



Child Care Subsidy Income Eligibility in New Jersey

>>> Introduction

This research brief provides descriptive insights into New Jersey’s child care subsidy system. Paid for through a combination of federal and state funds, child care subsidies are subject to several eligibility requirements, including household income, hours of work, and education or job training. This brief estimates how many families may be eligible if these requirements are changed and funding becomes available to support those changes.

The first section of the brief summarizes the state’s child care subsidy system. The second section estimates the number of New Jersey children under age 13 living with working parents in three groups most likely to need child care subsidies. The first group, called **federally eligible**, includes children whose family incomes are below the income limit set by federal program rules. The second group, called **likely to need**, includes children in families likely unable to afford child care without subsidies, but whose family income is above the cutoff for eligibility. The third group, called **most likely to be eligible**, includes children in families that likely qualify for subsidies under current state rules. The last section provides a county-by-county analysis showing how increasing the subsidy income threshold would affect the number of eligible children.

>>> Key findings

- New Jersey’s existing income eligibility threshold for child care subsidies excludes a considerable number of children in low-income families that will struggle to pay for care.
- Increasing the income threshold to cover those who are **likely to need** subsidies would enable more than 102,000 additional children to be eligible, particularly benefiting families whose income is not currently enough to cover the high cost of child care in New Jersey.

- Increasing the income threshold to cover those who are **federally eligible** would enable almost 200,000 additional children and their families to be eligible.
- Increasing the income threshold to the federally-allowable limit would make over half of families eligible in seven counties with the lowest median family incomes.

1. Eligibility requirements for child care subsidies in New Jersey

The Child Care and Development Block Grant Act (CCDBG) is an Act that provides for funding streams that allow states to offer child care assistance to low-income working families with children under 13. These funding streams are commonly known as the Child Care and Development Fund (CCDF). Managed by the U.S. Department of Health and Human Services, CCDF serves families who are working, in job training, or in educational programs, with incomes at or below 85% of State Median Income (SMI).^{1,2}

The block grant structure of CCDF gives states the flexibility to implement and customize their child care subsidy programs, including setting income eligibility thresholds below the federal maximum, imposing minimum working hours requirements for parents, and deciding whether to accept participation in education and job training programs. Under the CCDF, states are also expected to prioritize families with very low income, children with special needs, and children experiencing homelessness. However, states have flexibility in defining and prioritizing these groups.

>> Employment and Training Eligibility Thresholds

New Jersey's child care subsidies are intended to support children whose parents are engaged in full-time employment, education, or training activities. For initial eligibility, parents must be working at least 30 hours per week, enrolled in school for at least 12 credits, in job training at least 20 hours per week, or an equivalent combination of these three.³ In households with two parents, each parent must meet these requirements individually. Twenty-six states/territories have a minimum work hours requirement, but only six (including New Jersey) have requirements over 25 hours.⁴ This hours requirement has been critiqued by some researchers due to its stringent and uncompromising nature.⁵ First, it leaves out families where one or both parents work part-time hours, which is a significant portion of those paid too little to make ends meet. Additionally, it can be challenging for parents who work irregular hours to prove their eligibility, and many workers do not control the number of hours they work each week.

For most families, the only educational activity that can be used as a qualification for subsidy in New Jersey is post-secondary education. This leaves out families that may be participating in high school

1 Lynch, K. E. (2022). The Child Care and Development Block Grant: In Brief. CRS Report R47312, Version 4. *Congressional Research Service*. Retrieved from: <https://crsreports.congress.gov/product/pdf/R/R47312>

2 The full text of the Act can be found at: <https://www.congress.gov/113/statute/STATUTE-128/STATUTE-128-Pg1971.pdf>

3 New Jersey Department of Human Services, Division of Family Development. <https://www.childcarenj.gov/parents/ccap>

4 CCDF Policies Database (2023). <https://ccdf.urban.org/>

5 Adams, G., & Pratt, E. (2021). Assessing Child Care Subsidies through an Equity Lens: A Review of Policies and Practices in the Child Care and Development Fund. Urban Institute.

completion, General Education Development (GED) programs, English as a Second Language (ESL) classes, or adult basic education. Temporary Assistance for Needy Families (TANF) recipients can qualify for subsidies with a broader range of educational activities, if they meet the requirements for TANF.⁶ The lack of support for all low-income parents pursuing education and enhancing their skills is a notable challenge within the state’s subsidy system given that education is crucial for improving employment prospects and increasing parents’ bargaining power in the labor market.

