prenatal-to-3 policy IMPACT CENTER
The University of Texas at Austin
LBJ School of Public Affairs

Excerpt from the 2020 Prenatal-to-3 State Policy Roadmap

STRATEGY

CHILD CARE SUBSIDIES

Child care subsidies are an effective state STRATEGY to impact:

Both child care subsidy receipt and greater state subsidy spending per child:

- increase enrollment in formal child care settings; and
- increase maternal employment and education.

1

state has base reimbursement rates (for infants and toddlers in center-based care and family child care) that meet the federally recommended 75th percentile using a recent market rate survey.

WHAT ARE CHILD CARE SUBISIDIES?

Child care subsidy programs provide financial assistance to help make child care more affordable for low-income families. Subsidy programs are financed largely through federal funds but are administered by states. Federal eligibility requirements for child care subsidies mandate that adults in the household work or participate in education and training activities, that household income is less than 85% of the state median income, and that children are younger than age 13.[1,a] States have considerable flexibility in setting rules on program policies and administration (e.g., eligibility requirements, application procedures, family copayment levels, and provider policies), resulting in substantial state variation in subsidy policy.

[a] States may allow children up to age 19 if they have special needs or are in the Child Protection System.

WHY ARE CHILD CARE SUBSIDIES IMPORTANT?

Child Care Subsidies Can Help Parents Work and Get Children Into Child Care

By providing access to child care, subsidy programs may allow more parents to work or complete education and training programs and may support healthy child development when care settings are high quality and stimulate children's early brain development.[2,3,4]

Child Care Is Not Affordable for Many Families, Especially Those With Lower Incomes

Families with low incomes face barriers in accessing child care that is not only affordable, but also reliable and high quality, especially for the youngest children. The average annual cost of center-based care in 2018 was $11,896 for infants and $10,158 for toddlers, compared to $9,254 for 4-year-olds.[5] The cost of center-based infant care ranges from 29.3% to 56.3% of median income for single parents and from 7.6% to 17.5% of median income for married couples, depending on the state.

Child Care Subsidies Help More Than 1.3 Million Children Get Access to Child Care

According to the Office of Child Care, more than 1.3 million children and 813,000 families benefited from child care subsidies in Federal Fiscal Year 2018.[6] Over one quarter (27%) of children whose care was funded by subsidies are children under age 3. Among families served by subsidies in 2018, 41% had family incomes below the federal poverty level.[7]

Increased Parent Employment and Access to High-Quality Child Care Should Result in Improved Long-Term Child Outcomes

Child care subsidies may impact children's social-emotional and cognitive development through two main pathways: (1) indirectly, through higher family income from increased employment, which may reduce family stress, boost access to needed resources, and limit adverse childhood experiences; and (2) directly, through access to high-quality child care that may provide enriching and safe environments for children that support positive early development.

But Child Care Subsidies May Not Be Effective at Improving Child Outcomes if Children Are Not Enrolled in High-Quality Child Care

Child care subsidies allow more parents to work and increase family income, but without enough high-quality child care slots that serve recipients of subsidies, families may be unable to access high-quality care and children's outcomes may not improve. A base reimbursement rate at the 75th percentile provides a subsidy payment—based on the child's age and type of care—that is equivalent to the cost of care for three-quarters of providers in the state. The federal government considers state base reimbursement rates at the 75th percentile or above (based on a market rate survey no older than 2 years) as providing low-income families with equal access to the child care market. In reality, however, this base reimbursement rate, or the value of the subsidy, does not necessarily ensure access to high-quality care.

Low-Income Children Are Less Likely to Enroll in High-Quality Care, Even With Access to Subsidies

Children in low-income families are less likely to enroll in formal center-based child care and in high-quality care relative to their higher-income counterparts.[8] Subsidies can facilitate greater access to formal settings, but subsidies are not consistently associated with improvements in the quality of care that low-income children receive, likely in part because reimbursement rates are too low.[9,10]

Hispanic Families Are Less Likely to Use Child Care Subsidies, Even Though They Qualify

Hispanic children account for 35% of children eligible to receive subsidies, but just 20% of the population served who use subsidies.[11] Documentation requirements may be one factor limiting participation. Many states ask for applicants' social security numbers but do not make it clear that providing them is optional.[12]

WHAT IMPACT DO CHILD CARE SUBSIDIES HAVE?

Research on subsidies has focused almost entirely on subsidy receipt and higher state subsidy expenditures, which are linked to improvements in access to needed services (e.g., use of more formal care arrangements) and the ability of parents to work (e.g., higher maternal employment). However, the current evidence base does not provide clear guidance to states in setting an optimal subsidy level to ensure subsidies increase low-income families' access to high-quality child care.

Strong Causal Studies Show That Child Care Subsidies Impact Three Prenatal-to-3 Policy Goals

Examples of Impact:

- Subsidy recipient families were 2.0 to 3.8 times more likely to choose center-based care over informal care due to subsidy policy changes (G)
- A $1,000 increase in state subsidy spending per low-income child led to 86% higher odds of enrollment in center-based care than multiple care arrangements (B)

- A 10% increase in Child Care and Development Fund (CCDF) subsidy expenditures led to a 0.7% increase in mothers' employment rate (A)
- A $1,000 increase in state subsidy spending per low-income child led to a 3 to 4 percentage point increase in the likelihood of maternal employment (D)
- Subsidy receipt predicted a 13 percentage point increase in the likelihood that mothers would increase their education level (C)

- Subsidy receipt led to an increase in monthly earnings by 105% (E)

Note. Results are based on comprehensive reviews of the evidence. The letters in parentheses in the table above correspond to a strong causal study in the comprehensive evidence review of child care subsidies. Each strong causal study reviewed has been assigned a letter. A complete list of causal studies can be found in the references section at the end of this document. Comprehensive evidence reviews of each policy and strategy, as well as more details about our standards of evidence and review method, can be found at pn3policy.org.

WHAT DO WE STILL NEED TO LEARN ABOUT CHILD CARE SUBSIDIES?

