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Patterns of child care subsidy use and stability of subsidized care arrangements: Evidence from Illinois and New York

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ABSTRACT

Given the prevalence of short child care subsidy spells and program churning documented in prior studies, researchers and policymakers have been concerned about the implications of discontinuity in subsidy receipt for the stability of children's care arrangements. Yet little research has studied the stability of subsidized arrangements or how subsidy discontinuity relates to changes in subsidized providers. Using child care subsidy program administrative records from a cohort of children in four diverse sites across Illinois and New York states, this study examines patterns of subsidy use and stability of subsidized care arrangements, as well as the relationship between the two. Results suggest that the length of states' eligibility periods is related to the duration of subsidy spells; however, significant variation in patterns of subsidy use within states suggests that local level factors are also important. Results show that subsidy discontinuity is related to children experiencing more total changes in subsidized providers. Focusing on provider changes across spells, we also find that the timing of subsidy exits, the length of gaps in subsidy receipt, and within spell provider instability are each related to whether or not children re-enter the program with a different subsidized provider after a break in subsidy receipt. We discuss these findings' implications for understanding how new program requirements established in the 2014 reauthorization of the Child Care and Development Block Grant may matter for subsidy continuity and care stability.

1. Introduction

The child care subsidy program is the primary source of government financial assistance for child care for low-income, working families in the U.S. Approximately 1.4 million children participate (U.S. Department of Health and Human Services DHHS, 2015a), with yearly program expenditures totaling $8.6 billion (U.S. DHHS, 2015b). The first federal reauthorization of the Child Care and Development Block Grant (CCDBG), the program's main source of funding, in 2014, instituted new requirements aimed to improve upon the program's dual goals of supporting parental employment and children's development.

One of the key goals of the CCDBG reauthorization was to improve stability in subsidy receipt. Whereas previously states were allowed discretion in establishing the duration of a minimum eligibility period, the reauthorization mandated that eligibility periods be at least 12 months long. This new provision arose, in part, from concerns that subsidy-receiving families typically experience short spells on the program, yet return to the program relatively quickly, and that administrative hassles due to short eligibility periods may contribute to these patterns (e.g., Meyers et al., 2002; Grobe, Weber, & Davis, 2008). In turn, short spells and program churning may affect parents' ability to maintain stable employment and lead to instability in child care arrangements, which has been associated with adverse child behavioral outcomes (Bratsch-Hines, Mokrova, & Vernon-Feagans, 2015; NICHD Early Child Care Research Network [ECCRN], 1998; Pilarz & Hill, 2014).

Despite these concerns, we know relatively little about patterns of subsidy use and subsidized care arrangements. Although prior research has examined subsidy spell lengths and predictors of subsidy exits, with few exceptions (e.g., Swenson, 2014) prior studies have used data from one of two states—Oregon or Wisconsin—and/or have examined subsidy receipt prior to the Great Recession (Ha, 2009; Ha & Meyer, 2010; Grobe et al., 2008; Meyers et al., 2002), during years of relative economic stability and rapid program growth (Schmit & Reeves, 2015). In order to fully understand families' experiences with the subsidy program, it is important to examine patterns of subsidy use across diverse state and local contexts and in a more recent time period that more accurately captures current subsidy recipients' experiences. Moreover, even less is known about patterns in children's subsidized care arrangements or the relationship between continuity in subsidy use and the stability of subsidized care (Davis, Carlin, Krafft, & Tout, 2014; Ha, Magnuson, & Ybarra, 2012).

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In the current study, we aim to expand existing knowledge on patterns of subsidy use and subsidized care arrangements. We draw on child care subsidy program administrative records from four sites across two states—Illinois and New York—that were selected to represent diverse policy and geographic contexts and that have been little-studied, and we focus on a sample of families who began using the subsidy program in 2011–2012. Our analyses describe longitudinal patterns of subsidy use and stability of subsidized care across states and sites, differentiating between changes in subsidized providers that occur during subsidy spells versus between subsidy spells. We examine the relationship between subsidy continuity and changes in subsidized care providers, as well as how the timing of subsidy program exits and length of gaps in subsidy receipt are related to whether or not a child re-enters the program with a different subsidized provider. Findings from this study have direct implications for understanding how the new minimum eligibility period length in the CCDBG reauthorization of 2014 may matter for continuity in subsidy use and subsidized care.

2. Background

2.1. The CCDF child care subsidy program

The Child Care and Development Fund (CCDF) child care subsidy program is primarily funded through the CCDBG by a combination of federal and state funds, but states may also contribute funds from the Temporary Assistance for Needy Families (TANF) block grant. States may use federal CCDF funding to provide subsidies to families with incomes up to 85% of their state's median income (SMI) if parents work or participate in a qualifying education or training program. Parents may use subsidies to pay for a legal child care provider of their choice—including licensed child care centers or home-based settings as well as informal, license-exempt care provided by a relative or friend—as long as the provider is willing to participate and meets state regulations for subsidized providers, which may include background checks and inspections. States are encouraged, but not mandated, to set provider reimbursement rates at the 75th percentile of market rates so that families may access the majority of child care providers in their communities (Schulman & Blank, 2014).

