

GAO

Report to the Ranking Minority Member,
Subcommittee on Children and Families,
Committee on Labor and Human
Resources, U.S. Senate

May 1997

WELFARE REFORM

Implications of Increased Work Participation for Child Care



**Health, Education, and
Human Services Division**

B-270237

May 29, 1997

The Honorable Christopher Dodd
Ranking Minority Member
Subcommittee on Children and Families
Committee on Labor and Human Resources
United States Senate

Dear Senator Dodd:

In August 1996, the federal government made major changes to the nation's welfare system when the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was enacted into law. The act abolished the Aid to Families With Dependent Children (AFDC) program, which in fiscal year 1996 spent over \$20 billion providing cash assistance to more than 4.6 million families with about 8.6 million children. The new law created block grants to states for Temporary Assistance for Needy Families that have more stringent requirements for welfare parents to obtain jobs in return for their benefits than AFDC did. The new law requires that at least 25 percent of a state's adult welfare caseload be working or participating in work-related activities in fiscal year 1997, increasing to 50 percent by fiscal year 2002. To comply with these new work requirements, significantly more welfare parents are likely to need child care. State and local administrators are beginning to examine whether their current supply of child care will be sufficient to meet the increased demand for care—especially for particular groups of children. Data about the states' child care supply will be an important tool for states in helping welfare parents successfully make the transition to work. Given this, you requested that we (1) measure the extent to which the current supply of child care will be sufficient to meet the anticipated demand for child care under the new welfare reform law and (2) identify other challenges that face low-income families in accessing child care.

To accomplish our objectives, we developed a methodology for estimating (1) the magnitude of current demand for child care in family child care homes and centers, (2) the future demand under the federal welfare law, and (3) the extent to which the current supply of known family child care homes and centers is capable of meeting current and future demand. For purposes of this report, known care mostly consists of providers who are

regulated by the state as well as some who are unregulated¹ and listed in a child care resource and referral agency (CCR&R) database.² Care unknown to the state or the CCR&Rs includes relative care, unregulated family child care, and care provided in a child's home by a nanny. We elaborate further on the different types of child care later in this report.

In calculating our estimates, we held the supply of known child care constant. While the total supply of child care, known and unknown to the states, should eventually increase in response to an increase in demand, our model, by holding known supply constant, presents a picture of how much current known supply would have to increase to meet the new demand. Thus, the gap we identify is between known supply and anticipated demand. This gap could be filled by care known or unknown to the states or, more likely, by both.

Ideally, we would like to have measured the total supply of child care. We recognize the important role that other types of care play in meeting child care demand; however, our review focused on known care because it is the type of care for which states and localities have the most comprehensive data. In focusing on known care, we are making no judgment about the quality of either type of care.

In developing our information, we analyzed child care supply data and estimated child care demand at four sites—two urban and two nonurban—in three states. Our selected urban areas were Baltimore City, Maryland, and Chicago, Illinois; our nonurban sites were Benton and Linn counties in Oregon. We selected these sites not only because they provided a mix of urban and nonurban areas, but also because comprehensive child care supply data were available from local CCR&Rs. Other factors considered in our final selection were geographic diversity and differences in the extent to which sites regulated their child care providers.³

¹Regulated care is offered by providers whom the state requires to obtain a license or become registered with the state; unregulated care is offered by providers whom the state does not require to register to provide such services. The three states we reviewed require unregulated providers to meet some requirements if they are caring for children whose child care costs are paid by the state. Typically, the provider signs a form or checklist to certify that it meets or will follow certain basic safety and health requirements.

²CCR&Rs help match parents looking for child care with providers who can serve their specific child care needs. Typically, these agencies are funded by state or local child care agencies, by private employers, and through charitable contributions. In addition to helping parents find care, CCR&Rs perform other services, including recruiting and training providers, helping states administer child care subsidy programs, and maintaining a current and comprehensive database of an area's child care supply.

³See app. I for further discussion of our methodology.

Results in Brief

As states implement the new welfare reform legislation and are required to move larger percentages of their caseloads into work-related activities, greater numbers of welfare recipients are likely to need child care. Consequently, the gap that exists between the current supply of known child care and child care demand is likely to grow, with disproportionately larger gaps for infants and school-aged children. These gaps will have to be addressed through growth in the supply of known child care; care unknown to the states; or, more likely, both. If supply of known child care does not increase, states may have to rely more on care for which they have little information. Thus, the assistance they can provide to welfare parents in locating care may be more limited.

State and local officials in the four cities and counties we reviewed regarded their current supply of known child care as inadequate for meeting even the demand they currently face for children in certain age groups, particularly for low-income populations in three of the areas reviewed. Unless the supply of known child care for certain age groups at these sites is increased, the gap between supply of known care and anticipated demand is likely to become even greater as welfare reform is fully implemented. For example, we estimated that the supply of known child care in Chicago would be sufficient to meet just 14 percent of the demand for infant care that will probably exist by the end of fiscal year 1997—1 year after enactment of the welfare reform legislation. Without any increase, by the year 2002, when states will be required to have achieved welfare work participation rates of 50 percent, the known supply could meet only about 12 percent of the estimated demand for infant care and even less in the poorest areas of Chicago. Thus, we estimated that, by the end of fiscal year 1997, the demand for infant care could exceed the known supply by about 20,000 spaces; by fiscal year 2002, this number could increase to almost 24,000.

Issues other than gaps between supply and demand that could also affect low-income families' access to care include the price of care, the availability of nonstandard-hour care, transportation issues, and the availability of quality care. For example, our work shows that child care consumes a high percentage of poor families' income. In Benton County, Oregon, infant care at a child care center consumes more than 20 percent of the median household income for a poor family. Another critical issue facing poor families is that many welfare parents are likely to obtain work at low-skill jobs that operate on nonstandard schedules, such as janitor or cashier. However, many of the known providers at the sites reviewed did not offer child care at nonstandard work hours—hours outside the

traditional “9 to 5” work schedule. The number of providers who offered this type of care ranged between 12 and 35 percent of the total number of known providers in the four child care markets we reviewed.

Background

Welfare Reform and Child Care Demand

Before the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Congress had enacted changes to the nation’s welfare system in 1988 by passing the Family Support Act (FSA). This law created the Job Opportunities and Basic Skills Training (JOBS) program, which expanded upon previous programs designed to help families on welfare obtain education, training, and work experience to become self-sufficient. The Department of Health and Human Services (HHS) is the agency at the federal level that was responsible for JOBS program administration and oversight.

Recognizing the importance of child care to this effort, the Congress provided for child care subsidies to welfare parents participating in JOBS activities and to those who had recently moved from welfare to work. In fiscal year 1996, the Congress appropriated \$954 million to the states through the child care programs established by FSA to help parents pay for child care.⁴ States also used the Child Care Development Block Grant (CCDBG) as another source of funding to pay for the child care of JOBS participants. CCDBG was created by the Omnibus Reconciliation Act of 1990; in fiscal 1996, the Congress appropriated \$935 million to the states through CCDBG.

FSA required states to have specific percentages of their welfare caseloads participate in JOBS activities, starting at 7 percent in fiscal year 1991 and rising to 20 percent by the end of fiscal year 1995. However, these participation requirements were not applicable to the states’ entire welfare caseload. States were permitted to exempt from JOBS activities welfare clients who were already working 30 hours or more a week; ill or incapacitated in some way; full-time students in elementary, vocational, or high schools; children under the age of 16; or caring for a child under the

⁴This amount is the federal appropriation for fiscal year 1996; it does not include the amount of state dollars used. FSA created two sources of child care funding to be used by the states —AFDC child care and transitional child care. Both were matched, open-ended entitlements, which meant that, in order for a state to use the federal funds, the state had to first match the federal amount it needed with state dollars.

age of 3.⁵ Individuals who had not been exempted were required to participate in 20 hours of JOBS activities per week, on average. If child care was unavailable or resources were unavailable to pay for care, states could either exempt welfare families or limit their participation in JOBS activities. Because of these and other provisions, as well as the amount of resources states devoted to their JOBS programs, the number of welfare families participating in JOBS nationwide was limited—about 13 percent of the entire caseload in any given month in fiscal year 1994. This low level of participation limited demand for certain types of care that were more difficult to find, such as infant care and care during nonstandard work hours.⁶

Compared with the former welfare provisions, the Personal Responsibility and Work Opportunity Reconciliation Act incorporates more stringent work participation provisions and requires that a larger proportion of welfare parents obtain work or participate in work-related activities. For example, the new law requires states to move at least 25 percent of their welfare families into work or work-related activities by fiscal year 1997 and at least 50 percent by fiscal year 2002. All welfare parents are required to participate in these activities, but states have the option to exempt single parents who are caring for a child up to 1 year old. States are also permitted to lower the age-of-child exemption. Michigan, for example, requires parents with children 3 months old or older to obtain work or engage in work-related activities. Under the new law, more mothers are likely to need child care, particularly for very young children.

