Access to Child Care for Low-Income Working Families

By
Julia Isaacs
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Executive Summary

Out of necessity or choice, mothers are working outside the home in greater numbers than ever before. In 1996, three out of four mothers with children between 6 and 17 were in the labor force, compared to one in four in 1965. Two-thirds of mothers with children under six now work. Reliable, high-quality child care is critical to these mothers' productivity at work, as well as to their children's health and intellectual development.

With the unemployment rate at 4.2 percent, a 30-year low, many employers are having difficulty finding the workers they need. Women are expected to make up over 60 percent of new entrants to the labor force between 1994 and 2005. Welfare reform makes it likely that the demand for quality child care will be even greater in the future. Unfortunately, the cost of child care is often beyond the means of low and moderate-income working families, including those that have never been on welfare.

The Child Care and Development Fund (CCDF) is the major source of Federal child care assistance for low and moderate-income families. The program provides funding to states for subsidizing care of the parent's choice, whether in a family child care home, with a relative, or in a child care center.

This report provides new information on the number of children receiving subsidies through the CCDF in fiscal year 1998 and on the number of children eligible for assistance, by state. Nationally, in an average month in 1998, only 1.5 million of the 9.9 million low and moderate-income children eligible for CCDF assistance actually received help through the program – just 15 percent of eligible children.

The gap between eligibility and receipt of services would be greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law. If all states set eligibility limits at the maximum levels allowed under Federal law – 85 percent of state median income – an estimated 14.7 million children would have been eligible for subsidies in fiscal year 1998, of whom only 10 percent were served.

The percentage of children eligible under state limits who are served with CCDF funds varies across states. About one-fifth (9) of all states are serving less than 10 percent of the eligible children, three-fifths (31 states) are serving between 10 and 25 percent of eligible children, and one-fifth (11 states) are serving 25 percent or more of the eligible population. Differences in state definitions of the eligible population explain some of this variation, which is also caused by differences in funding amounts, local child care costs, reimbursement rates, co-payment policies, and the number of low and moderate-income working parents in each state. If all states expanded eligibility to the Federal maximum limits, over half the states (27 states) would be serving less than 10 percent of eligible children, with the remaining half (24 states) serving between 10 and 25 percent of eligible children.

The CCDF Program. The Child Care and Development Fund (CCDF) is a Federal-state program which enables states to subsidize the child care expenses of low and moderate-income families. The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) consolidated most Federal child care funding, thereby allowing states to serve families through a single integrated child care system. States have tremendous flexibility to design policies and define eligibility guidelines, service priorities, provider payment rates, and family co-payment amounts, in conformance with broad parameters specified under Federal law.

NOTE: The Child Care and Development Block Grant (CCDBG) Act provides discretionary funding for child care assistance. PRWORA consolidated mandatory child care funding under the Social Security Act and applied the CCDBG Act rules to these mandatory dollars. The term "CCDF" refers to the combination of the CCDBG discretionary funds and the Social Security Act mandatory funds, both of which are subject to the provisions of the CCDBG Act.

Large numbers of children remain unserved despite the fact that states drew down all available Federal mandatory CCDF funding in 1998 and transferred $636 million in Federal TANF dollars to CCDF programs.

In all, states in FY 1998 spent $3.5 billion in Federal mandatory and discretionary funds (including dollars transferred from TANF) and $1.6 billion of their own funds on child care assistance through CCDF. As a result of these investments, 250,000 more children were served through CCDF in an average month in 1998 as compared with 1997.

NOTE: Some states provide child care assistance through programs separate from CCDF, but there is no source of consistent and reliable information on the number of children served through such programs. In most states, the bulk of child care subsidies are funded with CCDF dollars.

Affordability. Regular child care arrangements are often beyond the reach of working poor families if they do not have access to subsidies. In fact, child care expenses are often the second or third largest item in a low-income working family's household budget. In 1993, for example, child care expenses averaged 18 percent of family income, or $215 per month, for poor working families paying for care for one or more preschool children. For families with income of less than $14,400 ($1,200 per month) the average share of income devoted to child care was even higher – 25 percent, or one-fourth of family income.

Two recent studies suggest that increased funding for child care subsidies increases employment rates and earnings for low and moderate-income parents, while other studies find that families on waiting lists for child care assistance cut back their work hours and are more likely to receive public assistance or go into debt (including declaring bankruptcy).

Quality. When families cannot get help in paying for child care, it is harder for them to find quality care that helps prepare their children for success in school. Although this report does not provide new information about child care quality, it does include a very brief summary of quality research and references. As this summary indicates, new research on preschoolers finds that quality child care programs make a difference in children's cognitive performance, language development, social adjustment, and overall child behavior, with differences found as many as four years after program participation. Existing child care arrangements, however, vary in quality, and too many children are exposed to poor conditions in care. Studies of investments in quality have found that state-wide quality initiatives, such as those undertaken in Florida and North Carolina, have resulted in improved quality of child care programs and enhanced child development.

