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# Child Care and Development Fund: A Policy Analysis

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*Legislated as part of welfare reform, the Child Care and Development Fund (CCDF) is the main source of child care government funding earmarked for low-income families. As a block grant, with broad federal guidelines, states have significant freedom in implementing this legislation to meet the needs of their citizens. This diverse implementation has challenged legislators and scholars trying to assess the success of CCDF across the United States. In considering the evaluation research of CCDF, as well as the original goals of this legislation, several major themes related to the diverse state implementation emerged, including access, equity, and stability. This paper provides an overview of CCDF, explains these themes, and uses the 2002 third wave of National Survey of American Families (NSAF) data to demonstrate how policy analysts and researchers might use these themes to structure comprehensive evaluations of CCDF at both state and federal levels.*

*Key words: child care policy, welfare reform, low-income families, National Survey of American Families*

The Child Care and Development Fund (CCDF) is the main source of government funding for child care, both in terms of support for low-income families and overall quality improvement of child care services in the U.S. (Greenberg, Lombardi &

Schumacher, 2000). Created as a component of welfare reform in 1996, it is a combination of child care funds available through Social Security, Child Care and Development Block Grant (CCDBG), and excess or transferred Temporary Assistance for Needy Families (TANF) funds; this combination of child care funds was meant to restructure, streamline, and simplify a somewhat complex child care support system (Long, Kirby, Kurka & Waters, 1998). Specifically, CCDF provides financial support through vouchers and grants to low-income parents needing non-parental childcare while employed outside the home. Generally, this legislation most significantly impacted low-income single mothers, 68 percent of whom are employed (Jones-DeWeever, Peterson, & Song, 2003).

Since welfare reform in 1996, marked by the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and CCDF's inception, numerous scholars, policy analysts, legislators and researchers have reported on the successes and challenges of this legislation, with the focus predominately on increased employment of single mothers and a reduction in the number of welfare caseloads. Given the complexity and diversity of CCDF, numerous researchers have reported on the different methods of its implementation across the country. However, fewer scholars have delved into the complexity of CCDF as a block grant, to understand how states' diverse implementations of CCDF serve families in the most successful ways. Utilizing data from the 2002 National Survey of American Families (NSAF), this paper examines how state variation in CCDF implementation is associated with maternal employment.

### 1996 Welfare Reform & CCDF

In August of 1996, President William Jefferson Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), transforming welfare into a program emphasizing responsibility and employment as a means to gain independence from government support. This legislation authorized the creation of the Child Care and Development Fund to support the employment of mothers moving off welfare with their child care needs. The high percentage of low-income single mothers required

to work based upon the TANF regulations (Office of Family Assistance, 2006) and the notion mothers would be more likely to stay employed if they were confident their children were being well cared for (Gornick, Meyers, & Ross, 1997) were two major factors influencing the decision to add child care funding to welfare reform.

### CCDF Federal Guidelines

CCDF is a block grant, providing states with significant freedom to coordinate the child care support for low-income families in their state. However, there are certain broad federal guidelines related to funding, spending, eligibility, administration and services, as well as quality. The major federal funding sources for CCDF are a compilation of many child care programs operating during the mid-1990s. These sources include: (1) Child care funds traditionally part of the Social Security Act, including AFDC child care, transitional child care, and at-risk child care; (2) Child Care and Development Block Grant (CCDBG), the program authorized by the CCDBG Act of 1990 and the precursor to CCDF; and (3) Excess TANF funding, transferred to CCDF in each state or spent directly on child care as families moved off the welfare rolls (Child Care Bureau, 2006).

Eligibility regulations set by the federal government are very broad. States have significant freedom in determining and expanding families' eligibility for CCDF funding; as long as families are not discriminated against, parental rights are not limited, and federal rules related to CCDF are not violated. Federal requirements to receive CCDF funding state family income must not be greater than 85 percent of the state median income (Greenberg et al., 2000). In addition to being younger than 13, the child must reside with the parent(s) who are either employed, or participating in a "work activity" as defined by TANF guidelines.

