participants in a direct cash transfer program evaluation, expiring January 1, 2026.

Washington, DC **(2022)**: Excludes direct cash transfers from the definition of earned income for the purposes of qualifying for public assistance.

Update CCDF State Plans to exclude cash received through guaranteed income programs from income determination for child care subsidies.

Child care subsidy systems should exclude cash received from guaranteed income programs in income determination processes. In the absence of federal guidance, states and territories can use existing CCDF Plans to be explicit about the treatment of cash received from guaranteed income, and how this cash is used to determine income eligibility for the child care subsidy program.

Update federal CCDF guidelines regarding income determination for cash received through guaranteed income programs.

While current CCDF guidelines offer states and territories flexibility on the design and implementation of their child care subsidy systems, federal guidelines dictate that CCDF Plans must detail specific treatment of certain income sources in determining eligibility. Currently, CCDF guidelines do not detail how states and territories must report on the ways they consider cash from guaranteed income programs in their income determination processes, which leaves child care subsidy staff without clear direction on how to treat this type of cash benefit. Updating CCDF guidelines to specifically name guaranteed income is important to the success and sustainability of these programs. Federal officials can also encourage states to exclude guaranteed income programs from income determination or, at minimum, clearly specify that states have the flexibility to do so.

In conjunction with the social safety net, guaranteed income programs have the potential to support the health and well-being of families with young children. However, policymakers need to take steps to ensure that families with low incomes have continued access to the social safety net while participating in guaranteed income programs. In particular, policymakers should ensure families' access to child care subsidies when designing guaranteed income programs, in setting CCDF policy, and in determining state eligibility requirements. In doing so, they can support families' ability to participate in guaranteed income programs without losing access to the child care on which they rely to work, grow, and thrive.

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