Information Sources. The new information reported here comes from two sources. The average monthly estimate of children receiving CCDF subsidies – 1.5 million in 1998 – is a preliminary estimate based on state administrative data reported to HHS for the months of April – September 1998. These administrative data reflect children served (at least in part) through CCDF programs, not those served by other Federal, state, or local programs.

The eligibility estimates were generated from the Urban Institute's TRIM3 microsimulation model, based on three years' worth of Current Population Survey (CPS) data. The estimate of 9.9 million children eligible under state-set limits includes all children under age 13 (or older disabled children in certain states) who are living in families where the family head (and spouse if present) work or are in education and training programs and family income is below the states' income guidelines for assistance under the CCDF October 1997 state plans.

Access to Child Care for Low-Income Working Families

I. Introduction: Child Care and Development Fund under Federal and State Law

The Child Care and Development Fund (CCDF) is a Federal-state program which enables states to help subsidize the child care expenses of low and moderate-income families so they can work or attend education or training programs. The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) consolidated most Federal child care funding, thereby allowing states to serve families through a single, integrated child care system. States have tremendous flexibility to design policies and define eligibility guidelines, service priorities, provider payment rates, and family co-payment amounts, in conformance with broad parameters specified under Federal law.

NOTE: The Child Care and Development Block Grant (CCDBG) Act provides discretionary funding for child care assistance. PRWORA consolidated mandatory child care funding under the Social Security Act and applied the CCDBG Act rules to these mandatory dollars. The term "CCDF" refers to the combination of the CCDBG discretionary funds and the Social Security Act mandatory funds, both of which are subject to the provisions of the CCDBG Act.

Child care assistance under CCDF is generally limited by Federal law to families with children under age 13, although states may assist families with children up to age 19 who have special needs or are receiving protective services. In addition, both parents (or one parent in a single-parent family) must be in a work-related activity and family income cannot exceed 85 percent of state median income (SMI). Priority for services must be given to children in families with very low incomes and children with special needs. Within those parameters, states may set their own income eligibility limits and define other priority rules.

A comparison of state eligibility guidelines shows that state income limits vary considerably. As of October 1997, state limits for a family of 3 ranged from less than $16,000 in Wyoming to over $39,000 in Connecticut. As a result, in some states, families earning as little as $18,000 are not eligible for any help with child care costs – costs that generally run between $3,000 and $10,000 annually if purchased at market prices. Only 9 states set the limit for a family of 3 at the maximum level of 85 percent of SMI, as allowed under Federal law.

Subsidized child care services are generally available to eligible families through certificates or vouchers that allow families to purchase care from a provider of their choice. States set the payment, or "reimbursement," rates that providers receive to serve children through CCDF. In addition, states establish sliding fee scales, based on family income and family size, which are used to determine each family's "co-payment," or contribution to the cost of care. Under Federal law, states are required to set aside a minimum of 4 percent of CCDF funds to improve the quality of child care and other services to parents. States must also have health and safety requirements that apply to all providers receiving CCDF subsidies.

II. The Child Care Subsidy Gap: Estimates of Need and Services

To date, estimates of need for CCDF child care services have been limited by the lack of simulation models incorporating the CCDF eligibility criteria that, as explained above, vary across states. To correct this information gap, the Department of Health and Human Services contracted with the Urban Institute to enhance the existing Transfer Income Model (TRIM3) to produce estimates of the potential need for child care subsidies on a national and state-by-state basis. Initial results from this model are reported below, along with information on the number of children served according to administrative data reported to HHS.

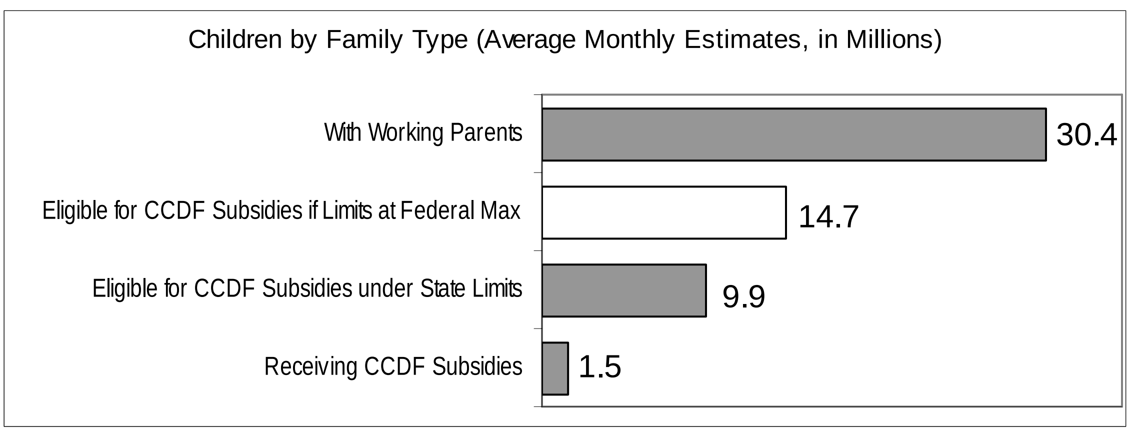
National Estimates. According to the Urban Institute model, there are 30.4 million children with working parents (regardless of income), of which 9.9 million are estimated to meet the states' CCDF income eligibility guidelines in place at the beginning of fiscal year 1998.