States have substantial discretion in establishing program rules governing income eligibility limits, duration of eligibility periods, parent co-payment amounts, provider reimbursement rates, and whether to serve all eligible program applicants or institute a wait list and prioritize particular groups. Due to funding constraints, states typically set income eligibility limits well below the federal cap—between approximately 40–65% of SMI or 125–200% of the federal poverty line (FPL) in 2014—and all but one state sets provider reimbursement rates well under the 75th percentile of current market rates (Schulman & Blank, 2014). In 2014, 18 states were unable to serve all eligible applicants and had instituted wait lists or frozen intake (Schulman & Blank, 2014).

Importantly, the 2014 reauthorization of the CCDBG instituted new federal requirements that aim to ensure children's health and safety, increase consumer education, set family-friendly eligibility policies, and improve the quality of care (U.S. DHHS, 2014). In an effort to increase access and stability in program use, the new provisions require that eligibility periods be at least 12 months in length (regardless of changes in income that do not exceed 85% SMI) and that parents be allowed at least three months of job search following a job loss prior to terminating services (U.S. DHHS, 2014). In 2014, approximately half of states had a 6-month eligibility period and the other half used a 12-month period (Matthews, Schulman, Vogtman, Johnson-Staub, & Blank, 2015), and only 5 states provided three months of job search following a job loss, with the majority allowing one month or less (Schulman & Blank, 2014). As a result, most states will need to make some changes to their state eligibility policies before September 2016, when they are expected to be in compliance with most of the new provisions in the law.

2.2. Patterns of subsidy use

Studies of state child care subsidy programs using administrative records point to a few key patterns in the dynamics of subsidy use across states. First, subsidy spells tend to be short, with the average length of spells typically ranging from 3 to 8 months (Davis, Grobe, & Weber, 2010; Grobe et al., 2008; Ha, 2009; Meyers et al., 2002; Swenson, 2014; Weber, Grobe, & Davis, 2014). Second, many families who exit the program return quickly and experience a second subsidy spell within a few months of exiting (Grobe et al., 2008; Ha, 2009; Meyers et al., 2002; Swenson, 2014). A five-state study of subsidy program participants found that approximately 20–50% of families who exited the program returned within 3 months and about 35–60% returned within 12 months (Meyers et al., 2002). These exits and re-entries to the program are also called program churning (Ha et al., 2012). Third, because multiple subsidy spells are common, families typically string together several months of subsidy receipt, even when individual subsidy spells are short (Davis et al., 2010; Grobe et al., 2008; Ha, 2009; Swenson, 2014). Overall, these patterns suggest that program churning is relatively common among subsidy users and raise concerns about how these patterns might influence children's care arrangements.

Prior research suggests two primary reasons why families may experience short subsidy spells and program churning: ineligibility or administrative barriers. Employment instability, including job loss and earning fluctuations, is common among low-income workers (Gottschalk & Moffitt, 2009; Kalleberg, 2009; Lambert, 2008) and could make it difficult for parents to maintain subsidy eligibility (Henly & Lambert, 2005). Studies from Oregon and Wisconsin find that a substantial portion of families exit due to a job loss, ranging between 25 and 44% across studies (Ha & Meyer, 2010; Grobe et al., 2008). However, of the parents who remained employed in the months following a subsidy exit, the majority remained income-eligible and only about 4–5% in Oregon (Grobe et al., 2008) and 20–30% in Wisconsin (Ha & Meyer, 2010) were employed with earnings above eligibility thresholds. Given that a substantial portion of parents remain employed and income-eligible following an exit, it is not surprising that re-entry to the program is a common pattern.

Another key reason for discontinuity in subsidy use, particularly for families who leave the program despite remaining eligible, is administrative hassles or errors. In order to maintain a subsidy, parents must redetermine their eligibility every 6 to 12 months, depending on local policies. This requires parents to submit paperwork, including forms and documentation to verify employment and income, which can be time-intensive and could require visits to the subsidy program office, depending on state and local policies. Some parents may perceive the hassle as not worth it and choose to end participation (Adams, Snyder, & Banghart, 2008; Adams, Snyder, & Sandfort, 2002; Lowe & Weisner, 2004; Shlay, Weinraub, Harmon, & Tran, 2004). Frequent redetermination of eligibility imposes burdens on families and increases the risk of administrative errors that could lead to premature subsidy exits or a temporary loss of the subsidy (Adams & Matthews, 2013; Sandstrom, Grazi, & Henly, 2015; Henly et al., forthcoming). In support of this, analyses of administrative data records from Oregon and Wisconsin have found that families who are in their last month of eligibility are at much higher risk of exiting the program compared to families who are not (Davis et al., 2010; Grobe et al., 2008; Ha & Meyer, 2010; Weber et al., 2014).

In addition, prior research has identified several other factors associated with duration of subsidy spells and program churning. Evidence from several states suggests that families with older children have a higher risk of exiting the program (Grobe et al., 2008; Ha & Meyer, 2010; Witte & Queralt, 2005). The type of care of the subsidized arrangement has also been associated with exiting the program; however, these patterns are not consistent across states and suggest that state and local contexts are important for the relationship between type of care and subsidy continuity (Grobe et al., 2008; Ha & Meyer, 2010; Meyers