Federally, CCDF is administered through the Administration for Children and Families within the U.S. Department of Health and Human Services. At the state level, a lead agency is chosen (e.g.: Department of Social Services, Office of Children and Family Services) to administer CCDF. Services are provided through either vouchers for families, or grants paid directly

to the child care provider. Based on federal recommendations, families should not be paying more than 10 percent of their monthly income for child care (Greenberg et al., 2000).

States may use CCDF (at least 4%) dollars to create and coordinate activities aimed to achieve the following objectives related to quality: education of parents; and increased parental choice, quality, and availability of child care (Greenberg et al., 2000). Specifically, the federal government approves the funding of quality improvement activities that: improve the child care choices for families supported by CCDF; assist child care providers in meeting government regulations, especially health and safety requirements; and increase training, salary and benefits for child care providers (Greenberg et al., 2000).

In 2004, the U.S. Office of Management and Budget and Federal Agencies (OMBFA) assessed CCDF as a "moderately effective" program. OMBFA highlighted the successful collaboration among the federal and state governments, as well as the lead agencies in each state to create long- and short-term goals. Despite the overall positive evaluation from the federal government, with only 10-15 percent of eligible families nationwide receiving subsidies via CCDF (Matthews & Ewen, 2006), it is difficult to know how effective this legislation is in each individual state, or among individual families receiving the benefit, given the diversity of state implementation. Even evaluating each state program individually, with most states utilizing different approaches for program implementation, difficulties arise in choosing which elements of each state program to evaluate.

Empirical studies conducted on CCDF focus on issues associated with how this legislation has been implemented in different states (Long, Kirby, Kurka, & Waters, 1998; Matthews & Ewen, 2006; Meyers et al., 2006), as well as its effectiveness in supporting low-income mothers in their return to work (Gennetian, Crosby, Huston, & Lowe, 2004; Ross & Kirby, 2006; Schaefer, Kreader, & Collins, 2006). These studies have concentrated on various CCDF goals including its shortcomings and how this policy interacts with families and children. Three major themes that emerged related to the diverse implementation of CCDF include access, equity, and stability. These themes are examined using 2002 NSAF and CCDF policy data

in this paper.

### *Access to child care*

A major consideration of legislators during the original development of federal regulations for CCDF was the importance of equal access to high-quality child care for all parents. Access to child care among the states is operationalized by examining each state median income (SMI) eligibility requirement and the presence of a waiting list impacting maternal employment.

*Eligibility regulations.* Federal guidelines stipulate a family's income must not be greater than 85 percent of the state median income (SMI) (Greenberg et al., 2000) in order to receive CCDF support. For example, if the state median income for a family of four is \$50,000, then to be eligible for child care support this family must not have an income higher than 85% of \$50,000, or \$42,500. According to the National Child Care Information Center (NCCIC) (2002), the average income eligibility limit across the states was 57 percent of SMI, with a low of 35 percent and a high of 80 percent. Our first hypothesis examines access to child care and asserts that in states with higher SMI eligibility thresholds, low-income mothers will be employed more hours per week.

*Waiting lists.* As federal funding for CCDF remains stagnant, waiting lists to receive child care assistance continue to grow. For example, in Connecticut, without an increase in federal funding, from 2002 to 2004, 46 percent fewer needy families received a child care subsidy. During this time, the waitlist in Connecticut for a child care subsidy grew to over 130,000 families (Oliveira, 2005). In 2002 there were 21 states with CCDF waiting lists, with an average list size of 9,651 families, while in 2004, 23 states had waiting lists with an average list size of 24,000 families (NCCIC, 2002). The size of states' waiting lists is related to both eligibility and funding. Our second hypothesis related to maternal employment and access to child care support asserts that in states with CCDF waiting lists, low-income mothers are likely to be employed for fewer hours per week.

