

# The History of Child Care Policies

Implications for Equitable  
Implementation

DECEMBER 2025



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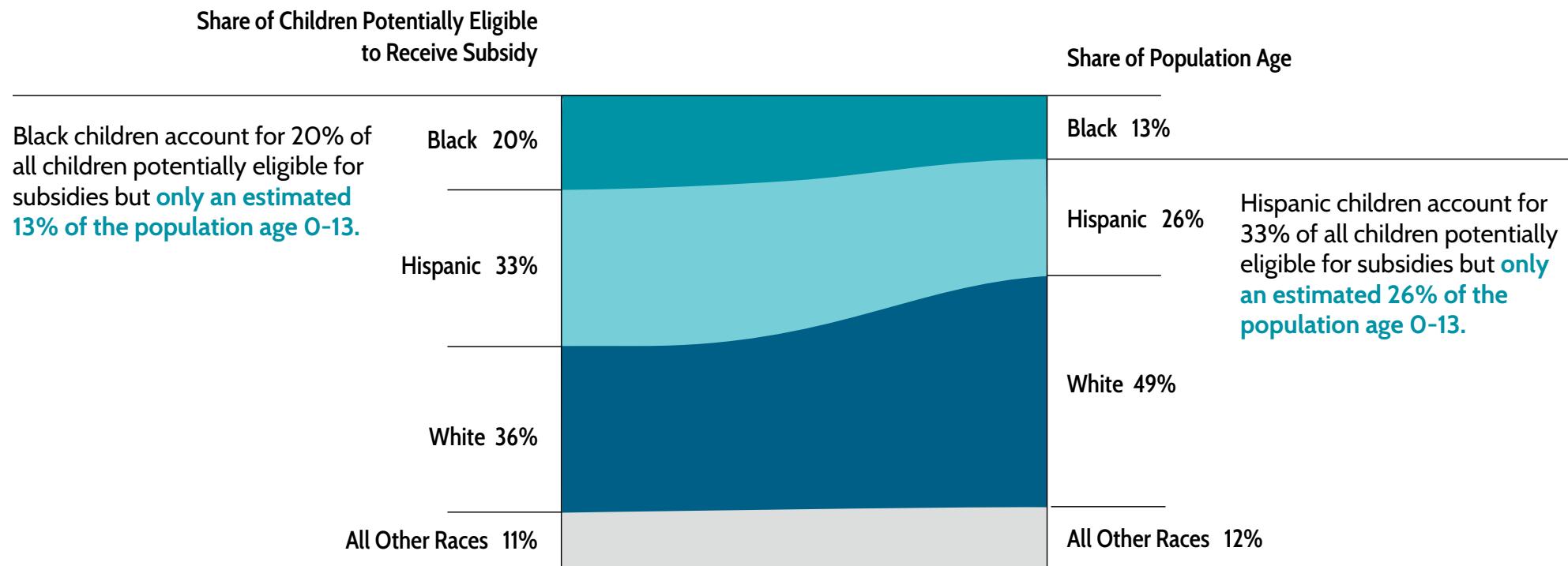
# Executive Summary

Child care subsidies provide financial assistance to families with low incomes to make child care more affordable. Access to care allows families to pursue employment or educational opportunities and fosters young children's health and wellbeing during the most rapid and sensitive period of development. Yet, our current child care systems are rife with inequities; state choices around eligibility, application procedures, family contributions, and provider policies all contribute to substantial variation in families' experience.



### Figure 1. All Children Potentially Eligible to Receive Subsidy by Race

Systemic racism increases the likelihood that families of color experience poverty, leading to overrepresentation of Black and Hispanic families eligible for federal child care subsidies (via the Child Care and Development Fund).<sup>1</sup>



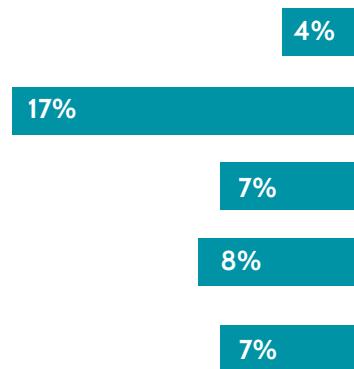
Source: Hardy, Schmit, & Wilensky (2024)

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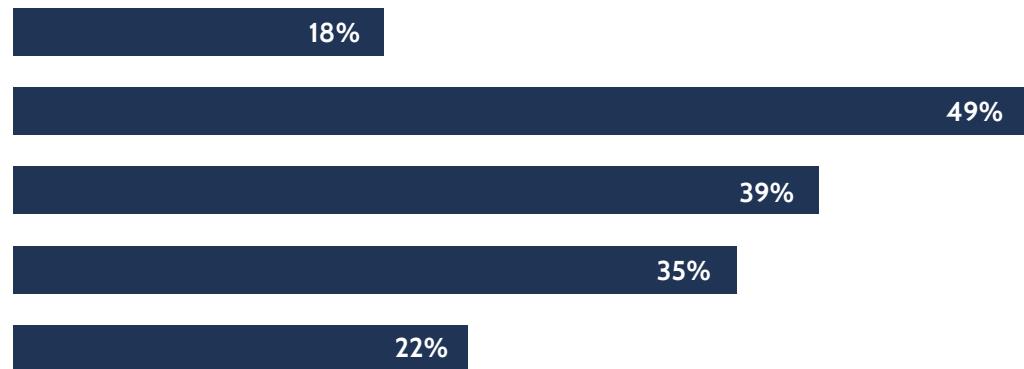
**Figure 2.** Potentially Eligible Children within Racial Group Estimated to Receive Subsidies

Nationally, an estimated one in three children are potentially eligible to receive a subsidy; even so, potentially eligible families often are unable to access subsidies.<sup>1</sup>

**Estimate of Potentially Eligible Children Served**



**Children Potentially Eligible for Subsidy within Racial Group**



49% of Black children are potentially eligible for CCDF but **only an estimated 17% receive a subsidy.**

39% of Hispanic children are potentially eligible for CCDF but **only an estimated 7% receive a subsidy.**

35% of Native American children are potentially eligible for CCDF but **only an estimated 8% receive a subsidy.**

The inequities in state child care systems are not new. Over the last 125 years, the American approach to child care has significantly altered, with the goals and values of child care policies shifting according to the perceived identity—particularly the racial identity—of mothers receiving aid. As such, the availability and generosity of financial support for care have been consistently set according to subjective judgments of “deservingness;” this judgement in turn serves to justify the inadequate subsidy system families with low incomes, particularly families of color, still experience today.

This historical analysis illustrates the throughlines from our country’s earliest child care policies to today’s subsidy systems, with a particular focus on the racial equity of policy design and implementation over time. **In doing so, we identified two key themes that have contributed to the current inequities in subsidized care:**

1. Despite the ever-changing and often disjointed policy landscape, reforms have continuously built on preceding policies, thereby perpetuating harmful assumptions about the character and needs of recipients.
2. The attempts to exclude recipients of color and, if included, limit the generosity of aid, creates unique, inequitable barriers for families of color while also undermining the foundation of the subsidized care system for all families with low incomes.

Nonetheless, state leaders have the opportunity to address inequities and enhance their state child care subsidy program to ensure all families receive the assistance they need. Research on child care subsidies has found both subsidy receipt and higher state subsidy expenditures improve parents’ ability to work, particularly maternal employment. Subsidy receipt and state expenditures are also linked to increased access to needed services (e.g., use of single, formal child care arrangements) and greater household resources.<sup>2</sup>

As such, subsidized child care is a fundamental policy lever that can alter the level of poverty experienced by families. State policy choices concerning subsidized care, and particularly the generosity of those choices, can mitigate risk factors (e.g., unemployment, single motherhood, low educational attainment) faced by many families.<sup>3</sup>

Read our comprehensive review of the evidence on child care subsidies [here](#).

# Introduction to Child Care Policy History

A rigorous review of federal child care policy over the last 125 years shows that subsidized care has been inaccessible and inadequate for many families with low incomes, particularly families of color. Repeated failures to create more robust and accessible child care policy are directly linked to systemic racism—as evidenced by the perpetuation and exacerbation of racial inequities over time.

Justified by the American ideal of self-sufficiency, federally subsidized child care tends to provide inadequate financial support and numerous requirements for parents,<sup>i</sup> often mothers, to fulfill.<sup>4–6</sup> Presented as necessary to encourage independence, requirements have been intentionally or reflexively designed by states to limit applicants who are not White from receiving aid.

Children on playground of the Fannie Wall Children's Home, Oakland, California, 1950.  
(Source: African American Museum & Library at Oakland Photograph Collection)



<sup>i</sup> The term “parents” is used throughout this paper for simplicity but should be understood as the child’s primary caregiver, whether that be a parent, grandparent, relative, foster parent, etc.

Although child care policies over time have become less explicit in expressing biases against certain perceived recipients of aid, there has continuously been inequitable design and implementation of such policies according to gender, class, and especially race; the intersectionality of identities has left Black women with low incomes especially vulnerable when trying to access aid.<sup>7,8</sup>

## Key Terminology

**Racism** is “a system of structuring opportunity and assigning value based on the social interpretation of how one looks (which is what we call “race”), which unfairly disadvantages some individuals and communities and unfairly advantages other individuals and communities.”<sup>9</sup>

**Systemic racism** is the interconnected nature of racism experienced at the individual (between people), institutional (within power systems), and structural (across society) levels. Together, these forms of racism operate to maintain and normalize a system which is harmful to some individuals and communities while unfairly benefitting other individuals and communities.<sup>10</sup>

**Equity** is practiced when (1) all individuals and populations are valued equally; (2) historical injustices are recognized and rectified; and (3) resources are provided according to need.<sup>9</sup>

Our historical analysis of US child care policies reveals a fragmented federal approach to subsidizing child care. For most of the 20th century, child care assistance was embedded in welfare policy; cash assistance was provided to allow mothers to stay home and care for their children. Notably, as families of color increasingly accessed welfare, assumptions about “deservedness” influenced punitive policy shifts that limited the generosity of support and mandated parents’ workforce participation. Due to the intertwined nature of welfare and child care policy, this exclusionary approach undermined the strength and stability of welfare, and therefore child care, policies and led to the creation of subsidized care systems that are often dysfunctional for families in need.

**Table 1.** Summary of Child Care Policy Over Time

Program – Policy	Effective Year	Target Population	Funding	Administration	Child Care Provisions	Access and Implementation
<b>Mother's Pensions</b>	1900s-1930s	Mothers with low incomes who were widowed, deserted, or divorced	Counties responsible for providing 100% of funding	Counties set eligibility and administered cash assistance	Policies designed for mothers to stay at home to care for their children, failing to recognize the needs of working mothers	Based on subjective criteria, working-class, immigrant, and especially Black women were refused pensions
<b>Emergency Nursery Schools (ENS) – Works Progress Administration</b>	1933-1943	Children in families receiving welfare	Partially federally funded, with the remainder funded locally	States set eligibility and administered program sought employment	ENS programs, when available, provided a safe environment for children while parents sought employment	Access to ENS was variable, with only some states offering programs for children of color and all programs having a limited number of slots
<b>Child Care - Lanham Act of 1940</b>	1940-1946	War-impacted communities	Federal funding at two-thirds of the cost, with the remainder locally funded, typically through tuition	Local administrators set program standards	Child care, when available, provided a safe environment for children during mothers' war work	Accessing care was especially difficult for Black and Hispanic mothers, who experienced discrimination in child care admission policies
<b>Aid to Dependent Children (ADC) - Social Security Act of 1935</b>  <b>Name changed to Aid to Families with Dependent Children (AFDC) under the Public Welfare Amendments of 1962.</b>	1935-1996	Children of mothers with low incomes who were widowed, deserted, or divorced; later broadened to include one- and two-parent households	Federally funded at one-third of total expenditures; states responsible for remainder. This formula fluctuated over time, until 1965 when states were reimbursed at the Medicaid matching rate.	States that chose to participate set eligibility and administered program, submitting plan outlining choices to federal government	Originally, ADC was designed for mothers to stay at home to care for their children, failing to recognize the needs of working mothers. Once work programs were implemented (see immediately below), child care subsidies became available.	Discriminatory eligibility practices at the federal and state level kept families of color from accessing aid

Program – Policy	Effective Year	Target Population	Funding	Administration	Child Care Provisions	Access and Implementation
<b>Amendments to AFDC</b>						
Community Work and Training (CWT) - Public Welfare Amendments of 1962	1962-1967	Parents receiving aid, especially unemployed fathers	Federally funded at 75% of costs, with states responsible for the remainder	States that chose to participate set eligibility and administered program within broad federal guidelines	Child care was available to CWT participants during work hours	Work program was not widely accessible and replicated low-wage work traditionally held by workers of color
Work Incentives Program (WIN) - Social Security Amendments of 1967	1967-1988	Parents receiving aid (except mothers with children under age 6)	Federally funded at 80% of costs, with states responsible for the remainder	States set eligibility and administered program within broad federal guidelines	Child care was available to WIN participants during work hours	Work program replicated low-wage work traditionally held by workers of color
Job Opportunity and Basic Skills (JOBS) Training - Family Support Act of 1988	1988-1996	Parents receiving aid (except mothers with children under age 3)	Federal funding match rate of 90% of state costs	States set eligibility and administered program within broad federal guidelines	Child care was guaranteed through AFDC-Child Care and Transitional Child Care	Work program replicated low-wage work traditionally held by workers of color
Child Care Development and Block Grant - Omnibus Budget and Reconciliation Act of 1990	1990-Present	Families with low incomes	Federal government responsible for providing 100% of funding	States set eligibility and administer program within broad federal guidelines, submitting application for federal approval every 3 years	Provides child care subsidies for eligible families with low incomes	Inequities in eligibility, application processes, family contributions, and provider regulations disproportionately harm Black, Hispanic, and Native American families
Child Care Entitlement to States – Personal Responsibility and Work Opportunity Reconciliation Act of 1996	1996-Present	Families with low incomes	Federal government responsible for providing 100% of mandatory funding. Matching funding is federally funded according to the Medicaid matching rate	States set eligibility and administer program within broad federal guidelines	Provides child care subsidies for eligible families with low incomes	Inequities in eligibility, application processes, family contributions, and provider regulations disproportionately harm Black, Hispanic, and Native American families

# Colonial Settlement through Reconstruction (1600s – 1800s)

The colonization and subsequent development of the United States was fraught with inequities, including in caregiving dynamics. Enslaved, and later free, Black women often cared for White children, and many young Native American children were forcibly enrolled in boarding schools.

