NCCP National Center for Children *in* Poverty
Columbia University
MAILMAN SCHOOL OF PUBLIC HEALTH

EXECUTIVE SUMMARY

Continuity and Stability: Dynamics of Child Care Subsidy Use in Oregon

(August 2002)

With the passage of the Act for Better Child Care and the creation of the Child Care and Development Block Grant (CCDBG) in 1990, the federal role in child care became more visible. With the consolidation of CCDBG and several other federal child care funding streams into the Child Care and Development Fund (CCDF) in 1996, the federal effort became more focused. Inclusion of CCDF in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 formalized the joining of two national goals: supporting family self-sufficiency and promoting child well-being. This same two-generational focus is seen in the mission of the Child Care Bureau of the U.S. Department of Health and Human Services: to ensure "child care services that promote healthy child development and family self-sufficiency."[*]

Spending on child care subsidies by both the federal government and by states has increased rapidly since 1996. One study found that, among the states examined, spending on child care increased by an average of 78 percent between 1997 and 1999.[**] Most of the dollars are expended through child care subsidy programs administered directly by the states or local governments, or by contracts with child care resource and referral agencies.

As states have built their child care subsidy programs, conventional wisdom about how the program operates has emerged. For example: (1) Most families have a copay. (2) Families leave the program because they no longer meet the income eligibility guidelines. (3) High copays are a major cause for families leaving the program. (4) The higher the net value of participation the longer parents will participate in the program. (5) Care by relatives is less stable than that provided in centers and regulated family child care homes. (6) The program is serving low-income working families as they transition from welfare to work. Despite the clearer federal focus and increased expenditure, little is known about the child care subsidy program, including the validity of these commonly-expressed opinions. Up to this point little research has focused on how the child care subsidy program operates, who is served, and what services are offered.

In order to learn more about the operations of the child care subsidy program, a team of researchers and state child care administrative staff designed and implemented an exploratory study of the child care subsidy program in five states: Illinois, Maryland, Massachusetts, Oregon, and Texas. The effort grew out of the Child Care Bureau's Child Care Policy Research Consortium. The child care subsidy dynamics study research team included data and policy analysts from the School of Social Work and the National Center for Children in Poverty at Columbia University, the Department of Agricultural and Resource Economics at Oregon State University, the department of Family Resources and Education at Linn-Benton Community College, and the Ray Marshall Center for the Study of Human Resources at the University of Texas.[***] Child care

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* U.S. Department of Health and Human Services, Child Care Bureau. (2001). Administration for Children and Families, Child Care Bureau vision statement. Available at <http://www.acf.dhhs.gov/programs/ccb/geninfo/vision/index.htm>.

** Abt Associates, Inc. (2000). *The National Study of Child Care for Low-Income Families, State and Community Substudy interim report*. Cambridge, MA: Abt Associates, Inc. Available at <http://www.abtassoc.com/reports/welfare-download/NSCCLIF.pdf>.

*** The five-state study is reported in Meyers, M. K.; Peck, L. R.; Davis, E. E.; Collins, A.; Kreader, J. L.; Georges, A.; Weber, R.; Schexnayder, D.; Schroeder, D.; & Olson, J. A. (2002). *The dynamics of child care subsidy use: A collaborative study of five states.* New York, NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health.

The median spell of subsidy receipt ranged from three months in Oregon to seven months in Texas. Almost one-quarter received a subsidy for just one month before a service interruption.

administrative staff in each state played a critical role in the study in clarifying differences in the policy context and data across the states.

The team focused on two program outcomes for the study: (1) the dynamics of subsidy receipt and (2) provider stability during the period of subsidy receipt. The methodology included descriptive and survival analyses. Limitations of the data prohibited valid use of multivariate analysis. A key outcome variable is the length of the spell of subsidy receipt, that is, the number of months that a family receives a subsidy for child care without interruption. The study defines a continuous spell of subsidy receipt as ending when the child does not receive a subsidy for at least one month.

This report provides a detailed look at Oregon families receiving child care subsidies and the factors associated with length of subsidy receipt and provider stability and compares these findings with those of four other states (Illinois, Maryland, Massachusetts, and Texas). It describes the characteristics of families and children receiving subsidies, the type of care used, the stability of that care, and the length of time on subsidy. The study was designed to identify areas worthy of further study. Some of the study findings confirm expectations, while others do not.

Key Findings

- **The length of children's spells of subsidy receipt is short.**
  - The median spell of subsidy receipt ranged from three months in Oregon to seven months in Texas.
  - Second spells are also short. In Oregon, the length of second spells was the same as for first spells—a median length of three months.
  - Almost one-quarter of the families participating in the subsidy program in Oregon received a subsidy for just one month before a service interruption; some of these families returned after a month or more of not receiving a subsidy.
- **There is considerable reentry to the subsidy system.**
  - In Oregon, 40 percent of families reentered the program within 12 months.
  - Across the five states, between 35 and 58 percent of families who exited a spell of subsidy receipt returned to the subsidy system within 12 months.
- **Most families who have short spells of subsidy receipt have a consistent provider, but approximately half of the children on subsidy for a year experience at least one transition in their primary provider.**
  - Oregon and Maryland, the states with the shortest spells, had the least stability in providers for the child.
  - A small percentage (between 5 and 10 percent) of Oregon children experienced highly unstable arrangements.
- **Ongoing devolution of policymaking results in states developing diverse policies for both child care subsidy and Temporary Assistance for Needy Families (TANF) programs.**
- **Across the five states, TANF and child care policies interact to bring different populations into the subsidy program.**
  - Median incomes among the states' subsidized families ranged from 12 to 24 percent of the state median income.
  - The proportion of subsidized children with employed parents ranged from 36 to 85 percent. In Oregon 50 percent of families were employed.
  - Child care subsidies also commonly support families in job readiness and assessment activities (from 15 percent in Illinois to 64 percent in Massachusetts).
  - Except for Massachusetts, Oregon families are the least likely to be employed and the most likely to be in job readiness or assessment activities.