*Equity of child care receipt*

According to Meyers and colleagues (2006), "...essentially similar families have different likelihoods of receiving assistance depending on the state in which they live" (p. 198). Once in the system, families have differential costs and benefits related to CCDF depending upon location, raising important questions about whether or not the public child-care subsidy system is providing assistance equitably to needy families. Equity extends beyond considering access to CCDF support and reflects the amount of benefits received by eligible families based upon state policies. Equity is operationalized by considering how the variation in parents' co-payments at the state level impact maternal employment.

*CCDF co-payment variation among the states.* Federal CCDF guidelines state families utilizing child care support should not spend more than 10 percent of their monthly income on child care, and states should reimburse the cost of child care to families at rates high enough to include 75% of local providers (Greenberg et al., 2000). However, some states reimburse at higher rates, and/or include sliding fee scales based on income levels, thus families' child care financial burden varies by state. The percentage of family income paid by low-income families in some states exceeds 10 percent, while in other states it is significantly less than the federal benchmark; this discrepancy may lead to a difference in the abilities of families to move out of poverty. If child care costs are a greater proportion of families' incomes, in order to meet this financial burden, mothers may need to be employed for more hours per week. Therefore, our third hypothesis states mothers will be employed for a greater number of hours per week in states where co-payments are a higher percentage of the families' income.

*Stability of child care*

Stability refers to the length of time families receive the CCDF benefit once their income increases. Based on child care subsidies reported in five states, Meyers and colleagues (2006) found that:

Currently, the assistance families receive is not very continuous, does not last very long, and may be

associated with substantial turnover in their children's care arrangements. These dynamics do not bode well either for families' economic security or for children's healthy socioemotional development. (p. 198)

Stability was operationalized by considering how the presence of two-tiered eligibility impacted maternal employment.

*Two-tiered eligibility for child care assistance.* In 2002, 11 states had one income eligibility requirement for families just beginning to utilize CCDF subsidies, and a second tier of income requirements for families already receiving CCDF support (NCCIC, 2002). These tiered arrangements contribute to families' abilities to work towards self-sufficiency through increased earnings, without being at risk for losing their support for child care because they crossed the eligibility threshold. For example, in Massachusetts, the initial income requirement was 50 percent of SMI or 190 percent of the federal poverty line, and the ongoing income limit was 85 percent of SMI or 323 percent of the federal poverty line (NCCIC, 2002). Utilizing a two-tiered system requires the state to financially support more families, but it appears to be an effective method for assisting families in gaining self-sufficiency, without creating a cliff effect. Our fourth hypotheses asserts that in states with two-tiered income eligibility requirements, mothers will be employed a greater number of hours per week

## Methods

### *Data and sample*

The third wave of data from the National Survey of America's Families (NSAF), collected in 2002 was utilized to investigate the aforementioned research hypotheses (Abi-Habib, Safir, & Triplett, 2002). This nationally representative sample included 50,000 families. Of this total sample, 12,000 families had household incomes less than 200 percent of the federal poverty line (FPL) (Urban Institute, 2002). A sub-sample from these low-income families of single mother families with children less than five was drawn. Thus, the sample inclusion



criteria were: (1) Family income of less than 200 percent of the FPL; (2) Single women (including married women not living with their husbands) with children less than five years old; and (3) Mothers who reported being employed at least 15 hours per week. This selection yielded 1,390 mothers for the present study. See Table 1 for additional demographic characteristics. Four 2002 CCDF policy components related to access, equity, and stability of care were added to the data set. These policy variables were matched with NSAF participants based upon state of residence.

Table 1. NSAF Sample Demographics

	Employment (Mean, in hrs.)	Race/ Ethnicity		Age of Mother (Mean, in yrs.)	# of Children < 5 (Mean in hh)	Mother's Education			
		Black*	White			<HS	HS	HS+	College+
NSAF Total Sample	41.82	14%	82%	37.4	0.72	11%	35%	26%	28%
NSAF Study Sample	34.78	45%	54%	32.1	1.24	2%	80%	16%	2%

\*4% of participants in the NSAF total were Hispanic, Asian, Native American, or "other"; 1% of the study sample participants were Hispanic, Asian, Native American, or "other". The NSAF Study Sample is the sample that was used in the present study.

