



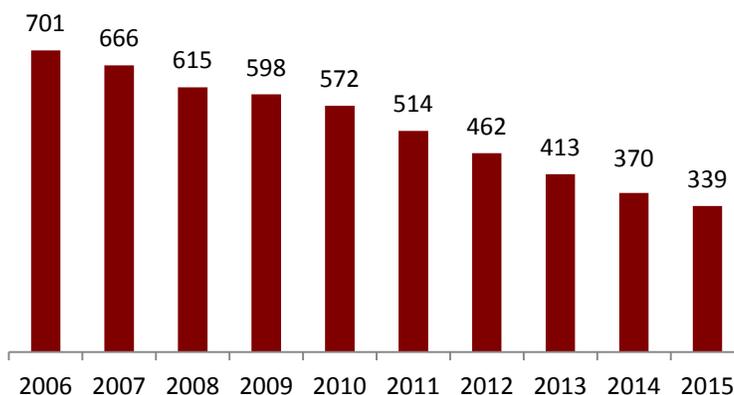
# Fewer Children, Fewer Providers: Trends in CCDBG Participation

January 2017 | Anitha Mohan

The Child Care and Development Block Grant (CCDBG) is the major federal funding stream for states to help low-income families afford child care and increase the quality of child care for all. CCDBG gives states flexibility in setting many child care policies within federal parameters. Over the past decade, the CCDBG program has been shrinking due to insufficient federal and state investments. States also have discretion to use funds from the federal Temporary Assistance for Needy Families (TANF) block grant/program to support child care for low-income families. In 2014, the latest year data are available, combined TANF and CCDBG spending on child care fell to \$11.3 billion, the lowest level since 2002.<sup>1</sup> As a result, fewer children are getting help. Most recently, in 2015, fewer than 1.4 million children received CCDBG-funded child care in an average month, the smallest number of children served in the program since 1998. From 2006 to 2015, over 373,000 children have lost assistance—a decline of 21 percent.<sup>2</sup> Within this context of declining investments and shrinking access, this factsheet explores trends among the child care providers receiving CCDBG funds and implications for the families served by this program.

## Steep Decline in Child Care Providers Receiving CCDBG

Figure 1. Providers Receiving CCDBG Funding  
FY 2006-2015 (in thousands)



Source: HHS administrative data. FY 2015 data are preliminary.

From 2006 to 2015, the number of child care providers that received CCDBG funds fell by over half (nearly 52 percent), a loss of more than 361,000 providers, to 339,283, which is the fewest number of providers to participate in the program ever.<sup>3</sup> All but two states (Nevada and Massachusetts) have lost providers over this nine-year period ending in 2015. Twenty-three states have lost more than half of their providers.

To support parental choice of child care providers, eligible CCDBG providers include licensed child care centers and family child care homes; centers and family homes that are exempt from licensing under state licensing standards; and caregivers who are relatives. While the decline in providers

receiving CCDBG-funding has included every provider type, overall the largest declines have been among providers offering care in children's own homes (a loss of 65 percent) and family child care providers caring for children in the providers' own homes (a loss of 60 percent).

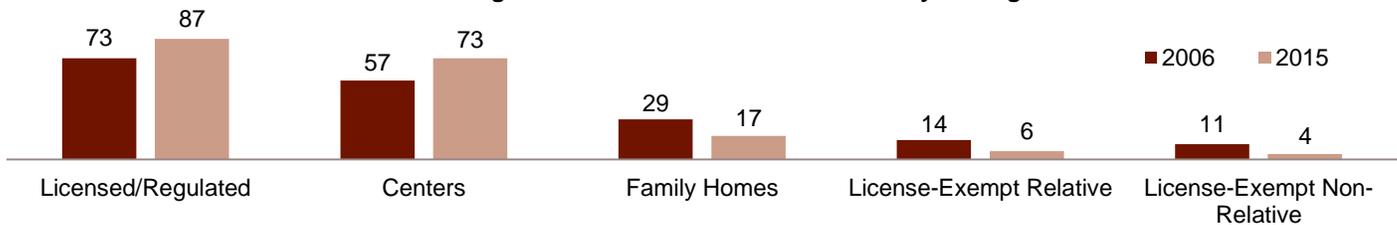
## CCDBG Providers are Increasingly Licensed or Regulated and Center-based