Only 1.5 million children actually received child care subsidies funded by CCDF in an average month in 1998. This estimate of children served, based on state administrative data from April to September 1998, suggests that only 15 percent of the eligible population were served, leaving a large gap between child care need and services, as shown in Figure 1. NOTE: The 1.5 million figure is preliminary and subject to revision.

The gap would be even greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law. In fact, if all states set eligibility limits at the maximum levels allowed under Federal law – 85 percent of state median income – an estimated 14.7 million children would have been eligible for subsidies in an average month in fiscal year 1998. Only 10 percent of this larger eligibility pool were actually served.

NOTE: Some states provide child care assistance through programs separate from CCDF, but there is no source of information on the number of children served through such programs that is either uniform across states or verified. In most states, the bulk of child care subsidies are funded with CCDF dollars.

Figure 1. Child Care and Development Fund (CCDF) Eligibility and Receipt in the U. S.



Note: The 1.5 million estimate is preliminary and subject to revision.
Sources: Urban Institute simulations and state administrative data reported to the Child Care Bureau.

The model also provides information on the characteristics of children eligible for child care subsidies. Most children (8.8 of the 9.9 million) are under age 13 with working parents; the remaining children have parents in education/training programs or are disabled youth age 13 or older. About 14 percent of eligible children live in families that report receiving welfare. A substantial proportion (42 percent) has income below the Federal poverty threshold.

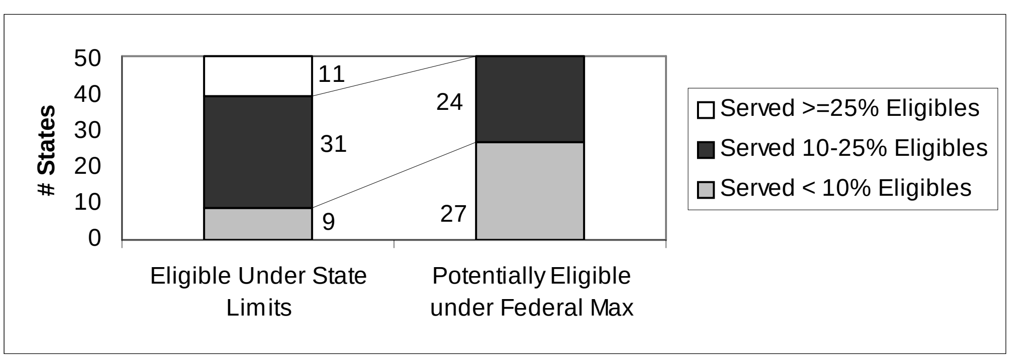
State Estimates. State-by-state estimates of children eligible for and receiving CCDF assistance are shown in Table 1. The total pool of children with working parents, regardless of income, is shown in the first column, followed by estimates of potential eligibility under the Federal maximum of 85 percent of state median income (SMI) and actual eligibility under state income guidelines. The fourth and fifth columns show the number of children receiving CCDF subsidies and the number served as a percentage of those eligible under the Federal maximum, based on administrative data reported by the state to HHS.

In Pennsylvania, for example, there are 1.2 million children with working parents (regardless of income), of which 443,300 are estimated to meet the state's October 1997 income eligibility guidelines. The eligible population would be larger – 533,900 children– if the state's income guidelines were raised from the current state-set level (74 percent of SMI) to the maximum allowable level of 85 percent of SMI. State administrative data indicate that 72,700 children received subsidies in an average month in fiscal year 1998 – only 16 percent of the eligible population under state limits and 14 percent of the potentially eligible population under the Federal maximum.

Some states served a higher percentage of eligible children in 1998 than the 15 percent national average. Michigan, for example, served a monthly average of 92,060 children, or one-fourth (25 percent) of the 375,000 children who were eligible according to state income criteria and 17 percent of the 545,000 children potentially eligible under Federal law. On the other hand, some states served a lower percentage than the national average. The 79,000 monthly average reported by Texas represents only 8 percent of the over 1 million children eligible under Texas income limits as of October 1997 and 7 percent of 1.16 million children potentially eligible if the income ceiling were increased to the Federal maximum.

In general, one-fifth (9) of all states are serving 10 percent or less of the children who are eligible under state limits, three-fifths (31 states) are serving between 10 and 25 percent of eligible children, and one-fifth (11 states) are serving 25 percent or more of the eligible children, as shown in the first bar of Figure 2. Differences in state definitions of the eligible population explain some of this variation. That is, states that define the eligible population as families with income below 85 percent of State Median Income, the maximum limit set in Federal law, may find it harder to serve 25 percent of eligible children than states that use lower income eligibility criteria.

Figure 2. Number of States Serving 10 to 25 Percent of Eligible Population, by Alternative Definitions of Eligible Population



Source: Urban Institute simulations and state administrative data reported to Child Care Bureau.

