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Balancing the State's Child Care Subsidy Budget

Combinations of Key State Policy Choices Under CCDF

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Presentation for NAWRS

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All data presented here are preliminary and not intended for citation.

Today's presentation

- The Child Care and Development Fund--overview
- State variation on some key policies
- Patterns across policies
 - Relationships between pairs of policies – *Is a more-expensive choice on one policy balanced by a less-expensive choice on another policy?*
 - Combinations of policies
 - An index of policies
 - Relationship between policy choices and percentage of eligible children served
- Next steps

Child Care and Development Fund

- Largest source of child care subsidies for low-income families
- Funded through the Child Care and Development Block Grant and state matching funds
- Not an entitlement program
- Key federal guidelines:
 - Family Income – up to 85 percent of state median income
 - Children’s Age – through age 12 or have special needs
 - Reason for Care – parents working or have other need for care
- States establish several policies within the broad federal guidelines

How do states balance different policy options when determining how to spend CCDF funds?

Are there patterns in the relative expense of different policy decisions? Patterns in policy options and caseloads?

Data used in this analysis

- The CCDF Policies Database
 - State policy variables
- CCDF Administrative Data
 - Caseload numbers
- TRIM3
 - Eligibility estimates
- Child Care Aware
 - Cost of care estimates

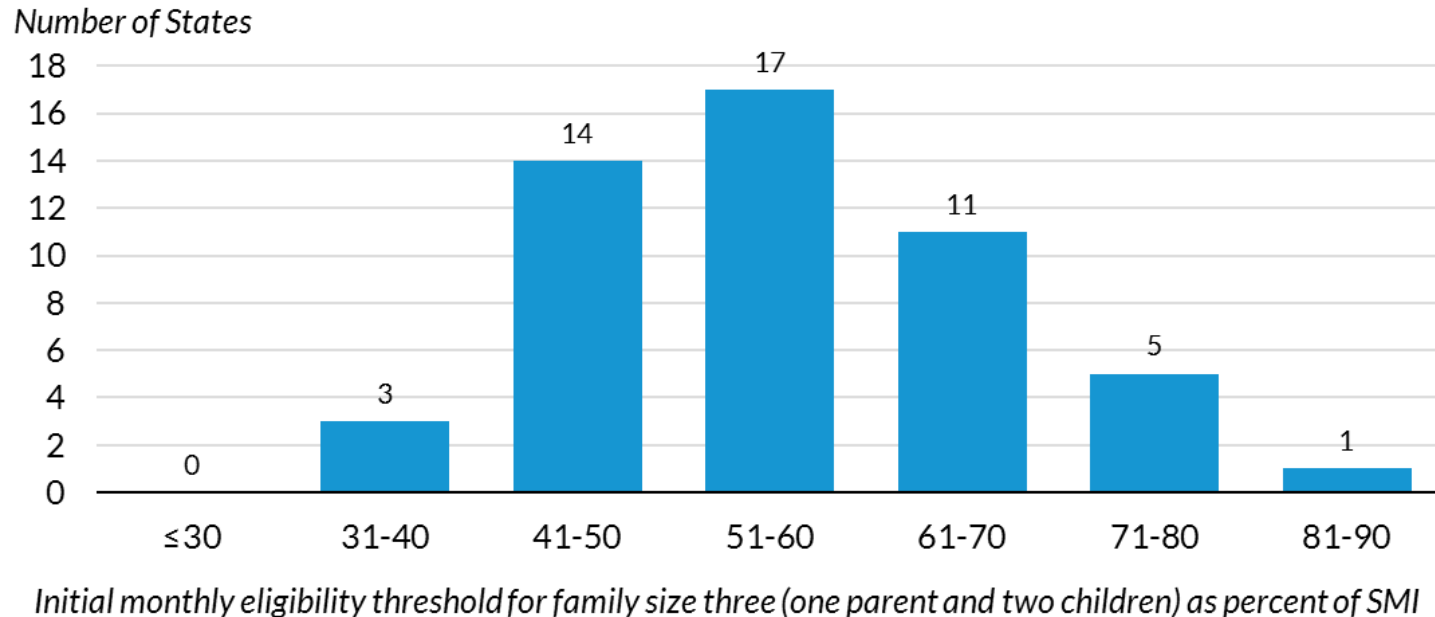
Variables

- State Policies (as of October 1, 2014)
 - Initial income eligibility thresholds as a percent of state median income
 - Continuing income eligibility thresholds as a percent of state median income
 - Monthly copayment as a percent of income
 - Base monthly reimbursement rate as a percent of the average cost of care
 - Base highest reimbursement rate as a percent of the average cost of care
- Participation Rates (average 2013 and 2014 for state estimates)
 - Average monthly number of children receiving CCDF-funded subsidies as a percent of eligible children