## Measures

### *Level of maternal employment*

The outcome variable, level of maternal employment, was operationalized using the average number of hours per week mothers were employed in the last year. This variable was continuous and ranged from 15 to 110 hours per week with a mean of 34.8 hours per week for the analytic sample of 1,390 mothers. We only included mothers employed at least 15 hours per week to capture the experiences of mothers who had made a strong commitment to the labor market. Additionally, irregularities in data for the mothers who worked less than 15 hours per week resulted in a model that could not be estimated.

There were 447 mothers, or 32 percent of the sample, who reported working 40 hours per week, while 28 percent of the sample reported working 35 hours per week. There were a small percentage of mothers (8%) who worked more than 40 hours per week. However, overall, more than half of the mothers (60%) in the sample worked less than 40 hours per week.

#### *State policy variations related to access, equity and stability*

The state policy variations, the main predictor variables for the present analyses, were created from a data set based upon the 2002 CCDF state plans (Herbst, 2005). CCDF policy data from 2002 is utilized in this study as this is the year from which the NSAF data are drawn. Specifically, the measure for the *states' waiting lists* was dichotomous with "yes," indicating the state had a waiting list, and "no," indicating the state did not have a waiting list. There were 850 mothers (61 percent of the sample) who lived in a state with a waiting list. The measure for *tiered eligibility* was dichotomous, with "yes" indicating there were two tiers for eligibility. There were 321 mothers (23 percent of the sample) who lived in a state with tiered income eligibility. The variable *child care co-payment as a percentage of income* was measured continuously, ranging from 0 to 14 percent, with a national average of 3.68 percent. However, for the mothers in this sample, the mean, at 6.72 percent, was higher than the national average. *States' median income eligibility levels* were measured continuously. This variable indicates the percentage of state median income a family must be below to be eligible for the receipt of CCDF. This continuous variable ranged from 40 percent to 81 percent. The average state median income eligibility level across the states was 57 percent in 2002, as reflected in the sample for the present study (see Table 2).

#### *Control variables*

The following variables were controlled in these analyses: maternal characteristics (mothers' age, mother's level of education, race of the mother), household characteristics (number of children under age five in the household), and child care characteristics (center-based care or not). Maternal characteristics were controlled for because they may be highly

predictive of the amount of hours mothers are employed per week. Specifically, women who are older may have more experience and thus may be considered more employable, increasing the number of hours these mothers work outside the home per week. Similarly, women who have higher levels of education may have the opportunity to work more hours per week. Mother's age was measured as a continuous variable and the mean age of the women in the sample for the present study was just under 33 years; the natural log of maternal age was used in the present analyses to correct for the non-normal distribution of this variable. Education was categorized as less than high school, high school (includes those who received a GED), some college, and college/more than college. The number of children under five was selected as a control variable because mothers with younger children tend to be employed outside the home for fewer hours per week. Finally, a control related to being in center-based care was added to account for whether the mother worked standard hours or not. This control was considered appropriate for mothers' schedules, since most child care centers only operate during standard business hours. It is important to control for mothers' employment schedules because they may impact how many hours per week mothers are able to work outside the home.

Table 2. Maternal hours of employment and state policy adjustments—mean differences

State SMI eligibility level ***	<57% (33.48) <i>0.68</i>	>57% (37.55) <i>0.32</i>
Wait List***	Yes (35.99) <i>0.61</i>	No (32.91) <i>0.39</i>
Child care co-payment as a % of income***	<10% (35.29) <i>0.71</i>	>10% (33.56) <i>0.29</i>
Two-tiered income eligibility***	Yes (38.24) <i>0.23</i>	No (33.76) <i>0.77</i>

\*\*\*, \*\*, \* Statistically significant at the .1%, 1% and 5% levels. Mean hours of employment per week are in parentheses and proportions of mothers experiencing the particular state policy adjustment are italicized.