From 2006 to 2015, licensed and center-based providers comprised a growing share of all CCDBG providers and the share of license-exempt and home-based child care providers decreased. While the overall number of providers has fallen, the settings in which children receive care have also shifted. From 2006 to 2015, the share of children served in regulated settings (including centers and homes) **increased** by 13 percent, whereas the share of children served in license-exempt settings **decreased** by 12 percent. In 2015, 87 percent of children receiving CCDBG-funded care were served in licensed settings, while 4 percent were cared for in license-exempt care with a non-relative and 6 percent were cared for by a relative caregiver exempt from licensing (see Figure 2).

While the share of children cared for in centers grew by 16 percent, the share of children in family child care homes (including both licensed and license-exempt) declined by 12 percent. In 2015, nearly three-quarters of children in CCDBG-funded care were in centers and 17 percent were in family child care homes.

The share of children in different types of care varies widely by state. For example, in 26 states and the District of Columbia, 90 percent or more of children receiving CCDBG are cared for in licensed or regulated settings; in three states (Oklahoma, Wisconsin and West Virginia), all children receiving CCDBG are cared for in licensed or regulated settings. In 14 states and the District of Columbia, fewer than 10 percent of children receiving CCDBG are cared for in family homes.

Figure 2. Share of Children in CCDBG By Setting



Source: HHS administrative data. FY 2015 data are preliminary.

During the same time frame, from 2006 to 2015, there was a 70 percent decrease in the number of children (or 312,861 fewer children) served in license-exempt settings, including relative and non-relative providers. The seven states listed in the table below had the highest declines in the share of children in license-exempt care from 2006 to 2015.

State	Number of Children in License-Exempt Care in 2006	Number of Children in License-Exempt Care in 2015	Percent Decrease in Children Served in License-Exempt Settings (2006-2015)
Florida	10,229	6	100%
Indiana	11,087	469	96%
Kentucky	3,670	154	96%
Texas	20,275	794	96%
Colorado	3,104	180	94%
Alabama	5,494	416	92%
Minnesota	6,895	805	90%

## Pressures on the Shifting Population of Providers

Numerous policies and circumstances likely contribute to changes reflected in each state's data. Given the decline in the number of children receiving CCDBG-funded care, it is not surprising that the number of providers would decline as well, since fewer providers may be needed to care for a smaller number of children.

However, shifts in the types of providers receiving CCDBG-funded care are important to consider, in particular as new requirements from the 2014 bipartisan reauthorization of CCDBG come into effect as discussed below. It is possible that prior state policy decisions—such as increased regulations or higher-quality standards—have nudged providers out of the system. Over the last several years, including prior to the federal reauthorization, there has been an increasing emphasis nationally and in states on formal settings, and some of the decline in license-exempt providers likely reflect that trend. Some states have put restrictions on access to license-exempt care, and others have created incentives to encourage families to use licensed and higher-quality settings.

If in fact more children are served in higher-quality settings, the changing data could reflect improved access to quality child care for children—an important goal of the subsidy system. It is impossible, however, to determine from the administrative data whether children have moved from one care setting type to another, *or* whether the shift in type of care used under CCDBG reflects the departure of children who had been using license-exempt and home-based care from the subsidy system, while other children continue—in licensed and center-based programs—continue to receive CCDBG. In other words, it's not clear that *more* CCDBG-eligible children are in regulated care, but rather that the smaller number of children using CCDBG are accessing regulated care. Because the number of children receiving CCDBG-funded care has fallen during the same time period—and most children (85 percent) who could qualify for help don't get any—it's possible that the shift in care settings reflects a change in *which* families are accessing CCDBG rather than a movement from one setting type to another. Therefore, it's worth exploring whether families using licensed care and centers have greater access to subsidies *or* whether state policies advantage certain families in selecting certain types of care.