Table 1. Estimates of Child Care and Development Fund (CCDF) Eligibility and Receipt

State	Children (Average Monthly Estimates) (1) Parents Working or in Education & Training (no income limit)	(2) Eligible for CCDF (if state limits raised to Federal maximum)	(3) Eligible for CCDF (under state rules in effect Oct. 1997)	(4) Receiving CCDF Subsidies (April-Sept 1998)	(5) Served as % of Potential Eligibles (Col. 4./Col. 2)
Alabama	494,700	233,300	103,500	20,530	9%
Alaska	99,400	46,700	43,800	5,080	11%
Arizona	516,700	283,800	154,400	33,060	12%
Arkansas	348,100	180,600	100,200	9,240	5%
California	3,481,700	1,732,500	1,381,900	100,640	6%
Colorado	486,600	226,300	139,100	20,170	9%
Connecticut	397,900	187,700	103,300	11,910	6%
Delaware	89,300	50,700	22,100	6,140	12%
District of Columbia	51,100	31,500	31,500	3,850	12%
Florida	1,434,200	705,300	421,900	46,640	7%
Georgia	913,200	485,200	331,200	47,210	10%
Hawaii	134,500	81,200	70,900	6,670	8%
Idaho	139,000	68,200	40,200	6,550	10%
Illinois	1,408,100	676,000	326,300	88,330	13%
Indiana	713,000	299,800	197,200	12,670	4%
Iowa	415,600	199,200	102,100	11,810	6%
Kansas	348,400	172,800	126,500	10,240	6%
Kentucky	427,100	170,200	90,800	25,010	15%
Louisiana	450,800	219,700	219,700	35,180	16%
Maine	128,800	60,900	60,900	**	**
Maryland	610,000	259,900	91,300	21,380	8%
Massachusetts	632,100	301,700	146,900	46,010	15%
Michigan	1,136,900	545,100	374,600	92,060	17%
Minnesota	637,500	297,400	251,600	25,530	9%
Mississippi	364,600	185,500	160,000	7,870	4%
Missouri	654,000	305,600	129,400	42,600	14%
Montana	108,500	60,800	49,200	5,530	9%
Nebraska	234,500	115,000	73,400	9,350	8%
Nevada	193,900	97,000	84,000	4,830	5%
New Hampshire	146,100	71,600	27,000	6,390	9%
New Jersey	798,900	350,500	176,900	32,500	9%
New Mexico	235,000	126,900	112,600	14,980	12%
New York	1,733,000	880,900	631,600	158,610	18%
North Carolina	819,600	411,400	343,100	74,250	18%
North Dakota	91,000	37,700	34,700	4,160	11%
Ohio	1,257,100	577,300	249,900	59,360	10%
Oklahoma	374,500	191,100	178,800	39,930	21%
Oregon	371,300	188,500	188,500	15,210	8%
Pennsylvania	1,232,300	533,900	443,300	72,680	14%
Rhode Island	105,900	42,500	24,100	6,330	15%
South Carolina	466,400	231,000	115,200	21,730	9%
South Dakota	98,800	46,200	26,900	3,530	8%
Tennessee	671,000	346,000	183,600	54,820	16%
Texas	2,309,600	1,161,700	1,013,400	78,960	7%
Utah	271,000	130,400	52,800	12,550	10%
Vermont	74,400	33,400	21,300	4,740	14%
Virginia	685,200	348,100	216,300	23,880	7%
Washington	667,100	310,500	167,100	41,850	13%
West Virginia	117,400	52,700	28,200	12,900	24%
Wisconsin	758,500	365,800	175,400	23,870	7%
Wyoming	59,700	31,600	12,500	3,200	10%
Puerto Rico, Terr.	---	---	---	7,980	NA
Total	30,393,900	14,749,500	9,851,000	1,530,500	10%

Notes: First four columns of estimates were generated from the Urban Institute's TRIM3 model.

(1) Children <13 (or disabled and below state age limit for disabled) with both parents working or in education/training programs. No income limit.

(2) Children from (1), if family income below 85 percent of State Median Income, the maximum limit allowed under Federal law.

(3) Children from (1), if family income below eligibility limits set by each state (based on limits in effect as of October 1997).

(4) Estimated children receiving CCDF child care subsidies, April – Sept 1998. State administrative data reported to Child Care Bureau and adjusted to reflect CCDF subsidies only. Estimates are preliminary and subject to revision.

** Data not yet received.

10/15/99

For this reason, it is important to examine the number of children served as a proportion of those who would be eligible if all states used the income guidelines set in Federal law. Over half the states (27 states) are serving less than 10 percent of potentially eligible children under the Federal maximum guidelines, as shown in the second bar in Figure 2. The remaining half (24 states) are serving between 10 and 25 percent of the potentially eligible population. Differences in the proportion of children served are caused by differences in funding amounts, local child care costs, state reimbursement rates, co-payment policies, and the number of low and moderate-income working parents in each state.