The Western colonization of America established a series of inequitable yet widely accepted beliefs and practices. Foremost among these was the practice of slavery, in which the inhumane conditions under which Black people were enslaved and transported across the Atlantic, then forced to live in and labor under in America led to economic prosperity for White slave owners and the burgeoning nation. Even following the emancipation of enslaved people during the Civil War, Black people, especially in Southern states, continued to experience overt discrimination, oppression, and violence as White people strived to maintain the status quo, often legally sanctioned through Jim Crow laws.<sup>11</sup>

"Aunt Judy," a formerly enslaved woman, was employed as a wet nurse by the Walker family, 1835. (Source: State Library and Archives of Florida)



The colonization and continuous expansion of the United States throughout this period also resulted in the genocide and displacement of Native American peoples. White westward expansion destroyed Native Americans' traditional ways of life, causing many tribal nations to experience widespread health problems, as well as become economically dependent on the federal Bureau of Indian Affairs by the end of the 19th century. Furthermore, Native American families, and particularly children through the boarding school movement, were consistently pressured, at times violently, to assimilate into White culture.<sup>ii,11,12</sup>

Similarly, Mexicans, Mexican American, and Asian residents were also subjected to discriminatory practices in the Southwest and West. False and harmful stereotypes served to dehumanize Hispanic and Asian people, justifying inhumane labor conditions, exclusionary policies (particularly concerning immigration), and sanctioned violence.<sup>13,14</sup>

Sioux children on their first day at school, 1897. (Source: Library of Congress)

<sup>ii</sup> The colonization of Native American people continued into the 20th century, but the widespread practice of child removal (rather than child care) along with the promise of tribal sovereignty (although often not honored) largely limited Native Americans' interactions with federal child care policies until the mid-20th century.

These racist beliefs and behaviors had a significant influence on child care systems. Prior to the 20th century, child care was understood as a household responsibility; also embedded was the assumption that childrearing was women's—particularly Black women's—work. Many enslaved women were tasked with raising the slave master's children while their own children were forced to labor, creating the "mammy" stereotype.<sup>7,11</sup>

Even following emancipation, Black women had little choice in work and were consistently underpaid, with the two most commonly held occupations being domestic workers and agricultural laborers. Black women that did work often relied on community care, also known as fictive kin, for child care.<sup>7,11</sup>



# The Progressive Era (1900s – 1920s)

At the turn of the 20th century, state-funded mother's pensions provided financial aid to mothers with low incomes to stay at home and care for their children; yet, subjective judgements of "suitability" excluded working-class, immigrant, and Black mothers from qualifying for aid.

The social welfare of women and children was a central concern for many Progressive reformers in the early 20th century. Upper-class, White women across the country engaged in a number of charitable initiatives to this end, though often inflected with their own racist, classist, and xenophobic biases. Nonetheless, reformers' work brought two child care solutions—day nurseries and mother's pensions—into the public discourse.<sup>15</sup>

Mothers and children at Edgewater-Creche Bryson Nursery, n.d.  
(Source: Library of Congress)



## Day Nurseries

Day nurseries, first established in the late 19th century, are recognized as one of the earliest iterations of out-of-home group child care in America. Day nurseries were primarily located in the Northeast and served White, working-class children, often from immigrant families, with varying quality of service and moralistic programming focused on patriotism, cleanliness, and manners. Philanthropically funded, day nurseries also offered child care as a private good, a framework still in practice today. Yet, concerns with White mothers working out of the home and children's safety and wellbeing stigmatized the use of day nurseries, while a second solution, mother's pensions, became increasingly popular among policymakers.<sup>15,16</sup>



Drawn by Jessie Wilcox Smith. Half-tone plate engraved by J. Tisney  
THE CRÈCHE, HALSEY NURSERY  
Dec 1902  
Drawn by Jessie Wilcox Smith  
New York City - Day nurseries  
N. Y. PUBLIC LIBRARY  
PICTURE COLLECTION

The Crèche, Halsey nursery, 1902. (Source: The New York Public Library)

## Mother's Pensions

Mother's pensions prioritized mothers' ability to stay home and care for their children but were inequitably implemented, with eligibility restricted to the "deserving poor." Although not a federal policy, almost every state had enacted mother's pensions by the end of the 1920s. Funded and administered at the county level, participating counties provided cash payments to mothers with low incomes who faced circumstances outside their control (i.e., widowed, deserted, divorced). This assistance aligned with both traditional gender roles and public perceptions of the "deserving poor," making it so popular that mother's pensions later served as the foundation of the federal Aid to Dependent Children (ADC) program.<sup>15,17</sup>

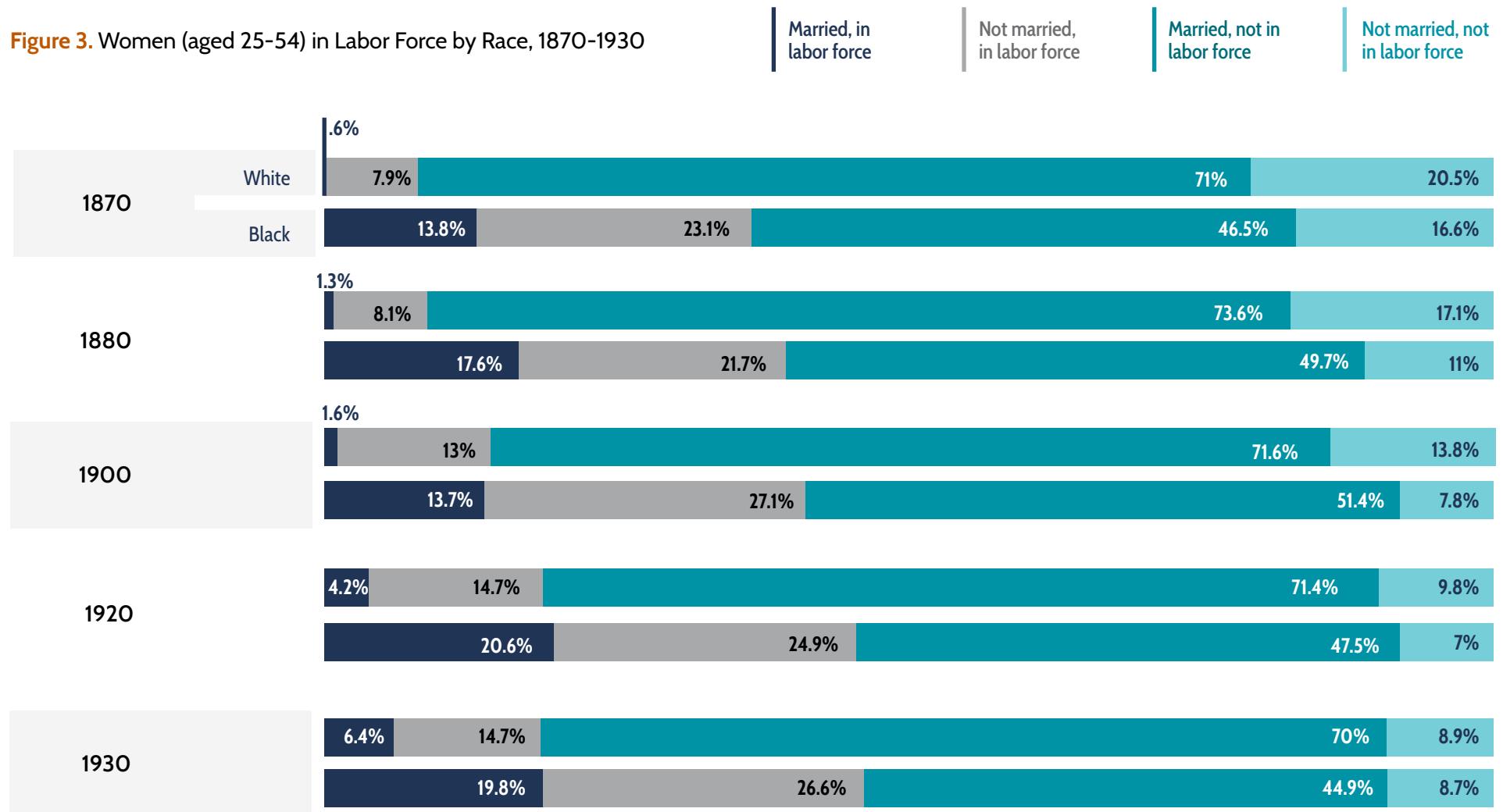
Participating counties had significant latitude in administering pension programs and engaged in discriminatory practices as these programs were implemented. Foremost among these were home "suitability" clauses, which were nominally to protect children from neglect and abuse and allowed caseworkers to deny aid based on their assessment of the health and moral fitness of the home (and by extension, the mother). Biased interpretations of home "suitability" caused immigrant, working-class, and especially Black women<sup>ii</sup> to be more frequently judged as less capable of fulfilling their mothering responsibilities and therefore

not eligible for pensions. Even mothers deemed eligible often had to continue working because the stipends in most cases did not cover the cost of living. Recommendations and outright restrictions against work often funneled pension recipients into low-paid, unstable, and undesirable jobs.<sup>15,17</sup>

Critically, the ideals embedded in pension policies failed to recognize that Black women had continually participated in the labor market dating back to their forced enslavement (see Figure 3).<sup>18</sup> Following emancipation, the continuation of oppressive practices and systematic violence under Jim Crow allowed White employers to largely maintain control over Black individuals' labor, particularly in the South where approximately 80 percent of Black families resided.<sup>17</sup> Thus, with depressed wages and the denial of generational wealth, Black women had little choice but to work. Limited employment opportunities resulted in a large number of Black women pursuing "gender-appropriate," low-wage domestic roles.<sup>7,19,20</sup>

<sup>ii</sup> In most Northern and Western states, the proportion of Black mothers receiving pensions was equivalent to the proportion of Black families in the population. In Southern states, where the majority of Black families resided, markedly few Black families received pensions: 4 in North Carolina, 3 in Tennessee, and none in Louisiana or Mississippi. South Carolina and Georgia did not offer pensions. See Howard, C. (1992).