High-quality care is important, in particular for low-income and vulnerable children. However, efforts to increase the number of children accessing high-quality care should be coupled with an understanding of the work and family circumstance of low-income children. Nationally, 40 percent of hourly paid workers between the ages of 26 and 32 receive their schedules one week or less in advance. Half are in jobs with schedules that may vary from week to week. For those parents, who are often also low-wage workers, flexible child care that is available during non-traditional hours (nights and weekends) can be the critical link to economic stability for their families.<sup>4</sup> License-exempt and licensed family child care may be most likely to meet that need. These low-wage working families may also include some of the most vulnerable children, and precarious work schedules and inconsistent income create stress, wreaking havoc on their home lives as parents attempt to balance work and caregiving. While they may need different types of child care settings, the children in these families also need quality care environments and help affording child care.<sup>5</sup>

Family child care will always be an important part of the child care system, given that many families prefer placing very young children in home-based settings. In many areas, especially those that are rural, the existing supply of center-based care cannot adequately meet the needs of all families. Nearly three million children from birth to age five rely on family child care<sup>6</sup>, or care provided in a child's home that can either be licensed or license-exempt (depending on the state), as an affordable and flexible option, particularly when parents work non-standard hours—a common characteristic of low-wage jobs. Yet, licensed family child care is also declining across the country, just as fewer family child care providers are receiving subsidies. States will want to consider the role of subsidies in expanding the supply of home-based care so this setting remains an option for CCDBG families.

State policies play an enormous role in determining which children can access CCDBG and whether or not providers benefit from participating. States that have increased provider requirements without a corresponding increase in payment rates may be losing providers because participating is not financially viable. The CCDBG

reauthorization made improvements in how providers are paid, an important development, but the law stops short of requiring that payment rates truly support the provision of high-quality care. In 2016, only one state set its reimbursement rate at the 75<sup>th</sup> percentile (the federally recommended level).<sup>7</sup> Ultimately if payment rates continue to fall below the cost of providing care or meeting new requirements, it may be financially unviable for providers to participate in CCDBG.

## **New Requirements for Providers**

The recent CCDBG reauthorization created many new requirements of providers to improve the health and safety of child care. For example, CCDBG providers—including license-exempt providers—must participate in pre-service, orientation, or ongoing training on specific health and safety topics.<sup>8</sup> These are important improvements so all children benefit from child care with a minimum level of quality. Additional requirements—including comprehensive background checks and state-established ratio and group size requirements—could also have financial implications for providers. Moreover, states are increasingly tying subsidy payments to the quality of programs as measured by Quality Rating and Improvement Systems (QRIS) and other systems, and base payment rates overall remain extremely low, with home-based providers typically getting the lowest amounts. The result is that providers, particularly home-based child care providers, may be unable financially to participate in the child care subsidy system.

In implementing the reauthorization, states must thoughtfully shape their provider policies to meet the federal law, protect the health and safety of children, and support parental choice, while recognizing the economic and other challenges faced by providers. To meet the higher standards, CCDBG providers will need support—including financial assistance and other accommodations, such as online coursework and substitutes for time when providers are completing trainings. Most importantly, states should be aware that when payment rates do not reflect the costs of meeting quality requirements, providers will not be able to meet higher standards and may choose to leave the subsidy system—restricting access to parent choice for families receiving subsidies.

## **Conclusion**

In the 2014 reauthorization, Congress added a new purpose to CCDBG: to increase the number and percentage of low-income children in high-quality child care settings. At the same time, CCDBG is intended to promote parental choice by empowering working parents to make their own decisions regarding the child care services that best suits their family's needs. The needs of all families are varied and require balancing parents' work support needs and children's developmental needs—and finding settings that can support them both. Given the current funding challenges for CCDBG, this is not an easy task. But it's important as states implement the new law to recognize the importance of fostering a diverse child care system and safeguarding the availability of settings. All settings—and the children in them—can and should benefit from quality improvement efforts. If the current trend continues and CCDBG serves fewer children and reaches fewer providers, we lose the opportunities of the reauthorization to improve the health, safety, and quality of care for low-income children and to support families and providers.