Although Child Care Subsidies Improve Prenatal-to-3 Outcomes, the Most Effective Way for States to Implement a Subsidy System Remains Unclear

Currently, state subsidy levels (base reimbursement rates) vary considerably, and evidence does not provide clear guidance to states in setting an optimal subsidy level to ensure subsidies increase low-income families' access to high-quality child care. Despite federal guidance to set base reimbursement rates at the 75th percentile of the market (based on a market rate survey or alternative cost assessment tool that is no older than 2 years), states vary considerably in the level at which they set subsidy rates and the methods used to set these rates. Additionally, the federal benchmarks have not been linked to higher child care quality, based on existing research.

More Research Is Necessary to Understand How State Variation in Child Care Subsidies Affects Child Care Quality

Future research should explore how factors such as base reimbursement rate levels, income eligibility requirements, payment mechanisms (vouchers, contracts, or cash), copayments, and fee policies can affect the use of child care subsidies and subsequent impacts on child care quality. Research on the optimal subsidy level is particularly critical to provide guidance to states on the appropriate rate to improve families' access to high-quality care and subsequently, improve child outcomes.

Additional Studies Will Be Helpful to Further Understand the Effects of Child Care Subsidies on Other Policies

Other policies, such as the state earned income tax credit (EITC) and paid family leave, incentivize work and increase parent participation in the workforce; therefore, as states implement paid family leave or a state EITC, access to high-quality child care is even more critical for parents and their infants and toddlers. More research also is necessary to identify how other policies that impact the prenatal-to-3 population interact with the use of child care subsidies. For example, some states require child support cooperation (stipulating that mothers comply with paternity establishment and allowing the state to set child support orders) to be able to receive child care subsidies. States may also count child support payments as income, which could put some single parents over the income threshold to receive a subsidy, despite the fact that the parents may still need financial assistance.

More Needs to Be Studied About the Impacts of Subsidies on People of Color

Insufficient evidence exists to establish whether child care subsidies contribute to closing race/ethnicity achievement gaps over time; no studies identified for our review directly assess gaps by race or ethnicity. Nevertheless, equal access to child care subsidies remains a concern. As discussed above, research indicates that Hispanic families are less likely to use child care subsidies, despite qualifying for benefits. However, research is lacking that directly addresses barriers that Black or indigenous families may face in accessing child care subsidies.

The Return on Investment for Child Care Subsidies Needs to Be Studied More

No research exists that directly assesses the return on investment or cost savings that result from child care subsidy receipt or other child care subsidy policies. The impacts of child care subsidy receipt and per child state spending on maternal employment, weekly hours worked, and maternal education suggest positive economic returns.

Tracking and Evaluating How States Have Responded to COVID-19 Will Be Essential

In response to the COVID-19 pandemic, seven states (Illinois, New Jersey, Oklahoma, Oregon, Pennsylvania, Rhode Island, and Virginia) are waiving copayments, 11 states are covering parents' copayments, three states (Arkansas, Vermont, and Virginia) are covering private pay tuition, 14 states are continuing to provide funding based on enrollment and not attendance, 10 states are relaxing policies around child absences, six states (Arkansas, Illinois, New Jersey, New Mexico, North Carolina, and West Virginia) are increasing rates for emergency/open child care providers, and 10 states are providing grant programs for impacted providers.[13] As of July 2020, 32 states opened child care programs, and 19 states were reopening according to state guidelines regarding COVID-19.[14] The effects of the pressing need for child care during the COVID-19 pandemic on subsidies and related policies remain to be seen as facilities begin to open up.

HOW DO STATES VARY IN THEIR IMPLEMENTATION OF CHILD CARE SUBSIDIES?

In the absence of a clear state policy lever to assess variation across the states, we describe instead whether states meet certain federal recommendations, discussed below. The federal government considers state base reimbursement rates at the 75th percentile or above (covering three-fourths of slots in the state based on a market rate survey no older than 2 years) as providing low-income families with equal access to the child care market, but reimbursement rates vary widely between states, and the federal recommendations still may be inadequate to provide parents with access to high-quality child care.

Only One State Sets Its Base Reimbursement Rates at the 75th Percentile Using a Recent Market Rate Survey

Out of all 51 states, only one state (Maine) sets its base reimbursement rates for infants and toddlers in center-based and family child care at the 75th percentile or above using a recent market rate survey. Market rate surveys from earlier than 2018 (or 2017-2018) are not considered recent. Using a more recent market rate survey would likely require that reimbursement rates be even higher, given that the cost of child care continues to rise. Nine states have shown progress by reimbursing at the 75th percentile, but these states use market rate surveys that are older than 2 years. The remainder of states (41 states) have significant room for progress.

How Do We Determine States' Progress Toward Implementing Effective Policies and Strategies?

Without state statute or law to review for progress toward a defined legislative or regulatory action, we leveraged available data assessing state variation in each of the strategies to demonstrate how states are making progress implementing the six strategies relative to one another. Indicators of variation included factors such as the percentage of children or families that states serve through the strategy, states' eligibility criteria for the strategy, whether states invest state funds in the strategy, and whether states meet the federal recommendations for implementing the strategy.

