

**The Rhode Island
Child Care Policy
Research Partnership**

is a collaboration among the Rhode Island Department of Human Services (DHS), researchers from the Wellesley College Child Care Research Partnership, and Rhode Island KIDS COUNT. The Partnership facilitates research and data collection that are critical to supporting and improving Rhode Island's child care system.

Child Care Snapshots

is a series of publications produced by Rhode Island KIDS COUNT that highlights major issues related to child care policy.

Snapshot Number One

is based on a May 2003 research study conducted by Dr. Anne Witte and Dr. Magaly Queralt from the Wellesley College Child Care Research Partnership: *Impacts of Eligibility Expansions and Provider Reimbursement Rate Increases on Child Care Subsidy Take-Up Rates, Welfare Use and Work.*

CHILD CARE SNAPSHOTS

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September 2004

Number One

Impact of Policy Changes on the Use of Child Care Subsidies and Employment

Research facilitated by the Rhode Island Child Care Policy Research Partnership and conducted by Ann D. Witte, Ph.D., and Dr. Magaly Queralt of Wellesley College shows that child care policy changes between May 1997 and January 2000, the first year and a half of Starting Right, significantly increased the likelihood that eligible families would use subsidies and the likelihood of household heads to work 20 or more hours per week. These findings are obtained using a study sample of 29,468 female single-parent working-age households that are either currently or formerly enrolled in the Family Independence Program (FIP), RI's cash assistance program under welfare reform.

As part of Rhode Island's effort to facilitate the transition of families from welfare to employment, the

Child Care Assistance Program (CCAP) offers subsidies to low-income working families to offset the high cost of child care. In May 1997, child care subsidies became an entitlement for all eligible working families, not just families enrolled in FIP, initiating a period of major child care policy reform. The onset of Starting Right, an initiative to improve the access for low-income families, affordability, and quality of child care, increased the speed of reform. In 1999, the first Starting Right reforms raised the maximum family income eligibility to 225% of the federal poverty level and the maximum child age eligible for subsidies to 15 years old. They also increased the rate of reimbursement to child care providers and offered subsidized health insurance to licensed child care providers caring for children using subsidies.

Impact on Use of Subsidies

Child care policy reforms, specifically those initiated under Starting Right in 1999, increased the likelihood of low-income working families to use child care subsidies. Families leaving welfare for work showed the greatest increase in use of subsidies. In April 2000, more than a year into Starting Right, 58% of families formerly enrolled in FIP with single mothers working 20 or more hours per week were using subsidies, compared to only 42% in May 1996, the year before the implementation of the Family Independence Program (FIP).

Families enrolled in FIP at the time of the study with single mothers who worked 20 or more hours per week were also significantly affected by the policy changes. Their likelihood of using subsidies increased from 31% to 44% during the same time period.

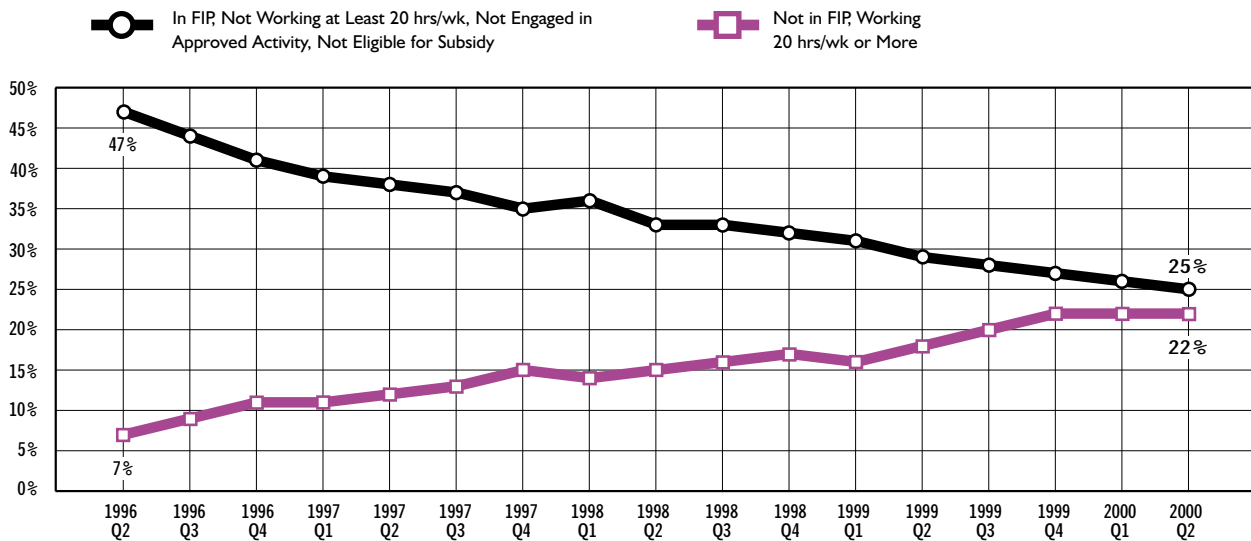
Families enrolled in FIP that engage in a FIP-approved activity other than work (e.g. training, education) showed only a minimal increase in their likelihood to use subsidies, from 47% to 49%.