## Providers Receiving CCDBG Funds, 2006 to 2015

State	Number of Providers Receiving CCDBG Funds in 2006	Percent of Children Served by Licensed / Regulated Providers in 2006	Percent of Children Served by License Exempt Providers in 2006 (Legally Operating Without Regulation)	Percent of Children Served by Invalid / Not Reported in 2006	Number of Providers Receiving CCDBG Funds in 2015	Percent of Children Served by Licensed / Regulated Providers in 2015	Percent of Children Served by License Exempt Providers in 2015 (Legally Operating Without Regulation)	Percent of Children Served by Invalid/ Not Reported
Alabama	3,194	79%	20%	1%	2,029	58%	42%	0%
Alaska	2,500	71%	28%	0%	975	82%	18%	1%
Arizona	6,360	89%	11%	0%	2,876	94%	6%	0%
Arkansas	1,576	99%	1%	0%		99%	0%	0%
California	83,470	68%	31%	1%	43,003	79%	21%	0%
Colorado	6,888	81%	19%	1%	2,221	88%	1%	11%
Connecticut	10,943	49%	47%	4%	7,975	65%	35%	0%
Delaware	2,518	89%	11%	0%	885	93%	7%	0%
District of Columbia	410	85%	1%	14%	292	98%	0%	2%
Florida	13,879	90%	9%	0%	8,993	92%	8%	0%
Georgia	9,204	95%	5%	0%	4,628	99%	1%	0%
Hawaii	6,346	38%	62%	1%	5,180	28%	72%	0%
Idaho	3,303	62%	38%	0%	860	86%	13%	0%
Illinois	87,427	49%	51%	0%	52,156	64%	35%	0%
Indiana	4,894	66%	34%	0%	3,651	76%	24%	0%
Iowa	8,864	80%	20%	1%	4,595	90%	9%	1%
Kansas	6,338	84%	16%	0%	3,611	88%	12%	0%
Kentucky	5,908	87%	13%	0%	2,099	98%	2%	0%
Louisiana	8,036	73%	27%	0%	2,083	92%	8%	0%
Maine	2,480	85%	13%	1%	977	85%	14%	1%
Maryland	10,424	77%	22%	1%	5,012	92%	8%	0%
Massachusetts	9,610	91%	4%	5%	13,040	99%	1%	0%
Michigan	73,779	32%	67%	1%	10,236	74%	26%	0%
Minnesota	19,836	69%	28%	3%	5,593	88%	11%	0%
Mississippi	7,430	74%	25%	1%	1,661	94%	6%	0%

State	Number of Providers Receiving CCDBG Funds in 2006	Percent of Children Served by Licensed / Regulated Providers in 2006	Percent of Children Served by License Exempt Providers in 2006 (Legally Operating Without Regulation)	Percent of Children Served by Invalid / Not Reported in 2006	Number of Providers Receiving CCDBG Funds in 2015	Percent of Children Served by Licensed / Regulated Providers in 2015	Percent of Children Served by License Exempt Providers in 2015 (Legally Operating Without Regulation)	Percent of Children Served by Invalid/ Not Reported
Missouri	10,784	61%	36%	2%	5,899	72%	28%	0%
Montana	2,302	87%	13%	0%	1,071	94%	6%	0%
Nebraska	5,307	81%	18%	1%	2,639	90%	10%	0%
Nevada	1,326	73%	27%	0%	1,722	62%	38%	0%
New Hampshire	3,245	69%	30%	1%	1,065	92%	7%	1%
New Jersey	8,977	87%	9%	4%	5,299	97%	2%	0%
New Mexico	6,906	61%	38%	1%	2,009	87%	13%	0%
New York	77,871	46%	48%	6%	44,711	70%	30%	0%
North Carolina	8,858	98%	2%	0%	4,993	98%	0%	2%
North Dakota	2,600	65%	35%	0%	1,284	83%	17%	0%
Ohio	14,926	93%	0%	7%	10,275	99%	0%	1%
Oklahoma	4042	100%	0%	0%	2,003	100%	0%	0%
Oregon	16,472	42%	58%	0%	6,869	58%	40%	1%
Pennsylvania	45,793	60%	38%	3%	17,528	87%	11%	1%
Rhode Island	1,612	97%	3%	0%	848	99%	1%	0%
South Carolina	4,433	83%	17%	0%	1,730	88%	9%	3%
South Dakota	1,768	87%	13%	0%	1,519	86%	14%	0%
Tennessee	4,088	90%	10%	0%	3,901	93%	7%	0%
Texas	31,469	84%	16%	0%	8,552	99%	1%	0%
Utah	10,712	56%	42%	2%	1,889	99%	1%	0%
Vermont	2,869	97%	0%	3%	1,781	92%	7%	1%
Virginia	-	81%	19%	0%	3,737	97%	3%	0%
Washington	21,498	69%	16%	14%	13,379	83%	17%	0%
West Virginia	3,104	97%	3%	0%	1,921	100%	0%	0%
Wisconsin	8,731	59%	0%	41%	4,643	100%	0%	0%
Wyoming	1,851	29%	26%	45%	710	88%	11%	0%
<b>National Total*</b>	<b>700,598</b>	<b>73%</b>	<b>25%</b>	<b>2%</b>	<b>339,657</b>	<b>87%</b>	<b>13%</b>	<b>1%</b>