**Figure 3.** Women (aged 25-54) in Labor Force by Race, 1870-1930



Source: Boustan, L. P., & Collins, W. (2013)

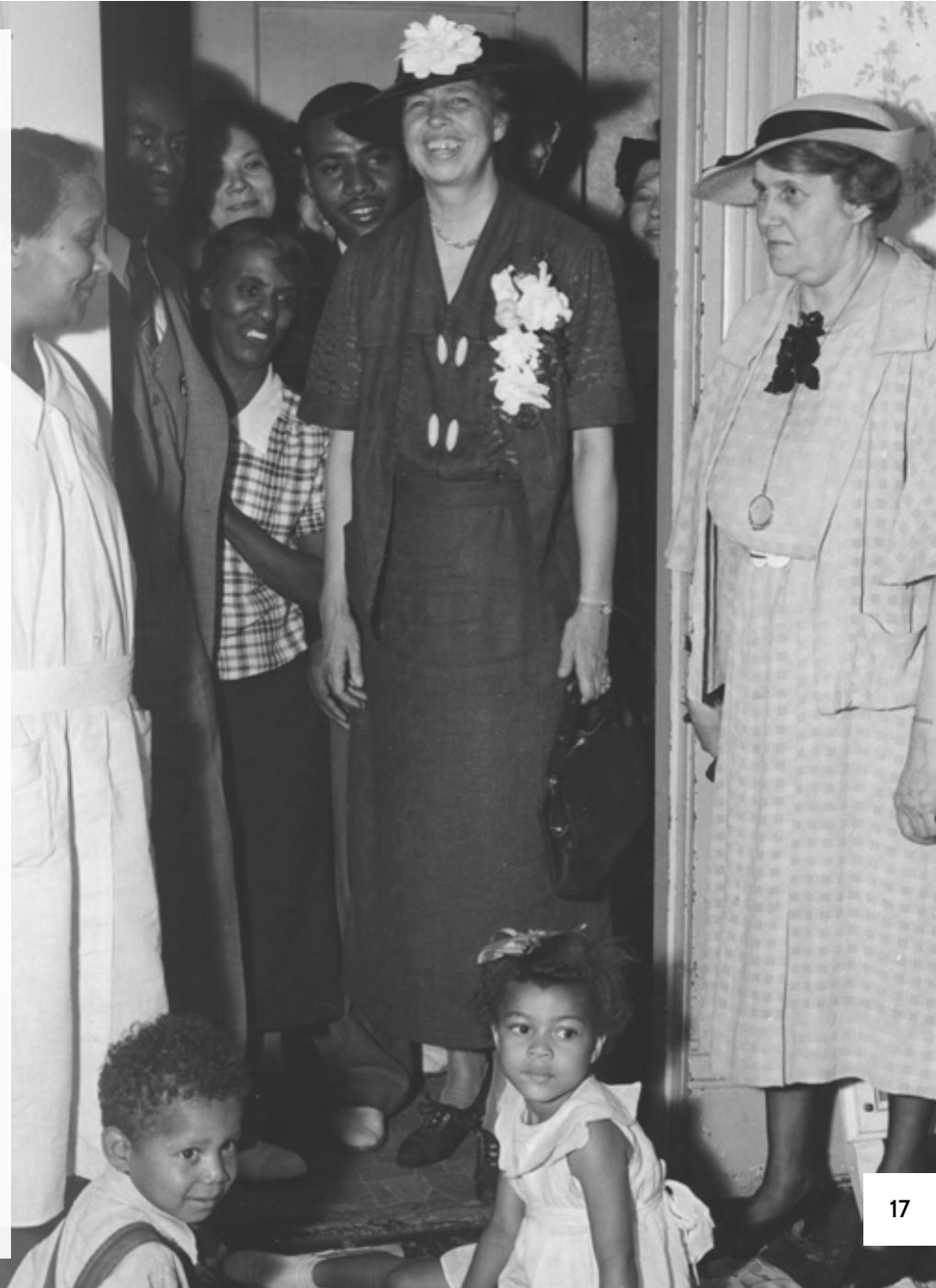
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# The Great Depression (1930s)

The economic collapse in the 1930s spurred the federal government to provide financial assistance, via the Aid to Dependent Children (ADC) program, for mothers with low incomes to stay at home and care for their children. States had significant control in the implementation of ADC, and as the population served became less White, support for the program weakened.

Black families, many of which already in precarious financial situations due to their systemic exclusion from education and employment opportunities, were unequally impacted by the Great Depression. Black people struggled to obtain relief, and although the New Deal in 1933 created work programs, rampant racial discrimination caused Black workers to be hired last, if at all, for relief work, as well as rehired last into the general workforce.<sup>21</sup> Black women had significantly less access to relief work compared to both White women and Black men.<sup>22</sup>

Eleanor Roosevelt visiting WPA-run nursery school, Des Moines, Iowa, 1936.  
(Source: Franklin D. Roosevelt Presidential Library and Museum)



## Emergency Nursery Schools

As part of the national relief effort, in 1933 the Works Progress Administration (WPA) established the first federally funded early learning program, Emergency Nursery Schools (ENS), for parents who were unemployed and seeking work.<sup>iv</sup> ENS was modeled after affluent nursery school programs, which were positively associated with education, rather than the more widespread day nursery models (as discussed above), which were negatively associated with poverty.<sup>4,15,16</sup> States administered and supervised ENS programs, with significant latitude in determining eligibility.<sup>23,24</sup>

By 1936, ENS were available in 47 states;<sup>v</sup> with only partial funding from the federal government, half of schools relied on tuition to fund programs.<sup>vi,24</sup> As with the larger public school system at the time, ENS programs were segregated. Segregated programs were available in 24 states and 7,860 children (11%) enrolled in ENS programs nationwide were Black; in contrast, according to the 1937 Unemployment Census, 1,089,707 workers (14%) unemployed or engaged in work relief nationwide were Black.<sup>23,25</sup>



WPA nursery school teacher and students, Pinal County, Arizona, 1940.  
(Source: Library of Congress)

<sup>iv</sup> Although not the primary audience, the ENS program was also frequently used by WPA employees.

<sup>v</sup> Delaware had no ENS programs. Massachusetts, Ohio, and Illinois each had more than 100 ENS programs.

<sup>vi</sup> Additionally, in 1936 27% of schools relied on partnerships with colleges or universities, 19% on philanthropic donations, and 4% on public school partnerships to fund ENS programs.

## Aid to Dependent Children

In 1935, with overwhelming support from Congress, President Roosevelt enacted the Social Security Act. Under Title IV of the act, the Aid to Dependent Children (ADC) program was established as a federal grant program “for the purpose of enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy dependent children.”<sup>26</sup> Based on mother’s pensions, ADC provided financial assistance for mothers to stay home and care for their children and became the foundation for all federal welfare and child care policies that followed.

Federal guidelines required states that chose to participate<sup>vii</sup> in ADC to submit a plan detailing their administrative and programmatic choices, but largely did not require specific action; the open federal guidelines reflected Southern legislators’ demands for unhindered state control of program eligibility and benefit levels to preserve the low-wage Black labor force that fueled the Southern economy.<sup>20,26</sup> The federal share of ADC payments was set at one-third of the total sum expended, excluding expenditures over \$18 per month for the first child and over \$12 per month for every subsequent child.<sup>viii,26</sup>

ADC retained many of the inequitable aspects of mother’s pensions.<sup>17</sup> ADC was designed to encourage mothers to stay home with their children and failed to recognize the necessity of work for many women with low incomes, particularly Black women.<sup>28,29</sup> Specifically, ADC cash payments

failed to cover the cost of living, indirectly encouraging participants to either remarry or work to make ends meet.<sup>20,30,31</sup> By 1939, over half of states had established home “suitability” requirements reinforcing White, upper-class standards; this subjective regulation was used to restrict Black mothers’ access to aid and to ensure Black women deemed eligible would receive lower levels of aid.<sup>17</sup>

ADC was further weakened in 1939 when the Social Security program extended benefits to widows.<sup>30</sup> Eligibility for Social Security, much like the Fair Labor Standards Act,<sup>ix</sup> already excluded Black-majority professions such as farmworkers and domestic workers from accessing benefits;<sup>20</sup> in 1940, 33 percent of Black laborers worked in the agricultural industry and 36 percent worked in the service industry (for Black women, the proportions were 16 and 74%, respectively).<sup>x,34</sup>

Therefore, whereas most White widows could withdraw from ADC and access the more generous Social Security program, most Black widows remained enrolled in the less generous ADC program; the proportion of Black recipients of ADC rose from 14 percent in 1938 to 21 percent in 1942.<sup>35,36</sup> As a result, the public perception of ADC serving the “deserving poor” was weakened, as the target population was slightly more likely to be Black or have “undesirable” characteristics (e.g., unmarried, incarcerated spouses).<sup>15</sup>

<sup>vii</sup> By the end of fiscal year 1940, 48 states, the District of Columbia, Alaska, Hawaii, and Puerto Rico were participating in ADC—although not all states offered the program year round.<sup>27</sup>

<sup>viii</sup> In 2023 dollars, the expenditure limits would be \$400 for the first child and \$266 for subsequent children.

<sup>ix</sup> The Fair Labor Standards Act of 1938 excluded Black-majority professions from minimum wage and overtime pay protections. The Act was amended to include farmworkers in 1966 and domestic workers in 1974.<sup>32,33</sup>

<sup>x</sup> While the data refers to non-White workers, the original author chose to use the term “Negro” throughout the article, as Black individuals made up more than 95% of non-White workers at the time.

# World War II and Postwar Period (1940s – 1950s)

World War II prompted an economic boom, but following the war, with increased financial prosperity largely limited to White, middle-class families, the proportion of Black families accessing ADC grew. Despite ADC program goals remaining centered on in-home childrearing, discriminatory state policies and inadequate financial support forced mothers with low incomes, particularly Black mothers, to join the workforce and seek out-of-home care for their children.

During World War II, with large numbers of men serving in the military, women's participation in the workforce grew significantly. Approximately 600,000 Black women (9%) were employed in wartime industries; even so, discriminatory practices caused Black women to be the last hired and most likely to be assigned to unskilled or undesirable jobs (e.g., janitorial work, night shifts).<sup>37,38</sup> Mexican, Mexican American, and Native American women also played a sizable role in wartime production, with tens of thousands of women employed.<sup>39</sup> These women experienced discriminatory workplace practices as well but to a lesser degree overall than Black workers because of their "almost White" social status.<sup>39,40</sup>

Nursery school music class, Atlanta, GA, 1942. (Source: Library of Congress)

<sup>37,38</sup> Mexican, Mexican American, and Native American women working in the defense industry were often categorized as "White" (as opposed to "Non-White"), making it difficult to accurately represent their contributions. See Escobedo, E. (2013) and Gouveia, G. M. (1994).



## Lanham Act of 1940

Mothers of young children were recruited into the workforce as a last resort, yet ultimately many mothers contributed to defense-related industries during WWII, prompting the federal government to respond to their child care needs.<sup>15</sup> Congress appropriated funding to convert ENS facilities, which were then permanently closing, into child care for the wartime workforce.

Additionally, the Lanham Act of 1940 included funding to create community facilities in war-impacted areas, although this was not interpreted as child care until 1943.<sup>4,41</sup> Financial support for care was provided directly to select local communities (much like Head Start funding today) with federal funding covering two-thirds of the total maintenance and operation budget and parent fees covering the remaining costs. Local administrators set program standards, including child-staff ratios and worker qualifications.<sup>42</sup>

Efforts to establish care resulted in significant challenges similar to those faced today, including an inadequate number of slots for eligible children and high staff turnover because of a lack of resources and low wages.<sup>7,41</sup> Government child care was particularly inaccessible to Black and Hispanic mothers who regularly experienced racial discrimination in child care admission policies; with a history of exclusion from the formalized child care sector, even when child care centers tried to attract Black families, Black mothers expressed a preference for informal family, friend, and neighbor care.<sup>15</sup> The federal child care program was promptly ended in 1946, as soldiers returned home and women were expected to leave the workforce to allow men more labor force opportunities.<sup>7,41</sup>

## Postwar Policies

The postwar period initiated a slew of public policies<sup>xii</sup> that fostered economic growth and increased prosperity for many White Americans, but people of color continued to be actively excluded. Specifically, the racist barriers to educational attainment and homeownership along with continued workforce discrimination made it extremely difficult for Black families to benefit from the prosperity of the postwar period.<sup>43-45</sup> Additionally, with a growing White middle class, the family structure of a breadwinner father and homemaker mother became the “norm,” even though this was unattainable for many families with low incomes, particularly families of color.