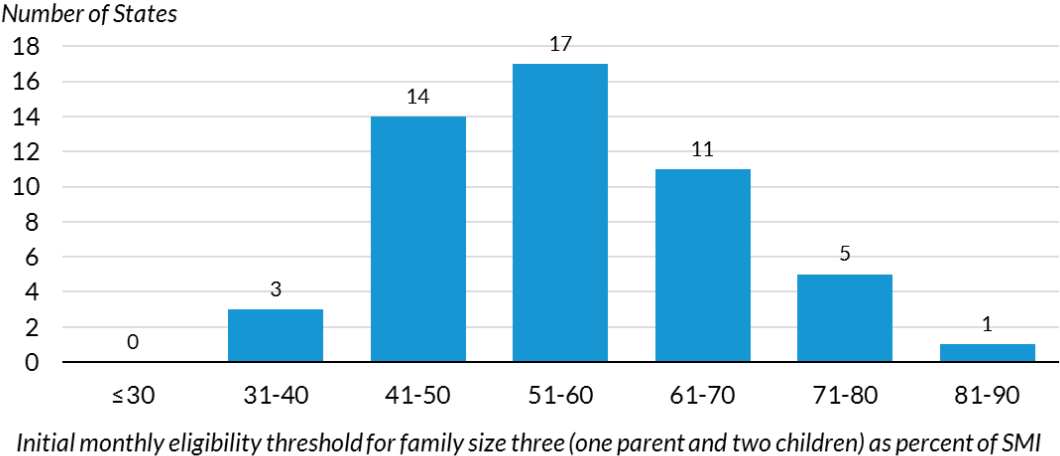
How state policies compare: eligibility thresholds

- Monthly threshold as a percent of state median income for a family of three

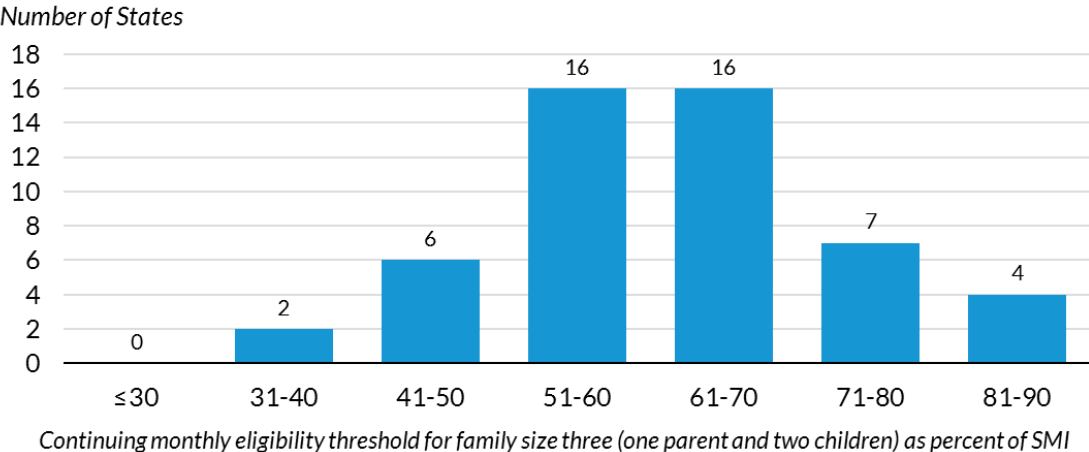
Distribution of Initial Monthly Eligibility Threshold as Percent of SMI



