

POLICY BRIEF

State lawmakers can support two incremental policy solutions to reduce childcare costs, especially for low- and middle-income families.

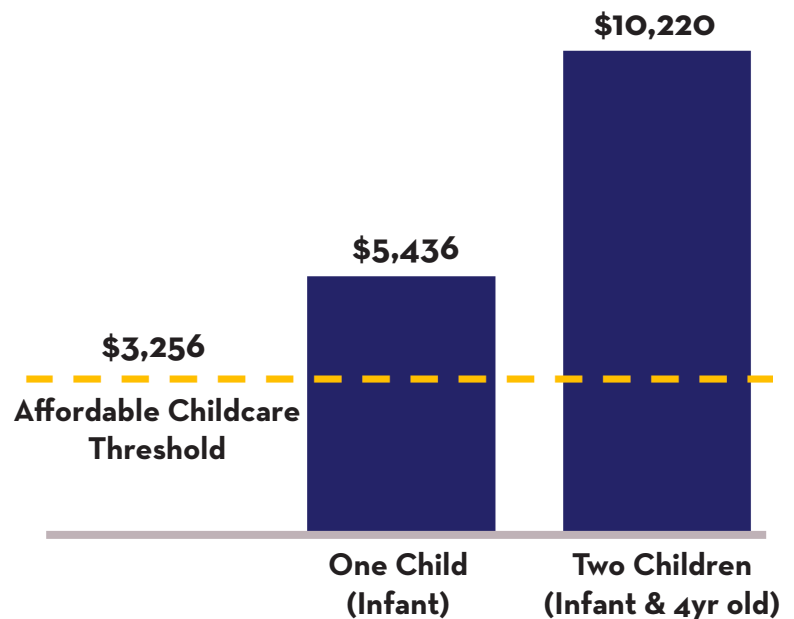
Despite low childcare teachers wages, childcare remains unaffordable for many Mississippi families.

According to the U.S. Department of Health and Human Services (HHS), childcare is considered affordable if it costs families no more than 7% of their income.¹ **In Mississippi, the average yearly cost of childcare for an infant is 11.7% of the median income (\$46,511 for a two-person household) in our state.**²

But these costs go up when families have more than one child. On average, the cost of care for two children – for example, an infant and a 4-year-old – takes up almost a quarter (22%) of a typical family's household budget.²

The cost burden is higher for single parents. The Mississippi Black Women's Roundtable and the National Women's Law Center found that **a single mother in Mississippi earning the median income (\$26,305 for one person) would have to spend nearly 40% of her income to pay for childcare for her infant and four-year-old.**³

Average Annual Cost of Childcare in Mississippi^{1,2}



What can be done at a policy level to change this?

We know that childcare programs are already operating on thin margins, and reducing tuition rates for families would threaten many childcare centers' ability to remain open. Reducing rates is not a viable option for these small businesses. However, there are other ways to reduce costs for families.

The Child Care Payment Program (funded through the federal Child Care Development Fund) exists to help make childcare more affordable for parents with the fewest resources. We need to ensure that our working parents with the greatest need face as few barriers as possible to accessing this program.

One barrier that could be immediately removed by the Governor is the requirement that single mothers cooperate with child support enforcement to participate in this program.

1. Many Mississippi residents do not qualify for CCPP assistance, but are still paying more than 7% of their income on childcare. These families also need help reducing childcare costs. **Mississippi can bolster the economic stability of working families by creating a refundable Child and Dependent Care Tax Credit.** These types of credits exist in 15 states, including Louisiana and Arkansas. With these credits, families receive up to 50% of what they spend for childcare back as a tax credit, which encourages working parents to remain in the workforce.⁴

POLICY BRIEF

Removing barriers to childcare assistance can help single parents support their families.

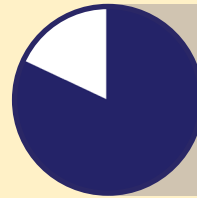
Single parents with the fewest resources need access to federally-funded programs to help them remain in the workforce.

The Child Care Payment Program (CCPP) is a federally funded program administered by the Mississippi Department of Human Services (MDHS). The program is designed to provide parents and guardians who meet income and work requirements with childcare tuition assistance in the form of vouchers. When qualifying parents send their children to CCPP-approved childcare providers, they can use those vouchers to pay a lower rate. Providers are then reimbursed for a portion of a parent's childcare fees.

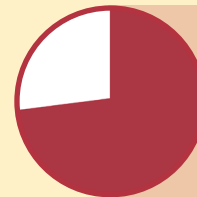
Currently, Mississippi requires that parents cooperate with child support enforcement rules before they can be eligible to receive childcare assistance. This is known as the "child support requirement." For example, a single mother who is otherwise eligible for CCPP must also initiate a child support collection order through a separate division of MDHS.

In March 2022, the State Early Childhood Advisory Council (SECAC), a Governor-appointed body, unanimously agreed to recommend to the Governor that this requirement be removed.⁵

In 2021, the Mississippi Low Income Child Care Initiative (MLICCI) surveyed 250 childcare directors who accept CCPP vouchers:



82% said the child support requirement **deters parents from applying.**⁶



73% said the requirement results in **parents' CCPP application denial.**⁶

A review of national research found...⁷

"There is no evidence to suggest that child support enforcement in childcare subsidy processes improves compliance or helps families gain access to additional funds to improve their financial security and therefore does not justify this increased burden on families or staff in already strained systems."