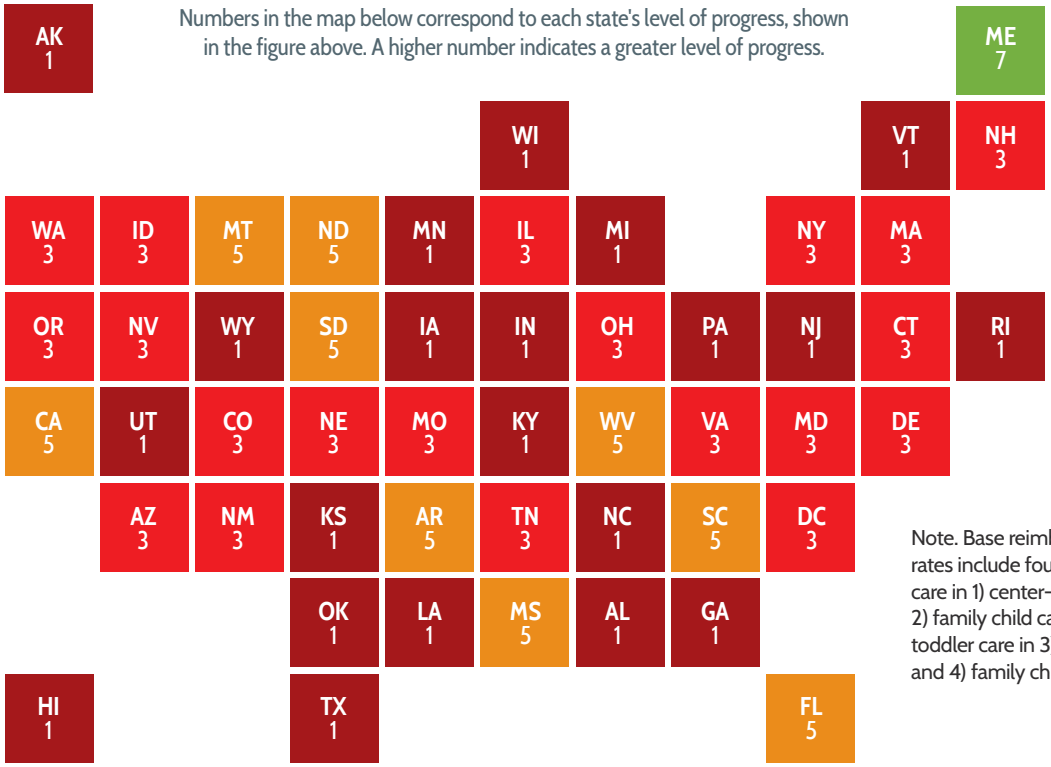
Based on information from state children and families' department websites and state market rate surveys, we determined whether a state's base reimbursement rates (for infants and toddlers in center-based care and family child care) met the federally recommended 75th percentile and if the state used a recent market rate survey to set rates.

The figure on the following page shows the progress states have made to date toward implementing child care subsidies. For additional information, please refer to the Methods and Sources section of pn3policy.org.

Have States Made Substantial Progress Toward Implementing Child Care Subsidies?

Progress		Detail	# of States
Substantial Progress	10		
	9		
	8		
	7	State base reimbursement rates meet the federally recommended 75th percentile, and the state relies on a recent market rate survey to set rates.	1
Some Progress	6		
	5	State base reimbursement rates meet the federally recommended 75th percentile, but the state relies on an older (>2 years) market rate survey to set rates.	9
	4		
Little to No Progress	3	State base reimbursement rates do not meet the federally recommended 75th percentile, but the state relies on a recent market rate survey to set rates.	20
	2		
	1	State base reimbursement rates do not meet the federally recommended 75th percentile, and the state relies on an older (>2 years) market rate survey to set rates.	21
	0		

Numbers in the map below correspond to each state's level of progress, shown in the figure above. A higher number indicates a greater level of progress.



Note. Base reimbursement rates include four rates: infant care in 1) center-based and 2) family child care; and toddler care in 3) center-based and 4) family child care.

The following table shows the variation in whether states' current base reimbursement rates for infants and toddlers in center-based care and in family child care are at or above the 75th percentile of the market rate. In addition, the table shows the year of the market rate survey states used to establish their current base reimbursement rates, and (**) whether a more recent market rate survey is available. A market rate survey conducted in 2018 or 2019 is considered recent.

Are States' Current Base Reimbursement Rates at or Above the 75th Percentile of the Market Rate?

State	Infants in Center-Based Care	Toddlers in Center-Based Care	Infants in Family Child Care	Toddlers in Family Child Care	Year of Market Rate Survey Used to Establish Base Rates
Alabama	No	No	Yes	Yes	2017
Alaska	No	No	No	No	2017
Arizona	No	No	No	No	2018
Arkansas	Yes	Yes	Yes	Yes	2015**
California	Yes	Yes	Yes	Yes	2016**
Colorado	No	No	No	No	2017-18
Connecticut	No	No	Yes	Yes	2018
Delaware	No	No	No	No	2018
District of Columbia	No	No	No	No	2018
Florida	Yes	Yes	Yes	Yes	2017
Georgia	No	No	No	No	2016-17
Hawaii	Yes	Yes	No	No	2016**
Idaho	No	No	No	No	2018
Illinois	No	No	No	No	2018
Indiana	No	No	No	No	2017**
Iowa	No	No	No	No	2014**
Kansas	Yes	No	Yes	No	2017
Kentucky	No	No	No	No	2017
Louisiana	No	No	No	No	2017
Maine	Yes	Yes	Yes	Yes	2018
Maryland	No	No	No	No	2019
Massachusetts	No	No	No	No	2018
Michigan	No	No	No	No	2017
Minnesota	No	No	No	No	2012**

(continued)

(continued)

State	Infants in Center-Based Care	Toddlers in Center-Based Care	Infants in Family Child Care	Toddlers in Family Child Care	Year of Market Rate Survey Used to Establish Base Rates
Mississippi	Yes	Yes	Yes	Yes	2016
Missouri	No	No	No	No	2018
Montana	Yes	Yes	Yes	Yes	2016
Nebraska	No	No	No	No	2019
Nevada	No	No	No	No	2018
New Hampshire	No	No	No	No	2018
New Jersey	No	No	No	No	2017
New Mexico	No	No	No	No	2018
New York	No	No	No	No	2018
North Carolina	No	No	No	No	2015**
North Dakota	Yes	Yes	Yes	Yes	2017
Ohio	No	No	No	No	2018
Oklahoma	No	No	No	No	2017
Oregon	No	No	Yes	Yes	2018
Pennsylvania	No	No	No	No	2016**
Rhode Island	No	No	Yes	Yes	2015**
South Carolina	Yes	Yes	Yes	Yes	2017
South Dakota	Yes	Yes	Yes	Yes	2017**
Tennessee	No	No	No	No	2017-18
Texas	No	No	No	No	2017**
Utah	Yes	No	Yes	No	2017
Vermont	No	No	No	No	2017
Virginia	No	No	No	No	2018
Washington	No	No	No	No	2018
West Virginia	Yes	Yes	Yes	Yes	2015**
Wisconsin	No	No	No	No	2017**
Wyoming	No	No	No	No	2017

** Denotes state has collected a more recent market rate survey that could be used to set reimbursement rates.

Source: Base rates and market rate survey years from state children and families department websites and state market rate surveys, as of July 1, 2020. For additional information, please refer to the Methods and Sources section of pn3policy.org.

