# An Assessment of Funding Streams for Child Care: What Parents Pay
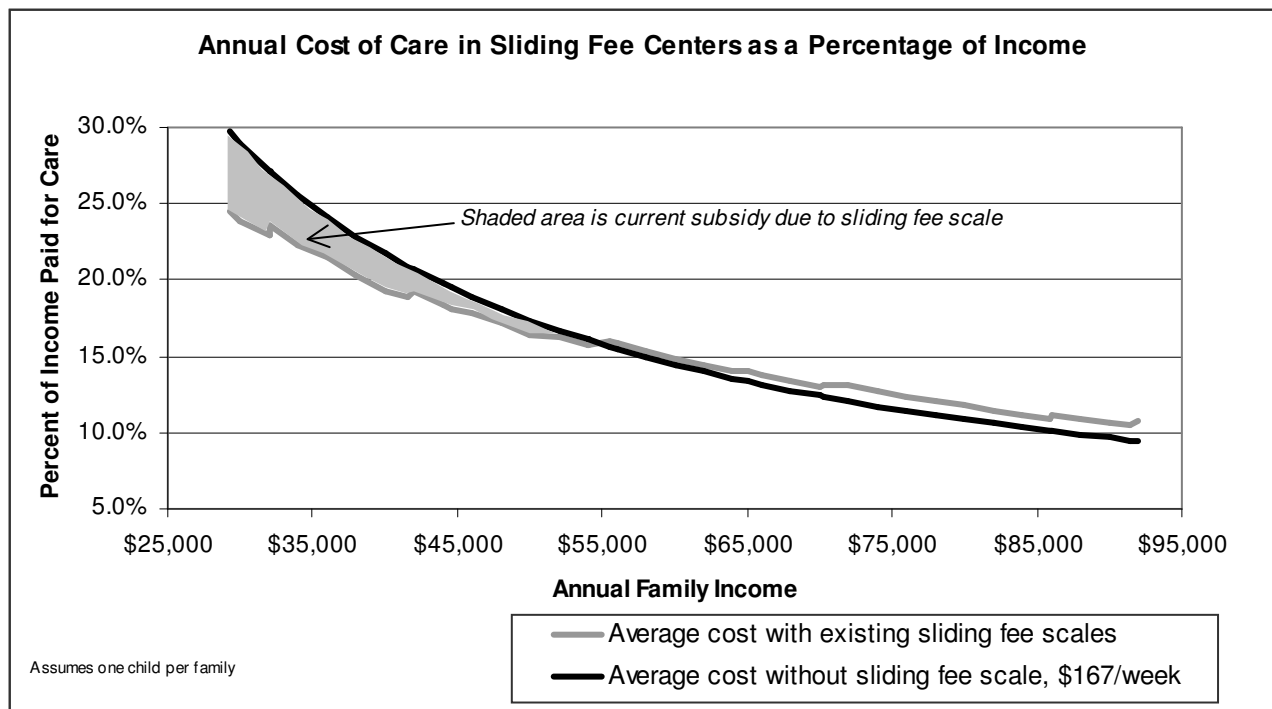
Six child care centers in Tompkins County currently use or recently used sliding fee scales: Coddington, Drop-in, IC3, IACC, FSA@TC3, and Cornell. The effect of these sliding fee scales is that wealthier families subsidize the cost of care for lower and middle income families. In considering fund design, the Early Education Partnership does not want to undermine or lose the current subsidization which is occurring. Below are several graphs that show this subsidization.

