PRENATAL-TO-3 POLICY CLEARINGHOUSE
EVIDENCE REVIEW

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RESEARCH FOR ACTION AND OUTCOMES

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Child Care Subsidies

Evidence Review Findings: Effective / Roadmap Strategy

Both child care subsidy receipt and greater state per child subsidy spending increase maternal employment and improve parents' ability to work. Additionally, child care subsidy receipt and state spending on subsidies are linked to improved access to needed services and greater household resources, although evidence for the impact on these goals is mixed. Child care subsidy policies vary considerably across states with regard to income eligibility, reimbursement rates, and cost burden placed on families. Current evidence does not provide clear guidance to states on the specific policy choices that will ensure child care subsidies increase access to high-quality child care for families with low incomes.

Child care subsidy programs provide financial assistance to help make child care more affordable for families with low incomes. By providing access to child care, subsidy programs may assist parents in securing and maintaining employment and completing education and training. Child care subsidy programs may also improve access to high-quality child care for children.

These programs are financed through federal and state funds but are administered by states. To establish and maintain enrollment in a subsidy program, parents must meet both federal and state-specific eligibility requirements. States have considerable flexibility in setting rules on program policies and administration (e.g., eligibility requirements, application procedures, family copayment levels, and provider policies), which results in substantial state variation in subsidy policy. Further research is needed to provide states with clear guidance on state policy choices that allow families to access high-quality child care with minimal cost burdens.

Decades of research in the field of child development has made clear the conditions necessary for young children and their families to thrive.[1] These conditions are represented by our eight policy goals, shown in Table 1. The goals impacted by child care subsidies are indicated below with a filled circle, and the goals theoretically aligned (but without evidence of effectiveness from strong causal studies) are indicated with an unfilled circle.

Table 1: Impacts of Child Care Subsidies on Policy Goals

Positive Impact	Policy Goal	Overall Findings
●	Access to Needed Services	Mixed impacts, with beneficial impacts on formal care enrollment and licensed child care capacity
●	Parents' Ability to Work	Positive impacts, especially maternal employment
●	Sufficient Household Resources	Mixed impacts, with beneficial impacts on earnings
	Healthy and Equitable Births	*(Policy goal outside the scope of this review)*
○	Parental Health and Emotional Wellbeing	Trending null impacts on maternal depression
○	Nurturing and Responsive Child-Parent Relationships	Trending null impacts on parenting skills
○	Nurturing and Responsive Child Care in Safe Settings	Trending mixed impacts on child care stability and perceived quality of care
○	Optimal Child Health and Development	Null impacts on health and behavior metrics

What Are Child Care Subsidies?

Child care subsidy programs are means-tested, state-run programs that help families with lower levels of income pay for child care in a variety of settings, including licensed centers and homes, as well as some unlicensed settings. Parents can access subsidies by submitting applications to state agencies, along with required documentation that demonstrates eligibility. 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 percent of the state median income, and that children are younger than age 13.[2,i]

The Child Care and Development Fund (CCDF) was developed during the 1996 welfare reform; CCDF combined child care subsidy programs for welfare recipients (now known as the Child Care Entitlement to the States) with child care subsidy programs for the broader population (known as the Child Care and Development Block Grant). CCDF subsidies help remove barriers to affordable, high-quality child care across a variety of settings.[3]

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

Although most regulatory aspects were left to states, CCDF requires states to spend a portion of their funds on quality improvement activities.[4] In this way, CCDF plays a critical role in ensuring young children are accessing the high-quality early learning experiences that support their healthy development and prepare them for kindergarten while their parents work or attend school.[3]

States have considerable flexibility in setting specific guidelines on eligibility requirements. For example, states may set requirements regarding the number of hours parents must participate in approved activities (e.g., employment, apprenticeship, school). States may also set household income limits for initial and ongoing eligibility. Some states may include assets and public benefits in calculating family income eligibility. States also may identify priority groups to receive subsidies (e.g., families who are currently receiving Temporary Assistance for Needy Families).

States can also mandate child support cooperation as a condition of eligibility, but this mandate is not a federal requirement.[5,6] Mandated child support cooperation means that, to be eligible to receive subsidies, the custodial parent must provide information to the state regarding the noncustodial parent to establish and enforce child support obligations.

States also have their own requirements for how frequently parents must inform the state of changes to income and employment and when they may recertify their eligibility for a subsidy. Federal guidelines require that states allow children to remain eligible for at least 1 year, regardless of temporary changes to a parent's employment situation during that time.[7,ii]

Once families are determined to be eligible and receive a child care subsidy, families must find and select care for their children with providers who accept subsidies and have available slots. Provider policies within states affect the options available to subsidized families. For example, states may offer eligible families a voucher to cover the cost of child care, which allows parents to select a provider of their choice among those who accept the subsidy voucher; the state then reimburses the provider for providing care based on the age of child, number of hours in care, and the rate the provider qualifies for.

In February 2024, the federal government released rules which require, in part, that states enter into contractual agreements with providers to designate some slots for subsidy-eligible children in underserved geographic areas, infants and toddlers, and children with disabilities.[2] Contracting may give providers more financial stability and allow states to more directly influence the type and quality of care funded through subsidies (e.g., by contracting with providers meeting standards of high-quality care).[8] Though the federal rule became effective in April 2024, states may request a waiver to extend their implementation period by 2 years. As of federal Fiscal Year 2022, only five states reported using contracting to deliver subsidies for their caseload.[9,iii]

[ii] A 12-month eligibility period applies unless a loss of employment is permanent or parent income exceeds 85 percent of the state median income.

[iii] States may also provide cash payments to families to cover a set amount of the cost of child care. This approach is uncommon: only three states (HI, MI, MT) take this approach. The figures represented here do not appear to account for recent uptick in the use of mixed-delivery models.

An important aspect of the child care subsidy program is the dollar amount providers receive from the state (either through a voucher payment or contracting) to reimburse for the cost of caring for children with subsidies. The federal rule also included provisions to improve payment stability for existing providers and incentivize more providers to participate in the subsidy system.[2] Under this rule, states are required to pay providers prospectively—in advance or at the start of services—and to reimburse providers based on enrollment, rather than attendance. States are also encouraged to allow providers to be paid the full amount of subsidy reimbursement, even if that amount is greater than the rate paid by families who do not receive subsidies (i.e., private pay rate).

The federal government uses percentiles to measure and compare states' provider reimbursement rates on how adequately their subsidies ensure equal access to the child care market among subsidy recipients. States conduct their own analyses of the prices associated with their child care slots through a market rate survey (MRS) or alternative methodology; these slots are ranked by price charged, and the base state reimbursement rate is then compared to that ranking.[10] For example, if a state's base subsidy reimbursement rate is found to be at the 75th percentile of the child care market, then 25 percent of child care slots charge higher rates than the state's reimbursement rate.