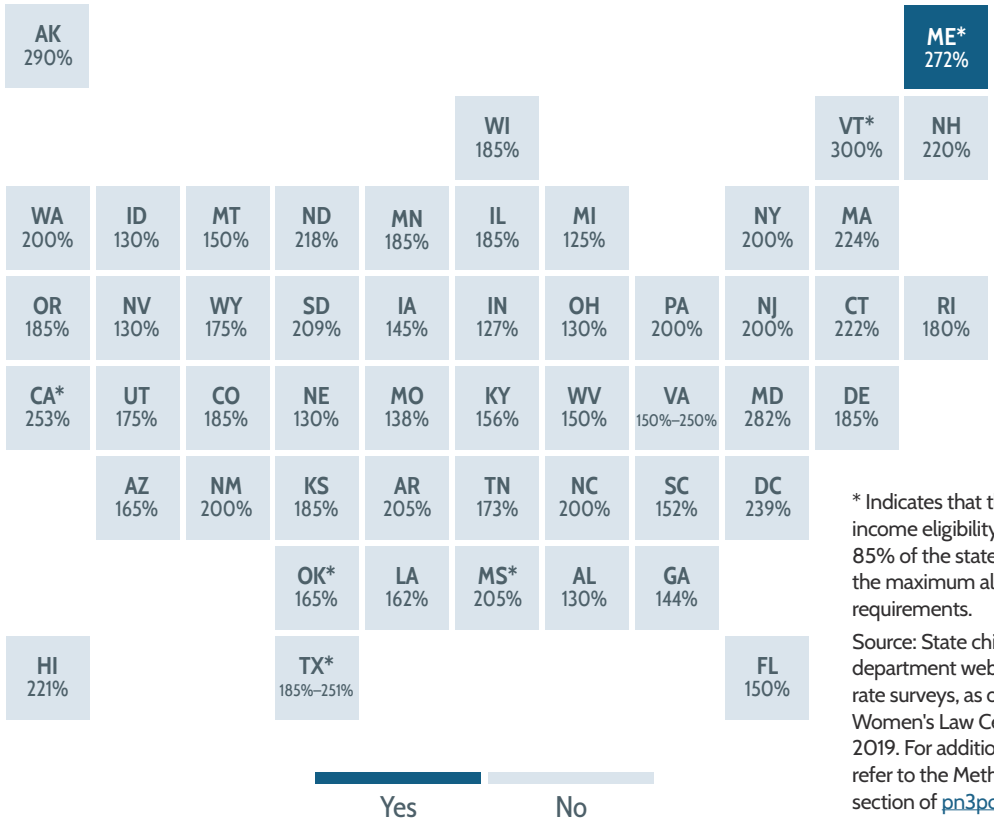
Most States Set Income Eligibility Limits Below the Federal Maximum

States set subsidy eligibility at a specific dollar amount of family income, relative to the family size and/or structure. Federal eligibility requirements restrict states from setting income eligibility for subsidies above 85% of the state median income, regardless of family size or structure. Many states set income limits below this level, meaning fewer families are eligible for subsidies than would be allowed by federal law. Forty-five states set income limits below 85% of the state median income. Only five states (and some local workforce development boards in Texas) set income limits at 85% of the state median income, including California, Maine, Mississippi, Oklahoma, and Vermont. In Texas, local workforce development boards set their income limits within state guidelines—income limits range from 63% to 85%. States with eligibility set at 85% of the state median income do not have the ability to expand eligibility to any additional families based on income, because they are already at the maximum level stipulated by federal legislation.

Income Eligibility as a Percentage of the Federal Poverty Level Varies by State

The income eligibility limits set by states also can be understood as a percentage of the federal poverty level (FPL), which allows for comparisons across states. States may have higher and lower income-eligibility thresholds due to the fact that the median income varies by state. For example, although both California and Mississippi set eligibility at 85% of the state median income, California's income eligibility limit is 253% of the FPL, but Mississippi's limit is only 205% of the FPL, because Mississippi's median income is substantially lower than that of California. For a family of three, the lowest income eligibility as a percentage of the FPL is 125% in Michigan, whereas the highest is 300% in Vermont.

Child Care Subsidy Income Eligibility as a Percentage of the Federal Poverty Level



* Indicates that the state has set the income eligibility for subsidies at 85% of the state median income, the maximum allowed by federal requirements.

Source: State children and families department websites and state market rate surveys, as of July 1, 2020.; National Women's Law Center, as of February 2019. For additional information, please refer to the Methods and Sources section of pn3policy.org.

States with a "Yes" have made substantial progress toward implementing child care subsidies.

Payment Mechanisms Vary From State to State

Providers can be paid through contracts, vouchers, or cash. All states except Hawaii provide subsidies in the form of vouchers that are provided to families who then pay providers. Ten states also provide subsidies in the form of contracts that are paid directly to providers. Three states (Hawaii, Michigan, and Montana) provide subsidies in the form of cash. Hawaii only provides subsidies as cash.[15]

States Vary in How Well Their Reimbursement Rates Compare to Their State's Market for Child Care

For center-based infant care, the base reimbursement rate, or subsidy value, ranges from a low of $418 in Oklahoma to a high of $1,777 in Virginia. States set the subsidy amount based on the age of the child and type of care a family uses, such as center-based care or family child care. Only 13 states have a base reimbursement rate for infants in center-based care that meets the federally recommended 75th percentile of the market rate: Arkansas, California, Florida, Hawaii, Kansas, Maine, Mississippi, Montana, North Dakota, South Carolina, South Dakota, Utah, and West Virginia; though only Maine uses a recent market rate survey. In the other 12 states, the base reimbursement rate may be higher if the state used a recent market rate survey to determine its rates, or the states would no longer meet the 75th percentile threshold.

The table on the following page illustrates how each state varies in its base reimbursement rates for infants in center-based care. The table also shows what the base reimbursement for infants in center-based care would need to be if the state set the rate at the federally recommended 75th percentile of the market rate, as well as the difference between this amount and the current base reimbursement rate. A negative difference indicates that the state has set its base reimbursement rate below the 75th percentile of the market rate, which means subsidy recipient families have access to fewer child care providers. The 75th percentile dollar amounts are calculated based on the rates from the year of the market rate survey that each state uses, many of which are outdated. In states that use an older market rate survey, the base reimbursement rate at the 75th percentile would likely be even higher, but this information is not available for most states. For information on toddlers in center-based care and infants and toddlers in family child care, visit pn3policy.org.

