



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 SUBSIDIES?

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 13.³ 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.

³ States may allow children up to age 19 if they have special needs or are in the Child Protection System.

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:

Access
to Needed
Services

- 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)

Parents'
Ability
to Work

- 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)

Sufficient
Household
Resources

- 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, as well as more details about our standards of evidence and review method, can be found in the Prenatal-to-3 Policy Clearinghouse at pn3policy.org.

Excerpt from the 2020 Prenatal-to-3 State Policy Roadmap
found at <http://pn3policy.org/roadmap>

pn3policy.org
pn3policy@austin.utexas.edu
Twitter: @pn3policy #pn3policy