- ZERO TO THREE

Mississippi SECAC members said...⁵

"I think that getting children in good, quality childcare early, allowing their parents the ability to work without fear of where their children are, without having to leave them with a 13-year-old brother because they don't have options. That's how you start to stop the cycle of violence in households. So I'm certainly a big proponent of this move [to remove the child support requirement]."

- Andrea Sanders,
Commissioner of the Mississippi
Department of Child Protection Services

"I received a lot of information on the child support requirement and did some additional research on other states and [I] do recommend they remove...that requirement. It would be so beneficial to families because one thing [the requirement] does is it gets families to separate and that's not what we are trying to do. We want families to stay together if they can and to be able to support their families and be self-sustainable."

- Tamara Smith
Director of Little Samaritan Montessori Center

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Reducing childcare costs can help all families balance their budgets.

Tax breaks for childcare - like 2021's refundable Child and Dependent Care Tax Credit - can improve the economic stability of low- and middle-income families.

A family of four that makes more than \$56,6421 annually is not eligible for CCPP.⁸ As mentioned on the first page, if that family has an infant and a 4-year-old, they will pay an average of \$10,220 for childcare per year. Families who earn an income that is just above the eligibility threshold for CCPP will pay about 18% of their income on childcare. This is over double the percentage that would be considered “affordable” by the United States Department of Health and Human Services.¹

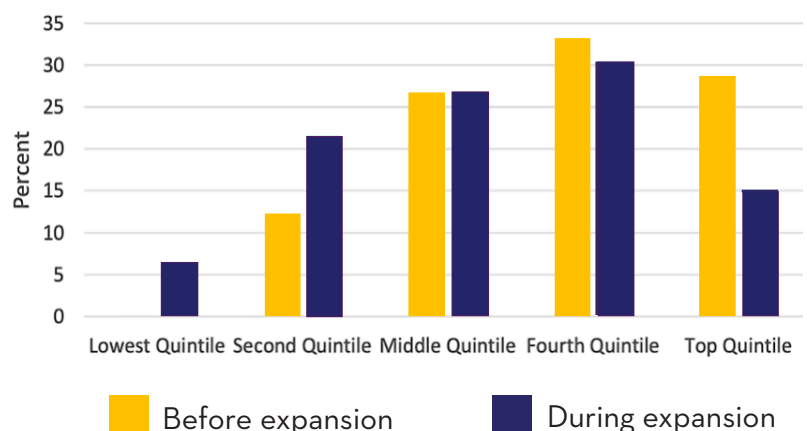
A refundable Child and Dependent Care Tax Credit (CDCTC) can offset the cost of childcare for many working parents, including families that receive assistance and those that do not. On a federal level, working parents can receive a *non-refundable* tax credit for childcare costs, which essentially works as a tax deduction. Existing federal tax law allows them to get a credit for up to 35% of their first \$3,000 of childcare expenses for one dependent (up to a \$1,050 deduction), or the first \$6,000 of care expenses for two or more dependents (up to a \$2,100 deduction).⁹

In 2021, this credit was temporarily expanded in several ways. First, it became refundable, meaning that if a family qualified for a tax credit that exceeded the amount they owed in taxes, they could receive the difference as a tax refund. It also offset up to 50% the first \$8,000 a family spent on childcare for one dependent (up to a \$4,000 refund), or 50% of the first \$16,000 spent on care for two or more dependents (up to an \$8,000 refund).⁹

Other states have chosen to offer refundable tax credits to help their constituents reduce the portions of their household budgets going to childcare. In an effort to encourage ongoing participation in quality improvement activities, Louisiana also offers a refundable tax credit for childcare directors and staff.¹¹

The expanded, refundable CDCTC allowed more low- and moderate-income families to benefit.

Distribution of child & dependent care tax credit benefits to families with children, by income bracket (quintile)¹⁰



THE BOTTOM LINE

A parent or caregiver's ability to afford childcare has a huge impact on their family's financial stability. Currently, many working parents are trying to choose between two bad options: missing work and losing paychecks, or spending too much of their paychecks on childcare. Making childcare affordable for families of all income levels is a complex task, and will require sustained and creative solutions. However, certain policies could be enacted relatively quickly to reduce costs for working parents:

- Removing the child support requirement from the CCPP application process will immediately allow more single-parent to access the childcare they need to remain in the workforce.
- Enacting a refundable Child Care and Dependent Tax Credit will offset childcare costs for families of many income levels, helping them balance their household budgets and increase their purchasing power.

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Visit the Mississippi Early Learning Alliance’s website for more information and resources related to these policy recommendations. On the website, you can download the following:

- Policy Brief on Reducing Childcare Costs for Working Families (*this document*)
- Policy Brief on Teacher Retention
- Summary one-pager of recommendations
- Media Advocacy Toolkit



MSEarlyLearning.org/take-action/policy-recommendations