Impact on Employment

Rhode Island's welfare reform (i.e., implementation of FIP) and child care assistance policy reform had the combined effect of increasing the probability that a single mother in the sample group was employed and not enrolled in FIP, while decreasing the probability of her being enrolled in FIP and neither working nor engaging in a FIP-approved activity.

Between May 1996 and April 2000, child care and welfare reform more than tripled the probability that a single mother currently or formerly enrolled in FIP would work 20 or more hours per week, from 7% to 22%.

Probabilities of Single Mothers Being Employed and Enrolled in FIP, Rhode Island, May 1996 to April 2000



Timeline of Policy Changes to Rhode Island's Child Care Assistance Program, May 1997 - January 2000*

May 1997

- Under RI welfare reform, child care subsidies become an entitlement for all families with incomes up to 185% of the Federal Poverty Level (FPL).

January 1998

- Reimbursement rates for formal child care providers in both licensed centers and homes increase, with increases ranging from 12% to 22%.

January 1999: Starting Right Begins

- Maximum family income eligible for subsidies increases from 185% to 200% of the FPL.
- Maximum child age eligible for subsidies increases from 12 to 14.
- Reimbursement rates for formal child care providers in both

licensed centers and homes increase, with increases ranging from 4% to 14%.

- Providers working in centers where children using subsidies fill more than half the licensed capacity become eligible for a subsidy for health insurance coverage.

July 1999

- Maximum family income eligible for subsidies increases from 200% to 225% of the FPL.
- Maximum child age eligible for subsidies increases to 15 years old.
- Reimbursement rates for formal child care providers in both licensed centers and homes increase, with increases ranging from 7% to 13%.

- Provider eligibility for the health insurance coverage subsidy is expanded by redefining eligibility based on the proportion of the provider's enrollment rather than capacity.

January 2000

- Reimbursement rates for formal child care providers in both licensed centers and homes are set at the 75th percentile of the most recently available market rate survey, required biennially.

**Further policy changes have been made since January 2000 but are not included in the timeline of this study.*

During the same time period, the probability that a single mother would be enrolled in FIP and be neither working nor engaged in an approved activity was reduced by half, from 47% to 25%.

The graph illustrates the leveling of these two probabilities over time. A single mother was 7 times more likely in May 1996 than in April 2000 to be enrolled in FIP and neither working nor engaging in an approved activity than to be working 20 or more hours per week and not enrolled in FIP. By April 2000,

a single mother was nearly as likely to be working 20 or more hours per week as to be enrolled in FIP and neither working nor engaging in an approved activity.

Families Leaving Welfare for Work

Dr. Witte's and Dr. Queralt's research examines specifically the impact of child care policy reforms, independent of welfare reform, on the probability of leaving welfare and working 20 or more hours per week.

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This probability increased most significantly in the second quarter of 2000, one and a half years after the January 1999 reforms under Starting Right and half a year after the January 2000 reimbursement rate increases.

The research estimates that, due to child care assistance policy reforms, an additional 1,680 single mothers had left FIP and were working 20 hours or more per week with the use of a child care subsidy during Q2 of 2000. Also due to child care assistance policy reforms, an additional 516 single mothers currently enrolled in FIP were working 20 or more hours per week with the use of a child care subsidy.

These findings demonstrate that Rhode Island's Family Independence Program is steadily meeting its goal of transitioning families from welfare to work. With the support of child care subsidies, an increasing number of low-income families are entering the workforce and reducing their likelihood of being enrolled in FIP.

This trend is also evidenced by the diminishing FIP caseload, which decreased by 30% between 1996 and 2003. Families enrolled in FIP also show a trend toward employment, with 27% of FIP-enrolled families maintaining an employment history of 13 months or more in 2003, up from 11% in 1997.

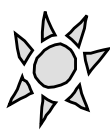
Dr. Witte's and Dr. Queralt's research demonstrates that the policy changes expanding CCAP significantly improved the use of subsidies by eligible families and helped families to maintain employment.

More Research is Needed

The timeline of policy changes covered by this research paper does not include changes to the Child Care Assistance Program made after January 2000. Further research will be conducted by the Rhode Island Child Care Policy Research Partnership to monitor these changes.

Source

Witte, A.D. and M. Queralt. (May 2003). "Impacts of Eligibility Expansions and Provider Reimbursement Rate Increases on Child Care Subsidy Take-Up Rates, Welfare Use and Work." Cambridge, MA: National Bureau of Economic Research Working Paper 9693.



Wellesley Child Care Research Partnership

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For more information on the Child Care Snapshots or the Child Care Policy Research Partnership visit www.dhs.ri.gov and www.rikidscount.org