According to federal guidelines, MRS (or alternative methodologies, such as cost modeling) should be used by states to determine payment rates[2] and must be conducted every 3 years and no earlier than 2 years prior to states' submission of their Child Care Development Fund (CCDF) plans.[11–13] However, not all states adhere closely to this guidance. As of June 2025, 26 states were using an out-of-date MRS.[14,iv] Four states (Colorado, District of Columbia, New Mexico, and Virginia) have adopted a cost model approach to estimate the true cost of quality child care in the state.[14]

The federal government considers state reimbursement rates at the 75th percentile of the market rate or above (covering three-fourths of slots in the state) as providing families with lower levels of income with equal access to the child care market, but percentiles vary widely between states. The 75th percentile guideline was established as a benchmark and proxy for equal access in the 1998 final rule governing the CCDF after welfare reform; this benchmark was already recognized by states due to its inclusion in Title IV-A child care programs of the Social Security Act.[13,15–17]

Notably, the 75th percentile benchmark does not necessarily ensure equitable access to high-quality care because the price that child care providers can charge parents with young children reflects what parents are willing to pay, not what it actually costs to compensate educators at adequate levels and to operate a high-quality program.

In April 2024, Prenatal to Five Fiscal Strategies released a report measuring the true cost of high-quality child care. The report found that, for the median state, the cost of quality care for infants and toddlers in center- and home-based care far exceeded current base reimbursement rates.[18] The annual cost of care for infants and toddlers in center-based care in the median state was $31,690 and $26,450, respectively. For infants and toddlers in home-based care, the annual cost of care in

[iv] States are considered in compliance in 2025 if their most recent market rate survey or alternative method used to inform reimbursement rates was conducted in 2023 or more recently.

the median state was $23,380. Because no state has base reimbursement rates that cover the estimated cost of quality care, reimbursement rate amounts are currently inadequate for providing access to high-quality care for infants and toddlers.

Families participating in the child care subsidy program may also be required to make copayments[v] to providers for the care of their children; this copayment is part of the state reimbursement rate. States have flexibility in how copayments are calculated, who is exempt from copayments, and how high copayments may be.[5] These policies matter because high copayments may present a financial burden for families and reduce access to care.[19]

Previous federal guidance suggested that an affordable copayment is equal to, or less than, 7 percent of a family's income. The most recent federal rule makes that guidance official and requires states to cap copayments at 7 percent of family income.[2] In addition to capping copayments, states are encouraged to make child care more affordable by waiving copayments for families with incomes at or below 150 percent of the federal poverty level.

States are making gradual progress to adopt these new rules, however, not every state has met this benchmark yet. Families in many states pay much higher percentages of their income for child care, especially for the youngest children.[20] Even for families who participate in the child care subsidy program, child care expenses may exceed this affordability benchmark if families have high subsidy copayments, or are charged additional fees by providers, or if families have multiple children in child care. As of June 2025, 21 states have maximum copayments that exceed 7 percent of household income for families participating in the child care subsidy program.[14]

Who Is Affected by Child Care Subsidies?

According to the Office of Child Care, over 1.4 million children and nearly 880,000 families benefited from child care subsidies each month in federal FY 2022.[9] Children under age 3 comprised 28 percent of the children whose care was funded by subsidies. Among families served by subsidies in FY 2022, 53 percent had family incomes below the federal poverty level.[9]

In FY 2021, approximately 22 percent of children eligible for subsidies under state rules received them; this low participation rate may be attributed in part to insufficient funding, which leaves many families on waitlists, and in part to the administrative burden families face when applying.[21,22] Families may encounter difficulties acquiring and keeping their subsidies because of complex state eligibility requirements and recertification processes.[23]

Child care subsidies are more likely to affect families with low incomes. Research reveals a significant gap between the percentage of Hispanic families in the US who are eligible for child care

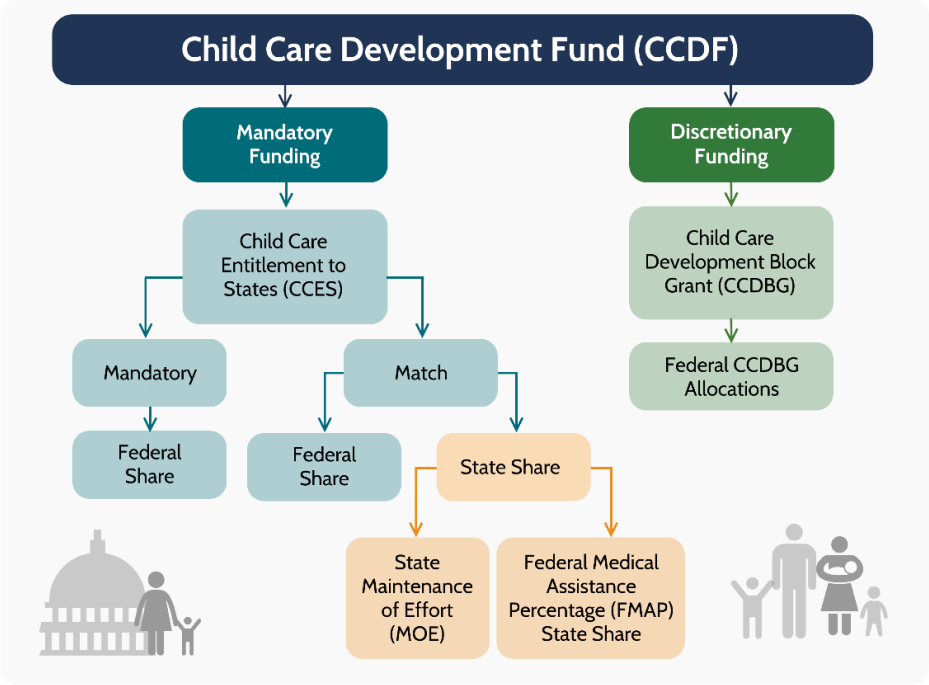
[v] Parent copayments are the payments states require parents to make to providers. The total provider reimbursement rate includes the parent copayment and the payment to the provider made by the state. Parent copayments are sometimes referred to as fees. However, fees may include other types of payments, including if states allow providers to charge families the difference between the provider reimbursement rate and the rates charged by the provider to private-pay families.

subsidies and the families who receive them; Hispanic children account for 35 percent of eligible children but just 20 percent of the population served with CCDF subsidies.[24]

Although Black children are overrepresented among subsidy recipients (25% of the eligible population and 41% of the recipient population), analyses suggest that these children are more likely to live in families with very low-incomes than other groups of eligible children and this may drive their overrepresentation among recipients.[24,25] Although these analyses do not consider other public programs that families may have access to (e.g., Early Head Start/Head Start, public pre-kindergarten), differential access to subsidies between eligible children by race and ethnicity is an important equity consideration.

What Are the Funding Options for Child Care Subsidies?