\*National Total includes U.S. territories

## Endnotes

<sup>1</sup> Hannah Matthews and Christina Walker, *Child Care Assistance Spending and Participation in 2014*, CLASP, 2016, <http://www.clasp.org/resources-and-publications/publication-1/CC-Spending-and-Participation-2014-1.pdf>.

<sup>2</sup> Christina Walker and Hannah Matthews, *CCDBG Participation at a Historic Low*, CLASP, 2017.

<sup>3</sup> CLASP's analysis is based on data reported by the U.S. Department of Health and Human Services, Administration for Children & Families, Office of Child Care, at <http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics>. Participation data for 2015 is preliminary.

<sup>4</sup> Susan Lambert, Peter Fugiel, Julia Henly, *Precarious Work Schedules among Early-Career Employees in the U.S: A National Snapshot*, University of Chicago, 2016, [https://ssascholars.uchicago.edu/sites/default/files/work-scheduling-study/files/lambert.fugiel.henly\\_precarious\\_work\\_schedules.august2014\\_0.pdf](https://ssascholars.uchicago.edu/sites/default/files/work-scheduling-study/files/lambert.fugiel.henly_precarious_work_schedules.august2014_0.pdf).

<sup>5</sup> Liz Ben-Ishai, Hannah Matthews, Jodie Levin-Epstein, *Scrambling for Stability: The Challenges of Job Scheduling Volatility and Child Care*, CLASP, 2014, <http://www.clasp.org/resources-and-publications/publication-1/2014-03-27-Scrambling-for-Stability-The-Challenges-of-Job-Schedule-Volat-.pdf>.

<sup>6</sup> National Survey of Early Care and Education, *Who is Providing Home-based Early Care and Education?*, Administration for Children and Families, U.S. Department of Health and Human Services, 2015, [https://www.acf.hhs.gov/sites/default/files/opre/hb\\_providers\\_fact\\_sheet\\_toopre\\_041715\\_508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/hb_providers_fact_sheet_toopre_041715_508.pdf).

<sup>7</sup> Karen Schulman and Helen Blank, *Red Light, Green Light: State Child Care Assistance Policies 2016*, NWLC, 2016, <http://nwlc.org/wp-content/uploads/2016/10/NWLC-State-Child-Care-Assistance-Policies-2016-final.pdf>.

<sup>8</sup> Office of Child Care, "Child Care and Development Block Grant Act (CCDBG) of 2014: Plain Language Summary of Statutory Changes, Administration for Children and Families, U.S. Department of Health and Human Services," 2014, <https://www.acf.hhs.gov/occ/resource/ccdbg-of-2014-plain-language-summary-of-statutory-changes>.