Notes on National and State Estimates. The eligibility estimates were generated from the Urban Institute's TRIM3 microsimulation model, based on Current Population Survey (CPS) data. To increase the reliability of the estimates, the numbers in this report were based on three years worth of CPS data – income and labor force participation data for calendar years 1995, 1996, and 1997. Eligibility under state income eligibility limits was based on the limits reported in the October 1997 state plans. The alternate eligibility under the Federal maximum of 85 percent of state median used the state median incomes for calendar year 1995 – the latest year for which medians were available as of the October 1997 submission of the CCDF plans.

Note that the model cannot capture all the complexities of the CCDF program. For example, the estimate does not include foster families that may be eligible for subsidies regardless of family income. Nor does it capture the potential effect of behavioral changes. If, as some studies indicate, the availability of child care subsidies enables more low-income parents to work, that would increase the need for child care and the size of the gap beyond the estimates shown here. Another limitation is that the CPS data from 1995-1997, although adjusted for inflation, may not fully capture the economic and demographic conditions of families in fiscal year 1998. Eligibility may be overestimated because of rising real incomes or underestimated because of increases in female labor force participation, declines in the welfare caseload and overall population increases. In addition, the state estimates should be viewed with some caution, particularly those from small states, because of the small size of the samples drawn for the CPS interviews.

Finally, note that the numbers of children served in 1998 are monthly averages (preliminary and subject to revision) based on administrative data for April-September 1998. These administrative data reflect children served (at least in part) through CCDF programs, not, as noted above, those served by other Federal, state, or local programs.

III. State Spending on CCDF in 1998

Recent data show that states are fully utilizing Federal resources and often invest more than required state spending levels, but the problem of unmet need remains critical.

The CCDF consists of three funding streams – discretionary funds, mandatory dollars that do not require a state match and mandatory funds that must be matched.

In 1998, states obligated all the available Federal mandatory child care funding, including Federal matching funds. States invested additional state dollars to serve 1.5 million children through CCDF – 10 percent of those potentially eligible for the program.

Of the Federal mandatory amount, close to half required a state match at the Federal Medical Assistance Percentage (FMAP) – the state match varied from 23 percent to 50 percent (the maximum). A state with a 50 percent match was required to contribute a dollar of state funds for every dollar of Federal matching funds, while a state with a 23 percent match had to put up about one dollar of state funds for every three Federal dollars.

States not only met the CCDF maintenance of effort (MOE) requirement and contributed the additional matching funds needed to draw down their full Federal allotments, but also invested at least $144 million in state dollars that were not matched. While some of these state-only funds were used to serve children through the CCDF, some may have been used to provide child care assistance through other, state-only programs.

States also transferred $636 million in FY 1998 TANF funds to CCDF in that fiscal year. By comparison, they transferred $510 million in FY 1999 TANF dollars to CCDF in the first two quarters of FY 1999 alone.

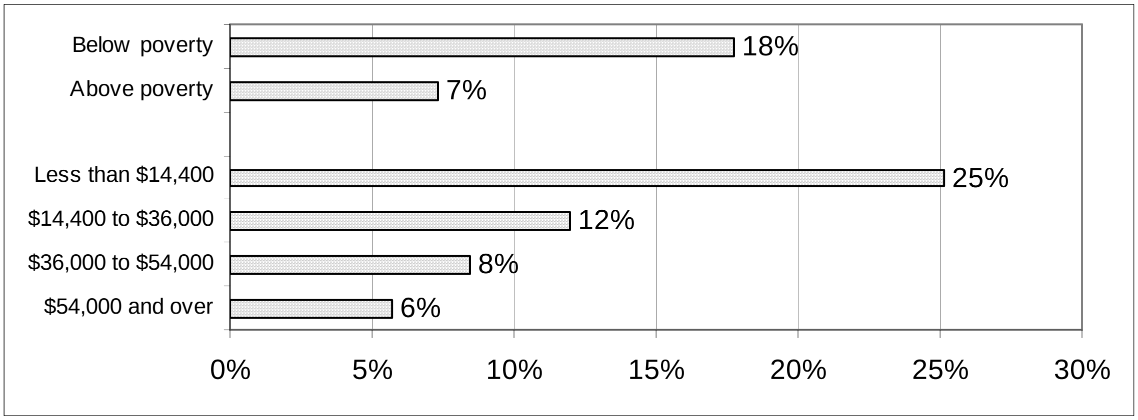
In all, in FY 1998 states spent $3.5 billion in Federal mandatory and discretionary funds (including dollars transferred from TANF) and $1.6 billion of their own funds on child care through CCDF. States also spent $259 million in Federal funds on child care provided directly through the TANF program.

IV. Affordability of Child Care

Regular child care arrangements are often beyond the reach of working poor families if they do not have access to subsidies. Below are national survey data on how much families spend for child care, as well as new information, recently collected by Urban Institute researchers, on the price of child care in selected states and cities.

