



RESEARCH BRIEF #74

July 26, 2022

Expansions in the U.S. Child Care and Development Block Grant Improved Program Stability

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Child care is necessary for most parents to work and serves as an important developmental context for children, particularly during the early childhood period -a time of rapid growth and development. Evidence indicates that high-quality child care can support children’s development, alleviate health disparities, and increase parental employment.^{2,3,4} Yet many low-income families struggle with the high cost of child care. In 2019, the cost of center-based care for infants in Virginia was more than \$14,000 per year, about half of the median income for a single-parent household.¹ The child care subsidy program is designed to help low-income working families pay for child care. However, research shows that periods (or “spells”) of subsidy receipt tend to be short, and many families exit the program at the period of recertification (time when individuals need to be certified as eligible for benefits again).⁵

The 2014 reauthorization of the Child Care and Development Block Grant (CCDBG), which funds child care subsidies, included several new requirements designed to promote child care and subsidy stability. In February 2018, Congress substantially increased CCDBG funding.⁶ The historic increase in CCDBG funding enabled states to make meaningful progress in their child care subsidy policies to meet the 2014 law’s requirements. In October 2018, the Commonwealth of Virginia implemented a 12-month continuous eligibility period and a graduated income threshold (such that the income threshold was higher for

KEY FINDINGS

- In October 2018, Virginia implemented policy changes designed to expand eligibility and increase continuity in child care subsidy participation. This included 12-month continuous eligibility and a graduated income threshold for continuing participation, with increased funding.
- After these policy changes, the length and stability of subsidy receipt increased, and the stability of children’s child care arrangements increased.
- Both in absolute numbers and relative percentage, more non-Hispanic White children, fewer Hispanic children, and more younger children (age under 2, infants and toddlers) participated in the subsidy program following the policy change.
- After the policy change, the per-child amount of subsidy payments and hours in child care increased.

remaining in than beginning the program). Virginia spent its additional federal child care funds on increasing provider payment rates and measures to enhance the availability and quality of child care. The state also adjusted its income eligibility and copayment schedules for the updated federal poverty levels.⁷ A table showing specific details on the policy change is provided below in the Data and Methods section.

Using administrative data from the Commonwealth of Virginia, this brief describes how child care subsidy participation changed after these policy changes.

The Stability of Child Care and Subsidy Participation were Higher after the Policy Changes

As shown in Figure 1, after the policy changes, the average length of a spell of subsidy receipt increased by about a month, from 7.6 to 8.6 months (13%). The percentage of children with spells that lasted more than 12 months increased from 26.0% to 31.3%, indicating that more recipients successfully recertified eligibility for the subsidy program at least once.

Children in the subsidy program experience fewer spells of subsidy participation, or different periods of continuous participation, after the policy change (1.17 to 1.15 on average). More children have only one observable spell, 84.9% to 86.8%, and those who have two or more spells decreased.

The number of child care providers paid by the subsidy program per child also decreased after the policy change (1.6 to 1.5). The proportion of children with one subsidized child care provider increased from 59.0% to 65.9%, indicating the use of fewer concurrent arrangements (which indicates greater stability in the child care environment).