Distribution of Initial Monthly Eligibility Threshold as Percent of SMI



Distribution of Continuing Monthly Eligibility Threshold as percent of SMI

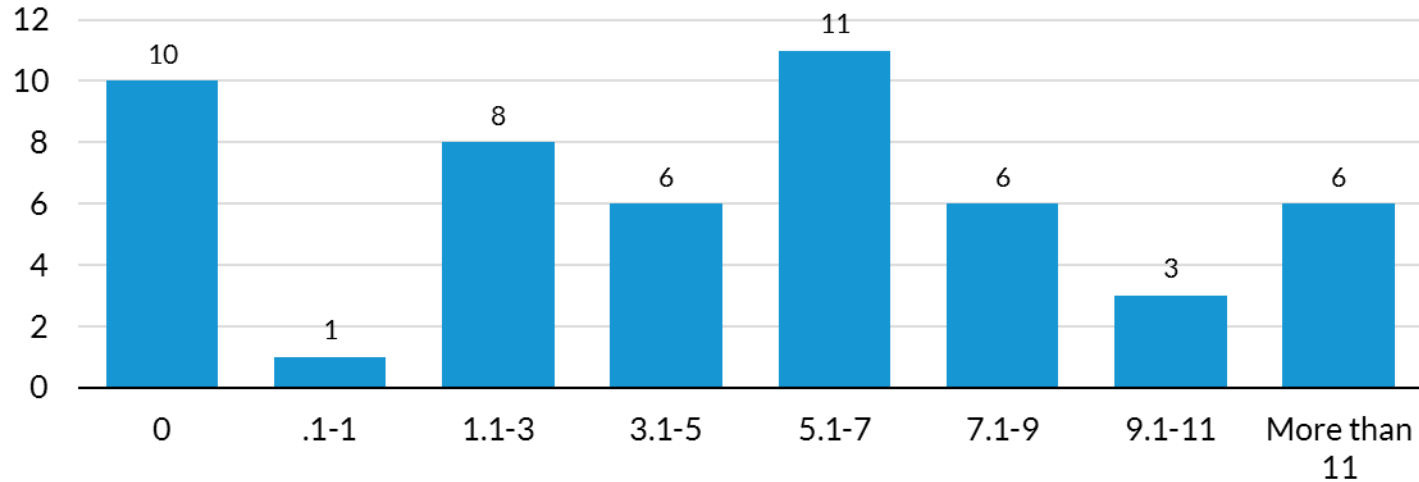


How state policies compare: copayments

- Monthly copayment as a percent of income
- Single parent earning \$15,000 annually, with 2-year-old and 4-year-old in full-time licensed center care

Distribution of Monthly Copayment as Percent of Income

Number of States



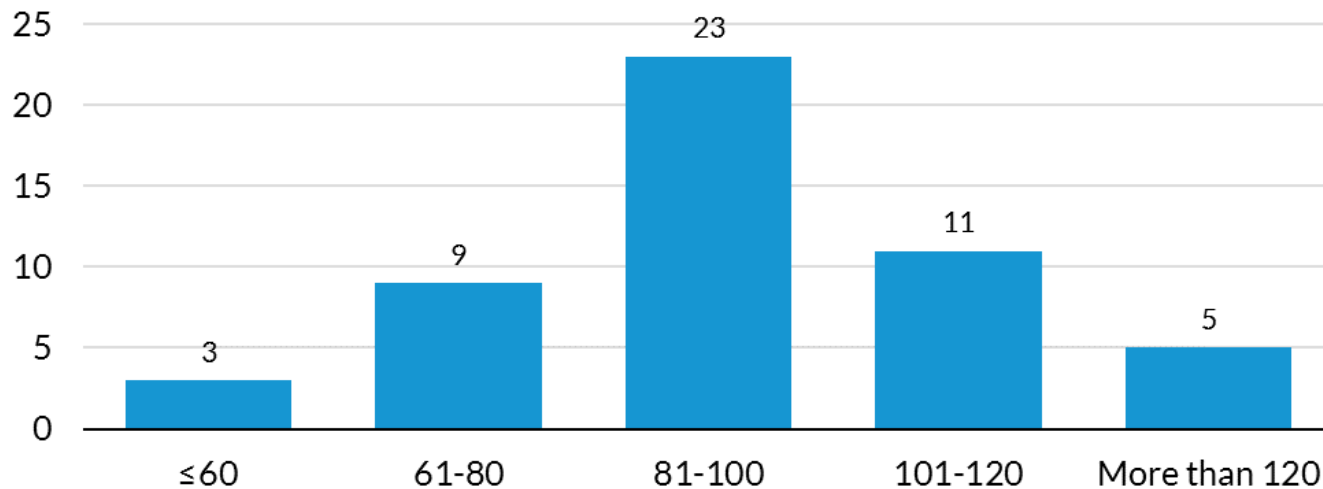
Monthly copayment amount for a three-person family with \$15,000 in annual earnings, as percent of income

How state policies compare: reimbursement rates

- Monthly reimbursement rate as a percent of the average cost of care
- Four-year-old in full-time care
- Base rate is for licensed centers, highest rate is for centers with highest quality rating