Child care subsidies are funded through the Child Care and Development Fund (CCDF), which integrates discretionary funding from the Child Care and Development Block Grant (CCDBG) and mandatory and matching funding from the federal Child Care Entitlement to States (CCES).[26]



The CCDBG is currently federally funded at $8.75 billion for federal FY 2025, which is the same funding level as the previous year.[3] The CCES is currently federally funded at $3.55 billion and total CCDF funding is $12.3 billion.[3] Although most funds are distributed to states and territories, tribes are allocated "no less than 2% of discretionary CCDF funding and up to 2% of mandatory CCDF funding" (p. 7).[28] In Grant Year 2024, tribes received a total of approximately $600 million based on appropriations in combined mandatory and discretionary funding.[29]

In addition to the federal mandatory and matching funding, the CCES also requires states to make matching and maintenance-of-effort (MOE) expenditures to access their full allotment of federal

matching funds.[vi] State matching funds may come from public funding, public pre-kindergarten funding (up to 30% of the match), and private donated funds.

States may also use up to 30 percent of the funding received for the Temporary Assistance for Needy Families (TANF) program to fund child care subsidies.[30] States vary in whether they maximize federal dollars by contributing the full match and MOE required funds, whether funds are obligated and liquidated in the necessary timeframe, and whether they supplement these funds with additional state contributions.

Another source of funding is the federal Preschool Development Grant Birth Through Five (PDG B-5), a competitive grant program that provides states with money for early care and education.[27] Initial PDG B-5 grants were awarded to 46 states and territories in December 2018 to conduct a birth through 5 needs assessment and develop a strategic plan. For FY 2024, PDG B-5 is funded at $315 million, and grantees were encouraged to invest in strategies that include supporting and strengthening the early care and education workforce.[27]

As a result of the COVID-19 pandemic, the child care subsidy program and the larger child care sector received an unprecedented amount funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act,[31] Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act,[32] and the American Rescue Plan Act (ARPA).[33] Although unprecedented and tremendously helpful, the infusion of funding has come to an end. These funds do not represent a permanent solution for families and children relying on high-quality and affordable child care services. Long-term investments at the federal, state, and local levels are critical to achieving lasting change for early childhood systems.

Why Should Child Care Subsidies Be Expected to Impact the Prenatal-to-3 Period?

Greater access to child care 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.[34–36] The cost of child care, however, can make it difficult for families, especially those with low incomes, to access affordable, reliable, high-quality care.[37,vii] Public subsidies for child care seek to bridge this financial gap.[38,39]

[vi] To access their full allotment of matching funds, states must match federal funding at the prevailing Federal Medical Assistance Percentages rates. Maintenance-of-effort levels require states to spend at the same level of spending based on state spending on the now-repealed Aid to Families with Dependent Children child care assistance programs (fiscal years 1994-1995).

[vii] "Quality" is defined differently by various research sources and states, but it is often conceptualized into components of "structural" and "process" quality. Structural features of quality are the aspects of the child care environment that can be legislated or mandated, such as child-to-staff ratios or caregiver education requirements, and that are intended to enhance caregiving. Process quality refers to the richness of interactions between children and caregivers, or children and their peers, and of the learning experiences and instruction. The most common broad components in states' frameworks for quality (formalized into quality rating and improvement systems or QRIS) include licensing compliance, ratio and group size, health and safety, curriculum, environment, staff qualifications, administration and management, child assessment, family partnerships, cultural and linguistic diversity, accreditation, provisions for special needs, and community involvement. Research often uses validated scales to measure quality during classroom observations, such as the Early Childhood Environment Rating Scale (ECERS) or the Infant and Toddler Environment Rating Scale (ITERS).

Increased parental employment and access to stable and high-quality child care may result in improved long-term child outcomes, including social-emotional and cognitive development, through two main pathways: (a) directly, through access to high-quality child care that provides enriching and safe environments for children that support positive brain development; and (b) indirectly, through higher family income from increased employment which may reduce family stress, boost access to needed resources, and limit adverse childhood experiences.

However, child care subsidies may not necessarily lead to improvements in cognitive or social-emotional outcomes for children if the child care settings are not high quality. Subsidies may 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 lack of high-quality child care slots for children with subsidies may reflect implications of subsidy provider policies (e.g., low reimbursement rates that are insufficient to cover the cost of providing high-quality care) or may reflect issues with the quality of the overall child care market. For example, there may be few high-quality providers in the market that accept child care subsidies or the number of available slots with these providers may be limited and insufficient to meet demand, leaving families unable to access high-quality care.

In addition, if parents do not have other supports, they need to foster sustained employment, such as reliable transportation and positive working conditions, child care subsidy receipt may be associated with greater parental stress, resulting in poorer parent-child interactions. Finally, if families cannot access subsidies (e.g., due to waiting lists, application policies, or income eligibility limits), the positive impact of subsidies on families with lower incomes may be limited.

What Impact Do Child Care Subsidies Have, and for Whom?

The evidence meeting the standards of this review consistently links subsidy receipt and higher per child state subsidy spending to indicators critical to parents' ability to work, with mixed support for improving families' access to needed services and sufficient household resources. To date, strong causal evidence does not link child care subsidies to child care quality, caregiver wellbeing, or developmental outcomes for infants and toddlers.

The research discussed here meets our standards of evidence for being methodologically strong and allowing for causal inference, unless otherwise noted. Each strong causal study reviewed has been assigned a letter, and a complete list of causal studies can be found at the end of this review, along with more details about our standards of evidence and review method. The findings from each strong causal study reviewed align with one of our eight policy goals from Table 1.

Sources: Slot, P. (2011). *Structural characteristics and process quality in early childhood education and care: A literature review* (OECD Education Working Paper No. 176). Organisation for Economic Co-operation and Development. http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=EDU/WKP(2018)12&docLanguage=En; Caronongan, P., Kirby, G., Malone, L., & Boller, K. (2011). *Defining and measuring quality: An in-depth study of five child care Quality Rating and Improvement Systems* (OPRE Report 2011-29). Office of Planning, Research and Evaluation, Administration for Children and Families, US Department of Health and Human Services. https://www.acf.hhs.gov/sites/default/files/opre/five_childcare.pdf

The Evidence of Effectiveness table displays the findings associated with child care subsidies (beneficial, null,[viii] or detrimental) for each of the strong studies (A through H) in the causal studies reference list, as well as our conclusions about the overall impact on each studied policy goal. The assessment of the overall impact for each studied policy goal weighs the timing of publication and relative strength of each study, as well as the size and direction of all measured indicators.

Of the eight causal studies included in this review, none examined how outcomes differed by race or ethnicity (beyond simply presenting summary statistics or controlling for race/ethnicity). A rigorous evaluation of a policy's effectiveness should consider whether the policy has equitable impacts and should assess the extent to which a policy reduces or exacerbates pre-existing disparities in economic and social wellbeing.

[viii] An impact is considered statistically significant if $p \leq 0.05$. Results with p-values above this threshold are considered null or nonsignificant.