Types of Child Care Settings

Parents can choose from three types of child care settings: in-home care, where a child is cared for in the child's home; family care, where the child is cared for in the home of a provider; and center care, where a child is cared for in a nonresidential setting. In-home care, such as that provided by au pairs or nannies, is usually provided for the child or children of one family that resides in the home. Family child care, on the other hand, is provided to a small number of unrelated children—typically fewer than six—in the provider's home. Child care centers, also known as nursery schools or preschools, are nonresidential facilities that are able to care for much larger numbers of children—on average, about 60. Centers are located in a variety of places, including churches, schools, and businesses.

⁵States were permitted to change the age-of-child exemption so that parents with children 1 year old or older could be required to participate in JOBS activities. According to state plans submitted to HHS for fiscal years 1994-1996, 13 states had planned to use this option.

⁶Welfare to Work: Child Care Assistance Limited; Welfare Reform May Expand Needs (GAO/HEHS-95-220, Sept. 21, 1995), pp. 4-6.

Additionally, care can be provided in family child care or in-home settings by someone related to the child other than the parents, such as a grandparent or an aunt. This care is commonly called relative care.

Child Care Providers

Child care supply in a local market consists of providers who are known and unknown to the states. Known providers are mostly those who are regulated by the state but also include some who are unregulated. Providers that are regulated by the state are required to meet certain standards for operating that unregulated providers may or may not meet. Such standards specify, for example, the number of smoke detectors a provider needs to have, the maximum number of children per staff person allowed, or that children are required to be immunized before coming into a provider's care. These standards are established by the state or local government, and compliance with them is monitored periodically by the governing entity.

Most center care in states is regulated, although some states exempt centers from regulation if they are sponsored by a religious group or a government entity or are regulated by another government body, such as a local education department. Much family child care is unregulated: One study has estimated that between 10 and 18 percent of family child care homes are regulated.⁷ In-home care and care by relatives is almost never regulated by states.

States and localities maintain data about providers that can help parents in choosing a provider and states and localities in determining the extent of supply. Obtained from either CCR&RS or state licensing offices, these data include, for example, the total number of known providers at a given time, whether providers are centers or family child care homes, where providers are located, the number and ages of children they serve, how much they charge, and their hours of operation. With these data, states have a tool to facilitate matching child care needs of individual welfare families with the services offered by certain providers. Helping parents find providers is important given the difficulty welfare parents may have in negotiating the child care market on their own, the barrier that finding child care can become to welfare parents' labor force participation, and the states' own incentive to move their welfare caseload into the workforce to meet requirements of the new federal law. In addition, information about the

⁷Willer, B., Hofferth, S., Kisker, E.E., and others, The Demand and Supply of Child Care in 1990 (Washington, D.C.: National Association for the Education of Young Children, 1991).

supply of known child care providers allows states to target groups of providers for communitywide supply-building efforts, if needed.

Factors Influencing the Choice of Child Care Setting

The child care setting parents use is frequently related to the age of the child and the employment status of the mother. Many mothers with children under the age of 2 who work full time place their children in the care of a family child care provider as opposed to a center or in-home setting. For example, in 1993, 40 percent of children under 1 year of age whose mothers worked were cared for in a provider's home; 38 percent of children between 1 and 2 were also cared for in this setting. As children reach preschool age, care in organized facilities, such as child care centers and nursery schools, becomes more prominent, although the use of family child care is still significant. Of children who were 3 to 4 years old and had working mothers in 1993, approximately 37 percent were cared for in centers. For those who were 4 to 5 years of age and whose mothers were working, almost 42 percent were cared for in centers.⁸

Other important factors, such as family income, marital status, and the number of days and hours of the day worked, also influence the choice of child care setting. For example, low-income families whose annual income falls below \$15,000 generally rely more on relative care and less on center-based care than do nonpoor families.⁹ Low-income mothers who are single and employed also rely heavily on relative care, although they also make significant use of family child care homes and centers.¹⁰ Relative care is also used frequently by families whose jobs require them to work nonstandard hours.

⁸GAO analysis of the Survey of Income and Program Participation, U.S. Bureau of the Census, U.S. Department of Commerce, fall 1993.

⁹National Research Council, Child Care for Low-Income Families (Washington, D.C.: National Academy Press, 1995), p. 7.

¹⁰Thirty percent of the children of low-income mothers who are single and employed are with relatives, 27 percent are in centers, and 21 percent are in family child care homes (Child Care for Low-Income Families, p. 6).

Greater Need for Infant and School-Aged Care Anticipated Under Welfare Reform

For a number of years, the child care literature has documented the difficulty in finding care for certain age groups of children and specific types of child care, including care for infants and school-aged children, children with disabilities, and children during nonstandard work hours. Our earlier work found that, because of shortages in child care for infants, school-aged children, sick children, and children with special needs as well as shortages of care during nonstandard work hours, state and county administrators had difficulty serving the child care needs of welfare parents who were participating in the JOBS program.¹¹

CCR&R staff, as well as state and local officials at the four sites we visited, said that finding some of these types of care is still difficult. Officials at all sites were concerned that the new federal welfare act or their own state welfare initiatives might increase demand for certain types of care and further exacerbate low-income parents' problems in finding care. We estimated that the current supply of known care in the four cities and counties we reviewed can meet less of the demand for infant or school-aged care than it can for preschool care (see table 1). We projected that this gap will grow as higher work participation rates are required under the new welfare act, assuming no growth in known supply. In Linn County, Oregon, for example, we estimated that the supply of known child care is sufficient to meet 45 percent of the current demand for school-aged care. By the end of fiscal year 1997, when 25 percent of the state's welfare recipients will be required to participate in work or a work-related activity, known supply could be sufficient to meet 43 percent of school-aged demand, assuming there is no growth in that supply. In fiscal year 1999, when 35 percent of the state's welfare caseload will be required to participate, known supply could be sufficient to meet 42 percent of the demand; in fiscal year 2002, when participation rates of 50 percent are implemented, known supply could be sufficient to meet 40 percent of the demand.

¹¹GAO/HEHS-95-220, Sept. 21, 1995.

Table 1: Estimates of the Percentage of Child Care Demand That Could Be Met by Currently Known Supply for Various Age Groups, 1996-2002

	Percentage of current demand that could be met by currently known supply	Percentage of demand that could be met by currently known supply under welfare reform work requirements		
		25% participation	35% participation	50% participation
Baltimore City				
Infant	37	33	32	30
Preschool	144	130	125	118
School-aged	49	43	41	38
Chicago				
Infant	16	14	13	12
Preschool	75	68	65	62
School-aged	23	20	19	17
Benton County				
Infant	67	64	63	61
Preschool	92	90	89	87
School-aged	66	64	63	62
Linn County				
Infant	44	40	39	38
Preschool	74	71	69	68
School-aged	45	43	42	40

At all of our sites, CCR&R staff were the least concerned about the availability of preschool care, as compared with that for other age groups, because they believed the supply of known preschool care is the most adequate to meet demand. In Baltimore City, for example, we estimated that the supply of known preschool care exceeds the current demand as well as estimated future demand under the new welfare act, as shown in table 1. Given the city's current excess known supply for this age group, CCR&R staff in Baltimore City said they are not encouraging prospective providers to offer care for preschoolers.

While examining the percentage of demand that known supply is capable of meeting is a useful way to present a picture of child care at various sites, it masks the size of the problem at some sites. For example, in percentage terms, the supply of known infant care in Baltimore City could be sufficient to meet about 37 percent of the demand for such care; in absolute terms, that supply could leave an unmet demand for care of over 3,000 infants, as shown in table 2. Similarly, while known supply could be sufficient to meet about 75 percent of the demand for preschool care in

Chicago, it could leave the parents of more than 13,000 preschool children looking elsewhere for care.