## Data Analyses and Results

First, t-tests were conducted to determine whether there were any statistical differences in the average number of hours mothers were employed per week in states with and without the specific CCDF policy variations. Second, a series of ordinary least squares (OLS) regression analyses were conducted; OLS regression was utilized based upon the continuous, interval level of measurement of the dependent variable average number of hours of employment per week. An alpha level of 0.05 or less was considered significant throughout these analyses. In the first step of the OLS regressions addressing each of the four hypotheses, the dependent variable of maternal hours of employment was regressed on the policy variables of interest, without any controls. In the second model, maternal hours of employment was regressed on the policy variables of interest, controlling for mothers' age, education and race/ethnicity. In the third model, maternal employment was regressed onto the specific policy variable of interest, adding a control for the number of children under age five in the household. In the fourth and final model, maternal employment was regressed on the policy variables, including an additional control for center-based care or whether or not the mother worked a standard schedule.

### *State SMI level of child care subsidy eligibility and maternal employment*

For the first hypothesis, mean comparisons indicated the average number of hours mothers were employed each week, in states where the SMI eligibility threshold was lower than the national average, was significantly less (approximately four hours per week on average) than their counterparts who lived in states where the SMI thresholds for child care subsidies were higher ( $p < .001$ ). It appears that higher SMI thresholds, which allow mothers to earn higher wages before they become ineligible for child care subsidies, may contribute to the amount of hours mothers are employed per week. Regression analyses indicated that as the SMI eligibility level increased, mothers' hours of employment per week tended to increase. In the first model, a one percent increase in an SMI

eligibility threshold was associated with a 0.75 percentage point increase in hours employed per week (see Table 3). SMI eligibility levels, along with the other policy adjustments of interest, accounted for eight percent of the variance in mothers' hours of employment each week. In the final model with all the controls, for every one percent increase in SMI eligibility thresholds, mothers hours of employment increased by 0.72 percentage points. Model 5 indicates that SMI, and maternal employment are positively related ( $p < .001$ ). Beyond their statistical significance, these results are practically relevant when one considers that some states shift their SMI eligibility levels fairly drastically—sometimes as much as 25 percentage points; this magnitude of a shift may be associated with a more significant swing in the number of hours mothers are employed and an adverse change in their earnings.

*State waiting list for child care subsidies and maternal employment*

The second hypothesis, mothers will be employed fewer hours per week in states where there are child care subsidy waiting lists, was supported by the multivariate regression analyses. Mean comparisons indicated a difference in the number of hours mothers worked in states with a CCDF child care subsidy waiting list versus mothers in states without a waiting list; however, it was in the opposite direction than expected, with mothers in waiting list states working three hours more per week on average than mothers in non-waiting list states. In contrast, the regression analyses suggested support for hypothesis two. In the first model, without any demographic controls, the policy variables explained eight percent of the variance in maternal hours of employment. Accounting for the demographic characteristics related to the mother and the household in models two and three added significant explanatory value to the model (Adjusted  $R^2 = 0.254$ ). In the full model, controlling for maternal, household, and child care characteristics, mothers who lived in a state with a wait list were employed 4 percent fewer hours ( $p < .05$ ). In the level model (Model 5) including all the control variables, mothers in wait list states worked 1.8 hours less than mothers in states with no wait list (Adjusted  $R^2 = 0.198$ ).

*Level of child care co-payment and maternal employment*

Mothers who lived in states where the subsidized child care co-payment was less than 10 percent of mothers' incomes, on average, tended to work significantly more hours per week ( $p < .001$ ) than their counterparts who were paying greater than 10 percent of their monthly income for subsidized child care. These findings do not support hypothesis three.