Under New Jersey’s rules, parents who are actively searching for work are not eligible for child care subsidies, unless they are already receiving one or they are homeless or at imminent risk of being homeless.⁷ Searching for a job is a challenging task in the absence of access to child care. Without a subsidy, unemployed people might not be able to afford child care, which could prevent them from engaging in the job market. Finding a job also requires such activities as preparing application materials and attending interviews—each of which requires significant time and effort, particularly for parents.⁸ Parents unable to afford child care might not have the time needed to participate in these job preparation activities.

>>> Income Eligibility Thresholds

Income is another critical factor determining families’ eligibility for subsidies. Federal program rules allow states to provide subsidies to families with incomes that are up to 85% of the SMI for their family size. To qualify for initial eligibility in New Jersey, families must earn less than 200% of the federal poverty level (FPL). Table 1 below presents the SMI by family size and the percent of SMI that is covered at 200% and 300% of the FPL.⁹ Twenty-three states, including New Jersey, provide child care subsidies only for families earning at or below 200% of the FPL, according to the latest report from Prenatal-to-3 Policy Impact Center.¹⁰ While the FPL is the same across the 48 contiguous U.S. states and the District of Columbia, the SMI is calculated for each state individually. New Jersey’s SMI is the fourth highest in the nation; only Washington, DC, Massachusetts, and Maryland are higher.¹¹ This means the subsidy eligibility threshold of 200% of the FPL is a much lower percentage of the SMI in New Jersey than in most other states. Although states can use CCDF funds to cover families with income up to 85% of SMI, New Jersey’s threshold is significantly below 85% of SMI, due to the high SMI in New Jersey relative to the federal poverty level.

6 CCDF Policies Database (2023). <https://ccdf.urban.org/>

7 CCDF Policies Database (2023). <https://ccdf.urban.org/>

8 Adams, G., & Pratt, E. (2021). *Assessing Child Care Subsidies through an Equity Lens: A Review of Policies and Practices in the Child Care and Development Fund*. Urban Institute.

9 Source: Author’s calculations from 2018–2022 ACS 5-year estimates PUMS extracted through IPUMS USA. We use 2022 SMI and FPL numbers to coincide with our use of the ACS estimates from 2018-2022, which were the most recent 5-year estimates at the time of this analysis. Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. IPUMS USA: Version 15.0 [dataset]. Minneapolis, MN: IPUMS, 2024. <https://doi.org/10.18128/Do10.V15.0>

10 Prenatal-to-3 Policy Impact Center. (2024). <https://pn3policy.org/pn-3-state-policy-roadmap-2024/us/child-care-subsidies/>

11 U.S. Census Bureau. “Median Income in the Past 12 Months (in 2022 Inflation-Adjusted Dollars).” *American Community Survey, ACS 5-Year Estimates Subject Tables, Table S1903*, 2022, [https://data.census.gov/table/ACSST5Y2022.S1903?q=S1903: Median Income in the Past 12 Months \(in 2023 Inflation-Adjusted Dollars\)&g=010XX00US\\$0400000&moe=false](https://data.census.gov/table/ACSST5Y2022.S1903?q=S1903: Median Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars)&g=010XX00US$0400000&moe=false). Accessed on December 4, 2024.