Table 2: Estimated Gaps Between Known Supply and Demand for Child Care for Various Age Groups, 1996-2002

	Current gap between known supply and demand	Gaps between known supply and demand under welfare reform work requirements		
		25% participation	35% participation	50% participation
Baltimore City				
Infant	3,369	4,037	4,304	4,704
Preschool ^a	a	a	a	a
School-aged	6,115	7,901	8,615	9,687
Chicago				
Infant	17,046	20,402	21,744	23,757
Preschool	13,450	19,247	21,566	25,045
School-aged	26,393	31,590	33,669	36,787
Benton County				
Infant	147	171	181	196
Preschool	100	136	150	172
School-aged	355	389	403	424
Linn County				
Infant	388	443	465	498
Preschool	470	561	597	652
School-aged	828	920	957	1,012

^aNo numbers are shown for preschool children in Baltimore City because we estimated that supply for preschool care currently exceeds demand and will do so under welfare reform.

Need for Infant and School-Aged Care Greatest in Poor Areas

Areas with the lowest average household income will probably be most affected by welfare reform. As shown in table 3, the largest gaps between known supply and demand in the poor areas¹² of the selected sites exist for infants, school-aged children, or both. For example, in poor areas of Chicago, currently known supply is sufficient to meet 61 percent of the demand for preschool care, compared with 11 percent and 30 percent of the demand for infant and school-aged care, respectively. A similar

¹²In general, we defined poor areas as those census tracts with median household incomes below \$27,750, or slightly over 200 percent of poverty for a family of four. We recognize that child care markets are neither defined by census tracts alone nor completely segregated so that poor parents purchase care only in poor areas and nonpoor parents in nonpoor areas. Research does suggest, however, that parents prefer to use providers close to their home.

relationship between these types of care exists in nonpoor areas of Chicago as well.

Table 3: Estimates of the Percentage of Child Care Demand That Could Be Met by Currently Known Supply for Poor and Nonpoor Areas, 1996-2002

	Percentage of current demand that could be met by currently known supply		Percentage of demand that could be met by currently known supply in poor areas under welfare reform work requirement		
	Nonpoor areas	Poor areas	25% participation	35% participation	50% participation
Baltimore City					
Infant	48	32	27	25	23
Preschool	237	109	94	89	83
School-aged	75	36	29	27	25
Chicago					
Infant	22	11	8	7	7
Preschool	105	61	53	50	46
School-aged	21	30	24	22	20
Benton County					
Infant	62	69	61	58	54
Preschool	98	80	75	73	71
School-aged	66	60	54	52	50
Linn County					
Infant	48	34	29	28	26
Preschool	92	44	41	40	38
School-aged	49	35	31	30	28

While currently in both poor and nonpoor areas the gap between demand and known supply is greatest for both infant and school-aged care, this condition could worsen in poor areas of our sites as the welfare reform legislation is implemented. Given that families on welfare generally live in poor areas, the increase in demand for child care resulting from welfare reform will probably be greater in poor areas than in nonpoor areas. Thus, for example, while the supply of known school-aged care in the poor areas of Baltimore City is sufficient to meet about 36 percent of current demand, assuming no growth in the known supply, the percentage could decrease to about 25 percent in fiscal year 2002, when 50 percent of the welfare caseload is required to participate in work or work-related activities.

As previously discussed, some of the largest current and future gaps in the known supply could exist for infants at the four sites. In some instances,

these gaps are even greater in poor areas than at the site as a whole. For example, although we estimated that the known supply for all of Chicago is sufficient to meet about 16 percent of current demand for infant care (see table 1), the known supply in poor areas of Chicago is capable of meeting only 11 percent of demand (see table 3). As implementation of the welfare reform legislation progresses, this figure could drop to 7 percent in fiscal year 2002.

A gap also exists between the percentage of demand that is met by the supply of known preschool care overall and the percentage that is met in different areas. For example, in Linn County, Oregon, we estimated the current known supply to be sufficient to meet 74 percent of current demand for preschool care in the entire area. However, in poor areas of the county, known supply could be sufficient to meet only 44 percent of demand, and this figure could drop to 38 percent in fiscal year 2002 under welfare reform.

Low-Income Families Face Other Issues in Accessing Child Care

At all of our sites, CCR&R staff or state and local officials cited other issues that low-income families face in accessing care, including the price of care, the availability of nonstandard-hour care, transportation issues, and quality of care.¹³

Price of Care Consumes Large Percentage of Poor Families' Incomes

At the four sites we reviewed, the price of known child care consumed a large percentage of household income for low-income families.¹⁴ As shown in table 4, the median price of full-time infant care as a percentage of median household income ranged from 16 to 43 percent for poor families. The range for full-time care for preschool children was from 14 to 24 percent, and for school-aged children, from 8 to 18 percent.¹⁵ These percentages do not take into account the possibility that some low-income

¹³In our general discussions with CCR&R staff and state and local officials about child care issues affecting low-income families, we assumed low-income families to be those whose annual incomes qualified them to receive child care subsidies, regardless of whether or not they received welfare. Eligibility for child care subsidies differed in each state we visited.

¹⁴Technically, it is the parents' share of the price of care that should be measured relative to household income. However, our databases contained only the total price charged by the provider. These two numbers will differ to the extent that child care is subsidized by a third party.

¹⁵For those providers that provided hourly rates instead of weekly ones, we assumed full-time care for infants and preschoolers to be 45 hours per week and full-time care for school-aged children to be 25 hours per week.

families may receive a child care subsidy.¹⁶ However, national survey data for 1993, which include families with and without subsidies, also show that low-income families who paid for care spent, on average, as much as 18 percent of their income on child care expenses.¹⁷

Table 4: Median Weekly Price for Known Child Care in Poor and Nonpoor Areas (Absolute Values and as a Percentage of Sites' Median Household Income)

	Center care				Family day care			
	Poor		Nonpoor		Poor		Nonpoor	
	Price	% of median income	Price	% of median income	Price	% of median income	Price	% of median income
Baltimore City								
Infant	\$154	38	\$147	22	\$86	21	\$86	13
Preschool	80-81	20	82-85	12-13	76	19	76	12
School-aged	43-75	10-18	45-81	7-12	50-75	12-19	50-75	8-11
Chicago								
Infant	130-153	37-43	133-155	18-21	85	24	85	12
Preschool	81-84	23-24	80-81	11	65-80	18-23	70-80	10-11
School-aged	56	16	45	6	60	17	60	8
Benton County								
Infant	121	23	109	13	90	17	90	11
Preschool	85	16	88	10	79	15	90	11
School-aged	43	8	32	4	44	8	50	6
Linn County								
Infant	97	20	101	17	79	16	79	13
Preschool	69	14	73	12	68	14	70	11
School-aged	41	8	43	7	38	8	38	6

Note: We used 1990 U.S. Census data to calculate median household income for poor and nonpoor areas. We used only those providers that reported a price in the CCR&R databases in 1996 to calculate the median weekly price of care.

The difference in the percentage of household income that the price of known child care represents for poor and nonpoor families is almost entirely due to differing median household incomes rather than differences in the child care prices themselves. At our four sites, in most cases, price differences between poor and nonpoor areas were small and

¹⁶Our previous work and that of others has shown that many eligible families do not receive child care subsidies, mostly because of state funding constraints. See *Child Care: Working Poor and Welfare Recipients Face Service Gaps* (GAO/HEHS-94-87, May 13, 1994).

¹⁷U.S. Bureau of the Census, *What Does It Cost to Mind Our Preschoolers?* Current Population Reports, P70-52 (Washington, D.C.: U.S. Government Printing Office, 1995).

generally less for homes than for centers.¹⁸ For example, the price of center care for infants in poor areas of Chicago ranged from \$130 to \$153 and consumed between 37 and 43 percent of median household income for poor families. The price range for infant care in nonpoor areas was \$133 to \$155, but the percentage of median household income consumed was between 18 and 21 percent for nonpoor families (see table 4).

CCR&R staff in Oregon and Chicago were surprised by the similarity in prices of known care in poor and nonpoor areas. However, national data show that, while many poor families may secure child care free of cost, those poor families that do pay for care pay an amount not significantly different from that paid by nonpoor families. Hence, "...poor families that do pay for child care may compete against more financially able families for child care services, and hence pay competitive prices for these services."¹⁹

Both CCR&R staff and state and local officials in the four cities and counties said that the affordability of child care was a barrier for low-income families in accessing child care. For example, Oregon CCR&R staff said that money to buy child care, especially the more expensive infant care or care for a child with special needs, is as much an issue for low-income families as is building the supply of this type of care. They believe that if parents had more money to purchase care, more providers would be willing to offer it. Officials in Baltimore City and Chicago told us that the affordability of child care for low-income families depends on the subsidies they receive. In Chicago, both CCR&R staff and state officials told us that subsidy rates are too low for some types of care and for low-income parents who must compete with families who have more resources to find care in economically mixed neighborhoods. Low subsidies also contribute to high turnover for providers caring for low-income children and create instability for both children and parents. In Baltimore City, however, CCR&R staff believe that their subsidy rates provide access to quality care for those families that receive them.