Table 2: Evidence of Effectiveness for Child Care Subsidies by Policy Goal

Policy Goal	Indicator	Beneficial Impacts	Null Impacts	Detrimental Impacts	Overall Impact on Goal
Access to Needed Services	Enrollment in Formal Child Care Settings	B	D		Mixed
	Licensed Child Care Capacity	H			
	Well-Baby Visits		D		
Parents' Ability to Work	Employment	A, D, E, F			Positive
	Number of Hours Worked	F			
Sufficient Household Resources	Household Income		D		Mixed
	Earnings	E			
Parental Health and Emotional Wellbeing	Maternal Depression		D		Trending* Null
Nurturing and Responsive Child-Parent Relationships	Maternal Parenting Skills		D		Trending* Null
Nurturing and Responsive Child Care in Safe Settings	Stability of Primary Care Arrangement		C		Trending* Mixed
	Number of Care Arrangements		C		
	Perceived Child Care Quality	C			
Optimal Child Health and Development	Breastfeeding		D		Null
	Behavioral Problems		D		
	Language Assessments		D		
	Literacy Assessments		D, G		
	Mathematics Assessments		D, G		
	Unexcused School Absences		G		

** Trending indicates that the evidence is from fewer than two strong causal studies or multiple studies that include only one location, author, or data set.*

Access to Needed Services

Causal evidence suggests mixed impacts of subsidy receipt and subsidy policy on indicators of families' ability to access needed services. Two studies included in this review analyzed data from the Early Childhood Longitudinal Study Birth Cohort (ECLS-B), using data from the early to mid-2000s. One study found that $1,000 higher state subsidy spending per low-income child[ix] led to 86 percent higher odds of enrollment in single, center-based care. This finding was specific to infants and toddlers in households with lower parental educational attainment; parents with higher educational attainment were treated as subsidy ineligible.[B]

Another study analyzing this same data set, however, did not find a statistically significant impact of greater state subsidy spending on the type of child care (parent, center-based, noncenter-based/nonparental care) selected by subsidy-eligible parents relative to ineligible parents.[D]

Using more recent data from the American Community Survey and state administrative data from Minnesota, one study indicated that increasing public funding for CCDF vouchers by $100 per child, the licensed child care capacity for private providers increased by 4 percent, or 0.024 slots per child.[H] This finding was aggregated across children 0-4 years old from center and family child care. Additional research is needed to better understand the causal effects of receiving child care subsidies on access to child care.

Access to child care subsidies may also promote families' ability to access other needed services, either directly or as a result of other positive outcomes (e.g., maternal employment). However, there is limited causal evidence on the link between child care subsidies and other indicators of a family's ability to access needed services. One study included in this review found no impact of increased state per child subsidy spending on the likelihood of having attended four well-baby visits at 9 months post-birth.[D]

Parents' Ability to Work

Most studies on child care subsidies examine children older than infants and toddlers and their parents; however, studies that do focus on parents of children ages birth to 3 find positive impacts on maternal employment. For example, a 2016 quasi-experimental study found that a 10 percent increase in CCDF subsidy expenditures per child ages birth to 12 led to a 0.7 percent increase in employment for low-income mothers of children ages birth to 3.[A,x] If CCDF expenditures were tripled, this impact would translate to approximately 376,000 newly employed mothers of children ages birth to 3.

Another study examining the impact of child care subsidies found that $1,000 higher state spending on child care subsidies (per child under age 6) led to a 4 percentage point increase in the likelihood of maternal employment among subsidy-eligible mothers at 2 months post-birth (relative to

[ix] In this definition, the authors include federal and state expenditures on CCDF subsidies from the CCDBG and TANF block grants.

[x] Subsidy expenditures were calculated per child ages 0 to 12 in a state, not just subsidy recipients. This effect can be compared to that among eligible women with children ages 0 to 12, which was 0.5 percent. In this case, low-income means income less than 85 percent of state median income and potentially subsidy eligible.

ineligible mothers); at 9 months post-birth this effect was 3.5 percentage points.[D,xi] However, no significant effect was found at 4 months post-birth.

Several other studies have also examined the impact of subsidy policy on employment indicators and found a number of positive effects. A study of Massachusetts's subsidy program found that an increase of $77 in spending on child care vouchers per low-income[xii] child between FY 1996 and 1997 predicted an increase in the probability of working by 3.6 percent among subsidy recipients who were also current or former TANF recipients (relative to being enrolled in education or training).[F] In addition, a study in one Michigan county of single mothers with children under age 14 found that subsidy receipt increased the proportion of months worked between interviews.[E, xiii]

The study of Massachusetts's subsidy program was the only study included in this review that examined the impact of subsidies on hours worked per week. The study found that an increase of $77 in spending on child care vouchers per child between FY 1996 and 1997 predicted an increase of almost 0.3 weekly hours worked among subsidy recipients.[F] Although positive and statistically significant, this effect is very small and limited in generalizability.

Sufficient Household Resources

Two studies included in this review assess the impact of child care subsidies on household income and earnings and demonstrate mixed findings. One study found no effect of increased spending on subsidies (per child under age 6) on household income when the child was 4 years old.[D] Another study found a positive effect: Subsidy receipt led to a 250 percent[xiv] increase in monthly earnings; however, this study included parents of children under age 14 and the impacts were not limited to infants and toddlers.[E]

Parental Health and Emotional Wellbeing

Only one study included in this review examined an indicator of parental health. The study found no impact of higher state spending on child care subsidies per child under age 6 on maternal depression at 9 months or 4 years post-birth.[D]

Nurturing and Responsive Child-Parent Relationships

Limited evidence exists on the impact of subsidies on parents' caregiving skills, knowledge, and warmth for infants and toddlers. One study included in this review found that higher subsidy spending (per child under age 6) did not impact maternal parenting skills (e.g., intrusiveness,

[xi] Educational attainment is used as a proxy for subsidy eligibility. The authors of this study describe the children as "poor," but do not provide a definition of poverty for their operationalization of subsidies. This summary refers to these children as "low-income."

[xii] Low-income refers to children the authors label as "poor," which appears to mean children living in households with earnings lower than 185 percent of the federal poverty level. See footnote 10, page 12 of the study.

[xiii] The authors did not report the average impact on months worked between study interviews for their two-stage regression model. In the single-stage model, the average impact was an increase of 8 percentage points.

[xiv] This review presents the impact from a two-stage regression model. However, the authors' preferred model estimates this effect at 105 percent. The impact is significant in both models, but the standard error is larger in the two-stage regression model.

detachment, and positive regard) at 9 months post-birth, although there was a small, positive impact at 4 years post-birth.[D]

Nurturing and Responsive Child Care in Safe Settings

Limited evidence also exists on the impact of subsidy usage on indicators of nurturing and responsive care in safe settings; results from one study including infants and toddlers is mixed. This longitudinal study explored the impact of child care subsidy usage among families with young children (age 6 or younger) in Minnesota.[C] Results for indicators of child care stability, including changes in the primary child care provider and the number of care arrangements used, were null.

