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CHILD CARE SUBSIDIES: SUPPORTING WORK AND CHILD DEVELOPMENT FOR HEALTHY FAMILIES

The Child Care and Development Block Grant could, if fully funded and implemented, improve health and well-being by supporting parental work and improving access to high-quality child care across settings.

KEY POINTS

- Nonparental child care is a key support for working parents and contributes to long-term child health and development. Yet high-quality affordable care that meets parents' needs can be hard to find.
- The Child Care and Development Block Grant (CCDBG) is the primary public child care program in the US, It supports low-income parents' employment and children's development and contributes to the well-being of families. It serves 1.3 million children, only 15 percent of those who are eligible under federal law.
- The CCDBG was reauthorized in 2014 with changes that strengthened the program's focus on child care quality and stabilizing families' access to assistance.
- Meeting both the work support and child development goals of the program is challenging for several reasons. These include inadequate funding; the shortage of high-quality affordable care that meets parents' needs; misalignment between the formal child care market and the needs of parents who work nontraditional hours; and limited access to formal settings for specific populations, such as rural families, infants and toddlers, and children with special needs.
- Full CCDBG implementation is critical to increasing equitable access to high-quality child care that improves the health and well-being of all low-income families. Accomplishing this goal will require a comprehensive approach focused on access and quality, outreach to child care providers in home-based and formal settings, and a significant expansion of federal and state funding.

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The overwhelming majority of children younger than six, as well as many school-age children, spend time in child care settings while their parents are at work or in school. These settings include centers and preschools, after-school programs, licensed family child care programs, and informal arrangements with family members, friends, or others who are exempt from licensing.

Nonparental child care is an essential work support for parents raising children. The evidence is more mixed, however, regarding its impacts on children's development and health. Certainly, high-quality programs have important developmental payoffs for children, with long-term economic benefits into adulthood. There is also mounting evidence of short- and long-term health benefits for children enrolled in high-quality early childhood programs. However, quality varies widely across child care settings, making the care's developmental and health impacts less certain.

For many families, it is challenging to find affordable convenient child care that serves both parents' and children's needs. Nonparental care is expensive and uneven in availability. Particular access challenges apply to some families, such as those with infants and toddlers or children with special needs and those living in rural areas. Low-income families who work nontraditional hours and have unpredictable work schedules also struggle to identify programs with hours and policies that meet their needs. Limited information and language barriers may also restrict parental knowledge about and access to options that exist. Thus, the potential two-generation benefits of nonparental child care—supporting both parental work and children's development—are not fully realized.

The Child Care and Development Block Grant (CCDBG) is the primary public program that helps low-income parents afford child care so they can participate in employment and education. Whereas other government interventions such as public prekindergarten target early childhood development, the CCDBG has always had the dual focus of supporting parental employment and children's development through age twelve. During the early 2000's, however, there was growing concern that its function as a work support was overshadowing its ability to meet child development goals. As a result, in 2014 the CCDBG was reauthorized with significant statutory changes, a number of which focused on supporting the health, safety, and quality of child care and stabilizing access to assistance. According to the Administration for Children and Families, the reauthorization represented "a historic shift in the program to better balance the dual goals."

The CCDBG is relevant to audiences concerned with social determinants of health, given its dual goals of supporting children's healthy development and family economic well-being. Indeed, previous Health Affairs Health Policy Briefs have underscored the important roles of income and income support policies (such as the Earned Income Tax Credit and minimum wage laws) and of early care and education in supporting both adult and child health. The CCDBG has the potential to improve health by both enhancing family income and improving the quality of child care.

> "The CCDBG has…the dual focus of supporting parental employment and children's development."

This brief provides an overview of the CCDBG and the research on its labor-market and health and developmental effects. The brief then discusses recent changes to the law and highlights implementation concerns. It closes with policy considerations to address these concerns and improve program success.

How Does The CCDBG Work?

The CCDBG is a means-tested joint federal and state program that provides funds to states to support child care activities. The program began with the Omnibus Budget Reconciliation Act of 1990 and was significantly revamped to be a centerpiece of the 1996 welfare reform law. It functions as a federal block grant, though many states and some localities contribute additional funds. As a block grant, it provides states with significant discretion to set eligibility criteria and other program parameters within federal guidelines, which results in considerable variation in program design across states.

In 2018 the program served 1.3 million children, a number that has been steadily declining since 2006—when it was at a high of 1.8 million. The program's funding expanded in the early years after the 1996 welfare reforms and then flattened (at approximately $5 billion) after 2001 with a brief spike between 2008 and 2010 due to the stimulus of the American Recovery and Reinvestment Act of 2009. In 2018 the CCDBG received $2.37 billion in additional federal dollars, its largest historical funding increase.