¹⁸With a few exceptions, these differences ranged from approximately \$1 to \$5 a week for centers and from \$0 to \$3 per week for homes. However, in a few instances, price differences were larger between the areas. For example, the median price for school-aged care in Chicago was \$56 per week in poor areas as compared with \$45 per week in nonpoor areas, and the price of preschool family day care was \$79 in poor areas of Benton County and \$90 in nonpoor areas.

¹⁹Bureau of the Census, *Who's Minding the Kids? Child Care Arrangements: Fall 1991, Survey of Income and Program Participation* (Washington, D.C.: U.S. Department of Commerce, 1994) p. 23.

Few Providers Offer Nonstandard-Hour Care

Given their often limited education and low skill levels, many parents moving from welfare to work may become employed in jobs with nonstandard-hour work schedules, such as jobs that have rotating shift or weekend hours, for example.^{20, 21} These types of jobs include cashier, retail salesperson, and janitor. Finding child care during nonstandard work hours may prove challenging, however. Our previous work examining the use of child care under the JOBS program found that state and local officials were having difficulty finding child care during nonstandard hours for the children of AFDC parents participating in the JOBS program.²²

At the four sites we reviewed, fewer providers offered nonstandard-hour care as compared with other types of care: The percentage of providers that offered nonstandard-hour care ranged from 12 percent to 35 percent. Providers that offered nonstandard-hour care were predominantly family child care homes, not centers, which have significantly greater capacity than homes. Appendix II provides detailed data on the number and type of providers offering this type of care by site.

Transportation Issues Affect Accessibility of Child Care

Transportation is another critical issue for welfare families in accessing child care. As we previously reported, in a nationwide survey of local JOBS program officials, 23 percent stated that they could not meet the child care needs of all their participants, and 77 percent of these reported that this was because of transportation problems. States reported that JOBS participants did not have reliable private transportation to get their children to child care providers and then to get themselves to work. Moreover, some communities lacked the necessary public transportation to get participants where they needed to go, especially in rural areas.²³

CCR&R staff at all four of the sites reviewed also stated that lack of transportation created barriers for low-income families in obtaining child care. In addition to the transportation issues cited above, CCR&R staff in Chicago and Oregon said that transportation of school-aged children between school and their after-school provider was a problem.

²⁰U.S. Congressional Research Service, Jobs for Welfare Recipients (Washington, D.C.: Library of Congress, May 13, 1994), pp. 2-5.

²¹Presser, H., Jobs, Family, and Gender: Determinants of Nonstandard Work Schedules Among Employed Americans in 1991 (College Park, Md.: Center of Population, Gender, and Social Inequality, University of Maryland, 1995).

²²GAO/HEHS-95-220, Sept. 21, 1995, p. 4.

²³GAO/HEHS-95-220, Sept. 21, 1995, p. 9.

States and CCR&Rs Have Concerns About Child Care Quality

Whether provided in centers or family child care homes, child care of acceptable quality is care that nurtures children in a stimulating environment, safe from harm. Research has documented that elements in a child care setting that are associated with an acceptable level of quality include trained providers, small group sizes, low child-to-staff ratios, and low staff turnover, to name a few. Research over many years also has documented the importance of the quality of care to all aspects of a child's healthy development—physical, cognitive, emotional, and social.

CCR&R staff and state and local officials at all four sites told us they were concerned about the quality of care that low-income families are able to access. For example, CCR&R staff in Oregon said that, given the numerous constraints faced by low-income families, including low wages, less flexible hours, and a lack of transportation, many low-income parents have limited child care choices, which decreases their chances of finding care of acceptable quality. In fact, one Oregon state official believes that the supply of child care will be less of a critical issue under welfare reform than the quality of the care parents access. In Baltimore City, CCR&R staff and state and local officials were concerned about low-income families not having access to care of acceptable quality unless they had access to child care subsidies with which to purchase such care.²⁴ Chicago CCR&R staff expressed similar concerns and also said that the subsidy rates for some types of care in Chicago are too low to purchase child care of an acceptable level of quality.

Concluding Observations

The availability of child care will be a key factor in the degree to which states and the federal government succeed in helping welfare families become more financially self-sufficient. On the basis of our review of four sites, it seems likely that increases in the supply of child care will be needed to meet the estimated increase in demand for care as welfare reform is implemented. Questions remain, however, about which segments of the child care market these increases will come from; how much care will be needed; and whether or not states and localities can effectively help increase the supply where it is most needed. The answers to these questions, for our sites and other communities as well, depend on factors such as the following:

²⁴At the time of our review in Baltimore City, Maryland, CCR&R staff and state and local officials stated that many families could not get child care subsidies because of a lack of state funds and were on a waiting list. However, comments provided by CCR&R staff and Maryland state officials on our draft report indicated that this situation had changed. More state and federal money has become available for child care subsidies, and, as a result, Maryland has eliminated its waiting list for such subsidies.

Proportion of demand currently being met: If states' current supply of child care is sufficient to meet or exceed current demand, an increase in demand over time may not be a problem. The growth in the supply of child care experienced by an area may match the demand. However, if the current supply of care is quite low relative to the demand, as our estimates showed for infant care at our selected sites, and demand increases with welfare reform, it is possible that the growth in total supply might not be quick enough to meet the increase in the short term.

Ability of states to affect supply: While the supply of child care is expected to grow in response to more demand, states and communities can, for the most part, directly reach only those providers known to the states. With the information available from these providers, the state can target them in its supply-building activities, if needed. Such activities could include providing incentives or subsidies, or making regulatory changes in an effort to directly increase the supply overall or for a particular type of care. The bigger challenge for states and localities will be increasing the supply of care unknown to the states, such as that provided by friends, neighbors, and especially relatives, which is chosen by many parents to meet their child care needs. Information on these providers, however, is limited.

Age of children needing care: The new federal law dramatically changes which welfare parents are required to find work. Previously, that group consisted of parents whose youngest child was 3 years old or older; now, the work requirement applies to the entire welfare population, except for parents with children 1 year old or younger. Young children are primarily cared for in a provider's home; a significant number of these providers are relatives, particularly in low-income families. Hence, the increase in demand for care for very young children caused by the new law could place the greatest strain on the supply of family child care providers and relative care. Information about family child care providers is limited because many are unknown to the states; furthermore, their individual capacity typically is limited. In addition, states and local governments generally have little information available on relative care. States' inability to directly expand the capacity of these types of providers could pose significant obstacles to communities in their efforts to ensure that their child care supply meets the needs of their welfare parents.

Price of care: The price of child care can have a positive effect on building supply, assuming that the amount parents are able and willing to pay is high enough to attract more providers to the market. On the other hand,

the higher the price of child care, the less affordable care becomes for low-income families, especially for those without child care subsidies. Data from our sites as well as national data show that child care, especially infant care, consumes a high percentage of household income for poor families. As a result, child care subsidies could become critical to low-income families' ability to afford care and, as officials in some of our sites stated, buy quality care. However, the extent to which states have the resources to provide subsidies to greater numbers of eligible families and whether or not the amount of those subsidies will be high enough to build supply are not known at this time.

The way in which these four factors interact in each market, and the extent to which states and localities can influence these factors, will affect the expansion of child care supply, which is important to welfare parents who are making the transition to work.

Comments From HHS, States, and CCR&Rs and Our Evaluation

We obtained comments on a draft of this report from HHS and state and CCR&R child care officials from the four areas reviewed in this report. HHS officials said that the report's findings reflect some of the child care issues they have heard across the country, such as the gap between the supply of and demand for infant and school-aged child care; the current inadequacy of supply that states and communities face, particularly in low-income areas; and the significant portion of a low-income family's income that child care consumes. HHS officials also noted that the report reinforces earlier GAO work regarding difficulties that state and county administrators have had in serving the child care needs of welfare parents participating in the JOBS program. They also believe that the report is a useful next step in identifying the crucial role child care plays in the lives of working families. HHS' written comments appear in full in appendix III.