However, subsidy usage predicted a higher level of quality care as perceived by parents[xv] (by 0.5 standard deviations). This effect was explained by the selection of center-based care, and it provides evidence that subsidy usage may positively and directly impact quality. Two important limitations of this study include: (1) the study relied on parent reports of child care quality, rather than observed ratings by a validated tool, and (2) the study was not limited to infants and toddlers, which may limit the generalization of these findings to the birth to age 3 population.

Optimal Child Health and Development

Few studies examine the impact of subsidy policies on infant and toddler health and developmental outcomes, and those that do find generally null effects. A 2011 study using ECLS-B data from the early and mid-2000s examined child physical health, specifically breastfeeding duration, and found no impact of higher state spending on this health outcome.[D] The study also examined child social-emotional health and found no impact of higher spending on child behavioral problems.[D] The outcomes of this study were assessed at age 4.

Only two studies meeting the standards of evidence for this review examine child cognitive outcomes. However, both assess outcomes when the child is older than age 3, and both results are null. The 2011 study discussed above found that children's cognitive outcomes, measured by literacy, language, and mathematics assessments[xvi] in the year before kindergarten, were not significantly related to state subsidy expenditures.[D] A study of children in Chicago, Illinois whose parents received public assistance at birth found that, overall, subsidy receipt between birth and age 5 led to mostly null impacts on reading scores, math scores, and unexcused school absences between grades 3 and 8, with a few exceptions of very small, positive impacts.[G] Notably, these studies did not account for the quality of child care when examining the impacts of subsidy expenditures and receipts on child developmental outcomes.

[xv] Perceived child care quality was measured by the parent's perception of both structural and process features of quality. Parents responded to 17 scale questions designed to "mirror elements of quality included in Minnesota's quality rating and improvement system." The 17 items were reduced to a single factor by the study authors using factor analysis. For additional details on this measure see page 18 of Krafft, Davis, & Tout (2017; Study C).

[xvi] Literacy assessments included "letter recognition, letter sounds, recognition of simple words, and phonological awareness." Language assessments included verbal ability and spoken vocabulary. The mathematics assessment included "number sense, geometry, counting, operations, and patterns." (p. 15).

The same Chicago study found different impacts depending on the type of child care used by a family. For reading scores, the impact of subsidies for children who attended center-based care was positive at each grade level (effect sizes range from approximately 0.2 to 0.4 standard deviations) and for children who attended licensed home-based care in grades 3 through 5 (effect sizes approximately 0.1 standard deviations).[G] Positive impacts of subsidies on math scores was found at grades 4 through 6 and grade 8 for children in center- and home-based licensed care (effect sizes approximately 0.3 and 0.2 standard deviations, respectively).

A similar pattern continued with unexcused absences, with subsidy receipt predicting decreased absenteeism in grades 4 through 8 (effect sizes approximately -0.1 standard deviations) among children in center care.[G] Subsidy receipt also predicted decreased absenteeism in grades 4, 5, 7, and 8 (effect sizes ranging from approximately -0.1 to -0.2 standard deviations) among children in home-based providers.[G] These results suggest positive impacts of subsidies in the context of licensed care settings; impacts for children in license-exempt settings were null.

The relationship between subsidy receipt and child developmental outcomes was found to be null or slightly negative in three additional studies examining impacts in children age 3 and older.[40–42] More causal research on child developmental outcomes because of subsidy receipt or state subsidy expenditures is needed to better understand the impact of subsides for children ages birth to 3.

Additional Research on Subsidy Implementation Evidence

Studies on the implementation of state subsidy programs can help to explain how each of these policy levers affects outcomes during the birth-to-3 period. Current evidence suggests expanding income eligibility, increasing recertification length, reducing monthly copayments, and increasing reimbursement rates are effective implementation strategies to promote families' access to child care services.[L,M,N,O,P,Q] These policies also support responsive child care in safe settings and optimal child development.[I,J,M,N,O] The current evidence also suggests that including public assistance in income calculations, administering asset tests in determining eligibility, and requiring high levels of employment hours can increase the risks of child maltreatment.[I,K]

Expanding income eligibility, increasing recertification length, reducing monthly copayments, and increasing reimbursement rates for child care subsidies can lead to positive outcomes for children and families through two pathways. First, these policy levers help families gain and maintain access to child care subsidies, which is linked to subsequent child care stability and satisfaction. Second, these policy levers reduce child care costs, allowing families to spend more income on other activities that support child health and development. The two pathways also intersect; the increased child care stability and satisfaction together with more financial resources further reduce parent stress and promote child health and family wellbeing.

By contrast, including public assistance in income calculations, administering asset tests in determining eligibility, and requiring high levels of employment hours within child care subsidy policy can lead to negative outcomes for children and families. These policy levers make it more difficult for families to qualify for child care subsidies and increase administrative burden for them, which limit families' access to needed services. These barriers to access may also elevate parent stress, posing a risk to child abuse and neglect.

Impacts of Expanded Income Eligibility

Income eligibility refers to the maximum household income limit allowed for families to participate in the subsidy program. In 2010, the federal Office of Planning, Research, and Evaluation (OPRE) launched an experimental study to test the impact of expanded income eligibility from 50 percent to 65 percent of the state median income (SMI) in Cook County, Illinois.[M] The study found positive impacts of expanded income eligibility on subsidy receipt. Compared to the control group, families in the program group received subsidies for 8 months longer and were more likely to receive subsidies for 13 consecutive months, although this finding is not specific to infants and toddlers.

The same study also found positive impacts of expanded income eligibility on parent-perceived child care stability and satisfaction, specifically among families with children who are 6 years old or younger.[M] Compared to the control group, families in the program group spent approximately 1 more month at their primary child care provider. On average, families in the program group spent 4.5 months at their primary provider, whereas families in the control group spent 3.5 months.

Additionally, compared to the control group, families in the program group also had fewer interruptions in their primary child care arrangements, and a significantly lower percentage of families in the program group used two or more child care providers in a month.[M] Families in the program group reported higher child care satisfaction than families in the control group perhaps because of the increased child care stability.

These findings suggest that expanded income eligibility leads to greater child care stability and satisfaction that might be subsequently linked with improved family wellbeing and child developmental outcomes. However, these findings are based on one study from one county in Midwest with a large urban population.

Additionally, two studies that used longitudinal, administrative data across all states and the District of Columbia examined the impact of income eligibility levels on child maltreatment.[I,J] One study found more generous income eligibility levels led to lower rates of child neglect and child physical abuse investigations.[J] The other study found a $100 increase in the monthly income eligibility level led to a small decrease in the rate of substantiated[xvii] child sexual abuse (incidence rate ratio[xviii] = 0.99).[I]

Impacts of Increased Recertification Length

Recertification length refers to the maximum time period allowed before families in the child care subsidy program must re-apply. The Illinois OPRE study found that, when compared to the 6-month recertification program group, the 12-month recertification group received 2.5 more months

[xvii] Substantiated child maltreatment refers to the investigations that conclude with sufficient evidence to believe a child has been abused or neglected.