In Oregon, parents using subsidies while involved in job readiness or assessment activities had shorter spells and were slightly more likely than employed parents to reenter the subsidy program.

- **The interaction of child care subsidy and TANF policies affect which services are provided as well as which families are served.**
  - The portion of subsidized families exempted from copayments ranged from 10 to 85 percent. In Oregon, 59 percent of families were exempt from a copay.
  - The median value of copayments (among families who paid them) ranged from $29 to $67 per month across the states, and the median value of payments to providers varied by more than $150 per month.
  - Oregon had the highest copayments and Oregon and Texas had the lowest payments to providers.
  - The portion of subsidized children cared for in child care centers ranged from 18 percent in Oregon to 79 percent in Texas.
  - The portion of subsidized children in family child care homes with a nonrelative ranged from 7 percent in Texas to 58 percent in Oregon.
- **Length of subsidy receipt varied with family and service characteristics.**
  - In all states, families with an employed parent had longer spells of subsidy receipt than did TANF-reliant families.
  - In Oregon, parents using subsidies while involved in job readiness or assessment activities had shorter spells and were slightly more likely than employed parents to reenter the subsidy program.
  - Age of child and type of care do not appear to be related to length of spell.
  - Periods of redetermination for continuing eligibility may be linked to continuity of subsidy receipt. The two states with the shortest spell lengths (Maryland and Oregon) were the only two states with three-month rather than six-month periods when families were typically required to recertify eligibility.
- **Data limitations and the complexity of interactions among TANF policies, child care subsidy policies, and family circumstances (some of which are not captured in the subsidy data) constrained use of multivariate analysis of the factors associated with continuity of subsidy use.**

Providing child care subsidies is an increasingly important public policy to support low-income families as they move off welfare, find and maintain employment, and find ways to meet the developmental needs of their children. Short spells of subsidy use are potentially problematic for families' economic and employment stability and for children's stability of care.

Implications for Research

Given the finding that most subsidy spells are short, the critical question is why. Short spells of subsidy use are clearly linked to certain parental and situational factors that are observed in the data, such as employment or participation in job readiness or assessment programs. Since participating families have low incomes, the majority of exits do not appear to be due to income ineligibility; further research is needed to investigate other parental and situational factors that were not available in this study.

One of the most important study findings relates to policy interactions, both interactions between TANF and child care subsidy program policies, and also interactions of policies within the subsidy program. Better understanding of the impact of these policy interactions on the population served will allow the state to decide which families it wants to target for the child care subsidy program. While subsidizing child care may be important to allow parents to participate in job readiness and assessment programs, it is not clear that support of child care for one to two months has much effect on employment or child well-being. Subsidy dollars might be more effectively spent stabilizing working families.

Publications by the Child Care Subsidy Dynamics Study Team

This report is one of four being published by members of the team studying the dynamics of child care subsidy use. It provides a detailed look at Oregon families receiving child care subsidies and the factors associated with length of subsidy receipt and provider stability, and it compares the findings with those of the four other states studied by the dynamics study team—Illinois, Maryland, Massachusetts, and Texas. Separate state reports will also be published for Illinois and Maryland. The fourth report: *The Dynamics of Child Care Subsidy Use: A Collaborative Study of Five States*, covers all the study states.

A duration study guide is also being prepared to enable others to conduct their own studies on the dynamics of child care subsidy use using the methodology developed through the five-state studies. The guidebook was created as a stand-alone, practical guide that documents the methods and lessons learned to support study replication. The *Duration Study Guidebook: A Guide to Implementing a Study on the Dynamics of Child Care Subsidy Use,* by Deana Grobe, Roberta B. Weber, and Elizabeth E. Davis will be available from the Oregon Child Care Research Partnership Web site after September 1, 2002 (http://www.lbcc.cc.or.us/familyresources/researchpartner/).

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Child Care Policy Research Consortium and the Five-State Dynamics Study Team

To better inform child care policymaking, the Child Care Bureau of the Administration for Children and Families in the U.S. Department of Health and Human Services in 1995 began funding Child Care Policy Research Partnerships. These partnerships use or build upon existing data to increase understanding of child care markets for low-income families and the impact of child care policies on them. Several of the partnerships have constructed linked, longitudinal data sets with administrative data from states' subsidy systems. These data sets create new opportunities to analyze the characteristics of children and families who use child care subsidies and the dynamics of their subsidy participation.

The Child Care Policy Research Partnerships include state policymakers, state- and city-level agencies responsible for child care services, and university-based researchers. These teams are charged with developing a research agenda in response to pressing policy questions in their states. The Partnerships work together as the Child Care Policy Research Consortium.

This report is a product of consortium members representing Illinois, Maryland, Massachusetts, and Oregon who joined together to better understand who is served by child care subsidy systems and what services they receive. Researchers in Texas, who were already engaged in similar research, agreed to join the project. The five-state child care subsidy dynamics study team included policy experts familiar with each of the five states and analysts familiar with administrative data and analytic methods. State agency partners played a critical role in helping to understand data elements and policies in each state and provided feedback on the study results and interpretations. The team member partner institutions are:

- Columbia University School of Social Work
- Linn-Benton Community College
- National Center for Children in Poverty, Columbia University Mailman School of Public Health
- Oregon State University
- Ray Marshall Center for the Study of Human Resources, University of Texas at Austin

CHILD CARE SUBSIDY DYNAMICS STUDY TEAM

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