Several assumptions were made in compiling this data. Only four centers' sliding fee scales were used: Coddington, Drop-in, IACC, and IC3. The families were assumed to be two parents and one child. The graphs begin at income levels of $30,000 a year, which is this hypothetical family's cutoff for receiving subsidies from DSS. Child care costs are calculated for full day, five days a week, year-round care. The average cost of care was found by calculating a weighted average of weekly costs that considered the number of infant, toddler, and pre-K slots available in these four centers. The average cost of care was calculated as approximately $8,684 a year or $167 a week.
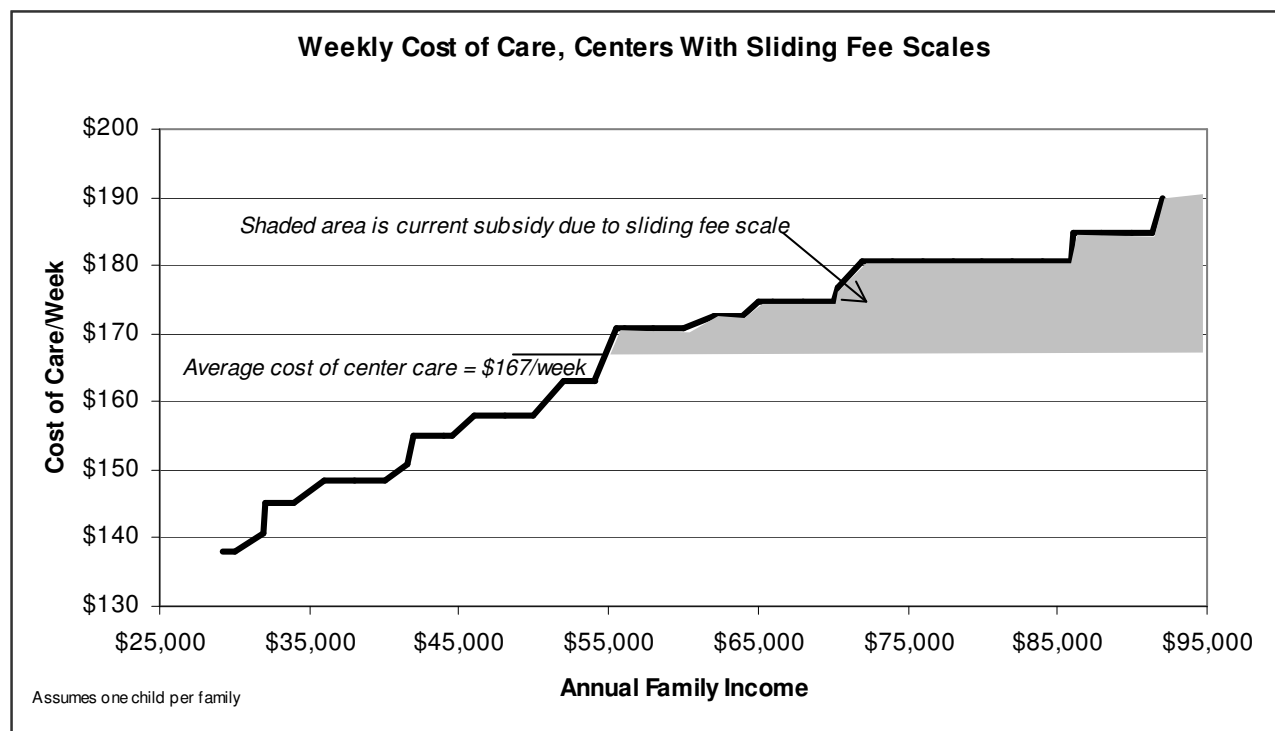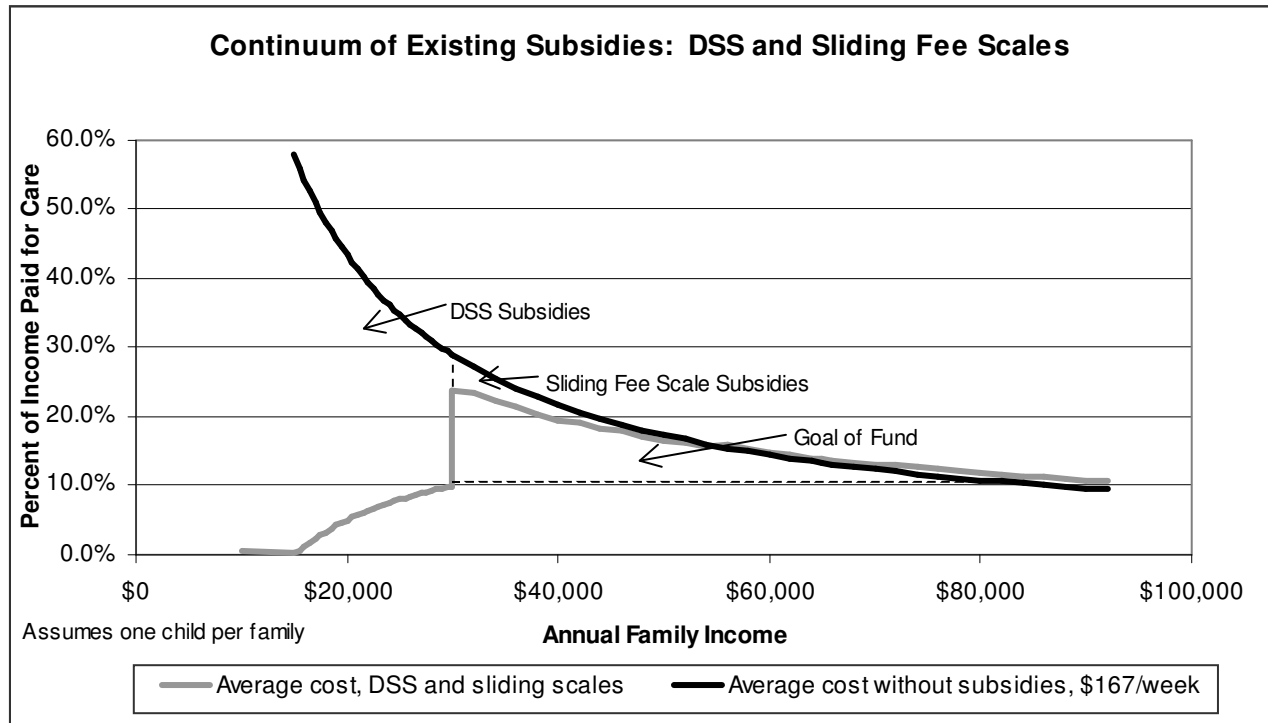