The postwar prosperity also failed to reach tribal reservations, which were instead subjected to an aggressive set of policies to force Native Americans’ assimilation into White culture, now collectively referred to as the “termination era.” Specifically, relocation programs to urban areas, termination of federal tribal status,<sup>xiii</sup> and the extension of state criminal and civil jurisdiction onto tribal lands all promoted assimilation while satisfying American greed for additional land.<sup>xiv,12,46</sup>

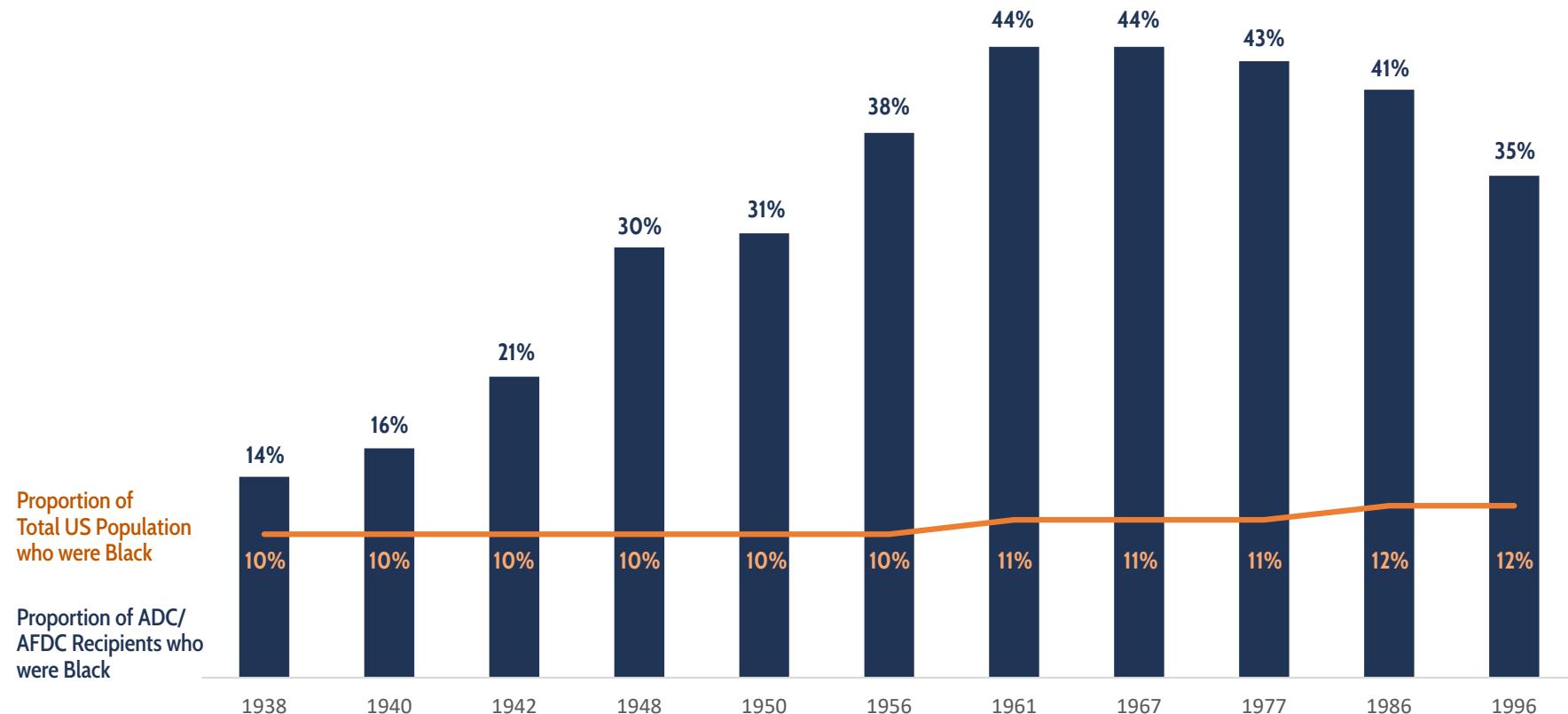
Finally, with war supports ending, the total number of families enrolled in ADC more than doubled from 1940 to 1950.<sup>47</sup> Throughout the 20th century, the Great Migration resulted in a significant number of Black families moving to the North in search of better paying jobs. Black families were more easily able to access aid in the North; as such the proportion of ADC recipients who were Black grew from 16 to 31 percent during the postwar period (see Figure 4).<sup>20,35,36,48,49</sup>

<sup>xii</sup> Policies which primarily benefited White families included (but are not limited to) the Servicemen's Readjustment Act (i.e., the G.I. Bill), Federal Housing Administration mortgage policies, and the Federal Aid Highway Act.

<sup>xiii</sup> Federal recognition for more than 100 tribes, bands, and rancherias was terminated between 1954-1962.

<sup>xiv</sup> Approximately 2.5 million acres of Indian Country had its protected status removed during this period.

**Figure 4.** Proportion of ADC/AFDC Recipients Who Were Black, 1938-1996



Source: ADC/AFDC recipient data from Alling, E., & Leisy, A. (1950); Floyd et al. (2021); Mugge, R. H. (1963); and Soule, S. A., & Zylan, Y. (1997). US population data from Gibson, C., & Jung, K. (2002).

As the total number of ADC recipients, and thus program costs, grew, Southern legislators agreed to federal budget increases but demanded state control in return; this compromise allowed states to institute additional punitive policies that disproportionately affected Black families. Policies included man-in-the-house rules, which denied aid to mothers who engaged in activities deemed morally or sexually deviant,<sup>xx</sup> and farm policies, which restricted access to benefits during planting and harvest seasons to force Black recipients to engage in agricultural labor.<sup>20,50</sup>

Despite ADC's longstanding goal to have women stay home to care for their children, such policies in conjunction with the inadequate financial support offered by the program often forced mothers, particularly Black mothers, to seek out-of-home child care and participate in the workforce nonetheless.



<sup>xx</sup> Notably, man-in-the-house rules prohibited aid to mothers that allowed a man to reside in the home; intrusive midnight raids became common in large cities to determine if recipients were complying.

# The Civil Rights Movement (1960s – 1970s)

Welfare reform in the 1960s led to the introduction of work incentives and out-of-home child care provisions, largely in response to a perceived increase in Black individuals receiving aid under expanded eligibility requirements.

The Civil Rights Movement, beginning in the mid-50s and continuing through the 60s, empowered Black communities, heralding in landmark legal protections such as the Civil Rights Act of 1964 and Voting Rights Act of 1965. At the same time, welfare rights activists, led by Black women with low incomes, asserted their rights for food, shelter, and a basic standard of living, most notably securing higher monthly benefits for ADC recipients.<sup>51</sup> Additionally, the gradual removal of racially discriminatory barriers embedded in ADC further increased the proportion of ADC recipients who were Black.<sup>15,30</sup>

This progress was met with backlash as many White communities struggled to maintain racial dominance; racial tensions contributed to the public demonization of Black families with low incomes. For example, the Moynihan Report in 1965, which analyzed poverty among Black Americans, was repeatedly misinterpreted, allowing opponents to claim that differential outcomes by race stemmed from deficiencies in Black people themselves.<sup>52</sup>

Welfare Rights Organization marching in Washington, D.C., 1968.  
(Source: George Mason University Libraries)



These widespread racist narratives prompted attacks on social programs that appeared to benefit Black individuals, including ADC. While White, middle-class families continued to benefit from state and federal education and housing policies (as discussed above), ADC recipients were increasingly perceived to be Black and unmarried, causing public support for ADC to wane.<sup>15,30</sup>

At the same time, Republicans balked at the rising costs of ADC, and Southern Democrats doubted that low-income mothers' caregiving responsibilities really made them "unemployable" and in need of aid.<sup>xvi,50</sup>

**Altogether, the negative public perceptions allowed for a distinct shift in ADC legislation, with program goals once centered on mothers' staying home to care for their children now focused on out-of-home child care provisions to support women's workforce participation.**



Child care program serving AFDC recipients, 1971. (Source: Library of Congress)

## Public Welfare Amendments of 1962

The Public Welfare Amendments of 1962 introduced the most comprehensive overhaul of public aid and child care since its creation. The call for reform, with a strong focus on prevention and rehabilitation,<sup>xvii</sup> originated with President Kennedy.<sup>53</sup> Yet, despite his liberal agenda to expand access to ADC, in large part as an attempt to stabilize the economy, President Kennedy, and later President Johnson, opened the door for work requirements to receive aid.<sup>50</sup>

Addressing long-standing concerns that ADC encouraged single-parent homes, the Public Welfare Amendments of 1962 retitled ADC as the Aid to Families with Dependent Children (AFDC) to emphasize the traditional family unit and promote marriage. The act also extended the AFDC Unemployed Parents Program (AFDC-UP) that was established the year before; this optional program<sup>xviii</sup> allowed states to provide AFDC benefits to married, two-parent families in which one parent was unemployed but seeking work, meaning families with unemployed fathers could now qualify for aid.<sup>30,56</sup>

In response to increased eligibility—particularly Black families' eligibility—the Public Welfare Amendments also established the first welfare-to-work program, the Community Work and Training (CWT) program. As such, CWT marks a distinct shift in AFDC priorities from in-home caregiving support (with recipients imagined as White) to out-of-home child care provisions to support workforce participation (with recipients imagined as Black).

<sup>xvi</sup> Attitudes about ADC recipients' workforce participation were in direct contrast to norms that married, White women stay at home to raise their children.

<sup>xvii</sup> At the time, prevention and rehabilitation strategies were a popular approach to addressing poverty in liberal political circles. Yet, such strategies failed to recognize the systemic barriers individuals faced that led to poverty, instead assigning fault to individuals' character and behaviors.

<sup>xviii</sup> Between 1961 and 1988 when AFDC-UP became mandatory for all states, 32 states, the District of Columbia, and Guam all chose to participate at some point.<sup>54</sup> Southern states were the least likely to opt into the AFDC-UP program.<sup>55</sup>

CWT programs were implemented to encourage recipients of aid over age 18, particularly unemployed fathers,<sup>xix</sup> to join the workforce. CWT implementation was optional for states and initially available only to states offering AFDC-UP, although it became available to all states 2 years later.<sup>xx</sup> Participating states were required to submit plans that detailed several aspects of the program, including the provision of child care during recipients' work hours, but within these broad guidelines states had considerable control of CWT implementation.<sup>31,56</sup>

Federal funding was provided to states at 75 percent of the costs of CWT services.<sup>50</sup> Federal dollars appropriated for child care were required to be spent on state-licensed care; consequently, approximately 40 percent of money earmarked for child care under CWT was used to establish state licensing programs rather than provide services.<sup>16</sup>



## Great Society Legislation

In 1965, President Johnson's Great Society programs attempted to reduce poverty by providing education and workforce opportunities and greater healthcare access to families (particularly men) with low incomes, resulting in multiple federal programs such as Head Start and Medicaid. Although cash welfare itself was not a part of this transformative vision, states that implemented Medicaid were allowed to apply the Medicaid matching formula<sup>xxi</sup> to AFDC reimbursements. Because the Medicaid matching rate is inversely related to states' per capita income, states with fewer resources were now able to receive a larger proportion of AFDC federal funding.<sup>57</sup> This change in funding was especially important to incentivize Southern states to expand aid, because they tended to have both the lowest state revenues and also the smallest AFDC programs (with limited access to and generosity of support for caregiving needs<sup>xxii</sup>) in the country.<sup>50</sup>

Child care teacher reading to class, New York City, New York, 1971.  
(Source: Library of Congress)

<sup>xix</sup> Aid to unemployed parents could be terminated if the parent refused a job offer "without good cause" (as defined by the state).

<sup>xx</sup> In 1964, states without an AFDC-UP program were authorized to create CWT programs under Title V of the Economic Opportunity Act.

<sup>xxi</sup> Also known as the Federal Medical Assistance Percentages.

<sup>xxii</sup> In contrast, Southern states generously contributed funds to other Social Security programs for the elderly, blind, and disabled, as these groups were considered "truly" unemployable.

## Social Security Amendments of 1967

The reforms of the early 1960s failed to reduce AFDC costs or rolls as conservatives had hoped, and Southern Democrats used the continuing call for welfare reform as an opportunity to further embed work as a requirement for welfare eligibility. As part of the Social Security Amendments of 1967, CWT was replaced by the Work Incentives Program (WIN), which ushered in both new work and child care rules.<sup>50,58</sup> WIN incentivized work for recipients over age 16 by allowing the workers to keep much of their earnings while retaining partial aid.<sup>30,59</sup>

As with CWT, states had broad authority to determine program eligibility and implementation, and refusal to work without “good cause” (as defined by the state) could lead to the termination of benefits.<sup>50,58</sup> Federal financial assistance up to 80 percent of WIN program costs, including the training, supervision, administration, incentive payments, and transportation, was authorized.<sup>59</sup> Notably, tribal nations were also made eligible to receive WIN funding directly, which reflected the emerging policy position of self-determination for Native American peoples.<sup>12,59</sup>

All recipients of AFDC (except mothers with children under age 6<sup>xxiii</sup>) had to register for WIN starting in 1971, but underfunding limited participation.<sup>30</sup> Additionally, states were required to assure child care arrangements for those in WIN, further solidifying the political conception of child care as a means to work; but this benefit was not widely used, in part because mothers with young children were exempt from WIN registration and in part because the work programs favored men, who were less likely to need child care to participate.<sup>4,58</sup>

Nonetheless, welfare-to-work policies failed to address the systemic racism that limited economic opportunities for Black workers. Specifically, advocates expressed concern that the work and training provided by WIN was irrelevant, because placements maintained the low-wage labor force by placing women into the same minimum-wage work they had traditionally held.<sup>20</sup>

<sup>xxiii</sup> Mothers with young children were exempt from work requirements because of a general consensus that they needed to care for their children; at the time, formalized out-of-home child care was limited in availability.

