

The Role of Child Care Policies in Subsidy and Employment Durations

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Research Study

- Conducted by:
Ray Marshall Center
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University of Texas at Austin
- Part of multi-year study funded by
HHS Child Care Bureau and OPRE:
“The Study of Child Care Devolution in Texas”
- Publications from this study are posted at:
<http://www.utexas.edu/research/cshr/current/devchildcare.htm>

Texas Child Care Policy Context

Statewide throughout study period:

- TANF Choices recipients have priority for subsidies and are exempt from co-payments
- Child care subsidies are not guaranteed for non-TANF recipients, with waiting lists in some areas

Statewide before devolution in September 1999:

- Income eligibility limits - lower of 150% of FPL or 85% SMI
- Co-payment - 9% of income for 1 child; 11% for 2 or more
- Reimbursement rates were set at state level but varied based on local market rates

Research Questions

- Which combinations of child care subsidy policies did local areas adopt after devolution from the state to the local level?
- Which local policy choices were associated with
 - longer child care subsidy duration
 - longer employment duration for families receiving subsidies
 - less turnover among facilities providing care

Available Data

- Statewide longitudinal data for 6-year period (1997-2003)
 - Child care subsidy participation, demographics and payment
 - Local funding allocations
 - Employment records
 - Licensing and registration data for formal child care providers
- Local subsidy policies, 1999-2003
- Contextual economic and community variables

Research Samples

- Subsidy duration -
One randomly chosen spell for all Texas families beginning child care subsidies between October 1999 and August 2003
- Employment duration -
One randomly chosen spell for all Texas families with subsidies beginning employment in 4th quarter 1999 through 3rd quarter 2003
- Facility turnover -
All child care facilities registered with the state licensing agency from January 1998 through September 2003

Research Methods

- Descriptive statistics
 - Families receiving subsidies
 - Patterns of subsidy use
 - Characteristics of local workforce areas
 - Number and capacity of facilities
- Cluster analysis to determine variation in local policy choices following devolution
- Cox proportional hazards regression models with time-varying covariates
 - Probability of exit from subsidy
 - Probability of exit from employment
 - Probability of facility failing to renew registration

Subsidy Recipient Characteristics

	FY 1998 & 1999	FY 2000 & 2001	FY 2002 & 2003
Children			
Total children receiving care	244,073	294,882	328,818
Age of child			
Infant (1 to 17 months)	22%	22%	22%
Toddler (18 to 35 months)	20%	20%	21%
Pre-schooler (36 to 71 months)	32%	30%	29%
School age (72 months and older)	27%	28%	28%
Race/ethnicity of Child			
White	19%	18%	18%
Black	33%	35%	34%
Hispanic	41%	44%	45%
Other	8%	4%	4%
Family			
Average number of subsidized children	1.8	1.9	1.9
Families with one child	46%	43%	43%
Families with two children	34%	35%	34%
Families with three or more children	20%	22%	23%
Parent			
Marital status (if known)			
Single (never married)	70%	70%	73%
Married	9%	9%	9%
Divorced/separated/widowed	21%	21%	18%