Base Reimbursement Rates for Infants in Center-Based Care

State	Base Reimbursement Rate for Infants in Center-Based Care	Base Reimbursement Rate for Infants in Center-Based Care IF set at 75th Percentile of the Market Rate Survey the State Used	The Difference Between the Base Reimbursement Rate if set at the 75th Percentile and the Current Base Reimbursement Rate for Infants in Center-Based Care
Alabama	$650	$836	-$186
Alaska	$980	$1,006	-$26
Arizona	$853	$1,050	-$197
Arkansas	$597	$594	$3
California	$1,594	$1,594	$0
Colorado	$1,166	$1,641	-$475
Connecticut	$1,322	$1,534	-$212
Delaware	$816	$1,255	-$439
District of Columbia	$1,369	Not Reported	Not Reported
Florida	$719	$693	$26
Georgia	$650	$1,025	-$375
Hawaii	$1,490	$1,490	$0
Idaho	$790	$840	-$50
Illinois	$1,064	$1,402	-$338
Indiana	$1,070	Not Reported	Not Reported
Iowa	$711	$858	-$147
Kansas	$774	$730	$44
Kentucky	$586	$743	-$157
Louisiana	$523	$654	-$131
Maine	$1,313	$1,313	$0
Maryland	$958	$1,191	-$233
Massachusetts	$1,550	$1,874	-$324
Michigan	$809	$1,130	-$321
Minnesota	$1,161	$1,465	-$304
Mississippi	$480	$480	$0
Missouri	$789	$1,361	-$572
Montana	$837	$837	$0
Nebraska	$941	$1,021	-$80

(continued)

(continued)

State	Base Reimbursement Rate for Infants in Center-Based Care	Base Reimbursement Rate for Infants in Center-Based Care IF set at 75th Percentile of the Market Rate Survey the State Used	The Difference Between the Base Reimbursement Rate if set at the 75th Percentile and the Current Base Reimbursement Rate for Infants in Center-Based Care
Nevada	$879	$1,004	-$125
New Hampshire	$1,083	$1,181	-$98
New Jersey	$995	$1,326	-$331
New Mexico	$721	$774	-$53
New York	$1,759	$1,759*	Not Reported
North Carolina	$536	$1,170	-$634
North Dakota	$840	$840	$0
Ohio	$910	$1,235	-$325
Oklahoma	$418	$669	-$251
Oregon	$1,415	$1,455	-$40
Pennsylvania	$893	Not Reported	Not Reported
Rhode Island	$860	$1,075	-$215
South Carolina	$802	$802	$0
South Dakota	$762	$762	$0
Tennessee	$771	$875	-$104
Texas	$702	$787	-$85
Utah	$900	$900	$0
Vermont	$867	$1,127	-$260
Virginia	$1,777	$1,777*	Not Reported
Washington	$1501	$2,008	-$507
West Virginia	$669	$669	$0
Wisconsin	$1,201	$1,257*	Not Reported
Wyoming	$628	$732	-$104

Note: All rates are monthly and rounded to the nearest dollar. States vary in how they define the ages of infants and toddlers. Current rates do not include temporary enhanced rates set due to COVID-19.

* New York does not report/calculate rates at the 75th percentile; rates listed are at the 69th percentile. Virginia does not report/calculate rates at the 75th percentile; rate listed is at the 70th percentile. Wisconsin does not report rates at the 75th percentile for Milwaukee County (Zone D); statewide 75th percentile rate included in table.

Sources: State children and families department websites and state market rate surveys, as of July 1, 2020. For additional information, please refer to the Methods and Sources section of pn3policy.org.

Copayment Policies Differ in Each State

The base reimbursement rate does not represent the full value of the child care subsidy for the parent, but rather the value of the subsidy for the child care provider. Families may be required to participate in cost-sharing for child care received through subsidies.[16] The child care subsidy reimbursement rate represents the amount a provider receives to cover the cost of caring for a child, including a payment from the state government and the family copayment.[17] In some states, copayment rates may be referred to as fees, as is the case in Maine. States can set copayment rates at a dollar value or as percentage of the total cost of care based on various factors, including family size, family structure, and family income. Based on the 2019 FPL, for a family of three at 150% of the FPL, copayment amounts range from 0% of family income in South Dakota to 22% of family income in Hawaii. The monthly copayment amount also ranges from $0 in South Dakota to $592 in Hawaii.

Some States Allow Providers to Charge Parents the Difference Between the Reimbursement Rate and the Rate a Provider Charges

A total of 39 states allow providers to charge parents the difference between the reimbursement rate (subsidy amount) and the rate the provider charges to families who do not have a subsidy. In some states, this difference is referred to as a fee. Families must pay these fees in addition to copayment amounts, discussed previously.

The following map shows the monthly copayment families have to pay when they use subsidies, as a percentage of family income. If a state permits providers to charge the difference between the reimbursement rate and provider rate, often called a fee, in addition to the copayment, this is indicated with lighter green color in the map.

Monthly Copayment Rate as a Percentage of Income for a Family of 3 at 150% of the Federal Poverty Level

Source: Copayment rates from National Women's Law Center, as of February 2019. For additional information, please refer to the Methods and Sources section of pn3policy.org.

The Total Cost of Child Care Is Distributed Differently Across States

The figure on the following page depicts the distribution in the total cost of child care for subsidy recipient families. The blue portion represents the amount (state contribution) that the state provides as a subsidy. The navy portion is the family's required copayment contribution. If a state allows providers to collect the difference between the total cost of care and the subsidy amount (a fee), then the teal block is the additional amount the parents would be required to pay. The grey block is the portion of the market rate for which the provider is not reimbursed. The following examples from two states illustrate how to use the chart to understand the total cost of care in each state. These data reflect values for a family of three, with one child in care, and an income at 150% of the federal poverty level (FPL).