TABLE 1: Income levels by family size

Family Size	85% of SMI	200% of FPL	200% FPL as portion of SMI	300% of FPL	300% FPL as portion of SMI
2	\$74,317	\$34,840	40%	\$52,260	60%
3	\$94,389	\$43,920	40%	\$65,880	59%
4	\$112,802	\$53,000	40%	\$79,500	60%
5	\$120,452	\$62,080	44%	\$93,120	66%
6	\$128,102	\$71,160	47%	\$106,740	71%
7	\$135,752	\$80,240	50%	\$120,360	75%
8	\$143,402	\$89,320	50%	\$133,980	75%

New Jersey’s relatively high cost of living makes it even more challenging for families to meet their basic needs. According to the 2022 report by the Bureau of Economic Analysis, New Jersey ranked sixth in cost of living, behind DC, California, Hawaii, Washington, and Massachusetts, when it comes to prices paid for goods, including housing.¹² These 2022 numbers most closely align with the period of the analysis in this brief. However, New Jersey moved up to third behind California and Washington, DC in the 2023 analysis.¹³

>>> Prioritized Populations for Subsidies

Due to limited funding for child care subsidies, states prioritize certain families when demand exceeds available resources, potentially resulting in a waiting list. New Jersey prioritizes children with special needs, families earning at or below 100% of the FPL, families experiencing homelessness, and families with a teen parent, though subsidies are not guaranteed to these groups. On the other hand, families receiving TANF, children in Child Protective Services (CPS), or children in foster care *are* guaranteed child care subsidies.

The CCDF money is distributed to states as a block grant, meaning that each state receives a grant according to a federal formula that takes into account the number of children under the age of five, the number of children who qualify for free and reduced price lunch, and the per capita income of the state. States are also able to use other funds, including Child Care Entitlement to States (CCES), and a portion of their TANF funds.¹⁴ First Five Years estimates that only about 9% of federally eligible children under age 5 in New Jersey are being served by the CCDF.¹⁵ Families unable to obtain subsidies to help pay for child care often face increased financial hardships. This became especially apparent during the COVID-19 pandemic, when low-income households, Black and Hispanic families,

12 U.S. Bureau of Economic Analysis. Regional price parities for states, 2022. <https://www.bea.gov/news/2023/real-personal-consumption-expenditures-state-and-real-personal-income-state-and>. Accessed on January 28, 2025.

13 U.S. Bureau of Economic Analysis. Regional price parities for states, 2023. <https://www.bea.gov/news/2024/real-personal-consumption-expenditures-state-and-real-personal-income-state-and>. Accessed on January 28, 2025.

14 Bipartisan Policy Center. (2021). *Federal Funding for Child Care*. <https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2021/05/B.-2-Federal-Funding-for-Child-Care.pdf>

15 First Five Years Fund. (2024, July 15). *Early learning and child care in New Jersey*. <https://www.ffyf.org/states/new-jersey/>

LGBTQ+ parents, and single parents were disproportionately affected. Many in these groups faced job disruptions and financial hardships due to the lack of child care, often forced to choose between maintaining employment and caring for their children.¹⁶

2. How many New Jersey families need child care subsidies?

This section compares the number of children in various groups based on income and work arrangements by using the 2018–2022 American Community Survey (ACS) 5-year estimates Public Use Microdata Sample (PUMS).¹⁷ First, we introduce the universe of children analyzed and limit them to three groups of children in terms of family income. Next, we compare the number of children in each group and underline the disparities in the number of children potentially needing child care subsidies across different income groups, both statewide and within individual counties.

Methodology: The population estimates in this brief are based on data from the American Community Survey, which is a yearly survey sent to a sub-sample of American households. We use the 5-year estimates ending in 2022 because these were the most recent 5-year data available. The 5-year datasets create the most reliable estimates because they are sampled from a larger subset of the population and include more geographic locations.¹⁸ This makes it easier to examine county-level data and helps smooth out any discrepancies from one year to the next. Note that we also use weighted estimates, which enable a better understanding of the sample population. This brief focuses on the income eligibility for subsidies among families with working parents. We are unable to estimate the numbers for families with a parent participating in educational activities or job training. This information is not available in the ACS 5-year estimates. We also do not limit the numbers to parents who work at least 30 hours per week. The federal government does not mandate that states have minimum work hours requirements, so we chose to estimate the eligible children according to the federal requirements, which are only that the parents are working.¹⁹

Universe: Our analysis only covers children under age 13 living with both parents (including same-sex couples) or living with a single parent while the other is absent. We are specifically examining children from families where parent(s) are employed. Our universe does not include families where the data on income is missing. In other words, our analysis focuses on children under age 13 who live with their working parent(s) and for whom family income information is available, even if that income is negative or zero. Hereafter, we refer to this universe as all children.