Patterns of Subsidy Use

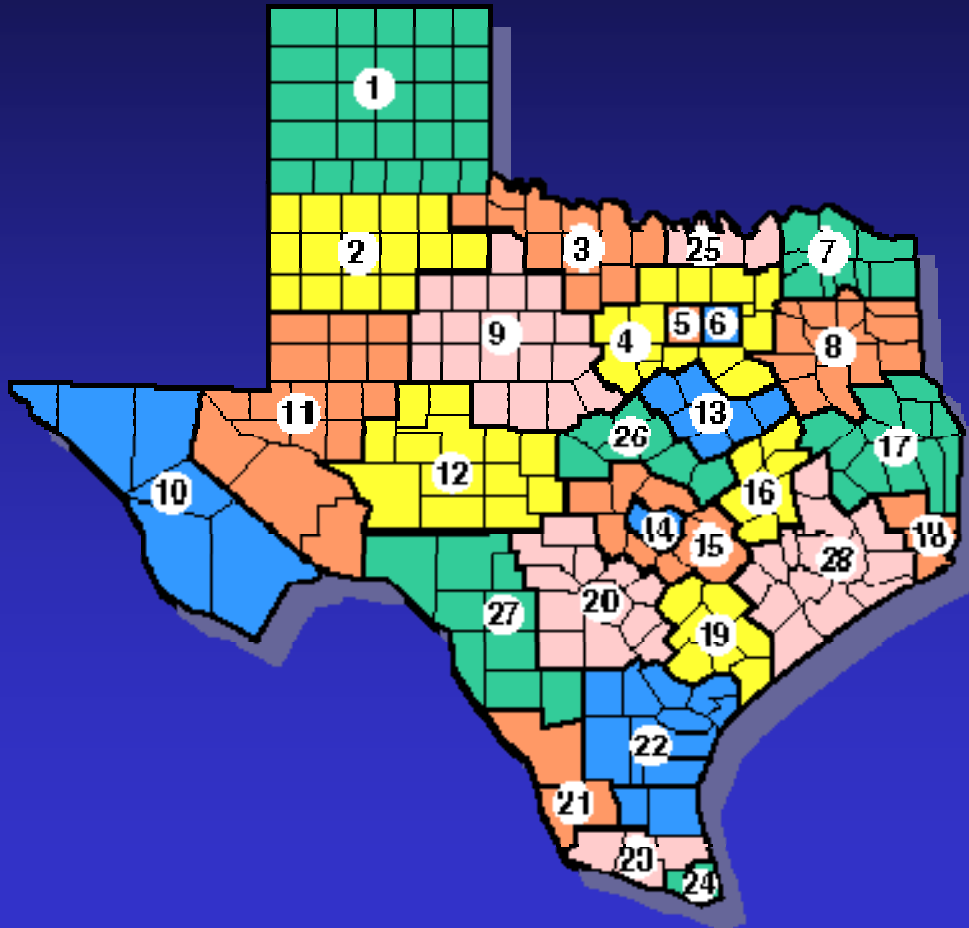
	FY 1998 & 1999	FY 2000 & 2001	FY 2002 & 2003
Type of care arrangement			
Center	79%	77%	76%
Registered Group/Family Homes	6%	6%	6%
In home relative	7%	7%	7%
Out of home unregulated	8%	10%	10%
Features of care provided			
Texas Rising Star (tiered reimbursement) provider	14%	22%	29%
Self-arranged care	10%	9%	11%
Full-time care	76%	88%	87%
Reason for care			
Working/Seeking work	78%	72%	70%
Training	22%	27%	28%
Other	1%	1%	2%
Eligibility type			
Income eligible	67%	64%	59%
Choices/TANF	19%	22%	27%
Transitional	13%	8%	11%
Other	1%	6%	4%
Family-level co-payment			
Percent of families with co-pay	80%	74%	72%
Average monthly co-pay (if co-pay)	\$90	\$103	\$112
Percent of service months by age			
Infant (1 to 17 months)	13%	13%	14%
Toddler (18 to 35 months)	20%	20%	20%
Pre-schooler (36 to 71 months)	36%	35%	34%
School age (72 months and older)	31%	32%	32%

Texas Formal Child Care Capacity

April 2003

	Number of Facilities	Total Capacity
Licensed Centers	7,419	700,000
Licensed Family Homes	1,530	18,000
Registered Family Homes	7,434	89,000

Local Workforce Development Areas



- | | | | |
|-----|------------------|-----|-------------------------|
| 1. | Panhandle | 19. | Golden Crescent |
| 2. | South Plains | 20. | Alamo |
| 3. | North Texas | 21. | South Texas |
| 4. | North Central | 22. | Coastal Bend |
| 5. | Tarrant County | 23. | Lower Rio Grande Valley |
| 6. | Dallas | 24. | Cameron County |
| 7. | North East | 25. | Texoma |
| 8. | East Texas | 26. | Central Texas |
| 9. | West Central | 27. | Middle Rio Grande |
| 10. | Upper Rio Grande | 28. | Gulf Coast |
| 11. | Permian Basin | | |
| 12. | Concho Valley | | |
| 13. | Heart of Texas | | |
| 14. | Capital Area | | |
| 15. | Rural Capital | | |
| 16. | Brazos Valley | | |
| 17. | Deep East Texas | | |
| 18. | South East Texas | | |

Characteristics of Texas Workforce Boards and Areas

N=28	Largest (Gulf Coast)	Smallest (Concho Valley)
Child Population	1,401,948	38,549
Funding for Subsidies (FYs 2002 & 2003)	\$184 million	\$6.1 million
Total children receiving subsidies (FYs 2002 & 2003)	49,676	2,649

Policy Choices After Devolution

Local Workforce Board Policies: Sept 1999- Aug 2003

N > 28 because some boards changed policies more than once during period

Local Board Action	Number of Boards*	Share of Board-Months
Kept baseline policies	5	45%
Increased maximum reimbursement rates (to moderate levels)	12	14%
Increased reimbursement rates and income eligibility ceiling	7	11%
Increased co-payment	8	8%
Increased income eligibility ceilings	5	7%
Increased income eligibility and family co-payments	4	7%
Increased income eligibility limits and reduced family co-payments	3	8%

Subsidy Spell Lengths

Median duration of new subsidy spells beginning after devolution (October 1999-August 2003)

All	6.2 months
Started for employment	7.5 months
Started for TANF/Choices	5.0 months