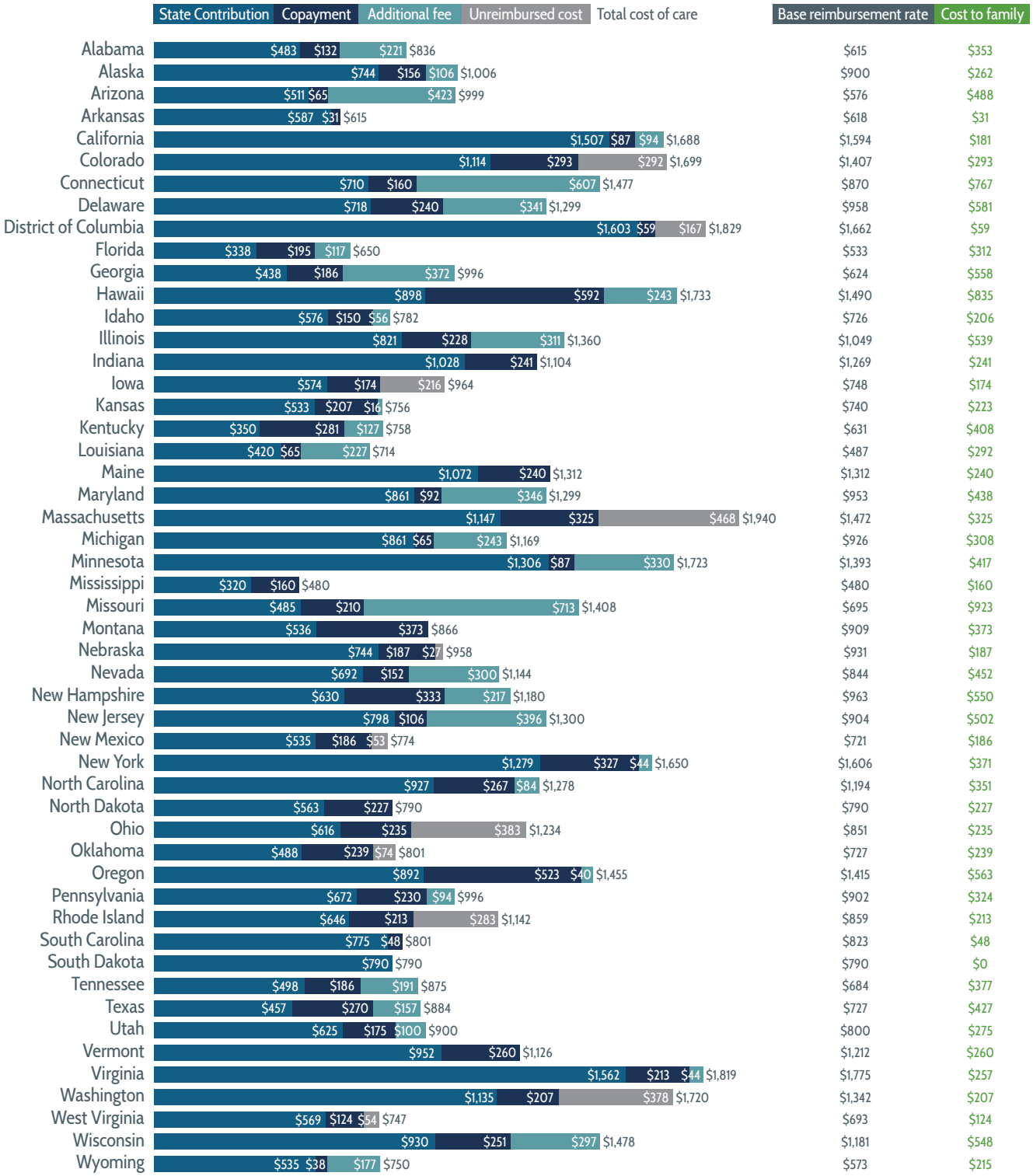
Nevada

- In Nevada, the total monthly cost (at the 75th percentile of the market rate) for center-based infant care in 2019 was $1,144, and the child care subsidy payment (base reimbursement rate) would have covered $844 of this cost.
- For a family of three with an income at 150% of FPL ($31,995 in 2019), the state would have paid $692 of the $844 base reimbursement rate, and the family would have been expected to pay a copayment of $152 each month ($692 + $152 = $844).
- In Nevada, child care providers are permitted to charge an additional fee to families to cover the difference between the subsidy value (base reimbursement rate) and the rate the provider charges for care; this amount would equal $300 ($1,144 - $844).
- Each month, the provider would receive $1,144, of which the state would have paid $692, and the total cost to the family would have been $452 ($152 copayment + $300 fee).
- If the family cannot pay the monthly charge of $452, then the family would need to find a child care provider who does not charge more than $844 per month. The family would still be responsible for paying the $152 copayment, regardless of the cost of the child care.
- In states where providers can charge a fee to make up the difference between the subsidy value (base reimbursement rate) and the private pay rate, child care may be too costly for many subsidy-eligible families. Without higher subsidy payments or caps on the total cost of care, child care is likely to remain unaffordable.

Massachusetts

- In Massachusetts, the total monthly cost (at the 75th percentile of the market rate) for center-based infant care in 2019 was $1,940, and the child care subsidy payment (base reimbursement rate) would have covered $1,472 of this cost.
- For a family of three with an income at 150% of FPL ($31,995 in 2019), the state would have paid $1,147 of the $1,472, and the family would have been expected to pay a copayment of $325 monthly ($1,147 + $325 = $1,472).
- In Massachusetts, child care providers are not permitted to charge an additional fee to families to cover the difference between the subsidy value (base reimbursement rate) and the rate the provider charges for care.
- Each month, the provider would receive $1,472, of which the state paid $1,147, and the total cost to the family would have been $325.
- The provider would not be reimbursed for the difference between the total monthly cost of $1,940 and the $1,472 the provider received, which is $468 monthly, and therefore these providers may be unlikely to accept families who use child care subsidies.
- If the family is unable to pay the $325 copayment, the family will not be able to afford care, even with subsidy receipt.
- In states where providers are not permitted to charge the difference between the subsidy value (base reimbursement rate) and the private pay rate, many providers choose not to provide services to subsidy recipients in their child care centers, to avoid accepting a lower payment for their services.
- If providers choose not to serve subsidy recipients, child care options for these families will be much more limited. Without higher subsidy payments or greater cost-sharing with families, providers may be unable to offer care to subsidy-recipient families.