Some CCR&RS and state officials expressed several concerns related to our not including unregulated child care in the scope of our review. First, by excluding such care, they said, the report understates the importance and significance of unregulated care in meeting the child care needs of welfare recipients. The officials went on to say that caregivers such as relatives, friends, and neighbors currently meet the needs of many parents, particularly low-income parents, and that these providers will be an important source of supply as demand grows in response to welfare reform. Although our report focuses on known family child care homes and centers, we recognize the important role that other types of care play in meeting child care demand. The scope of our review was limited to

known care only because of methodological constraints in attempting to measure the total supply of care: As we state in the report, care both known and unknown to the states will be important in filling the estimated gap between known supply and future demand. In response to these comments, we have revised the report to further acknowledge the importance of other types of care.

Some CCR&RS and state officials also believed that our estimates of future demand for child care were based on an assumption that parents would use only family child care homes or center care. In reality, our estimates of future demand for care were based on the assumption that parents will use all types of child care in the same proportions as they are currently using them. Thus, we compared the supply of known family child care homes and centers with only the demand for family child care homes and centers.

Finally, CCR&RS and state officials believed that our discussion of the quality of child care accessed by low-income populations suggested that quality care is associated only with known care that is regulated. This was not our intent. Our discussion represents comments made by CCR&R staff and state and local officials in response to questions we asked to answer the second review objective: to identify other challenges, besides possible gaps between supply and demand, that low-income families face in accessing child care. The challenges mentioned most often by these officials included issues about child care quality and affordability, as well as the availability of nonstandard-hour care and transportation, all of which are discussed in the latter part of the report.

HHS, the states, and CCR&RS also provided technical comments, which we addressed in the report, as appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies of this report to the Secretary of Health and Human Services; the Chairmen and Ranking Minority Members of the House Committees on Ways and Means and Education and the Workforce; and the Chairmen and Ranking Minority Members of the Senate Committees on Finance and Labor and Human Resources. We will also make copies available to others on request.

If you or your staff have any questions about this report, please contact me on (202) 512-7125. Other staff who contributed to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "Mark V. Nadel". The signature is written in a cursive style with a large, sweeping initial 'M'.

Mark V. Nadel
Associate Director
Income Security Issues

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Abbreviations

AFDC	Aid to Families With Dependent Children
BLS	Bureau of Labor Statistics
CCDBG	Child Care Development Block Grant
CCR&R	child care resource and referral agencies
CPS	Current Population Survey
FSA	Family Support Act
HHS	Department of Health and Human Services
JOBS	Job Opportunities and Basic Skills Training
NCCS	National Child Care Survey
SIPP	Survey on Income and Program Participation

Scope and Methodology

This appendix provides more detail about the methods we used to arrive at our estimates of the supply of and demand for child care at our four sites. Our measurement of the gap between the current known supply and current, as well as future, demand for family child care homes and centers is based on a static model of an inherently dynamic process. As the demand for child care increases, economic theory would predict that over time the supply of care will increase as well, until the two are once again in equilibrium.²⁵ Our model provides a snapshot of a point in time at which demand has increased but supply has not yet moved to meet it. Thus, we are able to identify, for these four sites, the amount of specific types of known child care and where it is located, and to predict where care will be needed in the future.

We performed our work between April and December 1996 in accordance with generally accepted government auditing standards. We did not independently verify the child care supply data provided by the child care resource and referral agencies (CCR&R).

Supply Data

The starting point for our work was the databases provided by the three CCR&Rs for the four sites reviewed: Baltimore City, Maryland; Chicago, Illinois; and Benton and Linn counties, Oregon.²⁶ We used site-specific supply data instead of nationwide data because local supply data were more readily available, current, and comprehensive, thus improving the accuracy of our estimates. Additionally, site-specific supply data were needed to be able to examine supply differences between poor and nonpoor areas.²⁷

²⁵Economic theory also would predict that if the child care supply curve was upward sloping, the price of care would rise as the demand for care increased. This would make measuring the gap between supply and demand even more difficult, since we would also have to take into account changing prices. Our model of the child care market assumes that the long-run supply curve for child care is essentially horizontal; that is, the price of care does not increase with an increase in demand. While this assumption might be unusual for more standard commodities, it is a fair description of the behavior of the child care market in recent years. While the demand for child care has increased dramatically, the price of care, adjusted for inflation, has remained approximately the same.

²⁶The Child Care Bureau at the Administration for Children and Families, U.S. Department of Health and Human Services (HHS), and the National Association of Child Care Resource and Referral Agencies helped identify a potential list of sites.

²⁷Child care supply data for Baltimore City were provided by the Maryland Committee for Children, Inc., a private, nonprofit, community organization. Its database contains information on regulated child care and early education programs throughout Maryland, the District of Columbia, and Northern Virginia. Data for Benton and Linn counties, Oregon, were provided by Family Connections, a CCR&R located at Linn and Benton County Community College. Chicago data were provided by the Day Care Action Council, Chicago, Illinois. All three CCR&Rs are members of the Child Care Research Partnerships funded by the Child Care Bureau in HHS.

Identifying and Classifying Providers

The CCR&RS' databases included a wealth of information about currently active known child care providers in their service delivery areas, including their hours of operation, the ages of children that they care for, and the fees that they charge. We first designated each child care provider in each database as either a center or a family day care provider. From the original classifications provided by the CCR&RS, our definition of center care included a broad and diverse range of full- and part-time programs, such as Head Start and Maryland's Extended Elementary Education Program; our definition of family day care included both family day care and group homes.²⁸ Providers that did not fall into one of these categories, such as summer camps and providers of care during vacation time only, were excluded from our analysis. In addition, we excluded parental care, relative care, and care provided in the child's own home.

We further identified each provider in each database by the ages and number of children it was willing or licensed to care for. We grouped children into three age categories: infants, birth to 23 months; preschool, aged 24 to 71 months; and school-aged, aged 6 through 12 years. We also identified those providers that were qualified to care for children with special needs and those who were willing to care for children during nonstandard work hours, such as on the weekend, or before 6 a.m. and after 6:30 p.m.

Determining Child Care Capacity

The CCR&R databases varied, across sites and types of providers, with respect to the information they contained on the capacity of each child care provider.²⁹ Capacity data by each age group were available at all four sites for center-based care. However, such data for family child care were not always available from each site. In Chicago, capacity data for each age group were available for family child care. However, in Baltimore City, only data on total capacity and infant capacity were available separately for family child care. After subtracting the infant capacity from the total capacity, we had to estimate preschool and school-aged capacities from the remainder using a formula we developed. This formula was based on the assumption that the ratio of preschool to school-aged children varied slightly depending on the number of infants who were receiving care in the

²⁸Group homes were defined as family day care homes that are licensed to care for between 10 and 12 children.

²⁹At all four sites, center capacity is the maximum number of children allowed at the center by the state. This same definition of capacity is used for family child care homes for Chicago and Baltimore City. For family child care homes in Benton and Linn counties, capacity is the number of children the provider is willing to accept, within the legal limit.

home.³⁰ In Benton and Linn counties in Oregon, data for home-based care were available only on total capacity. Because we didn't have any information specifically on infant capacity for each provider in these counties, we assumed that every provider that accepted infants had a maximum infant capacity of 1. We then subtracted this estimated infant capacity from the total capacity and applied the same formulas used on the Baltimore City data to the remainder to estimate preschool and school-aged capacities.

Demand Data

To estimate total demand for family child care homes and centers at our four sites, we needed to know the number of children through age 12, the percentage of those children with working mothers, and the percentage of children who used either center care or family day care. We therefore used data from a number of different sources, including the 1990 U.S. Census, a 1994 update to the Census, the 1995 Current Population Survey (CPS), as well as two surveys of child care usage—the Survey on Income and Program Participation (SIPP) and the National Child Care Survey (NCCS). Because these surveys do not identify whether parents are using care that is known or unknown to the states, we had to estimate total demand for center and family day care.

Estimating Number of Children Aged 12 and Under

Our estimate of demand for care starts with data from the 1994 update to the U.S. Census on the number of children aged 12 and under living at each of our four sites, reported by single year of age. We also collected age-specific data from the local welfare offices at each of our four sites on the number of children aged 12 and under who were on the welfare rolls in 1995 or 1996. We then subtracted these welfare numbers from the 1994 population numbers to create an estimate of the number of nonwelfare children by single year of age in each site.