Table 3. Ln maternal hours of employment and CCDF state policy adjustments. OLS results, weighted

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
SMI	0.0036*** (0.0003)	0.0075*** (0.0005)	0.0073*** (0.0005)	0.0072*** (0.0005)	0.2577*** (0.0231)
Wait list	-0.0432+ (0.0221)	-0.0386+ (0.0210)	-0.0382+ (0.0210)	-0.0424* (0.0211)	-1.8697* (0.9465)
% Co-pay	0.0040+ (0.0040)	-0.0181*** (0.0025)	-0.0190*** (0.0026)	-0.0202*** (0.0026)	-0.7489*** (0.1179)
Two-tier	0.1661*** (0.0204)	0.3039*** (0.0216)	0.3007*** (0.0217)	0.3112*** (0.0220)	9.3832*** (0.9894)
LnMother age	----- (0.0286)	0.2420*** (0.0287)	0.2465*** (0.0290)	0.2583*** (1.305)	8.2207***
<HS Edu	----- (0.0289)	0.1529*** (0.0291)	0.1488*** (0.0290)	0.1465*** (1.305)	6.8982***
>HS Edu (0.0154)	----- (0.0162)	-0.0283+ (0.0208)	-0.0208 (0.9332)	-0.0553**	-3.0549***
Race- Black	-----	-0.2201*** (0.0176)	-0.2193*** (0.0176)	-0.2262*** (0.0178)	-6.8425*** (0.7989)
Race- Other	-----	-0.1322** (0.0440)	-0.1272** (0.0442)	-0.1099* (0.0445)	-4.5084* (2.0025)
# Children <5	-----	-----	0.0196 (0.0136)	0.0327* (0.0145)	1.9914** (0.6497)
Center care	-----	-----	-----	0.0485** (0.0182)	0.5122 (0.8202)
Adj. R-squared	0.080	0.254	0.254	0.258	0.198
N	1390	1390	1390	1390	1390

\*\*\*, \*\*, \*, + Statistically significant at the 0.1%, 1%, 5%, 10% levels. Standard errors are in parentheses. Maternal hours of employment are logged in the first four models; in Model 5 maternal employment is level. Wait list (yes there is a wait list, no there is not a wait list) and two-tier (yes there is a two-tier policy, no there is not a two tier policy) are dichotomous. Maternal age is a logged variable, high school (comparison group is those who received a high school diploma) and race (comparison group is white). Center care refers to whether or not the child was in center based care. Each model contains 1,390 observations.

The multivariate findings did not support this hypothesis either. Model one of the regression analyses, in which only the policy variables are considered, suggests a one percent increase in the percentage of the mother's salary being used for child care is associated with a 0.4 percentage point increase in the number of hours the mother is employed per week ( $p < .10$ ). The controls added in the subsequent models adjusted the direction of the association between the state's co-payment level as a percentage of one's salary and maternal employment to be negative rather than positive as it was in model one. Thus in the final model with all the controls, a one point increase in the percentage of one's salary for the co-payment was associated with a two percentage point decrease in mothers' hours of employment. Model 5 indicates that a one point change in the percent of one's salary for child care cost was associated with a decrease in 0.75 hours of employment per week ( $p < .001$ ). It appears that as mothers needed to use more of their salary for child care costs, they chose to work less hours.

#### *Tiered income eligibility and maternal employment*

Mean comparisons provided significant support for hypothesis four in that mothers who lived in states with a tiered eligibility threshold were employed nearly five hours per week more than mothers who lived in states without tiered eligibility (see Table 2). The regression analyses indicated this relationship as well. In the first regression model, mothers who lived in states with tiered income eligibility were employed 16 percent more hours per week than their counterparts in states without tiered income eligibility ( $p < .001$ ) [see Table 3]. As maternal, household, and child care controls were added to models two through four, tiered eligibility remained statistically significant, with mothers who lived in states with tiered income eligibility working 30 to 31 percent more per week than mothers in states without this policy variation. Based upon model 5, mothers who lived in states with two-tiered income eligibility guidelines were working 9.38 more hours per week than their counterparts in states without this policy variation.

