

2010 CCPRC Annual Meeting
Workshop Session A3
October 21, 2010, 10:45 a.m.

The Interface of Child Care Subsidy Policies and Practices and Child Care Markets

Description

Building on research about how child care policies and practices affect providers and markets, participants explored issues such as dependence of providers on the subsidy program, whether subsidy participation influences provider stability, and how to study differences in child care supply across communities. Session participants also identified needed research.

Facilitator

Roberta Weber, Oregon State University

Presenters

Gina Adams, Urban Institute
Elizabeth Davis, University of Minnesota
Deanna Schexnayder, University of Texas, Austin

Respondent

Reeva Murphy, Vermont Agency of Human Services

Scribe

Laura Martinez, Finance Project

1. Documents in Session Folder

- “The Role of Local Child Care Policies in Child Care Facility Turnover,” Deanna Schexnayder and Daniel Schroeder
- “The Influence of Child Care Subsidies on Child Care Market Prices,” Elizabeth Davis, NaiChia Li, Roberta Weber and Deana Grobe
- “Voucher Policy/Practice and Child Care Providers: Implications for Their Willingness to Serve, Financial Stability, and Quality of Care,” Gina Adams and Monica Rohacek
- “Identifying Thin Child Care Markets,” Roberta Weber and Elizabeth Davis

2. Summary of Presentations

- **Summary of Presentation #1:** Elizabeth Davis
 - The majority of child care services are paid for by parents. The cost of child care varies widely across geographic regions. The study goal was to explain the variation in child care prices by geographic area.
 - The study follows the basic model of supply and demand; in this case, it is defined as the need for child care and the market for child care. Demand factors have a positive effect on price, and on the supply side, higher child care worker wages have a positive effect on price. Higher subsidy expenditures were associated with higher child care prices in Minnesota and California.

- Do we expect the association to be the same across different States? Overall, prices rose after adjusting for inflation. In California, supply increased, in Minnesota supply remained constant, and in Oregon supply decreased. There were different patterns in subsidy spending in the three States.
- Summary: Child care prices are related to supply and demand across States and within States. Demand factors likely the biggest drivers of prices. Reports are available on the Oregon State University website.
- **Summary of Presentation #2: Roberta Weber, Identifying Thin Child Care Markets**
 - There is no consensus about the use of the term “market.” It would be useful to define and describe the market, but it may be more useful to find a better word. A thin market is where there are fewer options.
 - Public funding of child care can be described as either supply-based (funds directly to the provider) or demand-based (funds go to parents who then use them to purchase care). Universal pre-school and Head Start are examples of supply-based funding; the money that goes directly to the provider is \$9.4 billion. Demand-based funding examples are tax credits and child care subsidies (parents receive money), which is \$13.4 billion. The predominant type of public funding the child care in the US is demand-based, which has increased in the late 20th century. In the Netherlands, research showed that demand-based funding increased the power the markets had.
 - Predictors of how much child care exists in a community include wages, housing prices, regulations, average quality, and employment levels. On the demand side, predictors include population of children, family structure, and income. See slides for positive and negative effects for both supply and demand-side predictors. Notice that “university towns” show high prices and high supply.
 - Data Sources: price survey data, census data.
 - Methods: What is the most appropriate geographic level—prices vary by county, city/town, zip code, and census tract. Regression analysis was used to explore populations in zip codes.
 - *Findings*: Population in 3- and 4-digit zip code outside a 5-digit zip does not appear to influence availability of child care within 5-digit zip code. Population of children < 5 explains over half the variance in supply across 5-digit zip codes – population is a big predictor. Public funding is likely to be targeted to low-income communities (supply-based) and low-income children (demand-based). Supply was slightly higher in low-income communities. Income does not show a clear relationship with supply. The majority of zip codes are thin markets. Huge geographic areas have thin markets, but less than 25% of children under age 5 live in thin markets. See slides for more results of thin markets.
 - Summary: Demand-side funding of child care predominates in the United States and demand-side funding increases the impact of market forces. More study of how market forces affect child care supply (both quantity and quality) is needed.
- **Summary of Presentation #3: Deanna Schexnayder**
 - Overview: We were interested in looking at policy changes in subsidy programs and then examining the association. Was there a relationship in the change in policy on child care providers?

- In Texas, all facilities have to pay a fee to operate, making it clear the centers that are open. There are 28 policy regions that vary and are not evenly divided. The child population around Houston is larger than in many States (1.4 million). In Texas, most of the subsidy money is going to facilities; licensed family homes have the smallest capacity. Centers stay in business longest (65% of centers are still in operation after five years). Changes in Texas policies and workforce board policies and changes were reviewed.
 - *Findings*: Both policy factors and non-policy factors were associated with influences on facility duration (see slides). Child care centers were found to be more stable than family homes. The variation in Texas is comparable to the variation in different States. Findings are most relevant to States that give priority to TANF families and do not guarantee subsidies to all applicants.
 - Important to recognize that in Texas, a large proportion of low-income kids do not have access to CCDF child care subsidies.
- **Summary of Presentation #4: Gina Adams**
 - Overview: Examined use of vouchers in Alabama, New Jersey, Washington and two areas in California. Study shows the complexity of using vouchers, taking the concept of the market to a general level.
 - There is a significant variation in the number of centers serving kids on vouchers. Voucher systems seem to be working “well enough,” and they touch a large number of centers, with some providers limiting the number of vouchers they will accept. Issues include non-payment, uncertain cash flow, high transaction costs, and “hidden” costs, such as issues serving low-income families.
 - The process by which providers decide to serve voucher families is a complex set of tradeoffs and informal cost-benefit analyses. These include whether they have other options, their perceptions and experiences of the voucher system and voucher recipients, their motivation, and other factors. Providers with more alternatives to vouchers are more likely to opt out or limit vouchers if they perceive problematic policies unless they have strong motivation to serve or ways to buffer the effects of the policies. Providers with fewer alternatives to vouchers have fewer choices, and thus are more likely to be affected by policy strategies. These providers are much more likely to have quality of care and/or financial stability affected by voucher policies, which means voucher policies and practices have implications for quality of care provided and provider financial stability. Policy around vouchers needs to be examined, and we need to find more ways to support providers in the management of services and helping families.
- **Respondent: Reeva Murphy**
 - Child care should aim to work as a “healthy market.” Child care subsidy programs, as a participant in the market on behalf of families should strive to be “good payers” and create payment policies that mirror market standards. In Rhode Island, Reeva experienced a thick market that worked fairly well for both subsidized and non-subsidized families. In contrast, Vermont has a thin market which poses challenges in terms of adequate supply to meet the needs of all families and access to high quality care for subsidized families.

- The work highlighted in this session is very important because it demonstrates that outcomes vary from place to place. We need to learn as much as we can about supply and demand, and how we can build supply to match demand. It is important to understand the goals of families. What should be the interaction between subsidies and the market? It will also be important to learn more about who is providing the care and the motives, stability and needs of those providers; these factors can really impact quality and attempts to advance quality.

3. Summary of Discussion with Presenters and Participants:

- *How do we look at the age of the children?* In family child care it is hard to separate, but in other places it is easier to examine. It varies by setting. Overall, the complexity of child care makes it hard to examine.
- Comment: participant feels that social networking is useful in complicated markets.