Estimating Number of Children With Working Mothers and Nonworking Mothers

The 1995 CPS provided the percentage of children, at each age, with working and nonworking mothers in each state. We then applied these state-specific percentages to the number of nonwelfare children determined above, to project numbers of nonwelfare children, at each age, with working and nonworking mothers at each site. Because of methodological constraints, the children on the welfare rolls were all

³⁰We developed the following formula on the basis of discussions with CCR&R officials about the average capacity by age among their provider populations. If infant capacity was 2, the preschool to school-aged ratio was .66/.33; if infant capacity was 1, the ratio was .71/.29; if infant capacity was 0, the ratio was .75/.25.

assumed to have nonworking mothers, although we recognize that some mothers on welfare also work. We added the number of children on welfare to the estimate of children of nonwelfare, nonworking mothers to arrive at an estimate of total number of children with nonworking mothers.

Estimating Percentage of Children Using Centers and Family Day Care

We based our estimates of the percentage of children at each age using center care or family day care, respectively, on two different national surveys. We used the 1993 SIPP data to determine the percentage of children from birth to age 4 using center care and the percentage using family day care. Because the SIPP data had been collected only for working mothers, we had to estimate a usage rate for the children of nonworking mothers as well. To do this, we used 1990 NCCS data, which included both working and nonworking mothers in the sample, to create a ratio of the child care usage rates of children of nonworking mothers to those of working mothers, at each age from birth through 12, for center and family day care separately. We multiplied these ratios by the usage rates for children of working mothers from the SIPP to impute usage rates for children of nonworking mothers in 1993.

Because of a design flaw in the questionnaire, the 1993 SIPP data seriously underestimate child care usage rates of school-aged children.³¹ Therefore, we used the 1990 NCCS data to determine the percentage of children aged 5 through 12, with working and nonworking mothers, who used center care and family day care. To compensate for the difference in child care use patterns between 1989-90 and 1993, we applied an adjustment factor to the NCCS data equal to the percentage change in the estimates of center care and family day care use between 1988 and 1993 SIPP data to inflate these 1990 figures to what they would have been in 1993.³²

Estimating Numbers of Children Using Centers and Family Day Care

We then multiplied our estimates of the percentages of children using each type of child care, at each age, by the estimated number of children at each age at each site to yield an estimate of the number of children, at each age,

³¹Census Bureau analysts reported that the SIPP child care questionnaire has since been revised to better capture the child care usage of school-aged children.

³²Before 1993, the SIPP data were collected in 1988 and then again in 1991. The NCCS data were collected in 1989-90. We determined that it was better to use the 1988 SIPP and possibly overestimate the change in usage rates, rather than use the 1991 data and run the risk of underestimating the change.

expected to be in each type of care. This is our estimated demand for child care.³³

Estimating Percentage of Demand That Could Be Met by Supply of Known Child Care

Having developed estimates of the supply of known family child care homes and centers at our four sites and the demand for these types of care, our final step was to compare, for each age category, the estimated number of child care spaces available and the estimated number of children requiring each type of care for each site. The difference between these two estimates is defined as the gap between the current supply of known family child care homes and centers and the total demand for these types of care at each site. The ratio of the number of spaces available to the number of spaces demanded is defined as the estimated percentage of demand for center and family child care that could be met by the estimated current supply of known care. We calculated this percentage for child care overall, as well as for age-specific child care, at each site.

Estimating New Demand Under Welfare Work Requirements

To project the possible new demand created as a result of welfare reform, we assumed that the percentage of children currently on the welfare rolls who would need child care under welfare reform would be equal to the percentage of mothers moving from welfare to the workforce. At every age, we estimated that 25 percent, 35 percent, or 50 percent of the children would need child care because their mothers were now required to work or participate in work-related activities. These percentages are based on the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 for 1997, 1999, and 2002 .

We then compared these estimates of the demand for child care after the welfare reform work requirements go into effect with the previously estimated supply of known child care at each site. We made these comparisons for age-specific categories of child care as well as for child care as a whole. These comparisons did not take into account the natural increase in the supply of care that an increase in demand would eventually engender. Our estimate of how capable the current supply of known child care would be of meeting the expected increased demand was intended to illustrate how much the supply of known child care would have to grow to maintain or even increase the percentage of demand that it currently is capable of meeting.

³³Because of data limitations, our calculations underestimate the number of nonwelfare mothers who are working and overestimate the number who are not working. At the same time, our calculations overestimate the number of welfare mothers who are not working by assuming that all welfare mothers do not work.

Estimating Poor and Nonpoor Supply of Known Care

Because the increase in demand for child care resulting from welfare reform is expected to come primarily from poor parents, the location of the current supply of child care is a relevant issue. While child care markets are not completely segregated so that poor parents purchase care only within poor areas and nonpoor parents within nonpoor areas, most parents prefer to use providers who are close to home. Further analysis of the total child care demand and supply of known child care at our four sites involved separating each site into poor and nonpoor areas.

Determining Census Tracts

To categorize providers as being located in either poor or nonpoor areas at each site, we needed to know the census tract number for the location or residence of each provider. Baltimore City's CCR&R included the census tract number for each provider in its database. The databases for both the Chicago and Oregon CCR&RS, however, included only the name of the school nearest the location or residence of each provider. For Chicago and the two Oregon counties, we therefore used the Tiger/Census Tract Street Index³⁴ to determine the census tract number for the school closest to the provider and assigned that census tract to the provider. In cases in which Chicago providers had not given accurate school information, the CCR&R released the actual addresses of the providers to us. With this information, we were able to determine and assign to each a census tract number.

Designating Poor and Nonpoor Census Tracts

We analyzed the census tracts within each site by their median household income. In some cases, we also looked at the percentage of households on welfare in each tract.³⁵ Each census tract was then designated as either poor or nonpoor. The criteria for this designation varied somewhat by site, especially with respect to the percentage of households on welfare in each tract. In general, those census tracts with a median household income at or below \$27,750 (slightly over 200 percent of the federal poverty level for a family of four in 1995) were defined as being in poor areas, and those with median household income above \$27,750 were defined as being in nonpoor areas. This criterion was sometimes overridden, however, when examined in conjunction with the criterion on percentage of households on welfare.

³⁴The Tiger/Census Tract Street Index is a CD-ROM database that matches addresses with census tract numbers.

³⁵These data came from the 1990 U.S. Census.

Estimating Poor and Nonpoor Demand for Care

Determining Percentage of Children in Poor and Nonpoor Areas

We used 1990 Census data by census tract for each of the four sites to estimate the percentages of children from birth through age 12 who were living in poor and nonpoor areas in each site.

Determining Percentage of Children With Working and Nonworking Mothers in Poor and Nonpoor Areas

The 1995 CPS provided the percentage of poor and nonpoor children with working and nonworking mothers in each state. We then applied these state-specific percentages to the numbers of poor and nonpoor nonwelfare children for each site to project numbers of nonwelfare children with working and nonworking mothers separately for poor and nonpoor areas of each site. We then included the number of children on the welfare rolls in the estimate of children in poor areas with nonworking mothers.

No Difference in Child Care Usage Rates Assumed for Poor and Nonpoor Areas

Because of data limitations, we estimated that for each child care setting the usage rates of poor children are the same as those of nonpoor children. This is a shortcoming of our methodology, however, because poor and nonpoor parents use different types of child care at different rates. In particular, lower-income parents are more likely to use relative care, which is either free or much lower in price than market care (center care and family day care). However, one outcome of welfare reform may be a decrease in the availability of free relative care for this population, since more people, including perhaps those caregiving relatives, will be required to work. In addition, while in the past the increase in demand for child care has not affected its long-term price, another short-term effect of the increase in demand for care attributable to welfare reform may be to drive up the price of care for all parents, but for low-income parents in particular. Both of these possibilities may result in poor parents using more market care than they have in the past.

Estimating Numbers of Poor and Nonpoor Children Using Centers and Family Day Care

We then multiplied our estimates of the percentages of children using each type of child care at each age by the estimated number of poor and nonpoor children at each age at each site to yield an estimate of the number of poor and nonpoor children, at each age, expected to demand each type of care.

Estimating Percentage of Current and Projected Demand That Could Be Met by Current Known Supply in Poor and Nonpoor Areas

We compared the estimated number of known child care spaces available within each age category and the estimated number of children currently demanding each type of care in each age category for each site. This was done separately for poor and nonpoor areas. In addition, we estimated the new demand for child care in the poor areas that is likely to be caused by the move of more mothers from welfare to work using the same rates of labor force participation we assumed above.