Distribution of Base Reimbursement Rate as Percent of Cost of Care

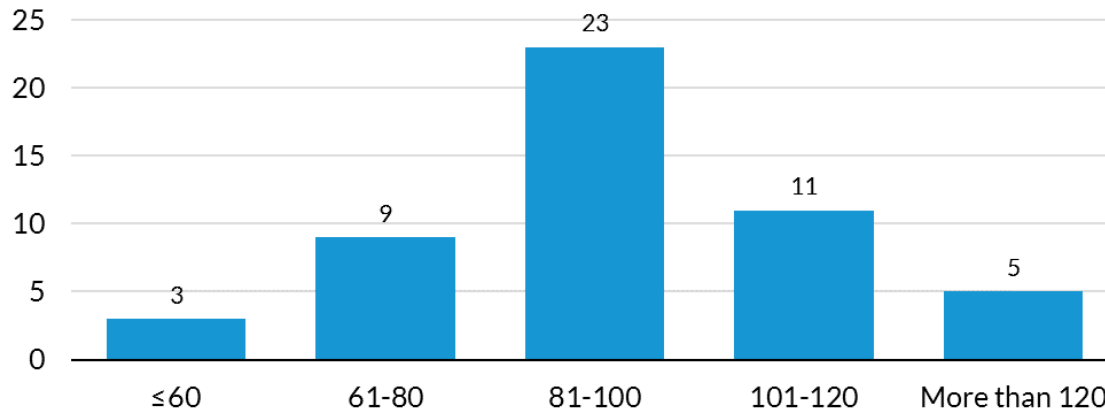
Number of States



Monthly full-time center base reimbursement rate for a four-year-old as percent of the average cost of care

Distribution of Base Reimbursement Rate as Percent of Cost of Care

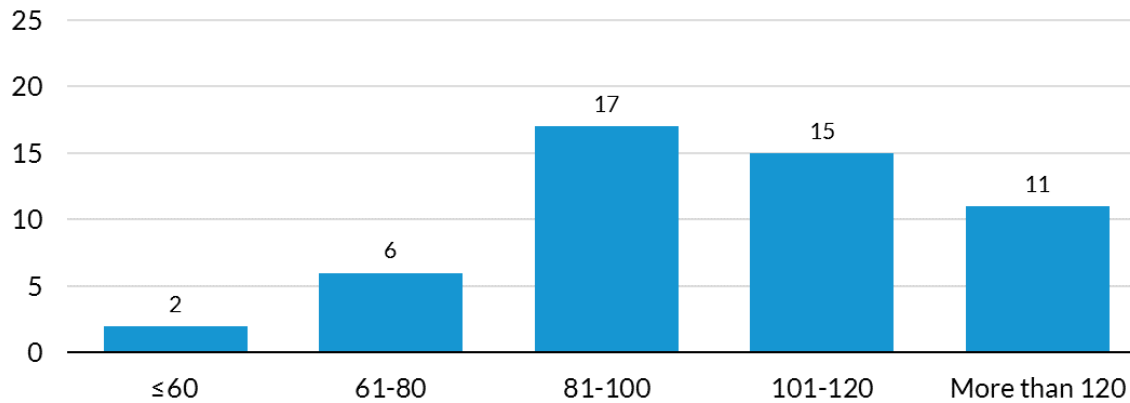
Number of States



Monthly full-time center base reimbursement rate for a four-year-old as percent of the average cost of care