16 Small, S., Lancaster, D., Fischer, J., and van der Muelen Rodgers, Y. (2023). *The Status of New Jersey's Child care Infrastructure: A Focus on Policy Prescriptions, Data Collection, and Community Needs*. Center for Women and Work and New Jersey State Policy Lab. New Brunswick, NJ: Rutgers University.

17 This data is extracted from IPUMS USA accounts on July 25, 2024.

18 Understanding and Using ACS Data: What All Data Users Need to Know. Retrieved on 1/27/2025 from <https://www.census.gov/programs-surveys/acs/guidance/estimates.html>

19 Lynch, K. E. (2022). *The Child Care and Development Block Grant: In Brief*. CRS Report R47312, Version 4. Congressional Research Service. Retrieved from: <https://crsreports.congress.gov/product/pdf/R/R47312>

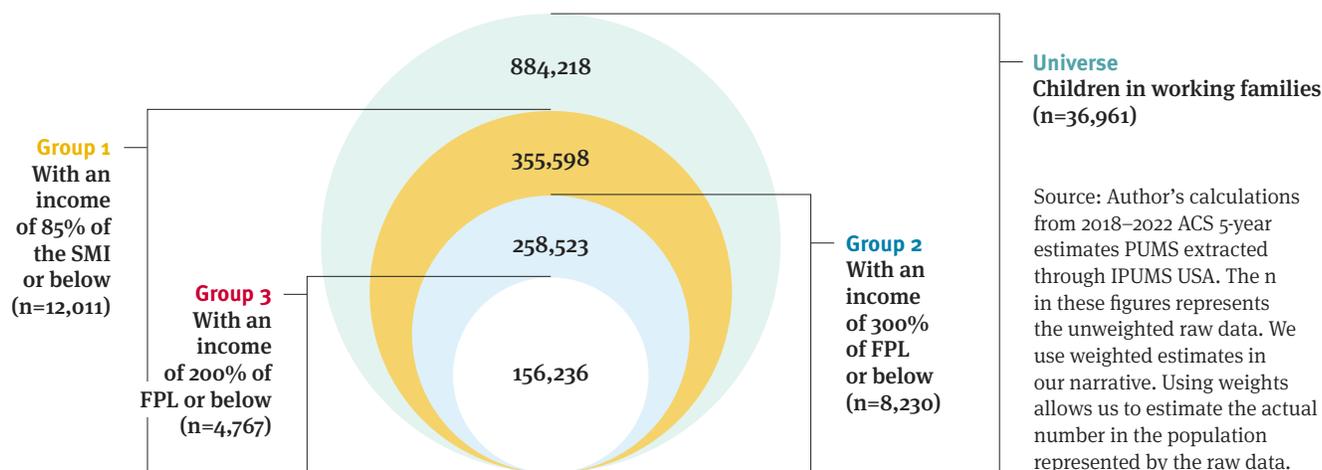
The main goal of this analysis is to quantify the number of children most likely in need of child care subsidies and to determine their share within the overall number of children with working parent(s) in the state. We have categorized these children into three distinct income groups as below.

Groups: As shown in Figure 1 below, we created three groups of children under age 13 with working parent(s), each representing different levels of family income.

1. The first group of children, referred to as **Group 1**, are those in families with working parent(s) and family income of 85% of SMI or below, according to family size. As referenced in Table 1 above, those incomes range from \$74,317 for a family of 2 to \$143,402 for a family of 8. Ninety-nine percent of families with children in our sample have a family size of 2 to 8. We consider this group **federally eligible**.
2. The second group, referred to as **Group 2**, are children from families with an income at or below 300% of the FPL, according to family size.²⁰ As an example, for a family of 3 (the median family size in New Jersey), this threshold is set at \$65,880, but the incomes range from \$52,250 for a family of 2 to \$133,980 for a family of 8. We use 300% as the income threshold for Group 2 because this is the level that was introduced for consideration in the Legislature during its 2022-2023 session.²¹ We consider this group **likely to need**.
3. The last group, referred to as **Group 3**, are children in families with an income of 200% of the FPL or below. We consider this group **most likely to be eligible**.