The graph above combines the sliding fee scales of each center to find an average weekly cost of center care as a function of family income. The graph shows that the higher a family's income, the more money they pay for care. Considering an average cost of care of $167 a week, the shaded area represents the subsidy generated by a sliding fee scale. (Note: The number of families at various income levels is not available. This information would be required to calculate the total amount of the subsidy.

This is another way of looking at the same information and subsidy effect. This graph shows the average cost of center care in Tompkins County as a percentage of family income. The light gray line shows that middle income families, despite being subsidized by upper income families, still pay a disproportionate amount of their income for care. The darker line shows what families would be paying if no cross-subsidization took place. The shaded area is the subsidy that should be preserved.

Annual Cost of Care in Sliding Fee Centers as a Percentage of Income

Percent of Income Paid for Care (y-axis): 30.0%, 25.0%, 20.0%, 15.0%, 10.0%, 5.0%

Shaded area is current subsidy due to sliding fee scale

Annual Family Income (x-axis): $25,000, $35,000, $45,000, $55,000, $65,000, $75,000, $85,000, $95,000

Assumes one child per family

——— Average cost with existing sliding fee scales
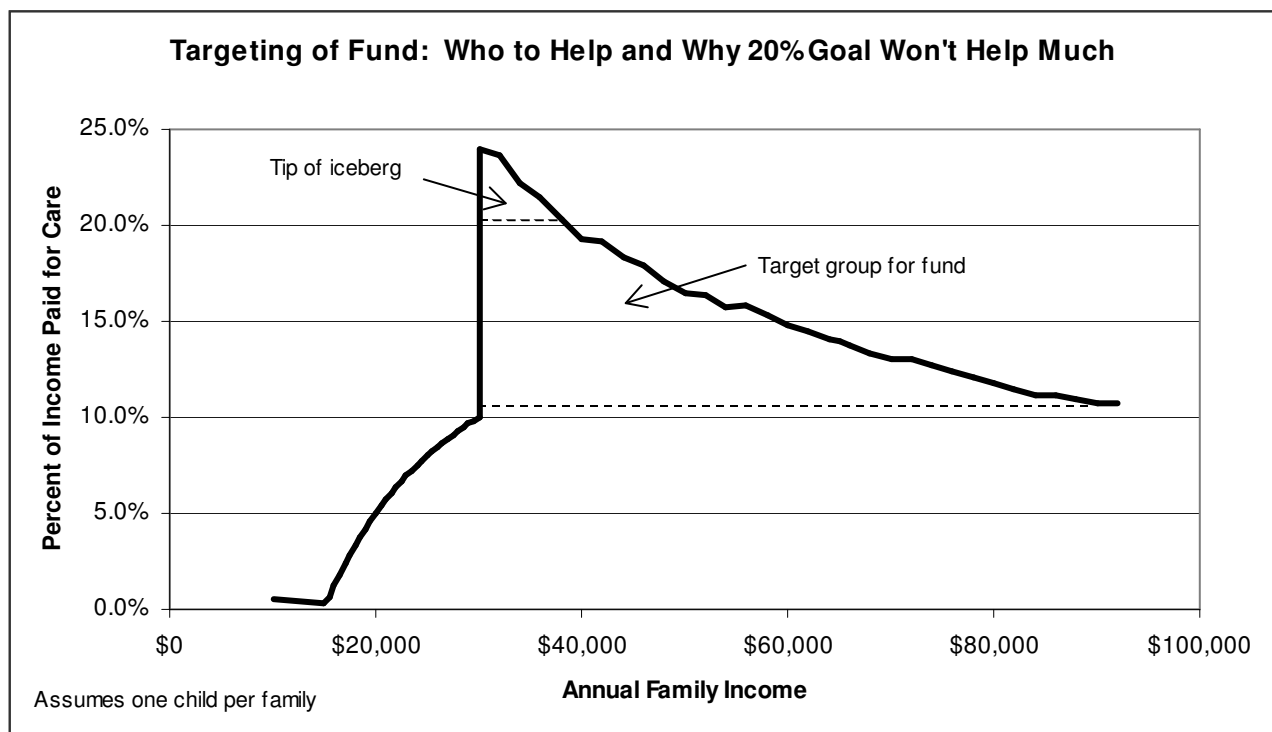——— Average cost without sliding fee scale, $167/week