Distribution of Highest Reimbursement Rate as Percent of Cost of Care

Number of States

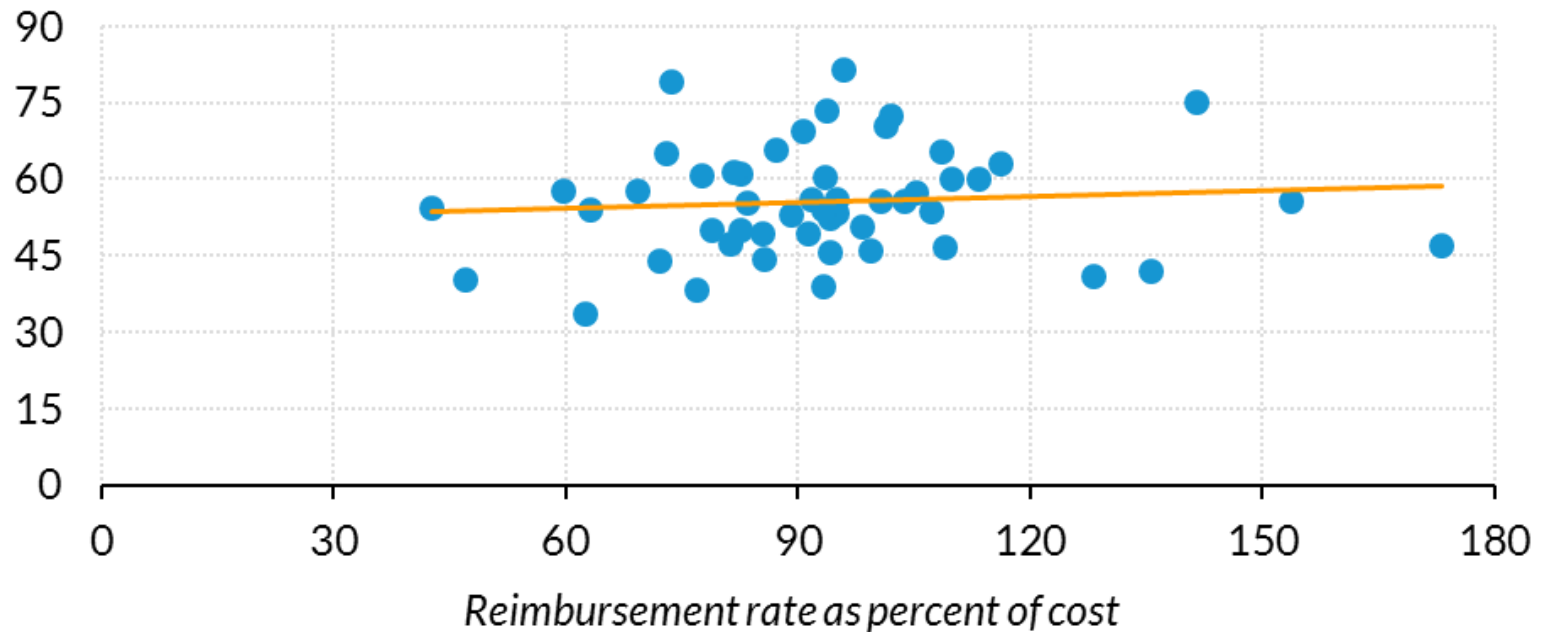


Monthly full-time center highest reimbursement rate for a four-year-old as percent of the average cost of care