## Comprehensive Child Care Development Act of 1971

Various advocacy groups for women, children, and welfare recipients recognized the importance of child care and came together to develop the Comprehensive Child Care Development Act of 1971. Though the act was ultimately vetoed, it proposed early care and education as a right for all children, although priority would be given to children with the greatest economic and social need. Federally funded at \$2 billion annually, child care would have been subsidized according to a sliding fee (i.e., copayment) scale, with families that earned less than \$4,320 annually (44% of the median income in 1970)<sup>xxiv</sup> receiving free care. Federal standards for quality and money for training and facilities were also included.<sup>4</sup>

The legislation had passed both chambers of Congress, and President Nixon, who had proposed a similar bill (the Family Assistance Plan) in 1969, originally supported the bill. Nonetheless, President Nixon ultimately vetoed the bill, claiming the legislation was an attack on the American family as well as fiscally irresponsible; this surprise decision has been attributed to Nixon's need to politically appease his conservative critics.<sup>4,60</sup>



<sup>xxiv</sup> This is approximately \$33,356 annually, or 69% of median income, in 2023 dollars.

# The Reagan Revolution (1980s)

Reducing welfare rolls continued to be a central policy goal in the 1980s, largely informed by racist narratives that Black families were taking advantage of the welfare system. For the first time, the Family Support Act made work a requirement and guaranteed child care for AFDC recipients; states were given significant control in implementing both measures. Child care assistance became more prevalent, as additional child care programs were also implemented during this time for families with low incomes who did not qualify for AFDC.

Throughout the 1980s, social policies were significantly impacted by the propagation of racist narratives. A distinct shift in media coverage increasingly portrayed poverty as a “Black problem,” despite the proportion of Black families served by AFDC remaining steady throughout the 1960s and 1970s.<sup>20,61</sup> Similarly, politicians regularly invoked veiled racist language such as “inner city” and “crime” to negatively reference Black families; this rhetoric served to blame Black communities for racial disparities in health, education, and social outcomes and justify less generous public aid.<sup>7,8,62</sup>

Young children in class, 1989. (Source: Library of Congress)



By leveraging narratives of Black women with low incomes as “mammies,” “jezebels,” and “welfare queens,” widespread support for more restrictive welfare requirements developed.<sup>7,8,62</sup> By 1976, according to a Louis Harris poll, 89 percent of Americans believed “the criteria for getting on welfare are not tight enough.”<sup>20</sup> As such, the Reagan administration capitalized on the growing bipartisan perception that recipients of aid were no longer the “deserving poor” but instead actively taking advantage of the welfare system.

## Omnibus Budget Reconciliation Act of 1981

Fulfilling campaign promises to reduce entitlement programs, the enactment of the Omnibus Budget Reconciliation Act of 1981 resulted in significant budget cuts for child care.<sup>xxv</sup> Title XX of the Social Security Act, created in 1975 as a capped entitlement that provided support to families with low incomes (including child care assistance), was remade into the Social Services Block Grant, with funding cut by 20 percent.<sup>4,15</sup> Permanent work incentives established under WIN were also rolled back, and states could choose to require recipients to engage in unpaid work in exchange for benefits.<sup>28,30,41</sup>

Promisingly, child care subsidies (in the form of disregards<sup>xxvi</sup>) were federally standardized as part of the Omnibus Budget Reconciliation Act, which eliminated caseworker discretion in setting payments. Even so, the \$160 per child, per month cap on child care did not cover the cost of high-quality care in many states, which forced many families to switch to less formal and less costly arrangements. Research conducted in Minnesota and Massachusetts during the mid-80s found that after child care disregards were standardized, recipients of AFDC were more dissatisfied with the child care options financially available to them and more likely to experience work disruptions because of child care issues.<sup>30</sup>

<sup>xxv</sup> As a counterpart to the budget bill, federal tax cuts under the Economic Recovery Tax Act of 1981 furthered the financial prosperity of White, middle-class families.

<sup>xxvi</sup> Child care disregards permitted recipients to subtract (or disregard) a specified amount paid for child care from their countable income when filing taxes.

Following the budget cuts, both non-governmental organizations and Congress, despite their previous support, expressed concerns about the potential negative impact of the reductions in benefits on families with low incomes. Several studies were conducted that confirmed fears that families with low incomes were struggling financially post-reductions, which made poverty a major policy agenda item in Congress.<sup>63-65</sup> Simultaneously, neo-conservative think tanks advocated against government intervention, claiming intervention only exacerbated poverty by encouraging dependence.<sup>66</sup>

In President Reagan's 1986 State of the Union, he called for families to "escape the spider's web of dependency," spurring those within and outside of government to propose various welfare reform plans. Plans developed by groups across the political spectrum emphasized personal responsibility, work, and family.

## Family Support Act of 1988

In 1987, then Senator Moynihan (D-NY), introduced the Family Security Act (later renamed the Family Support Act) and secured bipartisan support after much lobbying to the White House and Senate Republicans. After being rejected in the House, a House-Senate Conference Committee convened; tensions existed around work requirements, specifically how much should be required, but the bill ultimately passed in September of 1988.<sup>66</sup>

As enacted, the Family Support Act (FSA) of 1988 aimed to reduce welfare dependency and transition recipients into the workforce. Federal guidelines required states and participating tribal nations to provide work, training, and educational activities (and guaranteed child care to ensure parents could complete such activities) through the Job Opportunity and Basic Skills Training (JOBS) program. Specifically, the FSA required state JOBS programs to include the assessment of client needs, development of employability plans, and assignment of a case manager. States were also required to offer at least two of the following additional activities: job search, community work experience, on-the-job training, or work supplementation.<sup>67</sup>

<sup>xxvii</sup> For participating tribal nations, the JOBS program cost was subtracted from the state allocation and given directly to the tribal nation without the requirement of any nonfederal share.

Yet, states had significant leeway in the design and implementation of these elements, which allowed for the continuation of discriminatory practices. For example, many states planned a two-tier assessment system to more quickly identify and place those who were “work-ready,” and many states also required literacy tests to judge participants’ capabilities.<sup>68</sup> Such practices justified subjective judgements of ability and maintained the low-wage workforce rather than build JOBS recipients’ skillsets.

To fund the required parental activities and guaranteed child care of the JOBS program, the federal match rate for program costs was set at 90 percent of state costs, up to a state’s WIN allotment for fiscal year 1987.<sup>xxvii</sup> Additional non-administrative costs were set at the Medicaid matching rate (but no less than 60%) and administrative costs were federally matched at 50 percent.

To incentivize states to serve those deemed most likely to become long-term recipients of welfare, the law stipulated federal matching would be reduced to 50 percent unless at least 55 percent of states’ JOBS funds served the designated target groups: families in which the custodial parent was under age 24 and had not completed high school; families who had received assistance for more than 36 months during the preceding 5 years; or families in which the youngest child was within 2 years of being ineligible for assistance because of age.<sup>67</sup>

Federal requirements mandated all recipients of welfare (except mothers with children under age 3) to register for the JOBS program; although if child care was unavailable, participation in work, training, or education was not required.<sup>67</sup> Furthermore, states were allowed to require participation by mothers with children as young as 1 year old; by 1994, 13 states and one territory<sup>xxviii</sup> required parents with children under age 3 to participate in JOBS.<sup>69</sup>

Evaluations of JOBS programs found positive gains on participants’ earnings and employment status. Nonetheless, the jobs were neither long lasting nor high paying; because welfare payments decreased as recipients’ income increased, recipients struggled to meaningfully increase their net earnings.<sup>70-72</sup>

<sup>xxviii</sup> In 1994, 3 states and 1 territory (Connecticut, New Jersey, Wisconsin, and the Virgin Islands) provided JOBS exemptions only for mothers with children under age 2. 10 states (Arizona, Arkansas, Colorado, Louisiana, Michigan, Nebraska, Oklahoma, Oregon, South Dakota, and Wyoming) provided JOBS exemptions only for mothers with children under age 1.

<sup>xxix</sup> In addition to child care, FSA also mandated JOBS participants be provided with transportation, work-related expenses, and Medicaid benefits.

## Guaranteed Child Care Under the FSA

To support parents' workforce participation, child care was guaranteed under the FSA, making it the first open-ended entitlement for child care in American history;<sup>xxix</sup> notably, by guaranteeing child care, it was the responsibility of the states, rather than families, to ensure availability of care. Yet, because FSA was designed to increase workforce participation, child care subsidies were only guaranteed for the hours necessary for parents' work, training, or education activities; this rule limited parents' ability to utilize care (because it didn't account for transit or study time) and to maintain care (because it didn't account for variable class or work schedules).<sup>67</sup>

FSA included two subsidized child care programs. The AFDC Child Care (AFDC-CC) program provided subsidies for parents currently receiving welfare and meeting the JOBS requirement. Transitional Child Care (TCC) was also guaranteed for 1 year after parents left AFDC to support work-related activities.<sup>5</sup>

Concerning standards of care, states were responsible for ensuring that center- and home-based child care were subject to state and local health and safety requirements. Additionally, federal grants with a state match of at least 10 percent were available to improve child care licensing and registration requirements.<sup>67</sup> Notably, no assurances were made concerning the quality of child care available.

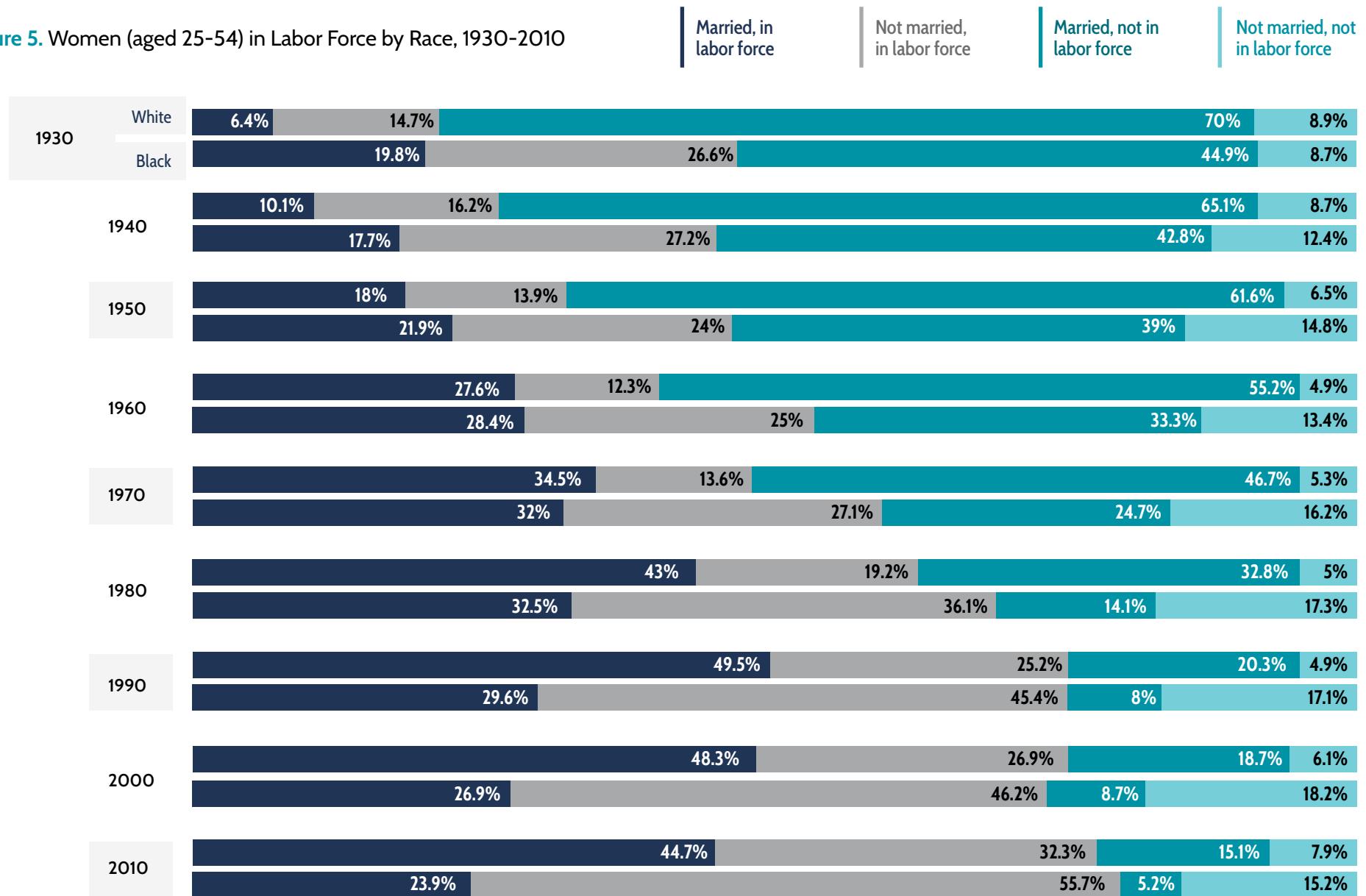
Finally, the FSA explicitly tied child care subsidies to the private care market by mandating that provider subsidy payments could not exceed the local market rate,<sup>xxx</sup> a practice still used widely (but no longer federally required) today; the use of the market rate reflected the rising demand for child care and resulting growth in the private care market as women, particularly White women, increasingly participated in the workforce (see Figure 5).<sup>15,67</sup>

To comply with regulations, states conducted market rate surveys to inform their subsidy rates; although this information led some states to increase subsidy rates, other states opted to pay the minimum rates allowed.<sup>xxxii,4</sup> Families were also federally required to contribute to the cost of care according to copayment schedules established by the state.<sup>67</sup>

<sup>xxx</sup> In this case, local market rate refers to the price the general public is charged for child care services by providers operating in the free market.