To summarize, Group 3 is a subset of Group 2, which is a subset of Group 1, which is a subset of our universe of children under 13 living with working parents.

FIGURE 1: The number of children under 13 living with working parent(s) by different family income



20 U.S. Department of Health and Human Services. (2022). Poverty guidelines: Federal poverty guidelines for 2022. Retrieved [July 2024], from <https://aspe.hhs.gov/sites/default/files/documents/4b515876c4674466423975826ac57583/Guidelines-2022.pdf>
 21 <https://njleg.state.nj.us/bill-search/2022/S2480>

Based on weighted estimates from the 2018–2022 ACS 5-year PUMS, Figure 1 shows 355,598 children in the state are federally eligible for child care subsidies (Group 1), while only 156,236 children are likely eligible for child care subsidies according to the current state rules (Group 3) based on their families' incomes and parents' employment status. These numbers mean that 40.2% of all New Jersey children with working parents are eligible for child care subsidies according to the federal rules, while only 17.7% of all children are likely to be eligible under state rules. If the state adopts federal income guidelines, the number of potentially eligible children would increase by 199,362 (22.5 percentage points).

As mentioned earlier, the SMI in New Jersey is high, so setting the eligibility for subsidy at 200% of the FPL means New Jersey is setting eligibility at a much lower percentage of SMI than the federal government allows (85%). The result is that many New Jersey families are ineligible for subsidies even though they struggle to pay for child care. Increasing the income threshold to 300% of the FPL would make an additional 102,287 children (in total, 258,523 in Group 2) likely eligible for subsidies, which would account for 29.2% of all children.

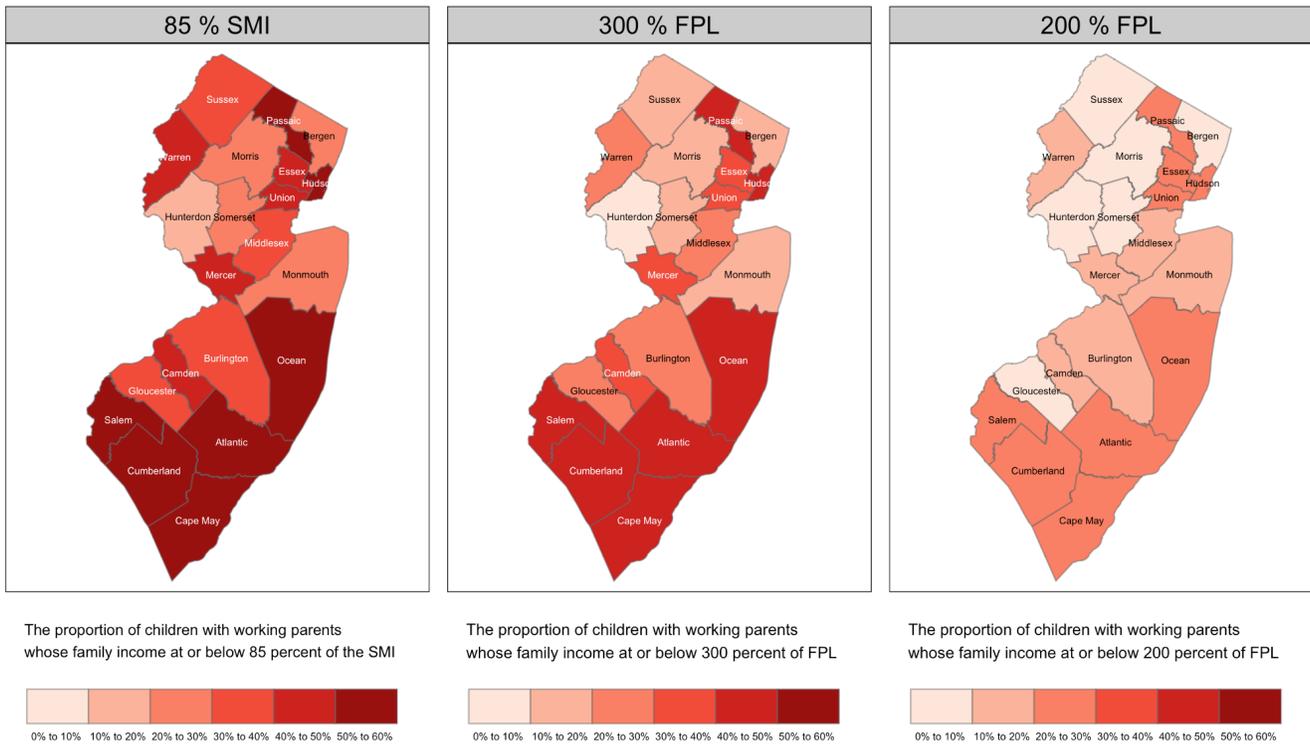
In other words, if the state adopts 300% of the FPL as the new income threshold instead of 200% of the FPL, the share of income-eligible children would increase by 11.5 percentage points, from 17.7% to 29.2%. This difference highlights that a considerable number of children just above the current subsidy threshold, who are still considered low-income, now are excluded from the subsidy system based on their families' income. United Way of Northern New Jersey classifies families meeting these characteristics as Asset Limited, Income Constrained, Employed (ALICE), meaning that while they are able to meet their basic needs, they often struggle with the high cost of living, including the cost of child care. These ALICE families are caught in a financial gap where their incomes are above the level that qualifies for child care subsidies under current state guidelines but not enough to afford quality child care without significant hardship. In New Jersey, 36% of households earn below the ALICE threshold of \$95,592 for a family of 4.²²

