
*Child Care Policy Research
Issue Brief*

Why Do They Leave?

Child Care Subsidy Use in Oregon

*Deana Grobe
Roberta B. Weber
Elizabeth E. Davis*

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Introduction

Previous research on the dynamics of participation in child care subsidy programs found that in five states the duration of use was quite short. In Oregon, half of all subsidy spells ended by 3 months for all programs combined, and 4 months when ERDC was looked at separately. While half the families returned for another period of subsidy use, it was typically for another short spell (Meyers, Peck, Davis, Collins, Kreader, Georges, Weber, Schexnayder, Schroeder, and Olson, 2002). The short spells of subsidy use raised concerns about the impact on the stability of child care arrangements, children's social and emotional development, and parents' employment stability. Indeed, Weber (2005) found that children's (subsidized) child care arrangements were shorter, on average, than their subsidy spells. Half of all subsidized arrangements ended within three months for children observed for up to three years, and only 18% of the arrangements were resumed with the same provider (Weber, 2005).

The short duration of subsidy use and the possible implications for the stability of child

care arrangements, child development, and parental employment stability were the primary motivations behind this study to investigate the reasons parents leave the subsidy program after only a few months. Both employment stability and provider stability are likely to contribute to positive outcomes for families and children, thus understanding why parents leave after such short spells is key to improving outcomes for children and families.

While other studies have focused on apparently eligible populations and asked why they did or did not use the subsidy program, this study focuses on families who used the subsidy program and asks why they leave so soon. To the authors' knowledge, there are no other studies that have investigated this specific question for subsidy users. The primary focus of this study was to explore three main hypotheses on why parents leave the subsidy program:

- (i) Instability in other aspects of their lives, such as employment changes or family mobility, disrupts participation in the subsidy program.
- (ii) Parents are no longer eligible for subsidy (particularly due to increased income).
- (iii) Parents perceive the cost in time and effort of maintaining a subsidy is greater than the benefit of the subsidy.

The approach for the study was to investigate each of the above hypotheses through descriptive, correlational relationships between subsidy use and factors such as employment stability and end of eligibility period. In a final analysis we estimated a Cox regression model to understand all the factors influencing probability of exit from the subsidy program. This model determined the extent to which exiting from subsidy use was related to differences in demographic characteristics of the caseload, economic factors, and subsidy policies.

Policy Context

Oregon's child care subsidies are managed through three programs within the Department of Human Services (DHS). The Employment Related Day Care program (ERDC) is the largest and serves low-income families (not participating in TANF) who are eligible for a child care subsidy because of employment. Parents in job-readiness activities (occasionally including part-time employment) may receive child care subsidies as part of their TANF participation. The Assessment Program, which provides initial assessment, case management, and cash assistance to families applying for TANF, lasts no longer than 45 days. Child care subsidies are provided to allow families to participate in assessment activities and job search.

States have five major policy levers to use in managing the voucher portion of child care subsidy programs:

- Maximum rates paid to providers,
- Copay amounts that parents must pay,
- Eligibility ceilings that determine who may participate,
- Eligibility periods—the length of time before parents must recertify eligibility, and
- Subsidy management policies including whether to serve all eligible families who apply or to keep a waiting list.

These five policies interact to create the mix of families and providers who participate in the state's voucher program. In addition, states decide whether or not to contract with providers to directly serve low-income families, and if they do contract, they must decide how much subsidized care will be provided through these contracts. Through child care licensing statutes and rules, states also decide what types of care will be regulated. These subsidy and licensing policies provide the context for a study of why parents leave the subsidy program.

Maximum Rates Paid to Providers

Oregon maximum payment rates were set in 1995 at the 75th percentile of the 1992 Market Rate Survey. In 1999, the state created an

enhanced rate with a 7% higher payment to providers who have completed approximately 12 hours of specific training with an additional 8 hours required every 2 years. Almost 25% of providers, the vast majority of whom are regulated by the Child Care Division, receive the enhanced rate. As of the 2004 Market Rate Study, the enhanced rate is adequate to purchase about 21% of child care slots statewide (Grobe, Pratt, and Weber, 2004). Although differences in methods of measuring the amount of access that the maximum payment rate provides preclude state comparisons, it is likely that Oregon's rates give parents less access to the child care market than do the rates in other states. In addition, Oregon is the only state that pays family, friend, and neighbor providers the same rate as that paid to family child care providers regulated by the child care licensing agency. Unregulated and regulated centers have a slightly higher maximum rate than family providers. Providers are not allowed to charge a rate for subsidized care higher than they charge nonsubsidized families and are paid their rate (up to the maximum) minus the copay, which they must collect directly from the parent. Providers may collect from parents the difference between their usual charge and the maximum rate paid by the state.