Distribution of the Total Cost of Child Care by State



Base reimbursement rate = state contribution + copayment
Cost to family = copayment + additional fee
Payment Received by provider = state contribution + copayment + additional fee

Notes: South Dakota has a copayment of $0. Total cost of care is based on the 75th percentile market rate in each state. Data reflect values for a family of three, with one child in care, and an income at 150% of the FPL.

Sources: National Women's Law Center, as of February 2019. For additional information, please refer to the Methods and Sources section of pn3policy.org.

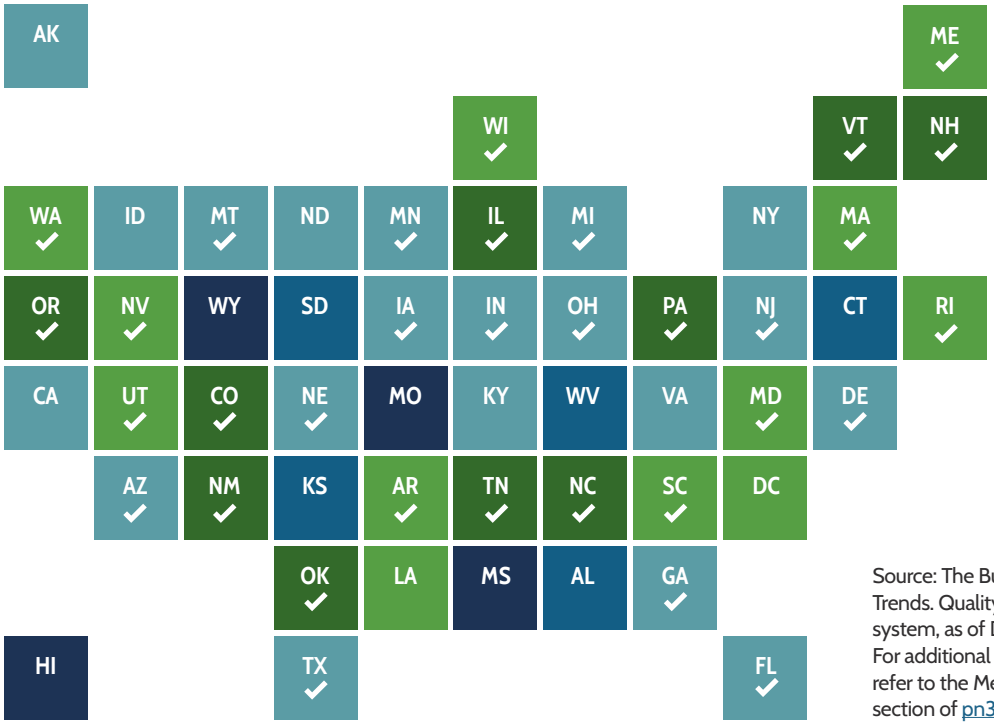
States Differ in Whether They Require Licensed Providers to Participate in the QRIS

States typically use quality rating improvement systems (QRIS) as a means to systematically assess key standards of child care environments and communicate the quality of care in settings to a variety of audiences. In 10 states, all licensed center-based and family child care providers are required to participate in the QRIS (Colorado, Illinois, New Hampshire, New Mexico, North Carolina, Oklahoma, Oregon, Pennsylvania, Tennessee, and Vermont). States also can require providers to participate in their QRIS specifically to receive subsidies.[18] Twelve states do so—Arkansas, Maine, Maryland, Massachusetts, Nevada, Rhode Island, South Carolina, Utah, Washington, and Wisconsin.[19] Twenty other states have a QRIS system, but all participation in the system is voluntary. An additional four states do not have a QRIS (Hawaii, Mississippi, Missouri, and Wyoming), and five states do not report QRIS-related data (Alabama, Connecticut, Kansas, South Dakota, and West Virginia). States that require all licensed providers to participate in their QRIS or that require QRIS participation to serve subsidy recipients may or may not also tie QRIS level of quality to subsidy levels.

Some States Reimburse at Higher Levels for Higher Quality

Several states reimburse at higher levels for providers meeting higher quality standards (e.g., higher rating levels in the state's QRIS). Thirty-three states currently increase their subsidy reimbursement rate for providers who meet higher quality standards as designated in the state QRIS.

Status of State QRIS Participation and Reimbursement Based on Higher Quality Standards



Source: The Build Initiative & Child Trends. Quality Compendium data system, as of December 31, 2019. For additional information, please refer to the Methods and Sources section of pn3policy.org.

QRIS Participation Is Mandatory for All Licensed Providers

QRIS Participation Is Mandatory if a Provider Serves Children Receiving Subsidies

QRIS Participation Is Voluntary for All Providers

Not Reported

No QRIS

A check mark denotes that the state reimburses at a higher rate for higher QRIS level of quality.

References:

Strong Causal Studies

A. Enchautegui, M. E., Chien, N., & Burgess, K. (2016). *Effects of the CCDF subsidy program on the employment outcomes of low income mothers*. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. https://aspe.hhs.gov/system/files/pdf/253961/EffectsCCSubsidiesMaternalLFPTechnical.pdf

B. Ros Pilarz, A. (2018). Child care subsidy programs and child care choices: Effects on the number and type of arrangements. *Children and Youth Services Review*, *95*, 160–173. https://doi.org/10.1016/j.childyouth.2018.10.013

C. Schochet, O. N., & Johnson, A. D. (2019). The impact of child care subsidies on mothers' education outcomes. *Journal of Family and Economic Issues*, *40*(3), 367–389. https://doi.org/10.1007/s10834-019-09628-0

D. Washbrook, E., Ruhm, C. J., Waldfogel, J., & Han, W.-J. (2011). Public policies, women's employment after childbearing, and child well-being. *The B.E. Journal of Economic Analysis & Policy*, *11*(1). https://doi.org/10.2202/1935-1682.2938.