Calculating Median Weekly Price of Child Care by Age of Child for Each Site

To calculate the median weekly price of child care, we again divided each site-specific database according to the type of provider (family day care or center care) and the age category of children each provider served (infant, preschool, or school-aged). Where possible, we identified a full-time weekly price of care for each provider in each age/type category. When a full-time weekly price was not available, we estimated it using the given part-time hourly rate and a standard number of hours for full-time care of 45 hours for infants and preschoolers and 25 hours for school-aged children. If no price information was available for a specific provider, we dropped it from the sample when calculating the median weekly price. Thus, a median weekly price was calculated for each age category and type of child care setting, for the total number of child care providers that provided price information, and for each site.

Child Care at Four Sites We Reviewed

Baltimore City, Maryland

Baltimore City has over 700,000 residents and ranks thirteenth among U.S. cities in population. According to the Bureau of Labor Statistics (BLS), 5.5 percent of Baltimore City's labor force was unemployed in September 1996. While 15 percent of the state's population lives in Baltimore City, about 47 percent of the state's Aid to Families With Dependent Children (AFDC) caseload, or about 88,000 participants, resides there. Of the city's AFDC caseload, about 64 percent, or 56,554, is children 12 and under. These children represent 41 percent of the total population of children 12 and under, about 137,000, living in Baltimore City.³⁶

Table II.1: Total Known Providers by Type of Setting in Poor and Nonpoor Areas, Baltimore City

	Center providers		Family providers		Total providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	184	52	654	54	838	54
Nonpoor areas	171	48	557	46	728	46
Total	355	100	1,211	100	1,566	100

Note: Percentages are rounded to the nearest whole number. Centers include those providers classified as center care, a group program, or an Extended Elementary Education Program.

Table II.2: Total Known Providers by Age Group in Poor and Nonpoor Areas, Baltimore City

	Infant providers		Preschool providers		School-aged providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	552	53	733	53	629	54
Nonpoor areas	489	47	647	47	529	46
Total	1,041	100	1,380	100	1,158	100

Note: Percentages are rounded to the nearest whole number.

Table II.3: Percentage of Known Providers That Offer Care During Nonstandard Hours in Poor and Nonpoor Areas, Baltimore City

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
Nonstandard hours	101	12	94	13
Total	838	100	728	100

Note: Percentages are rounded to the nearest whole number.

³⁶The source years for these data and those in the tables that follow ranged from 1994 to 1996; comparable data for a common point in time were unavailable. These data are presented to provide a general overview of the economic environment and welfare population of the city.

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Table II.4: Percentage of Known Providers That Currently Provide Special Needs Care in Poor and Nonpoor Areas, Baltimore City

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
	Special needs	109	13	90
Total	838	100	728	100

Note: Percentages are rounded to the nearest whole number.

Table II.5: Total Known Provider Spaces by Type of Setting in Poor and Nonpoor Areas, Baltimore City

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	7,779	50	4,009	53	11,788	51
Nonpoor areas	7,626	50	3,587	47	11,213	49
Total	15,405	100	7,596	100	23,001	100

Note: Percentages are rounded to the nearest whole number. Centers include those providers classified as center care, a group program, or an Extended Elementary Education Program. Family spaces in Baltimore City were estimated. See app. I for the details of our methodology.

Table II.6: Known Spaces for Infants by Type of Setting in Poor and Nonpoor Areas, Baltimore City

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	110	50	935	52	1,045	52
Nonpoor areas	108	50	849	48	957	48
Total	218	100	1,784	100	2,002	100

Note: Percentages are rounded to the nearest whole number. Centers include those providers classified as center care, a group program, or an Extended Elementary Education Program.

Table II.7: Known Spaces for Preschool Children by Type of Setting in Poor and Nonpoor Areas, Baltimore City

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	5,877	53	2,121	53	7,998	53
Nonpoor areas	5,231	47	1,884	47	7,115	47
Total	11,108	100	4,005	100	15,113	100

Note: Percentages are rounded to the nearest whole number. Centers include those providers classified as center care, a group program, or an Extended Elementary Education Program.

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Table II.8: Known Spaces for School-Aged Children by Type of Setting in Poor and Nonpoor Areas, Baltimore City

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	1,792	44	953	53	2,745	47
Nonpoor areas	2,287	56	854	47	3,141	53
Total	4,079	100	1,807	100	5,886	100

Note: Percentages are rounded to the nearest whole number. Centers include those providers classified as center care, a group program, or an Extended Elementary Education Program.

Chicago, Illinois

Chicago has about 2.8 million residents and ranks third among U.S. cities in population. According to BLS, 4.8 percent of Chicago's labor force was unemployed in September 1996. While only 24 percent of the state's population lives in Chicago, about 55 percent of the state's AFDC caseload, or 351,000 participants, resides there. Of the city's AFDC caseload, about 60 percent, or 219,489, is children 12 and under. These children represent about 40 percent of the total population of children, about 561,000, living in Chicago.³⁷

Table II.9: Total Known Providers by Type of Setting in Poor and Nonpoor Areas, Chicago

	Center providers		Family providers		Total providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	432	56	405	39	837	46
Nonpoor areas	343	44	624	61	967	54
Total	775	100	1,029	100	1,804	100

Note: Percentages are rounded to the nearest whole number.

³⁷The source years for these data and those in the tables that follow ranged from 1992 to 1996; comparable data for a common point in time were unavailable. These data are presented to provide a general overview of the economic environment and welfare population of the city.

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Table II.10: Total Known Providers by Age Group in Poor and Nonpoor Areas, Chicago

	Infant providers		Preschool providers		School-aged providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	382	39	801	46	390	41
Nonpoor areas	608	61	940	54	569	59
Total	990	100	1,741	100	959	100

Note: Percentages are rounded to the nearest whole number.

Table II.11: Percentage of Known Providers That Offer Care During Nonstandard Hours in Poor and Nonpoor Areas, Chicago

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
Nonstandard hours	167	20	225	23
Total	837	100	967	100

Note: Percentages are rounded to the nearest whole number.

Table II.12: Percentage of Known Providers That Have Had Experience Caring for Children With Special Needs in Poor and Nonpoor Areas, Chicago

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
Special needs	419	50	371	38
Total	837	100	967	100

Note: Percentages are rounded to the nearest whole number.

Table II.13: Total Known Provider Spaces by Type of Setting in Poor and Nonpoor Areas, Chicago

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	25,529	57	2,645	37	28,174	54
Nonpoor areas	19,107	43	4,417	63	23,524	46
Total	44,636	100	7,062	100	51,698	100

Note: Percentages are rounded to the nearest whole number.

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Table II.14: Known Spaces for Infants by Type of Setting in Poor and Nonpoor Areas, Chicago

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	218	28	927	38	1,145	35
Nonpoor areas	562	72	1,519	62	2,081	65
Total	780	100	2,446	100	3,226	100

Note: Percentages are rounded to the nearest whole number.

Table II.15: Known Spaces for Preschool Children by Type of Setting in Poor and Nonpoor Areas, Chicago

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	20,294	55	1,537	38	21,831	54
Nonpoor areas	16,311	45	2,528	62	18,839	46
Total	36,605	100	4,065	100	40,670	100

Note: Percentages are rounded to the nearest whole number.

Table II.16: Known Spaces for School-Aged Children by Type of Setting in Poor and Nonpoor Areas, Chicago

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	5,017	69	181	33	5,198	67
Nonpoor areas	2,234	31	370	67	2,604	33
Total	7,251	100	551	100	7,802	100

Note: Percentages are rounded to the nearest whole number.

Benton County, Oregon

Benton County has about 75,500 residents or about 2 percent of the state's population. In September 1996, 2.4 percent of Benton County's labor force was unemployed. About 3 percent, or 3,153, of the state's AFDC population resides in Benton County. Of the county's AFDC caseload, about 46 percent is children 12 and under. These 1,446 children represent about 12 percent of the total population, about 11,909, of children living in Benton County.³⁸

³⁸The source years for these data and those in the tables that follow ranged from 1994 to 1996; comparable data for a common point in time were unavailable. These data are presented to provide a general overview of the economic environment and welfare population of the county.

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Table II.17: Total Known Providers by Type of Setting in Poor and Nonpoor Areas, Benton County

	Center providers		Family providers		Total providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	10	32	54	36	64	35
Nonpoor areas	21	68	96	64	117	65
Total	31	100	150	100	181	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.18: Total Known Providers by Age Group in Poor and Nonpoor Areas, Benton County

	Infant providers		Preschool providers		School-aged providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	46	35	60	37	48	33
Nonpoor areas	84	65	104	63	99	67
Total	130	100	164	100	147	100

Note: Percentages are rounded to the nearest whole number.