## Discussion

On average, 92 percent of the families receiving assistance from CCDF need this support in order to remain employed or to continue with school (U.S. Department of Health & Human Services, 2002). In addition, it is expected the percentage of parents in need of child care will continue to rise given the increase in TANF work requirements. Research suggests mothers who are employed tend to remain steadily employed, and have greater potential to move off welfare if their children are in high quality, stable care (Matthews & Ewen, 2006). The results of this study illustrate how states' chosen methods for implementing CCDF are associated with low-income mothers' levels of employment.

Mothers in states with higher state median income eligibility levels tended to achieve greater levels of employment. Given the fluctuations across states in terms of these thresholds, mothers earning identical sums of money in two different states could potentially have different child care subsidy eligibility statuses; one may get a child care subsidy and the other may not. The federal guideline for SMI levels is that they not exceed 85 percent. As federal funding for CCDF has remained static since 2001 (Matthews & Ewen, 2006), more states have decreased their state median income eligibility levels—motivated in large part by the desire to decrease waiting lists and to serve more eligible families. For example, in Connecticut, in response to funding restraints, the SMI eligibility level was decreased from 75 percent to 50 percent; with this shift, Connecticut claimed to be servicing 33 percent of eligible families rather than only 20 percent of families (Oliveira, 2005). In sum, it is important to consider that regardless of how much states change their definitions of families' eligibility for child care subsidies, the needs of families who are rendered ineligible by an arbitrary shift in eligibility typically do not change. Even if states change their levels of eligibility, it will not make a difference unless they have the financial means to meet these additional families' needs.

Over 40 percent of states have an average of 10,000 families on their waiting lists. The number of families on CCDF waiting lists has continued to increase as federal funding for



this legislation has plateaued. A greater number of families on waiting lists is indicative of the surprisingly low percentage (10-14% of 15 million eligible families) of CCDF-eligible families actually receiving child care subsidies (Greenberg & Laracy, 2000; Matthews & Ewen, 2006). Some states have responded to decreased federal funding and long waiting lists by including public-private partnerships that manage families' lack of access to child care. For example, in New York, the Non-Profit Assistance Corporation developed a project to provide high-quality, emergency back-up child care to low-wage earners (Gennetian, Crosby, Huston & Lowe, 2004). However, waiting lists still exist in many states, and are indicators of barriers to both care and ultimately employment for low-income, single mothers. Mothers who live in states with waiting lists experience more challenges obtaining care than mothers in states without waiting lists.

Mothers in this study who lived in states allowing a higher percentage of family incomes to be used towards child care tended to be employed fewer hours per week than their counterparts in states where a lower percentage of mothers' salaries were being used for child care. Thus, as co-payment levels increase, it may make greater economic sense for mothers to work slightly fewer hours, and care for the children on their own, rather than pay for care, since the less mothers earn, the greater the actual amount of the subsidy. The cost of care simply may be too great in comparison to one's earnings to remain employed, thus working fewer hours will actually allow the mother to receive a greater subsidy amount.

Finally, tiered levels of eligibility allow continuing receipt of subsidies even when mothers begin to earn more money. Recent qualitative research has shown mothers often experience a cascade of negative events from receiving a raise. An increase in income pushes mothers over the low threshold of eligibility for subsidies and unfortunately their wage increase is usually not enough to fill the gap in child care costs left by the loss in subsidy. Thus mothers are left to choose between an increase in pay risking the loss of subsidized child care, and turning down the promotional raise in wage. Mothers often opt for the latter, which keeps them dependent on the government rather than increasing personal responsibility. Evidence

presented in this paper indicates mothers' ability to be employed for more hours per week is increased when states implement a two-tiered system of eligibility.

### *Limitations*

Some limitations to the present study should be noted. First, this sample only included mothers who worked more than 15 hours per week; the policy effects may be different among mothers who are on the margins of work, or who appear to have a less intense commitment to the labor market. Second, as when utilizing linear regression there is the threat of omitted variable bias or not having controlled for all the possible factors contributing to the variation in mothers' hours of employment. To this point, individual state welfare policies were not controlled for in the regression models, thus the differences in mothers' employment cannot be causally linked to CCDF policy variations, as they may be simply reflective of the state's overall "generosity" in terms of social welfare programs. Despite these limitations, the focus of this study on state variations in CCDF implementation provides valuable first steps towards increased insight into how this policy affects the lives of low-income mothers and children and impacts mothers' ability to be actively employed.