[xviii] Incidence rate ratio (IRR) is a relative measure that compares rates in two groups. In this scenario, IRR is the rate of child maltreatment in the states that have copayment exemption divided by the rate of child maltreatment in the states that do not have copayment exemption. IRR < 1 suggests the former states (i.e., states that have copayment exemption) have a lower rate of child maltreatment.

of subsidy benefits and had a greater percentage of families receiving subsidies for 13 consecutive months.[M] Additionally, two studies that used longitudinal, administrative data found similar results. One study shows adopting a 12-month (vs. 6-month) recertification policy increased subsidy receipt stability by 38 percent,[P] and the other study shows adopting a 12-month (vs. 6-month) recertification policy decreased the risk of existing the subsidy program by 32 percent.[Q]

These findings show that, when everything else remains unchanged (e.g., income eligibility, copayments), simply increasing the recertification length can be an effective implementation strategy that supports subsidy stability. Increased subsidy stability may also further support child care stability and family wellbeing.

Impacts of Reduced and Waived Monthly Copayments

Copayments refer to the payment states require parents to make to providers. Some states waive copayments for families with extremely low incomes and several states have made efforts to reduce family copayments in recent years. In 2010, OPRE launched an experimental study testing the impact of reduced monthly copayments in Washington state.[L] On average, families in the reduced copayment group paid $134 per month, and families in the control group paid $211 per month.

The study found that families in the reduced copayment group received subsidies approximately 1 month longer than families in the regular copayment group.[L] On average, families in the reduced copayment group received subsidies for 13 consecutive months, whereas families in the control group received subsidies for 12 consecutive months.

Additionally, two studies that used longitudinal, administrative data across all states and the District of Columbia examined the impact of monthly copayment levels and copayment waivers on child maltreatment.[I,K] One study found null impacts of monthly copayments on the risks of child neglect, physical abuse, or emotional abuse.[K] The second study found states that have copayment waivers have lower rates of substantiated child maltreatment relative to states that do not have copayment waivers (incidence rate ratio = 0.84).[I] This study highlights the potential beneficial impact of having copayment waivers for families with extremely low incomes.

Impacts of Increased Reimbursement Rates

Reimbursement rates refer to the dollar amount providers receive from the state to reimburse for the cost of caring for children with subsidies. One study has examined the impacts of increased reimbursement rates on subsidy receipt and child care stability.[O] Using longitudinal, administrative data and a quasi-experimental design, the study found that compared to children in the low-reimbursement counties, children in the high-reimbursement counties had lower probabilities of leaving the subsidy program (13% lower for child care centers and 10% lower for family child care, respectively) and higher probabilities of staying with the same child care provider (12% percent higher for child care centers and 7% higher for family child care, respectively).[O]

These findings highlight the positive impacts of increasing reimbursement rates on families' access to child care services and child care stability. However, the findings of this study are based on children from infancy to age 3 years old.[O] Future studies should examine the impact of increasing reimbursement rates for families with young children, and specifically during the birth-to-3 period.

Impacts of Higher Levels of Employment Requirements

States may have employment requirements for families to participate in the child care subsidy program. Only one rigorous study has examined the potential detrimental impact of employment requirements for families receiving child care subsidies.[K] Using longitudinal, administrative data between 2009 and 2019 across all states and the District of Columbia, the study examined the impacts of employment requirements on child maltreatment.

States' employment requirements may fluctuate over time, but according to the CCDF Policies Database in 2019, 28 states did not have minimal hour requirements, 13 states required 15 to 20 hours per week, 5 states required 24 to 28 hours per week, and 5 states required 30 hours per week.[K] The study found that requiring employment does not cause elevated risks of child neglect.[K] However, the study found requiring 30 hours/week of employment predicted an elevated risk of child neglect, which suggests that high employment requirements can cause detrimental child outcomes.[K] Importantly, this finding is specific to families with children 4 years old or younger.

Impacts of Differential Definitions of Income

The implementation of certain policies can make it more difficult for families to qualify for child care subsidies despite meeting income eligibility criteria. When defining income eligibility requirements, states can determine what qualifies as income and the level of assets families can have to qualify for child care subsidies.

Some states include public assistance in definitions of household income, such as Supplemental Nutrition Assistance Program (SNAP) benefits, in household income for determining eligibility. States may also use asset tests. Defined by the state, families may only have assets valued at or less than a specific threshold to qualify for child care subsidies. Assets may include cash, money in bank accounts, vehicles, investments, and real estate.

Only one study that meets the standards of this review has examined the potential detrimental impacts of including public assistance as income and asset tests for families receiving child care subsidies.[I] Using longitudinal, administrative data across all states and the District of Columbia, the study found that each additional source of public aid counted toward a family's income predicted an increase in the rate of substantiated child maltreatment (incidence rate ratio = 1.04).

In terms of using asset tests to determine child care subsidy eligibility, the study found that states that use an asset test have higher rates of substantiated child abuse relative to states that do not use an asset test (incidence rate ratio = 1.04).[I] The same study also found states that use an asset test have higher rates of substantiated child neglect relative to states that do not use an asset test (incidence rate ratio = 1.23).[I]

Although this study does not specifically focus on families with infants and toddlers, it highlights the potential detrimental impacts of including public assistance as income and administering an asset test when determining eligibility. Making it more difficult for families to qualify for a child care subsidy is linked with less optimal child outcomes and higher risks of child maltreatment.

Impacts of Combination of Policies

States may choose to adopt multiple subsidy policies at the same time to promote families' access to services and children's outcomes. One study has examined the impacts of multiple policies implemented around the same time period.[N] Using longitudinal, administrative data from Minnesota, the study examined the impacts of increasing income eligibility (i.e., from 10% to 65% of SMI in September 2018) and reimbursement rates (i.e., from 20% to 30% of market rate in July 2019) on receipt of subsidies and access to high-quality child care.

The study found that after policy expansions, the number of children receiving subsidies increased drastically and the number and percentage of children using subsidies to attend higher-rated[xix] child care programs increased significantly from 2018 (N=678, 5.3%) to 2020 (N=6,946, 33.5%).[N] These findings illustrate the possibility of "synergy effects" of adopting multiple policies at the same time to bolster child care system and families' ability to access high-quality services.

Is There Evidence That Child Care Subsidies Reduce Disparities?

Race/Ethnicity

No studies included in this review directly assess the effectiveness of child care subsidies at reducing disparities in outcomes for parents and children by race or ethnicity. However, equal access to child care subsidies remains a concern. Because of the administrative burden associated with applying for child care subsidies, families who are eligible are often unable to access them.

A research series examine the state policies and practices in 13 states,[xx] each with 80 percent of Hispanic children in the state living in low-income communities. The series indicated that considerable variation exists among these states in terms of their child care subsidy policies and practices.[43-46] For example, seven states have requirements for minimum weekly work hours, which may impose a higher burden on Hispanic families who take seasonal jobs.[44] In addition, seven states have documentation requirements for household members, which may influence families' decision to apply for the program.