Policy Factors Related to Longer Subsidy Duration

- Almost all changes from baseline policy resulted in longer subsidy duration
- Strongest policy effects occurred for employment-related spells
- The following policy choices were associated with longest employment-related subsidy spells:
 - Increased co-payments
 - Increased eligibility limits and co-payments
 - Increased eligibility limits

Regression Results

Probability of exit from subsidy

Policy change from baseline	Started as Employment N=104,613	Started as TANF N=99,452
Increased reimbursement rate	1.00	0.95**
Increased reimbursement rate and income eligibility	0.94**	0.95**
Increased co-payment	0.73**	0.90**
Increased income eligibility	0.78**	0.91**
Increased income eligibility and co- payment	0.76**	0.87**
Increased income eligibility and reduced co-payment	0.97*	0.93**

Non-Policy Factors Related to Longer Subsidy Duration

- More than one child receiving subsidies
- Youngest child older than 2
- African American
- Full-time care
- Care for employment purposes
- Tiered reimbursement provider
- Medium-sized workforce board area

Employment Spell Lengths

Median duration of new employment spells beginning after devolution for adults receiving subsidies (October 1999-August 2003)

All	6.0 quarters
Started subsidy for employment	7.6 quarters
Started subsidy for TANF/Choices	5.2 quarters

Policy Factors Related to Employment Duration

Longer

- Combination of increased income eligibility limits and increased co-payments (only if subsidy started for employment)

Shorter

- Increased reimbursement rates (only if subsidy started for employment)

Regression Results

Probability of exit from employment

Policy change from baseline	Started as Employment N=21,440	Started as TANF N=34,965
Increased reimbursement rate	1.14**	1.02
Increased reimbursement rate and income eligibility limit	1.03	1.04
Increased co-payment	1.05	0.95*
Increased income eligibility limit	1.04	0.99
Increased income eligibility limit and co-payment	0.82**	0.95
Increased income eligibility limit and reduced co-payment	0.99	0.98

Non-Policy Factors Related to Longer Employment Duration

- Youngest child is school aged
- White
- Full-time care
- Subsidy was used for employment purposes
- Continued receipt of subsidy during employment
- Family home provider
- Self-arranged care (TANF only)
- Employed in health care industry

Stability of Child Care Facilities

- Centers had the longest duration of all providers
 - 65% still in operation after 5 years
- Registered family homes had shortest duration of all providers
 - only 33% still in operation after 5 years

Policy Factors Related to Reduced Facility Turnover

- Increasing maximum reimbursement rate+income eligibility limits
- Increasing maximum reimbursement rates
- Increasing income eligibility ceilings (centers only)
- Increasing income eligibility ceilings + reducing co-payments (family homes only)

Regression Results

Probability of facility failing to renew registration

Policy change from baseline	Centers 9,675	Family homes N=18,394
Increased reimbursement rate	.81**	.86**
Increased reimbursement rate and income eligibility limit	.73*	.75**
Increased co-payment	1.07	.96
Increased income eligibility limit	.71*	.95
Increased income eligibility limit and co-payment	.87	1.00
Increased income eligibility limit and reduced co-payment	.80	.83**

Non-Policy Factors Related to Reduced Facility Turnover

- Lower unemployment rate
- Medium or large workforce board
- Longer duration as a business
- Subsidy was used for employment purposes
- Presence of Head Start programs (centers)
- Licensing instead of registration (family homes)

Conclusions

- All policy changes from the baseline resulted in longer subsidy duration than baseline policies
 - Local policy variables had stronger effects on subsidy spells that began due to employment rather than TANF
 - Increasing co-payments + income eligibility limits had the strongest effects on subsidy duration
- Fewer subsidy policies had any effect on employment duration; non-policy factors explained most variation
 - Effects only found for non-TANF/Choices families
 - Higher income eligibility limits + increased co-pays were linked to longer employment; increased reimbursement rates linked to shorter employment

Conclusions

- Child care centers were found to be more stable businesses than family homes.
 - Licensed homes were more stable than registered homes
- Increasing provider reimbursement rates + income eligibility rates were linked to more stable facilities, regardless of type.

Policy Implications

- Variation in size, complexity and characteristics of local workforce boards are comparable to the diversity faced by states in selecting combinations of subsidy policies
- Findings are most relevant to states that give priority to TANF families and do not guarantee subsidies to all applicants
- Adds to growing body of literature linking subsidy use for employment purposes to successful outcomes
- Study fills gap in literature by identifying which policy combinations *within* the subsidy program are associated with longer subsidy and employment durations and more stable providers

Future Research Needed

- Why families begin using subsidies
- Why someone starts a child care business
- Relationship between environment for making policy decisions and family/provider outcomes
- Given statistical limitations of models used to measure interplay between subsidy use and employment, would need random assignment studies to determine causality
- Findings from this study point to policy combinations to include in such studies

For More Information

All project descriptions and cited publications can be found at:

<http://www.utexas.edu/research/cshr/>

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