Most CCDBG funds are used to help families with low incomes pay for care, primarily through vouchers or certificates that parents can use to defray some or all of the costs. A sliding-scale parent copayment is typically assessed as well. Once a family has been assessed as eligible for the subsidy and has identified a provider authorized to accept it, voucher payments are usually sent to the provider by the state. Providers vary in their willingness to accept vouchers, with factors such as payment rates, administrative burden, and provider motivation playing a role. In contrast to programs such as Head Start or public prekindergarten, the CCDBG provides child care assistance only if the parent needs child care to be able to work or attend education or training (with some exceptions), and funds are used primarily during the hours the parent is engaged in those activities.

Parent choice is a fundamental tenet of the CCDBG, as policy makers trust parents—rather than the state—to determine what child care best meets their family's circumstances. Parent choice, along with the diverse needs and priorities that drive parental child care decisions, means that the CCDBG has histori-

cally served families in a range of settings: centers, after-school programs, licensed family child care homes, and home-based settings that are legally exempt from licensing (including relatives' homes). One of the challenges states face is how to support parental choice while ensuring safety and high quality in all settings. Another challenge is that parent choice can be constrained by supply realities. For example, parents who work outside of daytime, weekday hours disproportionately use home-based arrangements, especially informal caregivers. The formal market does not adequately serve these families, given that only 8 percent of centers and 34 percent of listed home-based providers are open evenings, overnight, or weekends.

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Overall, only 15 percent of families eligible under federal rules for the subsidies use them, due to insufficient funding, state eligibility rules and policy priorities, lack of program awareness, and bureaucratic hassles. Spells on the subsidy program are short, typically 4–8 months, with exits often precipitated by employment instability or administrative hassles and errors that result in temporary gaps in coverage or permanent exits. Subsidy exits increase the risk of losing a child care arrangement, switching to a lower-cost provider, or going without care altogether—all of which have implications for children's healthy development and parents' ability to work.

Research On Child Care Subsidies

Subsidy research has considered a range of questions related to the administration of the program and its effects on employment, child care type and quality, and children's development. Less research has focused directly on children's health. Almost none of the research has used experimental methods, with researchers instead employing quasi-experimental approaches to address selection and confounding factors. To improve rigor, several recent studies used administrative records and panel survey data and in some cases linked multiple data sources together.

Overall, subsidies reduce parental child care expenses and are an important work-family support. Research generally indicates strong labor market effects of the subsidies, with several studies showing a positive relationship between subsidy use and employment—especially full-time employment. Some studies also indicate associations with increased earnings and work duration and fewer child care–related work disruptions. A recent study also suggests that subsidy use is related to higher educational attainment among mothers with young children.

Research is mixed on whether subsidies increase the quality of recipients' child care. The most rigorous studies find that families who receive subsidies use child care of higher quality than that used by comparable nonrecipients. These findings may be partially explained by a greater use of centers, as centers are rated as having higher quality than home-based arrangements do, according to some standardized measures. However, high-quality care exists across the full range of settings, including home-based care—though much of the quality discussion has focused on centers.

Despite the findings on quality, most studies that examined the link between child care subsidy use and children's outcomes find that children in subsidized arrangements, compared to their unsubsidized counterparts, have scores that are no better and sometimes worse on cognitive functioning, social skills, and levels of internalizing and externalizing behaviors. Moreover, Chris Herbst and Erdal Tekin (2014, 2012, and 2011) report links between subsidy use and childhood obesity and negative associations with self-reported levels of maternal health and psychological well-being. These disappointing results may be due to measurement and modeling challenges. But to the extent that the effects are real, they may suggest that children did not have enough time in high-quality arrangements, given high subsidy instability and corresponding child care instability. They may also reflect the restricted availability of high-quality

providers in the child care market—a problem that is compounded by low state payment rates, which discourage high-quality providers from accepting the subsidies. In an encouraging development, a recent study found that young children who had used subsidized licensed center and home-based arrangements demonstrated higher reading and math scores in third grade and fewer school absences in junior high school, compared to children who had not used subsidized care.

The 2014 Reauthorization

According to the Administration for Children and Families, the 2014 CCDBG reauthorization reaffirmed its parental employment and child development goals, while strengthening key elements to "improve the health, safety, and quality of child care, and provide more stable child care assistance to families." While retaining the principle of state flexibility, the reauthorization also provided new guidelines and parameters for the use of CCDBG funds. There were many changes to the law related to the protection of children's health and safety, consumer education, family-friendly eligibility provisions, equal access to care, and enhancements to child care quality (see the text box).