The series also revealed that many local subsidy caseworkers and administrators engage in more restrictive practices than are required by official state policy.[45] This finding is consistent with historical research showing how the implementation of child care subsidy programs have been shaped by distrust of low-income communities, particularly those from marginalized groups, to create systems focused on compliance and monitoring for fraud.[45]

Research also reveals a significant gap between the percentage of Hispanic families in the US who are eligible for child care subsidies and the families who receive them; Hispanic children account for 35 percent of eligible children, but just 20 percent of the population served with CCDF subsidies.[24] Documentation requirements may be one factor limiting participation for this group—

[xix] Higher-rated child care programs received a rating of 4 or 5 on a scale of 1 to 5 based on the state child care quality rating system.

[xx] These 13 states include AZ, CA, CO, FL, GA, IL, NJ, NY, NM, NC, PA, TX, WA

for example, many states ask for subsidy applicants' social security numbers but do not make it clear that providing them is optional.[46]

Although Black children are overrepresented among subsidy recipients (25% of the eligible population and 41% of the recipient population), analyses suggest that these children are more likely to live in families with very low-incomes than other groups of eligible children, and this may drive their overrepresentation among recipients.[24] Indeed, 35 percent of eligible Black children live in households with incomes below the federal poverty level, compared to 12 percent of eligible Asian children, 25 percent of eligible Hispanic children, and 16 percent of eligible White children.[22]

More research is needed to establish whether child care subsidies contribute to closing disparities in outcomes for parents and children by race and ethnicity, and the specific policy levers that states should adopt to provide child care subsidies to families and ensure equitable access to child care.

Socioeconomic Status

One study included in this review uses parents' educational attainment as a proxy for subsidy eligibility and offers a perspective on the differential impact of child care subsidies by parents' education level. Parents with lower educational attainment (a high school diploma or less) were more likely to enroll in single, center-based care, rather than multiple arrangements, as a result of higher state subsidy spending, relative to parents with higher educational attainment.[B] Beyond this, no studies included in this review directly assess whether subsidy receipt or dimensions of subsidy policy reduce gaps in outcomes for children by socioeconomic status.

Current research does suggest, however, that children in families with low incomes are less likely to be enrolled in formal, center-based, and high-quality care than their counterparts with higher incomes.[B] Some research suggests that subsidies may facilitate greater access to formal settings,[B] 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.[D,47]

Infant and toddler care is more expensive, on average, than care for older children, and fewer high-quality providers are available for this age group, therefore lower-income families with very young children face particularly acute barriers when seeking child care, even with access to subsidies.[48] Future causal research should assess how subsidies may help reduce disparities among infants and toddlers by socioeconomic status.

Has the Return on Investment for Child Care Subsidies Been Studied?

None of the strong causal studies included in this review directly assess the return on investment or cost savings as a result of subsidy receipt or subsidy policies. However, a benefit-cost analysis based on a New York state child care subsidy expansion shows a positive return. In FY 2023, the Office of Children and Family Services enacted the New York State Child Care Expansion (NYSCCE) as part of the state's budget bill. The enacted expansion increased the income eligibility of child care subsidies from 200 to 300 percent of the federal poverty level.[49] The benefit-cost analysis estimates a yearly social benefit of $12.4 billion relative to a yearly cost of $1.6 billion.[50]

The Prenatal-to-3 Policy Impact Center conducted an analysis of Virginia's $309 million investment in early childcare and education services. In FY 2023, Virginia invested an additional $309 million compared to the previous year, using state and federal dollars to support the Child Care Subsidy and Mixed Delivery programs. Our results indicate this investment reached more than 11,100 children under the age of 5 and resulted in at least $778 million in combined cost savings and economic benefits over the lifetime of the children who received care because of this investment.[51]

What Do We Know, and What Do We Not Know?

Existing evidence points to the effectiveness of child care subsidies as a strategy to improve outcomes in the birth-to-3 period. Evidence fairly consistently links both subsidy receipt and higher state subsidy expenditures to positive outcomes for the ability of parents to work (e.g., higher maternal employment), with evidence that subsidies may also positively impact access to needed services and sufficient household resources (e.g., earnings) in the birth-to-3 period.

However, the limited evidence base on the link between subsidy receipt and state subsidy spending and outcomes related to parental health and emotional wellbeing, nurturing and responsive child-parent relationships, nurturing and responsive care in safe settings, and optimal child health and development for the birth-to-3 period suggests mixed or mostly null findings.

Additional research in these areas is needed to better understand the impacts of subsidies on caregiver, infant, and toddler outcomes, as well as impacts on quality of child care settings. In particular, future research is needed to identify which state policy choices in subsidy policy drive improvements in outcomes. Research is also needed on the potential for subsidies to reduce disparities for infants and toddlers by race, ethnicity, and socioeconomic status.

Research on the effectiveness of specific components of subsidy policy such as the optimal income eligibility thresholds, recertification length, and family copayment to improve family and child outcomes is also needed. Current evidence suggests expanding income eligibility, increasing recertification length, and reducing monthly copayment are effective implementation strategies to promote families' access to child care services, nurturing and responsive child care in safe settings, and optimal child and health development. Future research should consider how states can best balance eligibility thresholds, reimbursement rates, and family cost burdens to maximize benefits for families during the birth-to-3 period.

Insights on the Link Between Subsidies and Quality

Limited causal evidence on child care subsidies and child care quality focuses on infants and toddlers. Only one study (Study C) is included in this evidence review. Nonetheless, other research studies may also help us better understand the impacts of subsidy receipt on child care quality.

Research on Children Ages 3 to 5

Research on children ages 3 to 5 years old may provide useful insight into the potential connections between child care subsidies and the type and quality of care. For example, research on children ages 3 and older supports the positive finding included in this review on the link between subsidy receipt and use of formal care.[52]

A study that analyzed Fragile Families and Child Wellbeing Study data found that subsidy receipt was linked to selection of higher-quality care overall, by one-third of a standard deviation on quality measure scores[xxi]. In this study sample, child care subsidy recipients were more likely to choose center-based care than nonsubsidy participants, and center-based care was rated higher quality than other types of child care.[52,xxii]

Another study examining child care among children at age 4 using ECLS-B data similarly found that the type of care mattered for quality: 62 percent of the positive association found between subsidy receipt and quality was attributed to the type of care setting chosen (in particular, higher enrollment in center-based care).[53] This evidence on children ages 3 to 5 corroborates the findings of the study included in this review suggesting subsidies may have a positive impact on quality, particularly through the increased use of center-based care among families receiving subsidies.

One limitation to extrapolating findings from children ages 3 to 5 to children ages birth to 3 is that parents have different preferences regarding the type of child care they prefer to use depending on child age. Observational research suggests that parents of infants and toddlers prefer relative and home-based care (i.e., family child care) over center-based providers.[54,55] If improvements to child care quality are driven by parents selecting center-based care when using child care subsidies, these impacts may be more muted among infants and toddlers.