<sup>xxxii</sup> The FSA set minimum provider subsidy rate at \$200 per month for children under age 2 and \$175 per month for children over age 2.

**Figure 5.** Women (aged 25-54) in Labor Force by Race, 1930-2010



Source: Boustan, L. P., & Collins, W. (2013)

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## At-Risk Child Care Program

Shortly after the FSA was passed, two additional child care programs were implemented through the Omnibus Budget and Reconciliation Act of 1990. The first additional child care program, the At-Risk Child Care (ARCC) program, targeted families who would be “at risk” of qualifying for AFDC without access to child care subsidies.<sup>73,74</sup> States had considerable latitude in implementing ARCC if they chose to implement the program at all, likely contributing to racial inequities in access.

For example, states were given authority to define both “low income” and “at risk” when determining eligibility; this resulted in a wide range of maximum income eligibility, from 130 percent of the federal poverty level<sup>xxxii</sup> in Alabama to 291 percent in California.<sup>74,75</sup> Similarly, states also had the authority to set priority criteria.<sup>74</sup> Ultimately, state latitude in program access perpetuated inequities by allowing states to limit aid to families understood as “deserving” of support.

To support ARCC, states received federal dollars at the lesser of the Medicaid matching rate or the state proportion of the total allotment;<sup>xxxiii</sup> ARCC was funded through a capped entitlement of \$300 million annually.<sup>73,74</sup> As with previous AFDC-related child care programs, recipients of ARCC were federally required to contribute to the cost of care according to copayment fee schedules established by the state.<sup>74</sup>

<sup>xxxii</sup> The federal poverty in 1994 for a family of 3.

<sup>xxxiii</sup> The maximum amount states were eligible to receive was calculated according to the national proportion of children residing in the state.

<sup>xxxiv</sup> CCDBG subsidies are aimed at families with low incomes, originally up to 75% of a state's median income.

<sup>xxxv</sup> Discretionary funds are appropriated annually via legislation passed by Congress, then distributed amongst states according to a formula.

<sup>xxxvi</sup> The CCDBG Act requires 0.5% of appropriated funds be reserved for territories, between 1-2% for tribal organization, and up to 0.25% for technical assistance.

## Child Care Development Block Grant

The second program enacted, the Child Care Development Block Grant (CCDBG) Act of 1990, is still in effect today and provides federal funding for child care subsidies<sup>xxxiv</sup> and quality improvements. As the only child care program not explicitly tied to welfare, CCDBG was promoted as addressing the child care needs of all families. The inclusion of earmarked funds for quality improvements, which would benefit all families using child care regardless of subsidy eligibility, was critical for securing public support among constituents with higher incomes.<sup>4,73</sup>

To be eligible to receive CCDBG funds, states must submit a plan to the federal government every 3 years. State plans must include assurance for parental choice of child care providers, consumer education, compliance with state and local regulations, establishment and compliance with health and safety requirements, and review of state licensing and regulatory requirements. The broad federal requirements provide states with significant autonomy when implementing CCDBG (additional information in the following section).

As a discretionary fund,<sup>xxxv</sup> CCDBG is 100 percent federally funded; state allocations are based on a proportional formula that incorporates a state's share of children under age 5, a state's share of children receiving free or reduced lunch, and the state's average per capita income over the previous 3 years.<sup>xxxvi,76</sup> The Act was originally authorized through fiscal year 1996.<sup>74</sup>

## Navigating Child Care Assistance Programs

With four distinct child care programs targeting four separate populations by the early 1990s, families with low incomes struggled to navigate the fragmented system (see Table 2). Particularly, as a family's financial situation changed, transitioning from one child care subsidy program to another was often difficult and time-consuming. Families had to apply separately for each program; each program operated under its own rules and could be housed within different departments. Ultimately, the piecemeal system meant that families that relied on child care subsidies often fell through the cracks and failed to receive the necessary support in a timely manner.<sup>5,73</sup>

**Table 2.** Subsidized Child Care Programs for Families with Low Incomes in the Early 1990s

Program	In Effect	Target Population	Federal Funding	State Match
AFDC Child Care	1988-1996	Families currently receiving AFDC	Open-ended entitlement	Medicaid matching rate
Transitional Child Care	1988-1996	Families in first year after transitioning off AFDC	Open-ended entitlement	Medicaid matching rate
At Risk Child Care	1990-1996	Families "at risk" of qualifying for AFDC without child care supports	Capped entitlement	Medicaid matching rate
Child Care Development Block Grant	1990-Present	Families with low incomes (not connected to AFDC)	Discretionary fund	Not required

# Welfare Reform (1990s – 2010s)

Welfare reform under President Clinton separated child care subsidies from welfare benefits. The four distinct child care subsidy programs were combined into a single block grant during this reform, which increased states' control over program implementation.

Because previous reforms failed to reduce welfare rolls and spending, reforming welfare became a top priority for both Republicans and Democrats by the 1990s. Administrations had increasingly relied on state waivers that allowed states to conduct AFDC demonstration projects. These projects weakened federal regulations, as states used waivers to impose punitive requirements or restrictions, such as time limits and increased work requirements, on recipients.<sup>20</sup> Presidents Reagan, Bush, and Clinton all encouraged state experimentation through waivers; for example, President Clinton approved waivers in 43 states.<sup>20,31</sup>

Preschool students and teacher at snack time, 2007.  
(Source: Library of Congress)



In 1994, President Clinton promised to “end welfare as we know it.” Multiple iterations of the reform plan were presented by the Republican-controlled Congress and rejected by the President; ultimately, key conciliations, including additional funding for child care in response to stricter work requirements, were incorporated and the reform was signed into law.<sup>28</sup> Known as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, it was pivotal in welfare reform, ushering in the system still used today.

PRWORA separated child care from welfare and established the Child Care and Development Fund (CCDF) and the Temporary Assistance for Needy Families (TANF) block grants, respectively.



## Temporary Assistance for Needy Families

Under the reform, the welfare component of AFDC was replaced by TANF, which provides financial assistance and additional services to help recipients become self-dependent. The new TANF rules created strong incentives for states to make it both difficult for families to access aid and easy to revoke aid once accessed. Punitive measures like harsh work requirements and strict time limits were understood as necessary to motivate recipients, particularly Black mothers, to achieve the promise of TANF (i.e., lifting families out of poverty); this perspective reinforces racist stereotypes about recipients.<sup>20</sup>

Although AFDC rolls had already been declining, TANF enrollment significantly decreased over the next 20 years,<sup>xxxvii</sup> with ease of access varying by states and Black and Hispanic families more likely to experience difficulties in accessing TANF.<sup>77</sup> Furthermore, as a block grant, states had significant latitude in allocating funding, which resulted in less spending on direct cash assistance over time (see below for additional details on block grants).<sup>78</sup> Finally, TANF has largely failed to improve recipients' career prospects (or economic standing more broadly), with many recipients returning to unstable, low-paid jobs after receiving aid.<sup>20</sup>

<sup>xxxvii</sup> Research found 68 families received AFDC/TANF for every 100 families with children in poverty in 1996, compared to just 21 in 100 in 2020.

## Child Care and Development Fund

Concerning child care subsidies, the three child care programs associated with welfare (ADFC-CC, TCC, and ARCC) were repealed and consolidated under Section 418 of the Social Security Act, known as the Child Care Entitlement to States (CCES). Reflecting this history, states must spend at least 70 percent of their total CCES funds (which generally ranges from one-quarter to one-half of total CCDF funds) on families who are receiving TANF, families transitioning from TANF, and/or families “at risk” of becoming dependent on TANF.<sup>79,80</sup>

Funding from CCES and CCDBG are maintained together as a single block grant program, the CCDF (see Figure 6).<sup>xxxxviii</sup>

CCES provides block funding to states via two funding streams, mandatory and matching funds. State mandatory funds<sup>xxxxix</sup> are guaranteed funding provided in full by the federal government;<sup>xl</sup> state allocations are based on the state's federal share of the now repealed AFDC-related child care programs.<sup>73,76,79,80</sup>

Matching funds are the remainder of CCES funds, determined after technical assistance and training,<sup>xli</sup> tribal mandatory funds,<sup>xlii</sup> and state mandatory funds are deducted. CCES matching funds are allocated annually, based on states' share of children under age 13. To receive federal matching funds, states must expend maintenance-of-effort funds, meaning the state must contribute 100 percent of the amount spent under the repealed AFDC-related child care programs.<sup>xliii</sup> Additionally, a state must provide state funding<sup>xliv</sup> at the current Medicaid matching rate to receive the federal matching funds. States may also choose to spend more of their own funds than required and/or transfer up to 30 percent of their TANF allotment to CCDF.<sup>73,76,80</sup>

<sup>xxxxviii</sup> Under welfare reform, CCES funds became subject to CCDBG Act rules.

<sup>xxxxix</sup> Mandatory funds, also called entitlement funds, is all spending that does not require appropriations legislation. For example, CCES funds are guaranteed under the Social Security Act.

<sup>xl</sup> PRWORA set CCES funding amounts for FY1997-2002 and temporary extensions at the FY2002 funding level maintained funding through FY2005. A budget reconciliation bill increased CCES mandatory funding amounts for FY2006-2010 and temporary extensions maintained funding throughout the 2010s.

<sup>xli</sup> Originally, 0.25% for training and technical assistance was reserved from CCES mandatory funds by the Department of Health and Human Services. Starting in FY2016, 0.5% for technical assistance and 0.5% for research has been reserved from CCES funds by the Department of Health and Human Services.

<sup>xlii</sup> Originally, 1-2% of CCES mandatory funding was reserved for tribal organizations. Tribal organizations are not required to provide matching funds.

<sup>xliii</sup> State maintenance-of-effort funding was set at the greater of state spending for previous AFDC-related child care programs in FY1994 or FY1995.

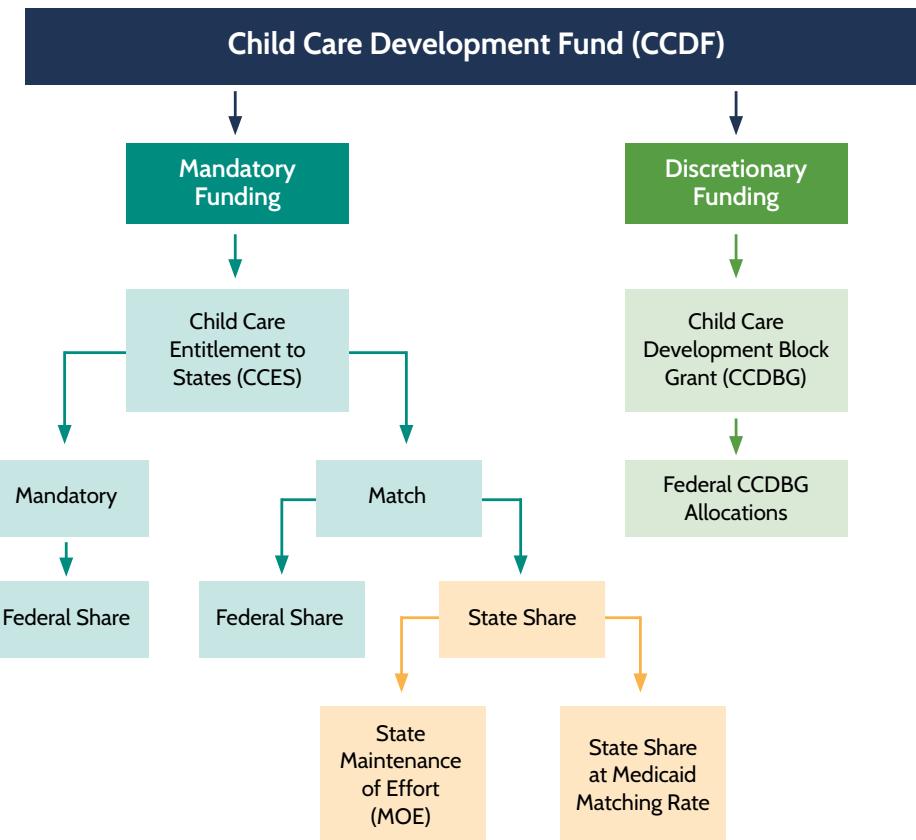
<sup>xliv</sup> CCES matching funds may include public funds, privately donated funds, or a percentage of public pre-K funds.