3. County-Level Analysis

This section provides a county-by-county breakdown of these percentages and examines whether some counties would benefit more than others from potential changes in income eligibility rules. As highlighted in Figure 2 and Table 2 below, the differential impact of altering income eligibility thresholds for child care subsidies becomes apparent when examining the data on a county-by-county basis. The results of this analysis show that there are considerable differences between counties when it comes to how many more families would be covered if the income threshold were raised. The nine counties with the biggest change in the number of children eligible between the current threshold and 85% of SMI are Warren (34 percentage points), South Group (31 percentage points), Camden (28 percentage points), Hudson, Mercer, and Passaic (each at 26 percentage points).

²² The United Way examines ALICE households state by state through detailed reports. More information on ALICE households can be found in the 2024 Update for New Jersey report from here: <https://www.unitedforalice.org/all-reports>

FIGURE 2: The share of children in the total children population living with parents by family income and county (under 13)



Source: Author’s calculations from 2018-2022 ACS 5-year estimates PUMS extracted through IPUMS USA.

Notes: The percentages represent the share of children in the specific income groups in the total population of children living with working parents. We combined Salem, Cumberland, Atlantic, and Cape May due to small sample size and identify them below as South Group. The shading represents the percentage within that four-county region.

These results are expected, given that these counties are among those with the lowest median family income. The seven counties with the biggest change between groups 3 and 2 (reflecting 300% of FPL and 200% of FPL, respectively) are South Group (17 percentage points), Mercer (16 percentage points), Essex (15 percentage points), Hudson (14 percentage points), and Passaic (14 percentage points). Again, this result is expected given the relatively low median income in these counties. Also notable is that if New Jersey were to cover incomes up to 85% of the SMI, there would be seven counties where over half of families would be eligible: South Group (57%), Passaic (53%), Hudson (53%), and Ocean (52%). Even more affluent areas with lower concentrations of families with incomes at or below 200% of FPL would see considerable increases in the number of children eligible for subsidies if the income threshold were raised. In the five counties with the highest median income, the increase in the number of families eligible between 200% FPL and 85% SMI is 15 to 16 percentage points.