Additional Observational Evidence

Two observational studies provide evidence suggesting that child care subsidy policies may be able to positively affect the quality of care families receive. One study examined the implications of providing additional financial assistance to reduce copayments (to no more than 10% of monthly household income) for families receiving subsidies. It also examined the implications of providing financial assistance to families whose incomes were between 185 percent and 200 percent of the federal poverty level, an income range that otherwise would be disqualified.[35]

Results from mixed-methods analyses suggested that parents in the child care assistance program reported positive impacts from program participation, including that the assistance allowed families to continue to use quality providers in the face of financial challenges and, for some families, allowed parents to "purchase quality care for the first time" (p. 414). Although this study did not directly assess the impacts of subsidy policies, it suggests potential positive implications for family-friendly subsidy copayment and income eligibility policies.

A second observational study examined the association between higher subsidy payment rates and child care quality.[53] For child care centers participating in the subsidy system, higher base reimbursement rates were associated with a higher likelihood of meeting the quality composite

[xxi] Quality of center-based care was measured using the Early Childhood Environment Rating Scale- Revised (ECERS-R) and quality of home-based care was assessed using the Family Day Care Rating Scale (FDCRS).
[xxii] The mean quality score for center-based care was 5.01 (standard deviation 1.39), as compared to 3.13 (standard deviation 1.28) for home-based care in this sample.

measure,[xxiii] an association driven by an increased likelihood of earning a quality rating. An additional $100 difference between the lowest and highest tiered subsidy rates was associated with a higher likelihood of meeting the quality composite standard in the study.

Similarly, the difference between the lowest and highest payment tiers was associated with the quality composite measure for child care homes participating in the subsidy system. These findings suggest that within the subsidy system of tiered reimbursement rates, higher child care quality is often linked with higher reimbursement rates, and therefore, the use of tiered reimbursement rates can encourage providers to improve child care quality.

The same study also examined the association between provider-friendly payment policies and child care quality.[53] It found that for both child care centers and child care homes, neither the increased use of contracts (versus vouchers) or the provider-friendly policy index was associated with the quality measures used in the study. Additional research is needed to assess how aspects of subsidy policies may affect different types of providers in different ways, with particular attention to variation in different incentive types.

Research on Quality Rating and Improvement Systems (QRIS)

Finally, other studies of state and local quality rating and improvement systems (QRIS) provide some evidence that suggests potentially positive links between subsidy reimbursement rates and child care quality. For example, a study of the North Carolina QRIS found that lower quality ratings led to future quality improvements. The authors hypothesized that tiered subsidy reimbursement rates attached to quality ratings (i.e., higher rates for higher quality ratings), along with market pressures, may be driving this impact.[56]

Additionally, recent analyses of state QRIS have started to examine patterns of quality ratings among QRIS offering tiered reimbursement rates (and among states requiring QRIS participation and/or quality rating requirements to participate in the subsidy system);[57] research is needed that can assess casual effectiveness of these financial incentives.

Because a critical goal of the child care subsidy program is to increase access to high-quality care for families with lower incomes, the findings of these studies are important. The field first needs to understand if subsidies can impact the quality of care a child receives and then understand the optimal reimbursement rate level that leads to an improvement in the quality of care families with subsidies can access and select.

To date, little research exists on the optimal reimbursement rate levels needed to allow families to access high-quality care. Based on current evidence, there is not a clear understanding of whether the 75th percentile threshold is sufficient: Market rates collected through surveys reflect the rates providers charge but may not be reflective of the true cost of high-quality care, especially if the

[xxiii] The binary quality composite measure used in this study was equal to 1 if providers met at least two of the three quality indicators: "having a quality rating from a state or local agency, a child care resource and referral agency, or an accreditation body; provider policies on professional development; use of standardized curricula." Survey items differ depending on provider type. See pages 12 and 32 of Greenberg, et al. (2018) for more details.

surveys are not current or if providers do not adequately account for costs in setting tuition rates for child care.

Given, many state reimbursement rates fall below recommended levels to allow equal access to the child care market[58] and fall far short of covering the costs to providers of high-quality care,[18] more research is needed to assess whether families can access quality care through the subsidy program, particularly among families with infants and toddlers.

Are Child Care Subsidies an Effective Policy for Improving Prenatal-to-3 Outcomes?

The current evidence base demonstrates the effectiveness of both child care subsidy receipt and greater state per child subsidy spending at increasing maternal employment, with some evidence that child care subsidies may improve families access to single, formal child care arrangements and increase earnings.

States vary considerably in the choices they make regarding child care subsidy policy, including the level at which they set base subsidy reimbursement rates and whether these rates allow equal access to the child care market and cover the full cost of providing care. States also vary in the method they use to set these rates, and the level of cost burden placed on families participating in the child care subsidy program. Furthermore, federal benchmarks on rates have not been linked to child care quality based in existing research.

Although the current evidence base does not provide clear guidance to states on how to most effectively fund or implement subsidy programs, growing research suggests that expanding income eligibility, lengthening recertification periods, reducing family copayments, and increasing reimbursement rates can help promote families' access to child care services and child care stability.

How Did We Reach Our Conclusions?

Method of Review

This evidence review began with a broad search of all literature related to the policy and its impacts on child and family wellbeing during the prenatal-to-3 period. First, we identified and collected relevant peer-reviewed academic studies as well as research briefs, government reports, and working papers, using predefined search parameters, keywords, and trusted search engines. From this large body of work, we then singled out for more careful review those studies that endeavored to identify causal links between the policy and our outcomes of interest, taking into consideration characteristics such as the research designs put in place, the analytic methods used, and the relevance of the populations and outcomes studied. We then subjected this literature to an in-depth critique and chose only the most methodologically rigorous research to inform our conclusions about policy effectiveness. All studies considered to date for this review were released on or before February 28, 2025.

Standards of Strong Causal Evidence

When conducting a policy review, we consider only the strongest studies to be part of the evidence base for accurately assessing policy effectiveness. A strong study has a sufficiently large,

representative sample, has been subjected to methodologically rigorous analyses, and has a well-executed research design allowing for causal inference—in other words, it demonstrates that changes in the outcome of interest were likely caused by the policy being studied.

The study design considered most reliable for establishing causality is a randomized controlled trial (RCT), an approach in which an intervention is applied to a randomly assigned subset of people. This approach is rare in policy evaluation because policies typically affect entire populations; application of a policy only to a subset of people is ethically and logistically prohibitive under most circumstances. However, when available, RCTs are an integral part of a policy's evidence base and an invaluable resource for understanding policy effectiveness.

The strongest designs typically used for studying policy impacts are quasi-experimental designs (QEDs) and longitudinal studies with adequate controls for internal validity (for example, using statistical methods to ensure that the policy, rather than some other variable, is the most likely cause of any changes in the outcomes of interest). Our conclusions are informed largely by these types of studies, which employ sophisticated techniques to identify causal relationships between policies and outcomes. Rigorous meta-analyses with sufficient numbers of studies, when available, also inform our conclusions.

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