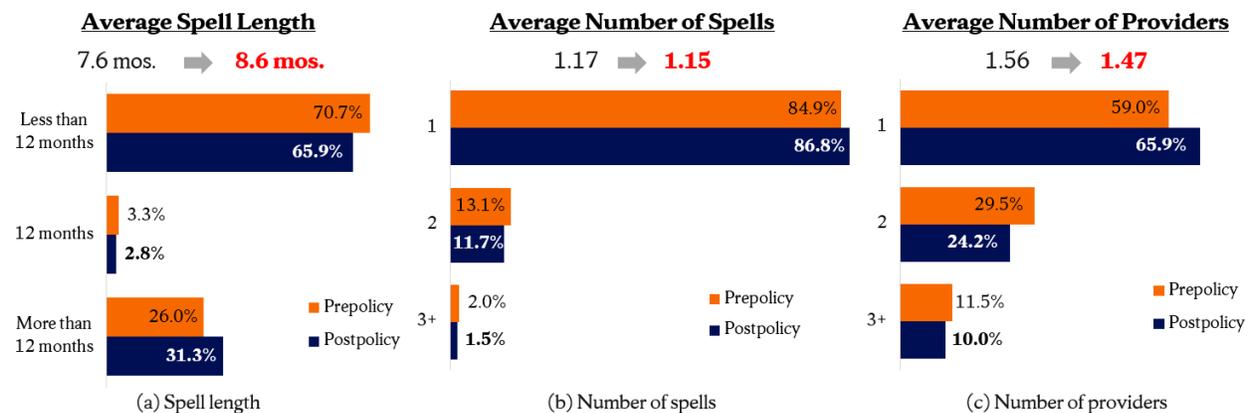


Figure 1. Child Care Subsidy Spell Duration, Number of Spells, and Number of Providers in Virginia

Data Source: Virginia administrative data for child care subsidy receipt and social service program participation, 2017-2019.

Child Care Costs were Higher and Supported More Hours in Care after the Subsidy Program Changed

Child care costs are viewed as a function of the quality of child care services. As shown in Figure 2, total child care costs (public subsidy + family copayment) per child participating in the subsidy program substantially increased after the policy change, from \$3,836 to \$5,268 per year on average. Most of the

increase was paid for by the subsidy program, \$3,514 to \$4,892, following the increase in provider payments rates in 2018. The increase in copayment by parents was relatively a small part - \$322 to \$376. This increase in subsidy benefits may increase the range of child care options available to families participating in the subsidy program.

Following the changes, the total number of subsidized hours in care per child also increased significantly, from 974 to 1,109 hours per year. This represents an increase of more than 11 hours per month. Cost per hour also rose substantially, by about 20% (\$4.10 to \$4.80), suggesting that families used more expensive (and possibly higher-quality) care - after the policy change.

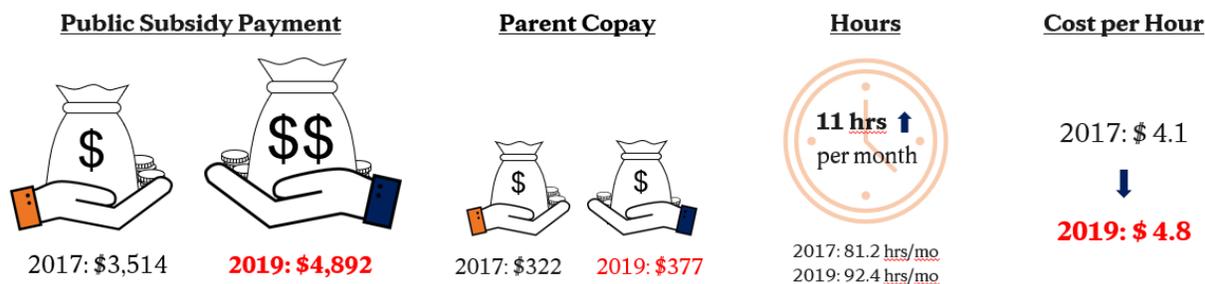


Figure 2. Child Care Subsidy Cost and Hours in Virginia

Data Source: Virginia administrative data for child care subsidy receipt, 2017-2019. All numbers for payments and costs reflect the 2019 calendar year.

Subsidy Participants Were Less Ethnically Diverse and Younger after the Changes

Following the changes, subsidy participants were less ethnically diverse and younger. Specifically, the program enrolled higher proportions of Non-Hispanic White children (23.7% to 27.1%) and lower proportions of Hispanic children (11.2% to 7.5%). The proportion of subsidy participants who were Non-Hispanic Black remained stable.

Infants and toddlers constituted a larger proportion of subsidy participants after the changes went into effect (a change from 32.9% to 34.2%). Infant and toddler care tends to be more expensive than care for older children, and receiving high-quality child care in this period of life is particularly important.