TABLE 2: County by County comparison of Groups by percent of children eligible for subsidies at different levels.²³*Sorted by largest difference between Groups 1 and 3*

County	Median Income (2022)	Group 1 Percent (85% SMI)	Group 2 Percent (300% FPL)	Group 3 Percent (200% FPL)	Difference between Groups 1 and 3	Difference between Groups 2 and 3
Warren	\$108,379	46	22	12	34	11
South Group	\$91,054	57	43	26	31	17
Camden	\$99,479	48	33	20	28	13
Hudson	\$94,394	53	40	26	26	14
Mercer	\$118,595	45	35	19	26	16
Passaic	\$95,001	53	40	27	26	14
Essex	\$99,428	49	40	24	25	15
Burlington	\$117,024	37	23	13	24	10
Gloucester	\$116,850	33	23	10	24	13
Ocean	\$102,434	52	40	29	23	12
Middlesex	\$125,398	36	25	14	22	11
Sussex	\$126,322	31	17	9	22	8
Union	\$116,775	44	35	22	22	13
Bergen	\$139,313	24	16	8	16	8
Monmouth	\$144,772	27	18	11	16	7
Morris	\$164,984	21	13	7	15	7
Somerset	\$162,618	23	14	8	15	6
Hunterdon	\$162,187	17	9	4	13	5

4. Summary

Increasing state and federal investment in child care and raising New Jersey’s income eligibility thresholds would enable state agencies to serve a larger proportion of families in need, ensuring more equitable access to child care services.

The restrictive income eligibility criteria primarily arise from insufficient federal and state funding for these state administered programs. Federal pandemic relief funding temporarily enabled states to expand access to child care assistance, benefiting more families, but this funding expired in September 2024. Expanding eligibility would make reliable, high-quality child care accessible to a greater number of families.

²³ US Census Bureau. Median Income in the Past 12 Months (In 2022 Inflation-Adjusted Dollars) by NJ County. [https://data.census.gov/table/ACSST1Y2022.S1903?q=S1903:%20Median%20Income%20in%20the%20Past%2012%20Months%20\(in%202023%20Inflation-Adjusted%20Dollars\)&g=040XX00US34\\$0500000&moe=false](https://data.census.gov/table/ACSST1Y2022.S1903?q=S1903:%20Median%20Income%20in%20the%20Past%2012%20Months%20(in%202023%20Inflation-Adjusted%20Dollars)&g=040XX00US34$0500000&moe=false)

Previous analysis we conducted on child care affordability suggests that child care is costly for all New Jersey families, across all care types. While the U.S. Department of Health and Human Services suggests that families should not pay more than 7% of their income towards child care expenses, we found that center-based child care costs New Jersey families 9% to 12% of median family income, per child, and home-based care costs 7% to 8% of median family income, per child, depending on the age of the child. Families pay the most for infant and toddler care in both settings. Child care costs account for even higher percentages of income for families with incomes below the state median. Single, female-headed households spend the most on child care, up to 30% of their income in some parts of the state.²⁴ The National Database of Childcare Prices estimates that families in New Jersey are likely to pay \$15,733 for infant center-based care. This would be 7% of almost \$225,000, meaning that even families making 100% of the SMI would struggle to pay for center-based care.²⁵

Our analysis shows that under New Jersey’s current income limit for child care subsidies, set at 200% of the FPL, many low-income families are excluded from receiving assistance despite facing significant financial strain. For example, many Asset Limited, Income Constrained, Employed (ALICE) families are not income-eligible under current rules. Raising the eligibility threshold to 300% of the FPL could make over 100,000 additional children and their families eligible for subsidies. Under the federal guideline of 85% of the SMI, this number could increase to nearly 200,000 children.

Counties with higher concentrations of low-income families would experience the greatest benefits from expanding income eligibility thresholds. Specifically, Camden, Essex, Gloucester, Hudson, Mercer, Ocean, Passaic, Union, Warren, Salem, Cumberland, Atlantic, and Cape May could see the proportion of eligible children increase by at least 12 percentage points under a shift from 200% to 300% of the FPL and at least 24 percentage points under an expansion to 85% of the SMI. Even in higher-income counties, the proposed increases in income thresholds would result in substantial gains in the number of eligible children (minimum 5 percentage points increases).

SUGGESTED CITATION

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²⁴ Genc, Y. & Logue-Conroy, R. Research Report on Child Care Affordability in New Jersey. 2024. Center for Women and Work. New Brunswick, NJ: Rutgers University.

²⁵ Author’s calculation using: U.S. Department of Labor. Women’s Bureau. *The Price of Child care by County*. <https://public.tableau.com/app/profile/women.s.bureau.department.of.labor/viz/CountyFactsheets/Childcareinthecounties>