This chart combines the DSS subsidies at the lower end of the income range with the sliding fee scale information. The sliding fee scale subsidy must not be undermined in the creation of a child care fund.

Continuum of Existing Subsidies: DSS and Sliding Fee Scales

Chart: Percent of Income Paid for Care (y-axis, 0.0% to 60.0%) vs. Annual Family Income (x-axis, $0 to $100,000). Labels: "DSS Subsidies", "Sliding Fee Scale Subsidies", "Goal of Fund". Note: "Assumes one child per family". Legend: "Average cost, DSS and sliding scales" and "Average cost without subsidies, $167/week".

This graph should serve as in inspiration for the fund's continued hard work. The graph shows the percentage of family income paid for center care across the income range, including DSS subsidies for the lower incomes. It is clear that the middle income family must pay a disproportionate percentage of its income for center care, even with current sliding fee scales. This helps explain why IC3 no longer uses a sliding fee scale, but rather has a scholarship program, in the hopes of attracting more middle income families.

This "tip of the iceberg" shows why setting a goal of "no family should pay more than 20% of their income on child care" will not make much of a difference. There are very few families who currently pay more than 20% of their income for child care at centers with sliding fee scales. This helps explain why Cornell's grant program had little interest when the family contribution was set to 20% of income.

Targeting of Fund: Who to Help and Why 20% Goal Won't Help Much

Tip of iceberg

Target group for fund

Percent of Income Paid for Care

25.0%

20.0%

15.0%

10.0%

5.0%

0.0%

$0 $20,000 $40,000 $60,000 $80,000 $100,000

Assumes one child per family

Annual Family Income

This graph assumes our family of three with one child receives Cornell's subsidy and attends one of the sample centers with sliding fee scales. Although Cornell offers child care grants for school age care, the average reflected in this graph only considers their grants for infants, toddlers, and pre-K. Cornell's program does not use a flat percentage.

The program groups incomes into seven ranges and assigns a fixed amount of subsidy to each of the ranges. In the creation of a child care fund, the Partnership should look closely at Cornell's efforts, both because they are a major employer and because they have been largely successful in reducing the burden of child care costs for middle income families. Cornell has done extensive research on the topic and modeled their current grant system after a new program at Stanford University. Note that the overall average family contribution after the subsidies is approximately 12%.

Cornell's Child Care Grant Award Calculation Chart

Gross Annual Household Income	Award Amount	
	Infant/Toddler	Pre-K
$9,000-$33,999	$5,000	$4,531
$34,000-$40,999	$4,390	$3,978
$41,000-$50,999	$3,529	$3,198
$51,000-$65,999	$3,000	$2,718
$66,000-$84,999	$776	$703
$85,000-$122,999	$536	$485
$123,000-$150,000	$240	$217