The national survey data show that child care expenses are often the second or third largest item in a low-income working family's household budget. In 1993, for example, child care expenses averaged 18 percent of family income, or $215 per month, for poor working families paying for the care of one or more preschool children (see Figure 3). This average includes all types of care – full-time and part-time, full-price and partially subsidized, center-based and in-home, infant and preschool. Average monthly costs for non-poor families with employed mothers and preschoolers were higher in absolute terms – $329 per month – but lower as a percentage of the household budget – 7 percent. For families with income of less than $14,400, ($1,200 per month), the average share of income devoted to child care was even higher – 25 percent, or one-fourth of family income. [1]

Figure 3. Percent of Family Income Spent on Child Care, by Poverty Status and Income



Source: Census Bureau, P70-52 (SIPP, fall 1993). Limited to families with preschool children.

Prices for child care vary considerably, by such factors as geographic area, type of provider, and age of child. Average prices for preschool center care, for example, range from $565 in Connecticut to $303 in New Orleans, Louisiana, according to a comparison of average prices in several states and cities in summer 1999 (see Figure 4). Though not shown in the figure, center care for infants tends to be more expensive (e.g., $719 in Connecticut and $506 in Salt Lake County, Utah) than center care for preschoolers. Rates for family child care homes tend to be lower (e.g., $217 in New Orleans, Louisiana and $353 in Delaware) than for center-based care – this is true for both infant and preschool care.

Child care is more affordable for families who receive child care subsidies and contribute to the cost of care through "co-payments" that are much lower than the full price of care. Examples of co-payments in selected states and cities are shown in Figure 4, for a family with $15,000 in income and one pre-school child.

Figure 4. Child Care Prices and Co-Payments for a Hypothetical Family Earning $15,000 with one Preschool Child in Full Time Center Care

	WITHOUT SUBSIDY		**WITH SUBSIDY**	
	Average Monthly Prices	**% of Income**	**Monthly Co-Payments***	**% of Income***
Connecticut	$565	45.2%	$50	4.0%
Michigan	$487	39.0%	$12-$25	1.5-2.0%
Delaware	$390	31.2%	$81	6.5%
Florida	$325	26.0%	$70	5.6%
Pittsburgh, Pennsylvania	$490	39.2%	$25	2.0%
Salt Lake County, Utah	$392	31.4%	$10	0.8%
New Orleans, Louisiana	$303	24.2%	$29	2.3%

* State policy allows providers to charge parents additional amounts, above the co-payment, if the provider's rates exceed the state reimbursement level.

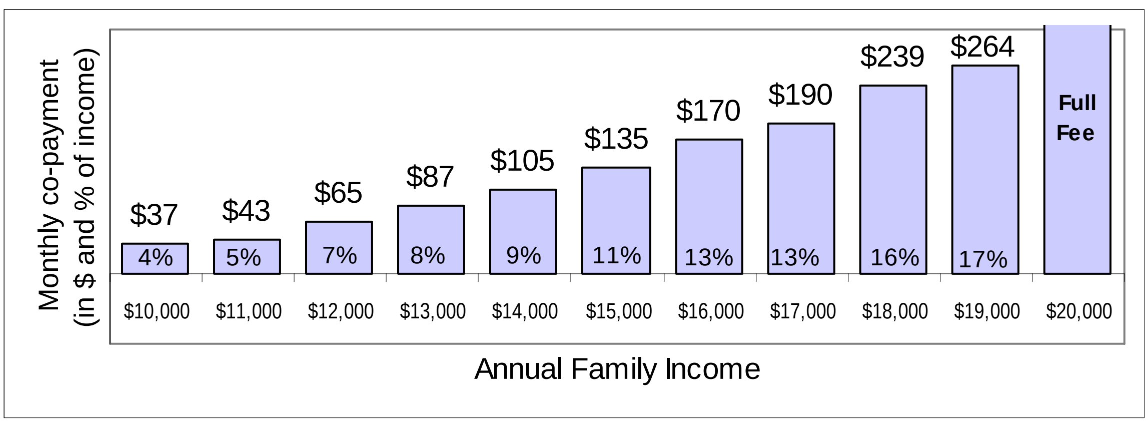
Source: Data collected by the Urban Institute from state and local resource and referral agencies, summer 1999.

Co-payments are established according to sliding fee scales; the co-payments vary across states and by family income, family size, and, in some states, cost of care. For example, a two-person family (mother and child) with $10,000 in income and a CCDF subsidy for full-time center based care would be charged a co-payment of less than $37 per month (4 percent of income) in half the states. This median co-payment increases from $37 for a family with $10,000 in income to full market rate for a family with $20,000 in income, as shown in Figure 5.[2]

Even families receiving child care subsidies, however, may still find it difficult to afford child care. In 24 states, providers are allowed to charge parents additional amounts, above the co-payment, if the provider's rates exceed the state reimbursement level. For example, if a state's maximum reimbursement rate is $300 per month for preschool care, and such care costs $380 in ABC Center, the family may have to pay the $80 difference, in addition to the official co-payment. These additional costs can deter even families receiving child care assistance from choosing higher quality care, which can be more expensive.

Though not shown in Figure 5, there is substantial variation in co-payment fee schedules across states. A two-person family with an income of $15,000, for example, would be charged a co-payment of less than $50 per month in 7 states, $50 to $100 in 7 states, $100 to $150 in 15 states, $151 to $200 in 10 states, more than $200 but less than full market price for care in 1 state, and full market price in 11 states.