Copay Amounts and Eligibility Ceilings

The amount that a parent must pay for child care increases rapidly after family income exceeds 100% of the Federal Poverty Level (FPL). At that level, Oregon has the eighth-highest copay among the states and District of Columbia (Schulman and Blank, 2005). At 150% of FPL, Oregon has the highest copay, although families at that level are not eligible for a subsidy in seven other states (*ibid.*). During the study period, eligibility was set at 185% FPL, although it was lowered to 150% FPL in February 2003. Twelve other states set eligibility at less than 150% FPL (*ibid.*), but some allow a higher limit once the family is on the subsidy program.

Eligibility Periods

Caseworkers in Oregon are directed to set the period for recertification of subsidy eligibil-

ity between 3 and 6 months for the ERDC program. Caseworkers can require certification in less than 3 months if the parent has temporary income or to align with Food Stamp eligibility periods. In other states, 6-month eligibility periods appear more common, and some states have 12-month eligibility periods. Oregon parents who receive a subsidy in conjunction with a TANF grant have their recertification date set as a part of their broader TANF eligibility determination.

Parents must act in order to maintain a subsidy, balancing the task of completing paperwork with the monetary value of the subsidy. Adams, Synder, and Sandfort (2002) have documented the procedures needed to certify or recertify eligibility in several states, and note that these requirements may discourage participation in the subsidy program. Studies of the Food Stamp Program find that both recertification and value of the benefit to the family are associated with participation or continued participation in the program (see, for example, Kabbani and Wilde, 2003; Mills, Sundar, Peterson, and Alwang, 2001). In Oregon, parents receive the paperwork needed for recertification approximately 10 days before the last month of the eligibility period. If the caseworker does not receive the paperwork back from the parent by the 15th of the last month of the eligibility period, the parent is issued a closure notice. If the parent submits the paperwork by the last day of that month, and continues to be eligible, the case will remain open. If the paperwork is received within the month following the last month, it is treated as a new application and—if still eligible—eligibility is established back to the beginning of the month.

Subsidy Program Management and Child Care Regulation

Oregon does not maintain a waiting list for child care subsidy participation; all eligible families who apply for a subsidy receive it. In Federal Fiscal Year 2001 approximately 20% of children eligible for the subsidy under Oregon rules received a subsidy.¹ The majority of child care assistance is managed through the voucher

system; less than 5% of subsidized care in Oregon is managed through contracts with providers. Oregon child care licensing rules state that providers who care for three or fewer children or for children from one family are exempt from regulation, as are centers that offer care for less than 4 hours per day or that are operated by public entities.

Data Sources and Study Population

An important part of the analysis for this study was linking different administrative data sources into a merged data analysis file. Linking these multiple databases provided a dynamic analysis dataset for observing program interactions and relationships between participation and employment. The data come from a number of sources in Oregon: child care subsidy program, Unemployment Insurance wage data, Temporary Assistance for Needy Families (TANF) program, and the Client Maintenance System. State agencies removed identifying variables prior to sending the data to Oregon State University.

The population of interest includes 27,628 families with at least one child who entered the child care subsidy program between October 1998 and September 2000, were single-parent families, and received a subsidy for at least 1 month. The study sample includes only families who chose to participate in the subsidy program in Oregon at least once; by definition it excludes those who did not. The study observes these families for 3 years, October 1998–September 2001, allowing us to view parents' behavior at least 12 months after they began their first observed child care subsidy spell. In addition, program information was available on these families a year prior to the beginning of the observation period (October 1997–September 2000).

¹Estimate based on number of eligible children produced by Urban Institute's TRIM 3 microsimulation model, using 3-year averages of data from the Current Population Survey (calendar years 1999–2001) provided by ASPE, 2003.

ber 1998). Thus, the study period covers four years, October 1997–September 2001.