## Policy Recommendations

### *Expansion of funding*

When CCDF became law as a block grant, significant financial responsibility was removed from the federal government and placed on state governments and ultimately families. Child care funding was no longer an entitlement grant, or a source of funding able to serve all families; as a block grant, the federal government provided states with a set amount of funding, and with this dollar amount states were supposed to serve as many families as possible. One could argue many of the decisions states have made subsequently regarding various aspects of CCDF have been driven by budget constraints.

For example, since 2002, federal funding has remained relatively stagnant, with the real value of child care dollars states

receive actually decreasing (Children's Welfare League of America, 2006; Matthews & Ewen, 2006). In turn, only a small percentage of the 15 million eligible families are being supported by CCDF (Matthews & Ewen, 2006). As child care funding has decreased over the last four years, TANF work requirements have increased, precipitating a greater child care need for low-income families while state governments are unable to respond appropriately. In 2005, the total amount spent by states on child care fell for the second year in a row; 22 states made actual cuts in child care spending and nine of these state cuts were at the level of 10 percent or more (Matthews & Ewen, 2006). The number of children covered by CCDF continues to decline, and it is predicted that by 2011, 25 percent less children will be served than in 2000 (Matthews & Ewen, 2006).

An increase in funding for states could potentially impact both families and child care providers. Over 90 percent of families who receive assistance from CCDF need this support in order to remain employed or to continue with school (U.S. Department of Health & Human Services, 2002). Mothers tend to remain steadily employed and have greater potential to move off welfare if their children are in high quality, stable care (Matthews & Ewen, 2006). If low-income mothers remain employed and gain skills as well as education, they can continue to move towards financial independence.

#### *On-going research and evaluation initiatives*

It is necessary to continue conducting research among all the states regarding CCDF in order to improve this program at both state and federal levels. Congress sets aside approximately \$10 million for CCDF child care research, demonstration, and evaluation (U.S. Office of Public Affairs, 2006). Much of this research focuses upon describing elements of CCDF such as the number of families served, the amount spent on families, local child care markets in various states, cost-benefits of different child care strategies, and quality ratings of child care facilities (Administration for Children and Families, 2006). Even though these studies have contributed significantly to what is known about CCDF, most do not focus on any of the qualitative aspects of families' experiences. Evaluations of policies like CCDF should qualitatively consider families' lived

experiences by focusing on the elements of how the CCDF has enhanced their family's lives. Such attention may point states in the appropriate directions for improving child care experiences for American families.

## Conclusion

CCDF represents a philosophical commitment to support low-income, welfare dependent families moving off government assistance and gaining financial independence; however, the diverse state implementation of this legislation is associated with varied levels of maternal employment, and in turn, potential for financial independence of these families. This study provides unique insight into how states' diverse methods of legislative implementation, particularly in relation to access, equity, and stability, impact levels of maternal employment.

With less than 15 percent of eligible families being supported by CCDF, mostly due to funding issues, there is undoubtedly a need to address the financial issues embedded in this legislation. When low-income families do not have an opportunity to select high quality care for their children, the entire family suffers. Parents spend their employed days worrying about who is caring for their children, while their children are in low quality child care environments, which ultimately may impact their overall development. Alternatively, parents sometimes terminate their employment to care for their children, since their work earnings barely cover the cost of child care. This undesirable scenario often leaves families in a dire financial position.

A staggering number of low-income children remain underserved or without high quality child care while parents continue to struggle with the decision to keep their job versus put their child in an undesirable child care arrangement. As long as children are in less than high quality child care, and low-income parents are forced to choose between self-sufficiency and the fate of their child's development, more work must occur in relation to child care legislation for low-income families.

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