Figure 5. Median State Co-payment Charged to Single Parent with Preschool Child in Center-based Care, by Family Income



Source: Congressional Research Service, from state plans on file with HHS as of August 1998.

V. Impact of Child Care Subsidies on Employment and Earnings

Two recent studies suggest that enhanced funding for child care subsidies increases employment rates and earnings for low and moderate-income parents. A study of the relationship between child care funding, employment and earnings in Miami-Dade County, Florida found that boosting child care funding increases the probability that current and former welfare recipients will find paid employment. An increase of $145 in subsidy spending per child increased the likelihood of employment from 59 to 71 percent for current and former recipients with few barriers to employment. According to the study, augmenting child care subsidy funding increases not only employment rates but also the earnings of current and former welfare recipients who are already working. The $145 increase in subsidy funding per child was associated with a 3.9 percent

increase in earnings for those with few barriers to employment and a 7.2 percent increase for current and former recipients with moderate to severe barriers to employment.
NOTE: These findings are for the period after the legislature established a separate pool of child care subsidy funds for current and former welfare recipients.

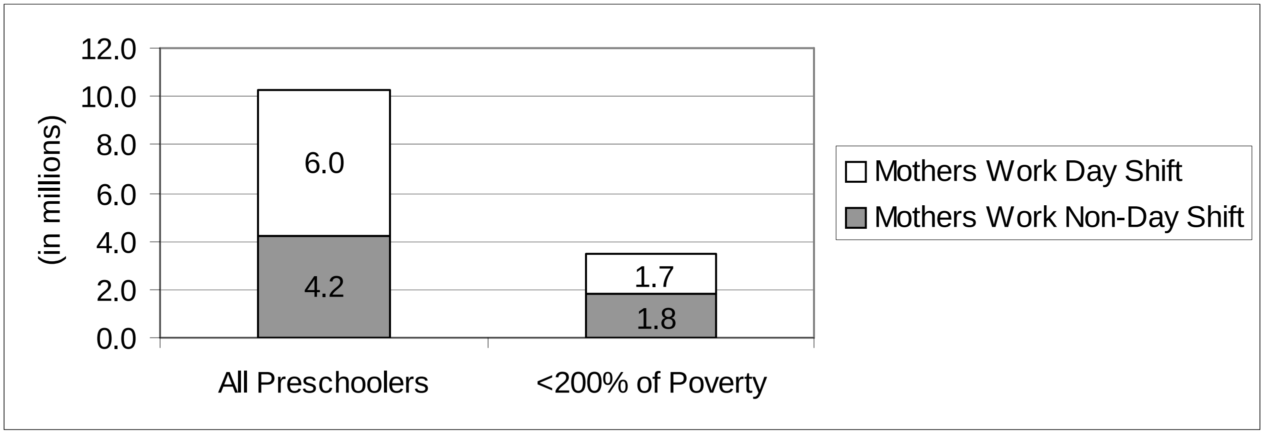
Similarly, a Massachusetts study found that greater investment in child care subsidies results in higher employment rates for current and former TANF recipients.

Conversely, other studies of eligible families on waiting lists for child care subsidies find that these families often reduce their work hours or do not work at all, are more likely to receive public assistance, go into debt, lose their health insurance and declare bankruptcy.

A North Carolina study found that unemployed parents waiting for a child care subsidy were seven times as likely to use three or more types of public assistance as were employed parents with a subsidy. A Texas research effort comparing families receiving subsidies to eligible families without subsidies found that employed families with subsidies earned $260 more per quarter than families without subsidies. A study of families on the waiting list for child care subsidies in Santa Clara, California found that 29 percent were unable to work because they could not find affordable child care, 32 percent reduced their work hours, and two-thirds changed their child care arrangements while on the list. According to a Seattle study, 57 percent of wait-listed families used up savings to pay for child care, while 13 percent dropped their health insurance. Parents receiving subsidies, on the other hand, were much less likely to be late for or miss work completely due to breakdowns in child care arrangements.

Access for low-income working families is made more complicated by the likelihood that these mothers will work non-day shifts -- that is, evenings, weekends, or rotating shifts. While there is little research that specifically addresses the question of whether it is easier for families to find after-hours care if they have a subsidy, it seems likely that the challenge of finding care during non-day shifts is accentuated if parents are seeking care with extremely limited financial resources. There are 4.2 million preschool children with mothers who work non-day shifts -- this represents 4 out of 10 preschoolers with employed mothers, as shown in Figure 6. The proportion of preschoolers from families with incomes below 200 percent of poverty that have employed mothers working non-day shifts is even higher – 52 percent.[3] Some mothers choose to work non-traditional hours, so that they can split child care responsibilities with the child's father. For mothers who cannot rely on care by the child's father, however, it is hard to find child care during odd hours.

Figure 6. Preschoolers by Mother's Work Shift



Source: SIPP, fall 1994.