Table II.19: Percentage of Known Providers That Offer Care During Nonstandard Hours in Poor and Nonpoor Areas, Benton County

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
Nonstandard hour	12	19	15	13
Total	64	100	117	100

Note: Percentages are rounded to the nearest whole number.

Table II.20: Total Known Provider Spaces by Type of Setting in Poor and Nonpoor Areas, Benton County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	458	33	301	38	759	35
Nonpoor areas	918	67	499	62	1,417	65
Total	1,376	100	800	100	2,176	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

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Table II.21: Known Spaces for Infants by Type of Setting in Poor and Nonpoor Areas, Benton County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	80	44	42	34	122	40
Nonpoor areas	100	56	81	66	181	60
Total	180	100	123	100	303	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.22: Known Spaces for Preschool Children by Type of Setting in Poor and Nonpoor Areas, Benton County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	207	34	227	39	434	36
Nonpoor areas	403	66	357	61	760	64
Total	610	100	584	100	1,194	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.23: Known Spaces for School-Aged Children by Type of Setting in Poor and Nonpoor Areas, Benton County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	171	29	32	34	203	30
Nonpoor areas	415	71	62	66	477	70
Total	586	100	94	100	680	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Linn County, Oregon

Linn County has more than 98,000 residents. As of September 1996, 5.5 percent of Linn County's labor force was unemployed. While only 3 percent of the state's population lives in Linn County, about 7 percent of state's AFDC caseload, about 7,800, resides there. Of the county's recipients, almost half are children 12 and under. These children represent about

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Child Care at Four Sites We Reviewed

20 percent of the total population of children, 18,417, living in Linn County.³⁹

Table II.24: Total Known Providers by Type of Setting in Poor and Nonpoor Areas, Linn County

	Center providers		Family providers		Total providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	5	25	114	43	119	42
Nonpoor areas	15	75	150	57	165	58
Total	20	100	264	100	284	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.25: Total Known Providers by Age Group in Poor and Nonpoor Areas, Linn County

	Infant providers		Preschool providers		School-aged providers	
	Number	Percentage	Number	Percentage	Number	Percentage
Poor areas	94	42	113	42	112	44
Nonpoor areas	131	58	158	58	140	56
Total	225	100	271	100	252	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.26: Percentage of Known Providers That Offer Care During Nonstandard Hours in Poor and Nonpoor Areas, Linn County

	Providers in poor areas		Providers in nonpoor areas	
	Number	Percentage	Number	Percentage
Nonstandard hour	49	41	53	32
Total	119	100	165	100

Note: Percentages are rounded to the nearest whole number.

³⁹The source years for these data and those in the tables that follow ranged from 1994 to 1996; comparable data for a common point in time were unavailable. These data are presented to provide a general overview of the economic environment and welfare population of the county.

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Table II.27: Total Known Provider Spaces by Type of Setting in Poor and Nonpoor Areas, Linn County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	235	27	638	44	873	37
Nonpoor areas	649	73	822	56	1,471	63
Total	884	100	1,460	100	2,344	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.28: Known Spaces for Infants by Type of Setting in Poor and Nonpoor Areas, Linn County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	20	25	92	42	112	37
Nonpoor areas	60	75	129	58	189	63
Total	80	100	221	100	301	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Table II.29: Known Spaces for Preschool Children by Type of Setting in Poor and Nonpoor Areas, Linn County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	71	19	438	44	509	37
Nonpoor areas	298	81	553	56	851	63
Total	369	100	991	100	1,360	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

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Table II.30: Known Spaces for School-Aged Children by Type of Setting in Poor and Nonpoor Areas, Linn County

	Center providers		Family providers		Total providers	
	Spaces	Percentage	Spaces	Percentage	Spaces	Percentage
Poor areas	144	33	108	44	252	37
Nonpoor areas	291	67	140	56	431	63
Total	435	100	248	100	683	100

Note: Percentages are rounded to the nearest whole number. Family child care includes group homes.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

APR 22 1997

Mr. Mark V. Nadel
Associate Director,
Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Nadel:

The Department has carefully reviewed your draft report entitled, "Child Care: Supply Increases Needed to Meet Anticipated Demand Under Welfare Reform." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

Michael Mangano
for June Gibbs Brown
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

**Appendix III
Comments From the Department of Health
and Human Services**

Comments of the Department of Health and Human Services on the U.S. General Accounting Office's Draft Report, "Child Care: Supply Increases Needed to Meet Anticipated Demand Under Welfare Reform" (GAO/HEHS-97-75)

General Comments

The Department of Health and Human Services appreciates the opportunity to comment on the General Accounting Office's (GAO) draft report.

The findings in this report reflect some of the child care issues that we hear across the country:

- o There is a gap between child care demand and known supply, particularly for infants and school-aged children. (p. 4)
- o The current supply of child care is inadequate to meet current demand that States and communities face for children in certain age groups, particularly for low-income areas. (p.5)
- o Child care consumes a significant portion of a low-income family's income. (p. 6)

Taken together, these findings indicate that low-income families face serious issues accessing quality child care. Increased child care assistance is a critical investment for both families moving off welfare and low-income families struggling to meet the demands of work and family life. This study reinforces GAO's earlier work that found that, because of shortages in child care for infants, school-age children, sick children and children with special needs, and care at nonstandard work hours, State and county administrators had difficulties serving the child care needs of welfare parents who were participating in the Job Opportunities and Basic Skills Training (JOBS) program.

Title VI of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provides an important opportunity for States and communities to plan a more cohesive child care system that responds to the needs of all families and helps promote safe and healthy care for children of all ages.

The Department's Administration for Children and Families has been encouraging States and communities to increase investments in child care and to consider five principles when planning for child care.

- o Build capacity by investing in quality and supply building initiatives.

Now on pp. 8-10.

Now on pp. 10-12.

Now on pp. 12-14.

**Appendix III
Comments From the Department of Health
and Human Services**

- o Expand assistance in a way that balances the needs of families transitioning from Temporary Assistance for Needy Families and low-income working families.
- o Develop linkages to promote comprehensive services to children and families.
- o Leverage private sector involvement and support.
- o Evaluate resources, needs and progress.

We believe this report is a useful next step in identifying the crucial role child care plays in the lives of working families. We are pleased to note that GAO is now undertaking further studies that build on these initial findings. The Department looks forward to working with GAO and sharing these findings with the States.

GAO Contacts and Staff Acknowledgments

GAO Contacts

David P. Bixler, Assistant Director, (202) 512-7201
Janet L. Mascia, Evaluator-in-Charge, (202) 512-7263

Acknowledgments

In addition to those named above, the following individuals made important contributions to this report: Alicia Puente Cackley, Suzanne Sterling, and Rodina Tungol assisted in designing the job, conducting interviews, analyzing data, and writing the report; James Wright and Joel Grossman provided design support; Joan Vogel and Bob DeRoy conducted computer programming; and Steve Machlin provided statistical advice regarding our data analysis.

Related GAO Products

Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1995).

Welfare to Work: Child Care Assistance Limited; Welfare Reform May Expand Needs (GAO/HEHS-95-220, Sept. 21, 1995).

Early Childhood Programs: Many Poor Children and Strained Resources Challenge Head Start (GAO/HEHS-94-169BR, May 17, 1995).

Early Childhood Centers: Services to Prepare Children for School Often Limited (GAO/HEHS-95-21, Mar. 21, 1995).

Child Care: Child Care Subsidies Increase Likelihood That Low-Income Mothers Will Work (GAO/HEHS-95-20, Dec. 30, 1994).

Child Care: Promoting Quality in Family Child Care (GAO/HEHS-95-93, Dec. 9, 1994).

Child Care: Working Poor and Welfare Recipients Face Service Gaps (GAO/HEHS-94-87, May 13, 1994).

Infants and Toddlers: Dramatic Increases in Numbers Living in Poverty (GAO/HEHS-94-74, Apr. 7, 1994).

School-age Demographics: Recent Trends Pose New Educational Challenges (GAO/HRD-93-105BR, Aug. 5, 1993).

Poor Preschool-aged Children: Numbers Increase but Most Not in Preschool (GAO/HRD-93-111BR, July 21, 1993).

Child Care: States Face Difficulties Enforcing Standards and Promoting Quality (GAO/HRD-93-13, Nov. 20, 1992).

Early Childhood Education: What Are the Costs of High-Quality Programs? (GAO/HRD-90-43BR, Jan. 24, 1990).

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