Summary of Major Findings

- While some of the families who exited the subsidy program in Oregon had unstable employment or frequent moves to new zip codes, overall, the families using the subsidy program were far more stable than expected.
- We found unexpectedly high levels of employment stability (parents were employed on average for 23 of the 36 observed months) and low levels of family mobility (mean of 1.2 moves over the months observed as a DHS client).
- Although earnings increased during the 12 months after subsidy exit, the increases do not appear to be substantial enough to change families' eligibility for subsidies. Less than 5% of families earned more than 185% of the federal poverty threshold (the level for subsidy eligibility during the observation period) after exiting the subsidy program, and so most were likely to have remained income eligible for a subsidy.
- Results also show that many parents remain on other programs after they stop receiving a subsidy. Continued participation in other programs suggests both that the family continued to be subsidy-eligible and that they were willing to participate in some assistance programs.
- Families in the subsidy program appear to be receiving substantial value in terms of payments to the provider. As the value of the subsidy increases, the length of time on subsidy also increases. That is, the higher the subsidy value, the more parents were likely to try to maintain eligibility and/or recertify their eligibility.
- A key factor driving exits was the end of an eligibility period. This study found that families in the last month of an eligibility period were two to three times as likely to exit the subsidy program. For parents who continued to be employed and were likely

to remain eligible, the effort of having to reestablish their eligibility at 3- or 4-month intervals frequently led to disruption of subsidy participation. Findings also indicate that lengths of eligibility periods and subsidy spells may be related as the direction of change in lengths was the same, both increased over the same time period.

Conclusions

For families with unstable employment or frequent moves, there may not be program changes that would increase retention of child care subsidies—in these cases, instability in other areas may be leading to short subsidy spells. But for the large number of families who are relatively stable in terms of employment and other program participation, the short spells of subsidy use are of more concern.

Other studies have shown that parents report that retaining subsidies is more hassle than it is worth (Adams et al., 2002; Shlay, Weinraub, Harmon, and Tran, 2004), and this study finds that being in the last month of an eligibility period increases the likelihood of exiting the subsidy program by two to three times. Some families return after a short break by reestablishing their eligibility, but many do not. Weber (2005) found that children seldom returned to the same provider after the end of a subsidized arrangement.

Disruptions in subsidy use may be related to disruptions in the child-caregiver relationship that is so central to child development. Evidence that child care stability supports both children's developmental outcomes and parental employment would argue for improving subsidy stability for those participants who remain eligible. The connection between length of eligibility period and length of subsidy receipt suggests that lengthening eligibility period could impact length of subsidy use.

Future Directions

A key question is whether the stability patterns and importance of eligibility period found in this study are similar in other states. State

policies on length of eligibility periods differ, and states may give caseworkers more or less discretion in setting eligibility periods for families receiving child care subsidies. In addition, state policies regarding maximum payment rates to providers and parent copays will affect the value of the subsidy to families in different states. Differences in policies across states suggest that similar research is needed elsewhere to explore the relationship between subsidy use and employment and policy factors.

Another potentially interesting research direction is to delve deeper into the participation of families in multiple work-support programs along with child care subsidies, particularly food stamps. The current study does not include food stamp data, yet nearly all families (93%) receiving child care subsidies in Oregon also receive food stamps. Food stamp eligibility periods typically are longer than those for subsidy. Studying the relationship between food stamp exits and subsidy exits may help shed light on the tradeoff between the value of the benefit to the family and the cost, hassle, or stigma of participating.

Surveys of parents who are not using subsidies have suggested that parents' lack of knowledge of the program or of their eligibility prevents some from participating. In addition, studies have shown that the process of applying or recertifying eligibility is considered burdensome by some parents. Surveys generally have not focused on parents who have left the subsidy program, therefore they did not ask about reasons for no longer using a subsidy. This study found many parents who appear to be income-eligible and steadily employed, who used a subsidy at least once, no longer do so. Observing parents' actions (using administrative data) provides important information on parents' response to policy and economic conditions; however, surveys of parents would provide a more complete picture of the factors determining why parents who are eligible do not continue to use a subsidy. This information may be important for policymakers designing policies that support employment and child development.

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Oregon Child Care Research Partnership
OSU Family Policy Program
Bates Hall Rm 219
Corvallis, Oregon 97331-5151
Telephone: (541) 737-9243
Facsimile: (541) 737-5579
E-mail: bobbie.weber@oregonstate.edu

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