CCDBG Expansion is an Improvement, but There is Still Room to Grow

Our findings from Virginia suggest that the eligibility changes and funding increases to CCDBG helped increase the stability of child care subsidy receipt, subsidized child care arrangements, and the amount and quality of the services provided. Access to high-quality child care services has positive impacts on children’s health and reduced health disparities.^{2,8}

Despite this large expansion, gaps remain in child care funding and policies. Total funding for child care in FY 2019 remained nearly \$1 billion short of the total funding level in FY 2001 after adjusting for inflation, and the reach of the subsidy system is limited.⁶ In 2018, only one in six children eligible for child care subsidies using federal rules received them,⁹ and previous research in Virginia shows the state’s subsidy program reaches fewer children than the Supplemental Nutrition Assistance Program (SNAP) - a program with similar income requirements but structured as an entitlement program and funded at much higher levels.¹⁰

Lastly, although most of the changes in the subsidy system were desirable, there was a substantial drop in program participation among Hispanic children, raising concerns for racial and ethnic equity. The decline in Hispanic participation may be in part due to sweeping changes in the “public charge” rule by the Trump administration that made it more difficult for immigrants to become lawful permanent residents if they used noncash public benefits such as SNAP, Medicaid, or housing assistance.¹¹ Though the rule was not finalized until February 2020 (and was rescinded by the Biden Administration in March 2021), researchers and immigrant-rights advocates predicted that a “chilling effect” was widespread even before its implementation.

Expanding CCDBG could help improve child health outcomes and reduce socioeconomic and racial/ethnic disparities in child wellbeing and development. The federal government should allocate increased funding for the CCDBG, and states should continue to adopt policies to increase access.

Data and Methods

Data on child care subsidy receipt and social service program participation came from the Virginia Longitudinal Data System for 2017-2019. We present differences in patterns of child care subsidy receipt for the period before and after the October 2018 policy change. Differences presented were found to be statistically significant ($p < .05$) using t-tests.

Table 1. Policy Changes in Virginia’s Child Care Subsidy Program Before and After October 2018)

	Pre-October 2018 Policy Change	Post-October 2018 Policy Change
Continuity in Eligibility	Recipients were required to report income and other changes during 12-months of subsidy participation. Participants could lose the subsidy if they no longer met eligibility requirements.	Recipients can continue to receive subsidies for a full year, even with changes in parents’ work status, hours, or income. During the eligibility period, the child shall be considered eligible and shall receive services at least at the same level, regardless of: (i) a change in family income, if that family income does not exceed 85% of state median income or (ii) any temporary change or a cessation of work or attendance at a training or education program. (National Women’s Law Center, Virginia Department of Social Services)
Income Eligibility Limits	As of February 2018, the state had four initial income limits for different regions of the state: \$30,630, \$32,672, \$37,777, and \$51,060. These incomes range from 150% to 250% of the federal poverty level (FPL). (National Women’s Law Center)	In 2019, families already receiving assistance could continue until their income reached 85% of state median income (SMI): \$69,120. (National Women’s Law Center) In October 2018, initial income limits were adjusted for the federal poverty level. Limits increased to \$31,176 (150% FPL), \$33,252 (160% FPL), \$38,448 (185% FPL), and \$51,960 (250% FPL). (National Women’s Law Center)
Provider Payment Rates	State payment rates were below the federally recommended level of the 75 th percentile of the market rate. (National Women’s Law Center)	As of June 2018, payment rates increased for all licensed providers to the 70 th percentile of market. For example, the monthly payment rate for center care for a four-year-old in Fairfax County increased from \$1,147 to \$1,516. (National Women’s Law Center)

Wait Lists	State wait lists were common: As of February 2018, 3,728 children were on the wait list for child care assistance. (National Women’s Law Center)	State reduced the number of children on the wait list for child care assistance: As of September 2019, 739 children were on the wait list. (National Women’s Law Center)
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