Patterns in state policies

Reimbursement rates and eligibility thresholds

Eligibility threshold as percent of SMI

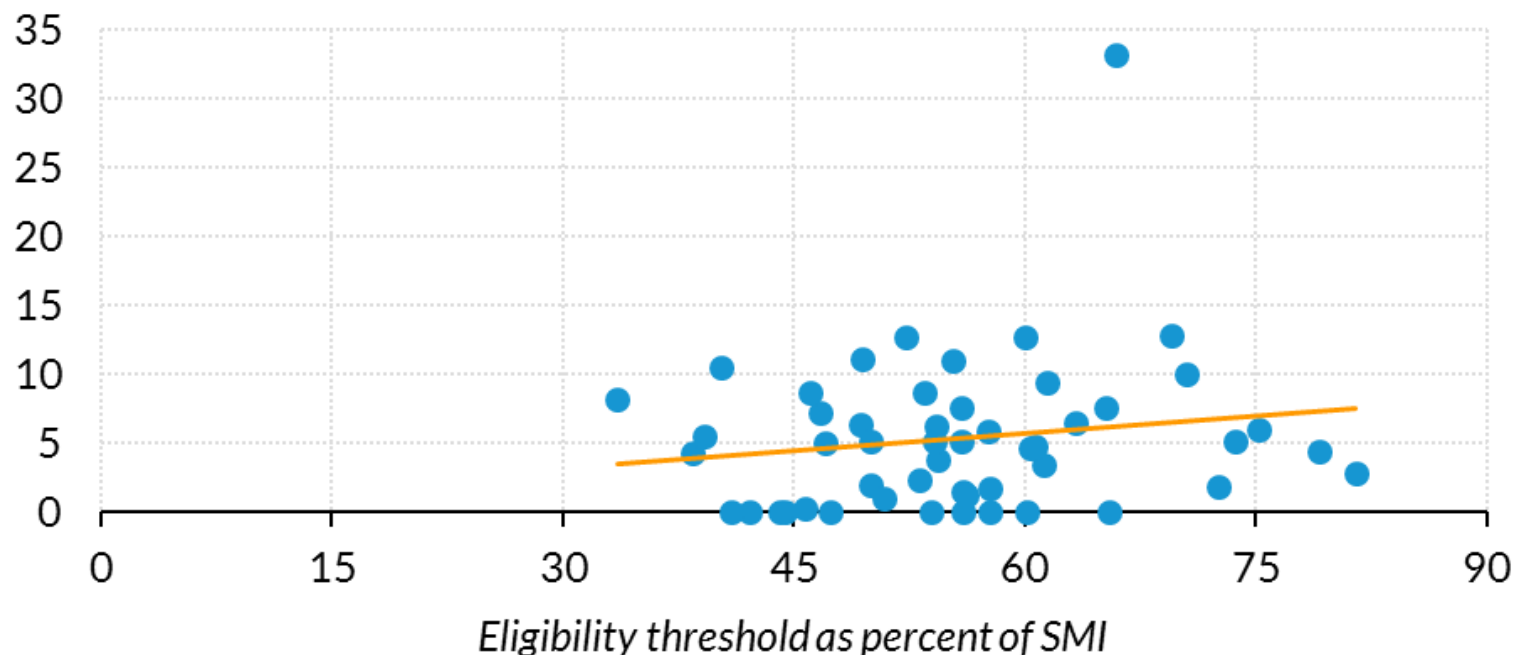


Preliminary data - not intended for citation

Patterns in state policies

Eligibility thresholds and copayments

Copay as percent of income

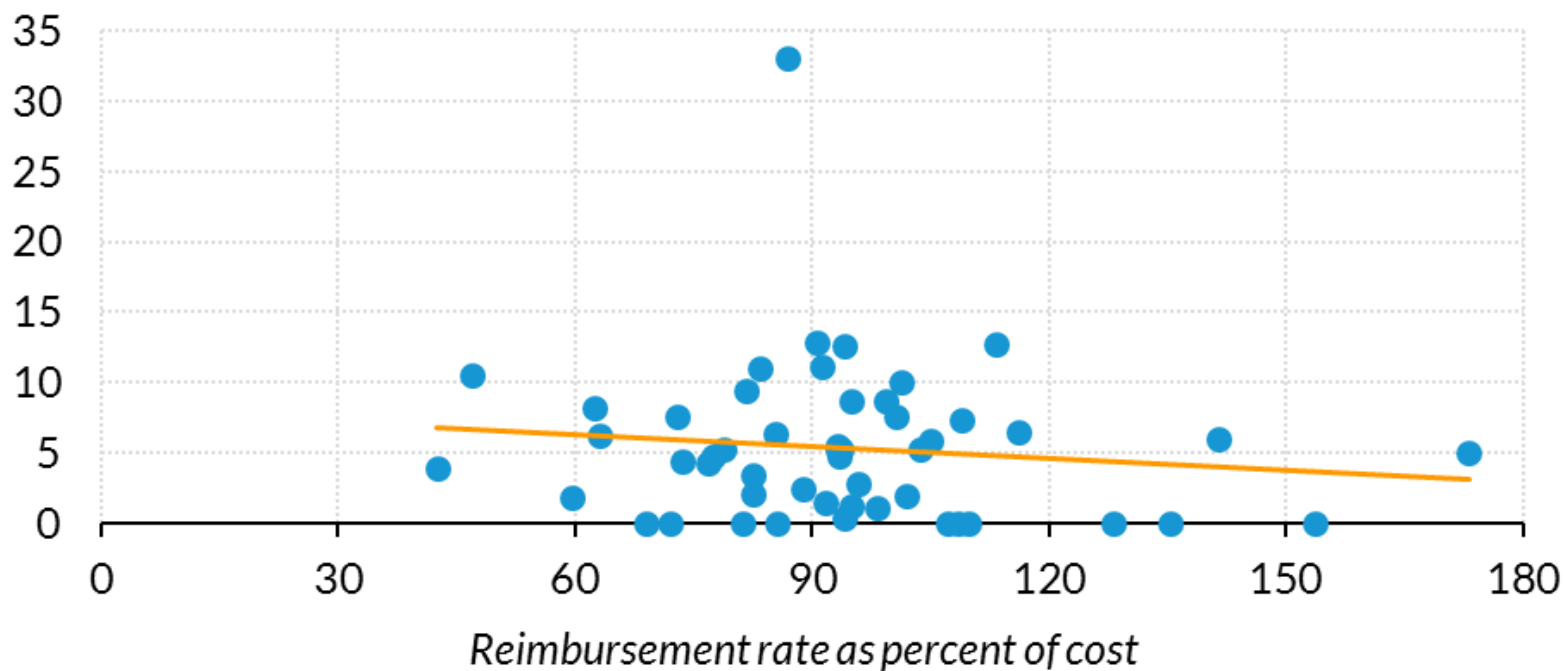


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Patterns in state policies

Reimbursement rates and copayments

Copayment as percent of income



Preliminary data - not intended for citation

Ranking the state choices by potential expense

- Purpose: to consider policies as a whole
- Policies included:
 - Initial eligibility thresholds as percent of state median income
 - Monthly copayment as percent of income
 - Base reimbursement rate as percent of average cost of care
- For each policy, states ranked, 1 to 51
 - 1 = State with the choice on that policy with the least government cost
 - 51 = State with the choice on that policy with the most government cost
- For each policy, states divided into 3 groups
 - Low = 1-17
 - Medium = 18-34
 - High = 35-51