E. Danziger, S., Ananat, E.O., Browning, K. (2004). Childcare subsidies and the transition from welfare to work. *Family Relations, 53*(2), 219-228. https://www.jstor.org/stable/3700265

F. Lemke, R., Witte, A., Queralt, M., Witt, R. (2000). *Child care and the welfare to work transition.* National Bureau of Economic Research Working Papers (No. 7583). http://www.nber.org/papers/w7583

G. Witte, A., Queralt, M. (2004). *An examination of the child care choices of low-income families receiving child care subsidies.* Wellesley College Department of Economics and National Bureau of Economic Research. http://academics.wellesley.edu/Economics/partner/Child%20Care%20Choices4_02.pdf

H. Griffen, A. S. (2019). Evaluating the effects of childcare policies on children's cognitive development and maternal labor supply. *Journal of Human Resources, 54*(3), 604-655. https://doi.org/10.3368/jhr.54.3.0315.6988r1

I. Krafft, C., Davis, E. E., & Tout, K. (2017). Child care subsidies and the stability and quality of child care arrangements. *Early Childhood Research Quarterly*, *39*, 14–34. https://doi.org/10.1016/j.ecresq.2016.12.002

Other References

[1] Child Care and Development Fund, 45 C.F.R. § 98.20 (2019). https://www.govinfo.gov/app/details/CFR-2019-title45-vol1/CFR-2019-title45-vol1-part98/summary

[2] American Academy of Pediatrics Committee on Early Childhood, Adoption, and Dependent Care. (2005). Quality early education and child care from birth to kindergarten. *Pediatrics*, *115*(1), 187–191. Gale OneFile: Health and Medicine. https://doi.org/10.1542/peds.2004-2213

[3] Bradley, R. H., & Vandell, D. (2007). Child care and the well-being of children. *Archives of Pediatrics & Adolescent Medicine, 161*(7), 669-676. https://doi.org/10.1001/archpedi.161.7.669

[4] Schmit, S. (2019). *CCDBG: Helping working families afford child car*e. CLASP. https://www.clasp.org/publications/report/brief/ccdbg-helping-working-families-afford-child-care

[5] Child Care Aware of America. (2019). *The US and the high price of child care: 2019*. Child Care Aware of America. https://usa.childcareaware.org/priceofcare; Estimate uses average of program-weighted averages (method #3, see p. 44). Caution should be used comparing and interpreting price figures nationally; local context should be considered.

[6] Office of Child Care, Administration for Children and Families. (2019, February 6). Characteristics of families served by the Child Care and Development Fund (CCDF) based on preliminary FY2018 data. Office of Child Care | ACF. https://www.acf.hhs.gov/occ/resource/characteristics-of-families-served-by-child-care-and-development-fund-ccdf

[7] Office of Child Care, Administration for Children and Families. (2019, February 6). Characteristics of families served by the Child Care and Development Fund (CCDF) based on preliminary FY2018 data. Office of Child Care | ACF. https://www.acf.hhs.gov/occ/resource/characteristics-of-families-served-by-child-care-and-development-fund-ccdf

[8] Ros Pilarz, A. (2018). Child care subsidy programs and child care choices: Effects on the number and type of arrangements. *Children and Youth Services Review*, 95, 160–173. https://doi.org/10.1016/j.childyouth.2018.10.013

[9] Washbrook, E., Ruhm, C. J., Waldfogel, J., & Han, W.-J. (2011). Public policies, women's employment after childbearing, and child well-being. *The B.E. Journal of Economic Analysis & Policy*, *11*(1). https://doi.org/10.2202/1935-1682.2938

[10] Weinraub, M., Shlay, A. B., Harmon, M., & Tran, H. (2005). Subsidizing child care: How child care subsidies affect the child care used by low-income African American families. *Early Childhood Research Quarterly*, *20*(4), 373–392. https://doi.org/10.1016/j.ecresq.2005.10.001

[11] Hill, Z., Gennetian, L., & Mendez, J. (2019). *How state policies might affect Hispanic families' access to and use of Child Care and Development Fund subsidies* (Report 2019-04). National Research Center on Hispanic Children & Families. https://www.hispanicresearchcenter.org/research-resources/how-state-policies-might-affect-hispanic-families-access-to-and-use-of-child-care-and-development-fund-subsidies

[12] Hill, Z., Gennetian, L., & Mendez, J. (2019). *How state policies might affect Hispanic families' access to and use of Child Care and Development Fund subsidies* (Report 2019-04). National Research Center on Hispanic Children & Families. https://www.hispanicresearchcenter.org/research-resources/how-state-policies-might-affect-hispanic-families-access-to-and-use-of-child-care-and-development-fund-subsidies

[13] Alliance for Early Success. (2020). *Child Care Subsidy and Payment Changes in Response to COVID-19.* https://legacy.earlysuccess.org/sites/default/files/ChangestoChildCarePayments20200424.pdf

[14] ChildCare Aware of America. (2020). State by State Resources. https://www.childcareaware.org/resources/map/

[15] United States Department of Health & Human Services - Administration for Children & Families, Office of Child Care. (2019, December 3). FY 2018 Preliminary Data Table 2 - Percent of Children Served by Payment Method. https://www.acf.hhs.gov/occ/resource/fy-2018-preliminary-data-table-2

[16] National Center on Subsidy Innovation and Accountability. (2018). *CCDF Family Co-payments*. Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services. https://childcareta.acf.hhs.gov/sites/default/files/public/family_co-payment_brief_0.pdf

[17] Office of Inspector General, U.S. Department of Health and Human Services. (2019). *States' Payment Rates Under the Child Care and Development Fund Program Could Limit Access to Child Care Providers (OEI-03-15-00170; 08/19)* (OEI-03-15-00170). Office of Inspector General, U.S. Department of Health and Human Services. https://oig.hhs.gov/oei/reports/oei-03-15-00170.pdf

[18] Herrmann, M., Kirby, G., Deutsch, J., Wolfendale, C., Esposito, A. M., Caronongan, P. C., & Dragoset, L. (2019). *Quality ratings and system characteristics: Patterns in the round 1 Race to the Top - Early Learning Challenge states* (NCEE 2019-4004). National Center for Education Evaluation and Regional Assistance, Institute of Education Sciences, US Department of Education. https://eric.ed.gov/?id=ED594512

[19] The Build Initiative & Child Trends. (2019). A Catalog and Comparison of Quality Initiatives (Data System). Retrieved July 13, 2020, from http://qualitycompendium.org/

J.