VI. <u>The Quality of Child Care</u>

When families cannot get help in paying for child care, it is harder for them to find quality care that helps prepare their children for school success.

The overwhelming majority of children today are in child care before entering school. In 1995, nearly 13 million of the 21 million children under 6 were in child care. Only 14 percent of children spend all of their first three years at home with their mothers.

Quality in each type of child care setting – centers, family child care homes, etc. – varies from very poor to very good. As a result, too many children receive low-quality care. A 1994 HHS Inspector General Study, *Nationwide Review of Health and Safety Standards at Child Care Facilities*, found more than 1,000 violations in 169 child care facilities in five states. Among the hazards were fire code violations, toxic chemicals, playground hazards, and unsanitary conditions. According to other research, almost half of the infants and toddlers in child care centers are in rooms rated at less than minimal quality. This means that the care did not have basic sanitary conditions for diapering and feeding; safety problems existed in the room; warm, supportive relationships with adults were missing; and the rooms did not contain books and toys important for physical and intellectual growth.

Findings from recent studies reinforce the results of earlier research – children in higher quality child care programs develop stronger language, reading and math skills and fewer behavior problems than children in mediocre or poor quality programs. The better the child care program, the more likely the child is to enter school ready to learn.

The latest report from the Cost, Quality and Child Outcomes Study found that the quality of child care programs attended by preschool children had a lasting impact on their school performance. Children in better programs had higher language and math test scores and fewer behavior problems in the second grade than children attending weaker programs (the children have only been followed through the end of second grade so far). Children at risk of not doing well in school (due to economic and other factors) benefit more from high-quality child care, and are hurt more by low-quality care, than their better situated peers are.[4]

According to the ongoing NICHD Study of Early Care, children who attend child care centers meeting standards set by pediatricians or public health professionals score higher on school readiness and language tests and have fewer social problems than children in centers not meeting such standards.[5]

Moreover, evidence suggests that interventions to improve child care quality can make a major difference. Research on Florida's state-wide investment in quality -- lowering staff-to-child ratios and increasing educational qualifications of staff – found positive impacts on the cognitive and social development of children in care.[6] Longer-term results suggest that enforcement of enhanced standards is important to maintain such gains. North Carolina's Smart Start initiative funds multiple quality enhancements to child care programs, as well as efforts to help families access child care. Enhancements include improved training, curricula and equipment, and incentives for programs to become accredited. Evaluation results indicate that more children are receiving care, the quality of care has improved, and children have higher levels of skills at kindergarten entry.[7]

In addition to the recent research, hundreds of studies of demonstration and large-scale early intervention programs (many of which are also child care programs) have generated a wealth of evidence that quality child care programs have positive short and long-term effects on school success and social adjustment.[8]

Due to the tremendous need for child care subsidies to help families pay for the cost of care, states in 1998 were able to devote only 5 percent of their CCDF funds to quality improvements.

VII. Conclusion

While the child care picture varies from state to state, it is clear that there is a large unmet need for child care assistance throughout the country. States are fully utilizing CCDF funding, the primary source of Federal child care assistance for low and moderate-income families, and are using TANF transfers and state-only funds to address the need. Despite these efforts, just 15 percent of children eligible under state income limits and only 10 percent of those potentially eligible under Federal guidelines, are actually being served through the CCDF. As a result, child care consumes a major portion of many low or moderate-income families' budgets, parents are unable to work productively or take better paying jobs, and children's health and development suffer when parents must make do with makeshift arrangements.

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[1] Census Bureau, P70-52 (SIPP, Fall 1993).

[2] Congressional Research Service, "Child Care Subsidies: Federal Grants and Tax Benefits for Working Families," Table A-5, March 15, 1999. Co-payment estimates based on CCDF plans on file at HHS on August 14, 1998, assuming cost of care is at the CCDF payment rate for the state.

[3] Census Bureau, "Who's Minding Our Preschoolers? Fall 1994 (Update) (PPL81)." Detailed tables and documentation for P70-62. Internet release: U.S. Bureau of the Census, 1998. Note that day shift is defined as a work schedule where at least one-half of the hours worked daily were between 8 a.m. and 4 p.m. All other schedules (i.e., those in which the majority of hours are worked outside 8 a.m. to 4 p.m., and those with irregular or rating hours) are defined as non-day work shifts.

[4] National Center for Early Development and Learning, "The Children of the Cost, Quality, and Outcomes Study Go to School," 1999.

[5] "Child Care Outcomes When Center Classes Meet Recommended Standards for Quality," *American Journal of Public Health*, 1999.

[6] Howes, Smith, and Galinsky, *The Florida Child Care Quality Improvement Study: Interim Report*, 1995.

[7] Smart Start Evaluation Team, University of North Carolina, "The Effects of Smart Start on the Quality of Preschool Child Care," 1997; "The Effects of Smart Start Child Care on Kindergarten Entry Skills," 1998; "North Carolina's Smart Start Initiative," 1999.

[8] Reynolds, Mann, Meidel, and Smokowski, "The State of Early Childhood Intervention," *Focus*, 1997.