The overall intent of the policy changes was to strengthen state programs to better meet work support and child development goals. However, no

KEY PROVISIONS OF THE 2014 REAUTHORIZATION OF THE CHILD CARE DEVELOPMENT BLOCK GRANT

1. **Protections of children's health and safety through new provider provisions related to:**
   - annual monitoring;
   - prelicensure inspection;
   - health and safety training requirements;
   - background checks.
2. **Consumer education through new provisions to promote consumer knowledge about the availability, safety, and quality of child care programs and other public assistance:**
   - States must maintain a consumer education website with detailed provider-specific information and child development resources.
3. **Family-friendly eligibility provisions include:**
   - the establishment of a minimum twelve-month eligibility period;
   - a minimum three-month job search grace period during unemployment;
   - a graduated phase-out of assistance if income surpasses the state threshold;
   - simplified eligibility redetermination practices.
4. **Equal access to care through:**
   - building care supply for underserved priority populations;
   - instituting affordable copayment rates;
   - setting provider payment rates that better approximate the actual costs of providing high-quality care.
5. **Enhancements to child care quality include:**
   - mandatory investment of at least 9 percent of CCDBG funds in quality improvements;
   - an additional 3 percent to address gaps in quality programming for infants and toddlers;
   - additional new provisions to address provider training and professional development.

guaranteed funding increases were written into the law, and most state CCDBG programs were seriously underresourced at the time of reauthorization. Thus, the additional funding passed as part of the 2018 bipartisan budget deal provided states with critical resources to help support at least some of the costs of implementation.

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There is still relatively little information about the impact of the reauthorization on families that rely on subsidies. This is due in part to state challenges in complying with the law and to research timelines. Furthermore, state policies and practices are simultaneously changing in response to the funding increase in 2018, which makes it difficult to disentangle the two effects.

Preliminary indications of state responses to the law are detailed in recent reports by the National Women's Law Center (NWLC) and the Center for Law and Social Policy (CLASP), which show uneven implementation progress across states. For example, the NWLC reports on two policy changes that could affect children's healthy development.

The first change affected annual eligibility, with states now required to establish twelve-month eligibility periods. As of February 2018, four-fifths of the states had complied, with almost half having put this policy in place since reauthorization. Ten states still had not complied. The expectation was that longer subsidy spells would mitigate child care and employment disruptions and make it easier to meet the program's economic well-being and child development goals. Whether these aims are realized awaits investigation.

The second change was related to health and safety requirements. Monitoring and licensing provisions set minimum safety standards. The 2014 provisions include mandatory annual inspections for programs that are legally exempt from state licensing. By February 2018, twenty-four states had hired additional licensing inspectors, and another four states reported planning to do so. That means that almost half of the states had not hired additional licensing staff and were not planning to do so. While these numbers do not prove that states are out of compliance, it does suggest that provisions may not be fully implemented in a significant number of states. If monitoring and licensing truly improve care quality, these compliance gaps should raise concern.

A 2019 CLASP report describes many reasons for observed delays in implementation of these and other new CCDBG provisions. The reasons include competing priorities, resource constraints, governance structures, and data limitations.

To understand the full implications of the law for children's health and well-being, it is also important to consider unanticipated consequences. For example, there is concern that some states may ultimately serve fewer children overall due to increased per child costs related to twelve-month eligibility. Relatedly, if states face financial or other difficulties in delivering preservice health and safety trainings and complying with new monitoring requirements, especially in home-based settings, the new law may inadvertently contribute to a decline in the availability of subsidized home-based care and limit the ability of parents to use subsidies in these settings. This is of particular concern for families that have traditionally been less able to access centers, such as those with precarious work schedules. These issues raise concerns about whether the new law may negatively affect access to subsidies, a key work support.

Policies To Support Access And Quality For All

States can implement myriad policy strategies to support access and quality for all families, regardless of the child care setting they select. However, strategies involve difficult trade-offs due to constrained program funding. What trade-offs states make will affect whether new investments focus equally on the work support and child development goals and wheth-

er the supply of high-quality care is expanded equitably across populations and the full range of settings, from centers through family, friends, and relatives.

In the best-case scenario, states will make their systems more family friendly by fully implementing an annual eligibility redetermination and other strategies to simplify subsidy application and retention procedures; support access to high-quality care by ensuring that the subsidy system pays providers sufficient rates; promote quality by targeting training, technical assistance, and incentives to the full range of providers to support equitable supply and access for priority populations such as parents working non-traditional hours, infants and toddlers, rural children, and children with special needs; make care more affordable by establishing sliding fee scales to ensure that parents pay no more than the recommended level of 7 percent of family income; and develop targeted consumer education efforts to help parents with different needs identify and use high-quality providers.

> "To fully implement the 2014 [CCDBG] reauthorization and reap its potential benefits…, states need a multipronged strategy of reform."

To fully implement the 2014 reauthorization and reap its potential benefits for parental employment and children's development, states need a multipronged strategy of reform, including research-policy partnerships and evidence-based approaches to support policy decisions. Furthermore, additional federal or state funding will be required to fully implement costly new provisions and cover a larger share of eligible families.

Conclusion

The CCDBG can play a critical role in supporting the health and well-being of children and families. Sitting at the intersection of social policies designed to facilitate parental employment and those intended to promote child development, the CCDBG faces challenges in helping low-income families access high-quality, affordable, and stable care in the context of a formal child care market that is not well aligned with the realities of today's low-wage labor market. If sufficient funds were made available and states used a multipronged strategy that focused support on access and quality in both formal and informal settings—rather than singularly prioritizing centers—the reauthorized law might successfully expand equitable access to high-quality care for all low-income families and achieve better health outcomes.

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