As part of welfare reform, CCDBG was extended through fiscal year 2002, with funding substantially increased in recognition that stricter work requirements under TANF could not be met without additional child care supports.<sup>81</sup> After expiring, CCDBG was maintained through annual appropriations by Congress throughout the 2000s.<sup>82,83</sup> The Child Care and Development Block Grant Act of 2014 reauthorized the program and increased the mandatory funding set aside for quality improvements,<sup>73,82,83</sup> although improved quality could promote healthy child development, current research also indicates quality standards are often not culturally inclusive and penalize providers from communities of color.<sup>84-86</sup>

Ultimately, the shift in fiscal policy to eliminate child care entitlements in favor of a block grant places the CCDF (and TANF) program and those it serves in a more vulnerable position. Unlike entitlements, which are more responsive to macroeconomic changes, block grants provide a fixed amount of funding and may fail to address increased need.<sup>87</sup>

Block grants also redistribute power to state governments; for example, the first stated purpose of the CCDF is to allow states maximum flexibility in developing child care programs and policies.<sup>88</sup> States' broad implementation authority makes it difficult to provide oversight and assess effectiveness, which may allow for greater racial discrimination, much like previous policies with significant state control.<sup>87</sup>

**Figure 6. Funding Streams in Child Care and Development Fund Block Grant**



<sup>81</sup> Income eligibility for CCDBG was also increased to 85% of state median income under PRWORA.

<sup>82</sup> The American Recovery and Reinvestment Act of 2009 provided an additional \$2 billion in discretionary funding for the CCDBG.

# The COVID-19 Pandemic (2020 - Present)

The COVID-19 pandemic raised public awareness of long-standing challenges in the child care sector and resulted in significant allocations of relief funding and CCDF rule changes to encourage a more sustainable and equitable child care system.

The COVID-19 pandemic, recognized as a federal public health emergency for 3 years, has been the defining feature of the decade thus far. As a result of the pandemic, many child care providers experienced declining enrollments and increased operating costs, which led to layoffs and closures. At the same time, the widespread negative impact caused by disruptions in child care increased public awareness of the necessity of child care and the long-standing challenges in the field.



## Relief Funding

In response to the ongoing crisis, Congress passed multiple relief bills, which included financial support to both child care providers and families in need of child care. The first bill, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed in March 2020. It provided an additional \$3.5 billion in CCDF discretionary funding, with approved uses including continued payments to providers with decreased enrollments or closures due to the pandemic, child care assistance for essential workers, and the purchase of personal protective equipment.<sup>89–91</sup>

The second bill, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, allocated another \$10 billion of CCDF discretionary funding in December 2020. CRRSA funds had many of the same approved uses as the CARES Act, and strongly encouraged lead agencies to waive copayments for families and provide immediate, direct financial support to stabilize the child care market.<sup>92,93</sup>

Finally, the American Rescue Plan Act (ARPA) in March 2021 provided the most significant relief funding, with \$14.99 billion in CCDF discretionary funds and \$23.975 billion in child care stabilization grants. In addition to the one-time funding, ARPA also reset CCES funding levels at \$3.55 billion annually, the first increase in appropriations since 2006.<sup>47</sup>

Furthermore, for the first time, ARPA established territory mandatory funding, meaning \$75 million of CCDF funding will be annually set aside for territories without a matching requirement. Tribal mandatory funding was also changed from a percentage set-aside to a dollar amount (\$100 million), which resulted in a 70 percent increase in tribal mandatory funds.<sup>80,94,95</sup>

The significant influx of temporary funding into the child care sector created a unique moment for state leaders to focus on the equity and sustainability of child care systems. Although the funding allowed some pandemic-era changes (i.e., payment based on enrollment, copayment waivers) that promoted equity for families and providers, additional research is needed to understand the long-term implications of relief funding on equitable child care practices.

<sup>47</sup> Matching funds on the increased portion of funding were waived for GY2021 and GY2022.

## CCDF Rule Change

In 2024, the federal Department of Health and Human Services released significant rule changes to CCDF, which encouraged or mandated states to adopt more equitable practices within 2 years. Under the new rules, family copayments are required to be capped at 7 percent of family income, which will help to address inequities in the cost of care. Furthermore, states are encouraged to lower or waive copayments for certain families, including families with incomes at or below 150 percent of the federal poverty line, children with disabilities, families experiencing homelessness, children in foster or kinship care, and children enrolled in Head Start or Early Head Start.<sup>96,97</sup>



The rule change also promotes equitable practices for child care providers, such as requiring providers to be paid based on enrollment instead of attendance and in advance of services rendered. Furthermore, states are required to establish grants and contracts with providers to designate slots for underserved children, including children in underserved geographic areas, infants and toddlers, and children with disabilities. Finally, states are encouraged to allow providers to be paid the full subsidy reimbursement, even if that amount is greater than the private pay rate; this change is critical to incentive providers to accept subsidies.<sup>96,97</sup>

Yet, although the rule change is an important step forward to create more equitable child care subsidy systems in each state, the lack of additional funding to meet requirements may divert funds from other improvements.<sup>97</sup> Future research should consider systemwide impacts as a result of the rule change.

## Present Day

Although CCDF regulations mandate certain policy choices, states continue to have significant latitude in the design and implementation of their subsidized care systems today. This latitude, much like previous child care policies, results in subsidized care policies that maintain (intentionally or reflexively) barriers to restrict “undeserving” families from accessing child care subsidies; these choices tend to disproportionately affect Black, Hispanic, and Native American families.<sup>98</sup> Specifically, inequitable choices made at the state level are apparent in the eligibility criteria, administrative burden, family contributions, and provider regulations.

State choices around eligibility (including income eligibility and qualifying work, education, or training activities) are especially important given the scarcity of resources; CCDF-funded child care subsidies are not a guaranteed benefit, and as of fiscal year 2019, funding only covered approximately 16 percent of all eligible children under federal rules or 23 percent of all eligible children under state rules.<sup>99</sup> States may assign

priority status to certain groups,<sup>xlviii</sup> which does not guarantee subsidized care but does increase the likelihood of receiving a subsidy.<sup>100</sup> Although priority status may help increase equity by prioritizing groups which (because of systemic racism) are disproportionately Black,<sup>101–104</sup> state choices concerning work requirements and child support enforcement often compound educational and employment inequities.<sup>98,105–107</sup>

Families who meet the eligibility requirements for child care subsidies often experience complex and rigorous application processes, which create undue burden through duplicative documentation requirements, limited language services, and inaccessible services due to transportation or internet connectivity barriers.<sup>98,107–112</sup> Reinforcing long-standing beliefs that welfare is too easily accessible and therefore abused by undeserving individuals, many of the requirements to obtain a subsidy are focused on compliance and identifying fraud. This mindset comes through in caseworker interactions; parents report significant levels of disrespect in caseworker interactions, with Black and Hispanic parents more likely to report negative interactions.<sup>98</sup>

<sup>xlviii</sup> Federal rules require states to grant priority status to children in families with very low incomes (as defined by the state), children with special needs, and children experiencing homelessness. Many states also include children in child welfare services.

Families receiving subsidies are still responsible for paying a portion of their child care costs, known as copayments. As mentioned above, federal guidance requires that families pay no more than 7 percent of their income by 2026,<sup>xlix</sup> and states may choose to exempt certain families from copayments altogether.<sup>88,96</sup> Providers in most states may also charge families additional fees to cover the difference between private pay and subsidized amounts, which increases the financial burden on families.<sup>98,107</sup> Furthermore, state choices regulating authorized hours of subsidized care, which may not cover fluctuations in parents' work or class schedules, create additional burdens on families in finding and maintaining care.<sup>98,107,109,114</sup>

Finally, much like the families they serve, child care providers are also directly affected by the state latitude embedded in CCDF policies. State choices around reimbursement rates, payment policies, and health, safety, and quality regulations can all impact the type and number of providers who choose to accept subsidies.<sup>98,107</sup> Crafting more equitable provider-oriented policies will not only support the workforce but may also increase the supply of care and therefore the choice of care for families receiving subsidies.

As policies evolve at the state and federal level, we continue to monitor the impact of policy changes to understand how we as a country to support families and the early care and education workforce.

Learn more about the current landscape of child care in the [Prenatal-to-3 State Policy Roadmap](#).

<sup>xlix</sup> The 7% guideline is based on the average expenditures on child care per month in 2011.<sup>113</sup>

## Looking Forward

State leaders can take action to strengthen the early childhood system and remove barriers that disproportionately affect families with low incomes, particularly families of color. Although 2024 federal rule changes require states to implement certain policy components to increase equity, states continue to have significant authority over the design and implementation of child care subsidy policies.



**Potential state-level opportunities to promote a more inclusive, equitable subsidy system:**

- Identify sustainable investments for child care subsidy programs
- Institute eligibility policies that allow more families to access and retain child care subsidies
- Reduce administrative burden for subsidy-eligible families
- Institute more generous family contribution schedules
- Increase provider reimbursement rates to cover the true cost of care

Additional research is necessary to determine the most effective approaches, but state leaders can use the following opportunities to strategically address inequities. We strongly recommend that state efforts, guided by the voiced needs of families, are rigorously evaluated. Evaluation will build the research base and guide future reforms.

In some cases, singular actions will improve individual aspects of the system to the detriment of other parts. For example, without additional funding, increasing income eligibility for families may require states to lower reimbursement rates for providers. State leaders should consider simultaneously implementing a suite of changes to address the inequities within their child care subsidy system; the child care industry is a system of balanced parts and a system that plays an important role in the broader prenatal-to-3 system of care.

**1. Identify sustainable investments for child care subsidy programs.**

Subsidy programs are financed through a combination of federal and state funds, with most coming from the federal level; insufficient federal and state investments limit the availability, generosity, and quality of subsidized care. States can play a greater role in stabilizing the child care industry, supporting families, and boosting the state economy through increased, sustainable investments in subsidized care; by increasing a state's own investments to supplement federal dollars, more eligible families can be served.



**State Policy Spotlight**  
**Sustainable Funding**

The Early Childhood Education Fund in Louisiana is a state match program to expand the number of high-quality child care slots available to families receiving subsidies. State funding is derived in part from taxation of hemp-derived CBD products, fantasy sports contests, and sports betting. Funding is provided to local communities at a dollar-for-dollar matching rate.<sup>115,116</sup>

## 2. Institute eligibility policies that allow more families to access and retain child care subsidies.

Although eligibility policies must meet federal requirements, states have significant latitude in setting subsidy eligibility policies around income requirements and qualifying work, education, and training activities.

For example, federally funded subsidies may only be used for families with incomes at or below 85 percent of a state's median income,<sup>l</sup> and 35 states set even lower initial income eligibility limits (ranging from 33% to 81%) in 2024.<sup>88,117</sup> Using additional funding, expanding income eligibility can make child care subsidies accessible to more families with low incomes while a simultaneous increase in slots ensures families with the greatest need do not lose access.



### State Policy Spotlight Income Eligibility

In 2023, the Vermont legislature passed H. 217, which established a significant investment for children and families. An annual \$120 million appropriation is derived in part from a payroll contribution of 0.44 percent, which went into effect in July 2024. This investment has increased income eligibility for families (from 102% state median income in 2023 to 160% in 2024) and reimbursement rates for providers (from \$349 per week in 2023 to \$471 per week in 2024 for providers caring for infants in child care centers).<sup>117,118</sup>

Furthermore, state definitions of qualifying activities can significantly alter who is eligible for subsidies. Qualifying activities were nominally established to move families off welfare by improving their financial wellbeing, but state policy and implementation choices (e.g., variety of qualifying activities, preference for work placements, time-limited education and training opportunities, etc.) may not support recipients' financial growth.

In fact, extensive longitudinal research, through the National Evaluation of Welfare-to-Work Strategies, found mixed results on the effectiveness of work requirements; short-term employment and earnings increased for participants, but overall earnings remained low after 20 years.<sup>119,120</sup> This indicates that work requirements should be reapproached, if not removed entirely, to meaningfully increase subsidy recipients' long-term earnings.

Though most states allow employment or continuing education<sup>li</sup> as qualifying activities, states may also consider allowing activities such as job searching, housing search (particularly for those experiencing homelessness), the SNAP Employment and Training program,<sup>lii</sup> and English Language Learning coursework.<sup>121</sup> Allowing a wider variety of qualifying activities that encompass the multitude of circumstances families may face provides for more equitable determinations of eligibility. Policies allowing expansive qualifying activities are especially important given the legacy of educational and labor inequities that people of color experience.

<sup>l</sup> States may choose to provide additional state funding to serve families above 85 percent of the state median income.

<sup>li</sup> Continuing education refers to high school classes, General Education Development (GED), or postsecondary education.

<sup>lii</sup> The SNAP Employment and Training (E&T) program provides SNAP recipients with training and support services to help them enter or move up in the workforce. Each state is required to operate a SNAP E&T program.