Count of states by policy choices for 3 key policies, ranked by potential government expense

| | |
|------------------------------|----|
| All policies low | 2 |
| All policies medium | 2 |
| All policies high | 3 |
| Mix of low, high, and medium | 44 |

Index of potential expense

Index = Sum of state rankings (1-51) on 3 key policies

| | |
|---------|-----|
| Mean | 78 |
| Median | 76 |
| Mode | 92 |
| Minimum | 13 |
| Maximum | 128 |

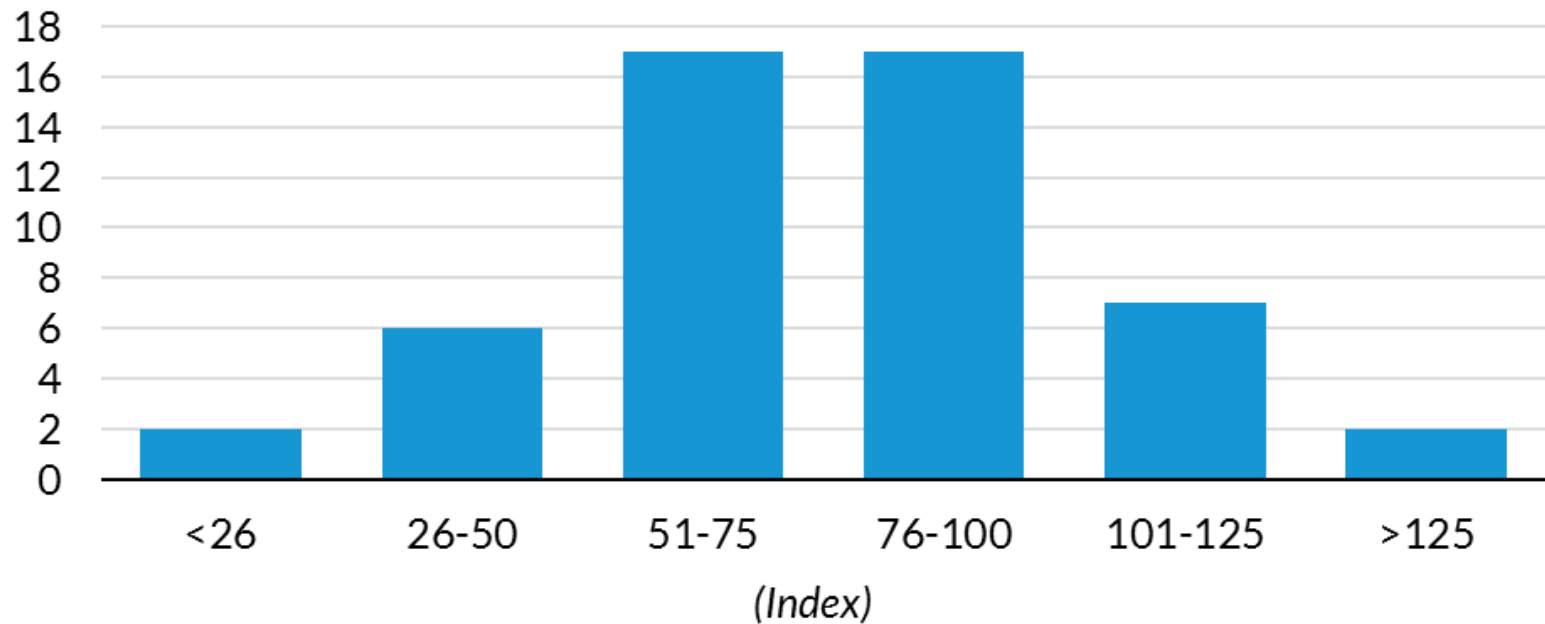
Interpretation:

3 = least cost to government on all 3 policies

153 = highest cost to government on all 3 policies

Policy index: distribution of states

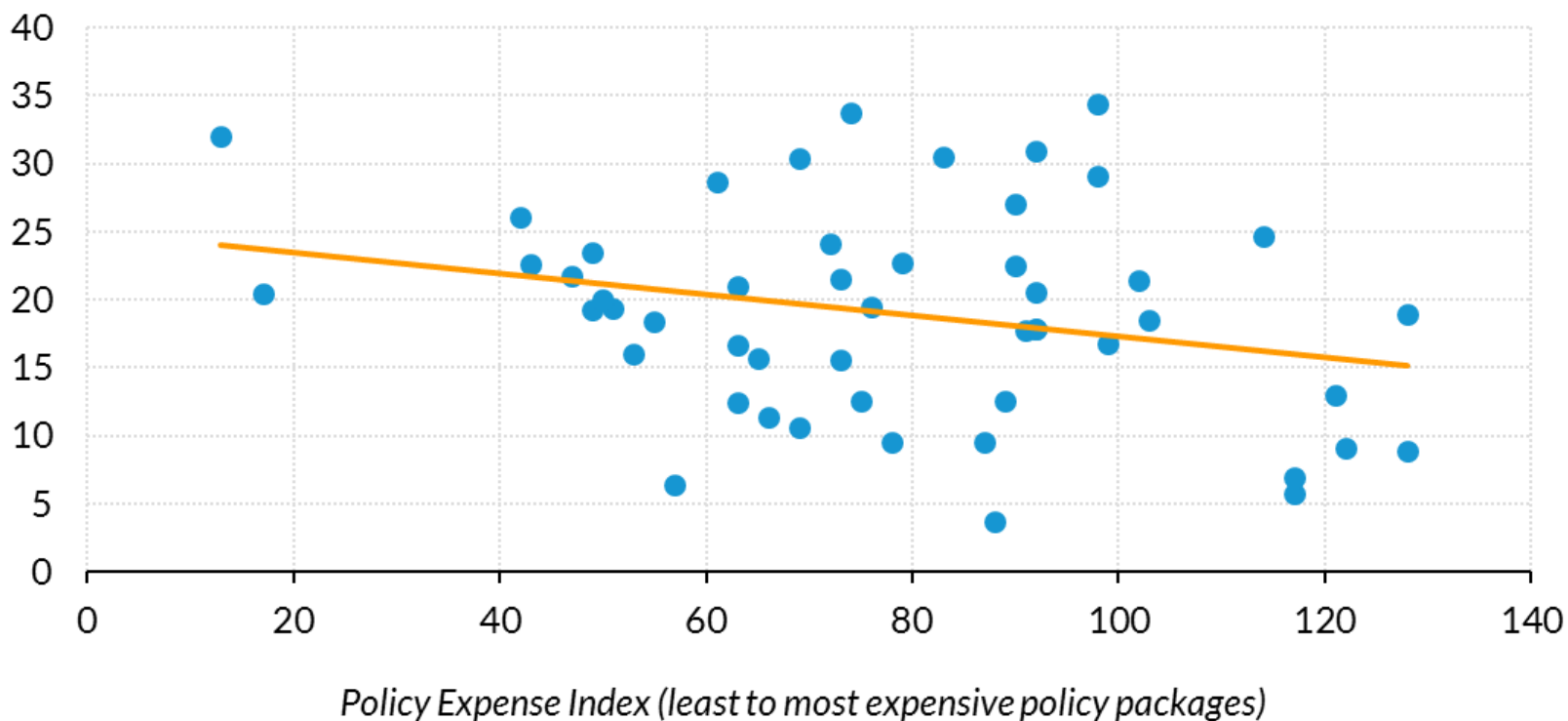
Number of states



Patterns in state policies

Relative expense of policies and child participation rate among eligibles

Participation rate (%)



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Preliminary findings

- There are no clear correlations in the pairs of policies we have examined to date
- States use policy combinations that reflect both lower and higher potential costs to government.
 - Only 7 states had all-high-expense, all-medium-expense, or all-low-expense policies
- A higher expense index appears to be associated with a lower participation rate among CCDF-eligible children.

Next steps

- Consider additional policy variables
- Refine the measures
- Look at subsidy values (cost minus copayment)
- Include information on state expenditures
- Look at potential relationships between policy decisions and caseload characteristics
- Explore cluster analysis
- We welcome your suggestions!

Contact us

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Sources

- The CCDF Policies Database
 - Funded by HHS/ACF/OPRE and maintained by the Urban Institute
 - <http://ccdf.urban.org>
- CCDF Administrative Data
 - HHS/ACF/OCC
 - <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>
- TRIM3
 - Funded by HHS/ASPE and maintained by the Urban Institute
 - <http://trim.urban.org>
- Parents and the High Cost of Child Care 2015 Annual Report
 - Child Care Aware
 - <http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare-2015/>