## State Policy Spotlight

### Qualifying Activities

In 2024, the Colorado state legislature enacted H.B. 24-1223, which, among other things, recognizes participation in substance abuse disorder treatment programs as a qualifying work activity.<sup>122</sup>

Finally, a minority of states require unmarried custodial parents to pursue child support to be eligible for child care subsidies. This requirement invalidates families' choice to informally or formally pursue support as well as maintains the harmful assumption that noncustodial parents are unwilling, rather than unable, to pay.<sup>98,105</sup> This requirement also disproportionately impacts Black, Native American, and Hispanic families, who are more likely to live in single-parent households.<sup>123</sup> States may choose to remove this requirement to ensure all families with low incomes, regardless of family structure, can access child care subsidies.

### 3. Reduce administrative burden for subsidy-eligible families.

Families in need of child care assistance often do not have the time or resources to effectively navigate bureaucratic processes. Research suggests that families, particularly families of color, experience language, transportation, and internet connectivity barriers when attempting to apply for subsidies.<sup>98,124,125</sup> To address this, states may allow a wider variety of application submission methods that eliminate transportation and connectivity barriers and provide easily accessible translation services to support greater access.

Furthermore, families eligible for child care subsidies are often eligible for multiple means-tested federal programs, such as SNAP or Medicaid.<sup>126</sup> States may implement a common application to determine families' eligibility for multiple programs at once. A streamlined application process increases the likelihood families will be connected to services by reducing the need for families to have the knowledge, resources, and time to complete potentially rigorous application processes for each relevant service separately.



## State Policy Spotlight

### Common Application

In 2022, the South Carolina Early Childhood Advisory Council announced the launch of a common application for all federal- and state-funded early childhood programs. The online application, administered by South Carolina First Steps, allows families to check their eligibility for more than 40 programs and apply to more than 25 programs in a single form.<sup>127,128</sup>

States may also provide applicants with temporary but immediate child care subsidies, known as presumptive eligibility. Immediate financial support allows applicants to access care while their application is being processed. Presumptive eligibility has been used for the past 30 years to promote Medicaid enrollment for pregnant women and children, but additional research is necessary to determine the effectiveness of presumptive eligibility on child care subsidies.<sup>129,130</sup>

Federal regulations require a minimum of 12 months before eligibility is reassessed for families receiving child care subsidies, but states may choose to offer even longer recertification periods.<sup>88</sup> As of 2022, extended recertification periods are only available in Louisiana (24 months) and Nebraska (18 months).<sup>107</sup> Providing longer periods of eligibility may reduce administrative burden for families and promote continuity of care for children.

Finally, caseworkers play a pivotal role by directly interacting with families to carry out subsidy policies; these interactions can alter families' willingness and ability to access subsidies.<sup>125,133,134</sup> States may consider institutional changes that encourage more positive caseworker-recipient interactions, including, but not limited to, increased job training and decreased caseloads.

#### State Policy Spotlight

#### Presumptive Eligibility



As of 2023, only four states offer presumptive eligibility for child care subsidies, including Wyoming.<sup>131</sup> After Wyoming families complete the standard child care subsidy application, caseworkers have 1 week to verify basic information via a phone interview. Presumptive eligibility is then granted for 30 days, during which families must submit any additional paperwork needed to confirm eligibility.<sup>132</sup>

## 4. Institute more generous family contribution schedules.

Even with a child care subsidy, families who are already financially vulnerable can experience significant financial burdens from child care costs (i.e., copayments and fees). With the disproportionate number of Black and Native American children eligible for subsidies, generous family contribution schedules are an important lever to address longstanding wealth inequities.<sup>102</sup>

Federal guidance encourages but does not require states to lower or waive copayments for families with incomes at or below 150 percent of the federal poverty line, families experiencing homelessness, children with disabilities, children in foster or kinship care, and children enrolled in Head Start or Early Head Start.<sup>96</sup> As such, states have the opportunity to exempt families who are experiencing hardships from child care copayments altogether.

Additionally, federal guidance recently required that families pay no more than 7 percent of their income in child care costs. This new requirement will be a significant change for families in many states; in 2024, families in half of states (24) charged copayments that exceeded that threshold.<sup>96,117</sup>

Along with required copayments, families in most states are also obligated to cover any additional fees (the difference between the subsidy amount and the private pay rate). Additional fees create another financial burden on families. Yet, if additional costs are not backfilled by families or the state, providers must absorb those financial losses, which may in turn disincentivize the providers from accepting subsidies. States may disallow providers from charging families additional fees while increasing reimbursement rates to reduce the financial burden for both families and providers.

Finally, states can choose to authorize subsidized care for approved activities outside of work, education, or training; common activities include travel time, rest hours,<sup>118</sup> school breaks (for student parents), and parental leave.<sup>107</sup> Providing parents with generous authorized hours of care may promote continuity of care for those with multiple jobs or irregular work hours (who would otherwise engage multiple caregivers, formal or informal, to meet their scheduling needs).

### State Policy Spotlight

#### Copayment Exemptions

In 2024, Delaware announced additional investments in their child care subsidy program. These investments ensure families receiving subsidies will have copayments capped at 7 percent of family income, and families below 150 percent of the federal poverty line will not have a copayment.<sup>135</sup>



### State Policy Spotlight

#### Copayment Caps

In 2024, the Alaska legislature enacted S.B. 189, which limits family copayments to 7 percent of family income. Additionally, the bill also increases the income eligibility limit for child care subsidies up to 105 percent of the state median income and gives permission to set reimbursement rates based on a cost estimation model. The bill was effective January 2025.<sup>117,136</sup>

<sup>118</sup> Parents who work an overnight shift may be eligible for receive subsidized child care the following day to allow for rest or sleep time.

## 5. Increase provider reimbursement rates to cover the true cost of care.

Child care is expensive, but child care providers also struggle to make ends meet. Because the cost families are able to pay is often much lower than the actual cost of providing high-quality care, providers operate on extremely thin profit margins that effectively prohibit providers from investing in quality improvement or staff compensation. As a workforce made up primarily of women, and disproportionately women of color, low reimbursement rates reinforce the historic undervaluing of child care workers.

Market rate surveys (MRS) capture the local price of care, but the market rate reflects what families are willing or able to pay rather than what it truly costs to provide high-quality care. Reimbursement rates that fall below the true cost of quality care keep program margins thin and educator wages low because many of the costs of running a child care program (e.g., rent, insurance, food) are fixed.

If revenue is insufficient to cover costs, child care providers may opt out of accepting subsidies or be forced to lower the quality of the care they provide. States may use alternative methodologies to set reimbursement rates at the true cost of quality care and raise the supply of high-quality subsidized child care for families.

States also have the authority to set differential reimbursement rates, typically based on criteria such as the type of care, quality of care, or age of the child. States may set higher reimbursement rates for providers that serve specific populations (e.g., infants and toddlers, children with special needs) or that offer care during nontraditional hours (which disproportionately affects families of color<sup>109</sup>) to increase the availability of child care for all families.

Contracted slots may also be leveraged to increase supply for underserved populations. Under the 2024 federal rule, states are required to establish grants and contracts with providers to designate slots for underserved children, including children in underserved geographic areas, infants and toddlers, and children with disabilities.<sup>96</sup> When states request proposals from providers, additional supports should be offered to smaller or less-resourced providers during the proposal development process such that they could be competitive for state contracts.



### State Policy Spotlight Cost Modeling

As of 2024, Colorado, the District of Columbia, New Mexico, and Virginia have implemented cost estimation modeling, and multiple states plan to implement cost modeling in the coming years.<sup>117</sup>

Additionally, federal regulations encourage states to pay the full reimbursement rate to providers, even if this rate is higher than the cost unsubsidized families at the same child care facility pay.<sup>96</sup> States may implement this policy to ensure subsidy rates, which are almost always set below the actual cost of care, are not further undercut and to incentivize providers to accept subsidies by guaranteeing payments at the full reimbursement rate.

Many states also have tiered reimbursement rates based on quality ratings, in which providers with higher quality ratings receive larger reimbursements. However, QRIS may disadvantage providers of color that express cultural or linguistic practices (e.g., culturally affirming pedagogy, dual language instruction) that deviate from White, middle-class practices, and home-based providers are less likely to participate in QRIS.<sup>84,85</sup> Providers also may not have access to the capital needed to make quality improvements, and, as a result, these providers lose out on higher levels of reimbursement.<sup>85</sup>

Finally, providers must also be understood as small business owners. Many home-based providers have expertise in child development but not business management; resources and supports on business practices may improve providers' financial stability. Additionally, ensuring providers have reliable funding streams increases their financial stability, as seen during the COVID-19 pandemic.<sup>138</sup> In 2024, federal regulations were updated to require states to implement timely payment schedules (before or at the start of services rendered) and payments based on enrollment rather than attendance no later than 2026.<sup>96</sup>



#### State Policy Spotlight

#### Quality Improvement Grants

The Illinois Department of Human Services offers Quality Improvement (QI) Funds to support child care providers to achieve higher quality ratings. The QI Funds are administered by local Child Care Resource & Referral agencies, with award amounts determined according to provider type and capacity. Providers that receive grants participate in one of three training programs to improve quality.<sup>137</sup>



#### State Policy Spotlight

#### Payment Processes

In 2023, the Maryland State Department of Education began issuing monthly payments to child care providers in advance of services rendered, based on the number of enrolled children receiving subsidies assigned to the provider at the end of the previous month.<sup>139</sup>

# Conclusion

Child care subsidies provide an essential support for families with low incomes who need to access care to allow parents to work or attend school or training programs. Yet, the long-standing inequities in the design and implementation of child care policies create barriers to access aid, which are often particularly harmful to Black, Hispanic, and Native American families with low incomes.

From the early 20th century, states and the federal government have attempted to address the needs of children and families, initially through cash assistance for mothers to stay home with their children. Yet, assistance was only for those considered “deserving;” overt racism excluded families of color, particularly Black families, from welfare through racist policy design and subjective judgements during implementation.



With social movements demanding equality in the mid-20th century, explicit discriminatory policies were removed from welfare programs, only to be replaced by work requirements and child care subsidies as Black women became the perceived recipients. Public opinion of recipients of welfare grew increasingly hostile, which prompted the implementation of more and more restrictive eligibility policies.

Today, although child care subsidy policies and practices have become more equitable, many state-level choices continue to reflect the exclusionary, racist narratives of past policy iterations through strict eligibility requirements, expensive family fee schedules, low provider reimbursement rates, and minimal funding. As a result, subsidies continue to be inaccessible and inadequate for many families with low incomes, particularly families of color.

The history of child care subsidies in America demonstrates the deeply-rooted and intentional discrimination people of color face when seeking public assistance. The inequitable design and implementation choices of child care policies have been replicated over time, consistently undermining the effectiveness of the subsidy system for families in need.

As such, there are still significant opportunities to create a more equitable and just child care subsidy system; in a political environment that prioritizes state control, state leaders have an especially important role to play in ensuring all families can equitably access child care. By critically considering the diffuse, longstanding impact of systemic racism on state policy choices, eligibility policies, application requirements, family contributions, and provider regulations can all be revised to make subsidized care more equitable. Subsidies provide a critical support for families with low incomes, and policymakers must carefully consider the policy tradeoffs, ideally implementing a suite of changes to effectively move the needle on child care subsidies.

State leaders interested in identifying opportunities for improvement within their state's child care system should review the state policy lever [checklist](#).

## Further Reading

The following resources are recommended for those who want to learn more about the historical roots of public policies affecting young children and families:

Additional resources available at the Prenatal-to-3 Policy Impact Center website: <https://pn3policy.org/equity/>.

Floyd, I., Pavetti, L., Meyer, L., Safawi, A., Schott, L., Bellew, E., & Magnus, A. (2021). *TANF Policies Reflect Racist Legacy of Cash Assistance*. Center on Budget and Policy Priorities. <https://www.cbpp.org/sites/default/files/8-4-21tanf.pdf>

Lloyd, C. M., Carlson, J., Barnett, H., Shaw, S., & Logan, D. (2021). *Mary Pauper: A Historical Exploration of Early Care and Education Compensation, Policy, and Solutions*. Child Trends. [https://earlyedcollaborative.org/assets/2022/04/Mary-Pauper-updated-4\\_4\\_2022\\_FINAL.pdf](https://earlyedcollaborative.org/assets/2022/04/Mary-Pauper-updated-4_4_2022_FINAL.pdf)

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The Prenatal-to-3 Policy Impact Center aims to accelerate states' equitable implementation of evidence-based policies that help all children thrive from the start. Based in Vanderbilt University's Peabody College of Education and Human Development and led by Dr. Cynthia Osborne, Professor of Early Childhood Education and Policy, the Center's team of researchers and nonpartisan policy experts works with policymakers, practitioners, and advocates to navigate the evidence on solutions for effective child development in the earliest years.