

Welfare Reform and Child Care Options for Low-Income Families

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SUMMARY

For the changes under welfare reform to positively affect children, the gains that mothers make from employment must lead to improvements in children's daily settings at home, in child care, at school, or in the community. This article focuses on the role child care can play in promoting the development of, and life opportunities for, low-income children. Key observations include:

- ▶ Total federal and state funding for child care for welfare and working poor families has increased dramatically since welfare reform, from \$2.8 billion in 1995 to \$8.0 billion in 2000.
- ▶ The majority of welfare mothers tend to rely on informal child care arrangements when first participating in welfare-to-work programs, but as they move off welfare and into more stable jobs, they are more likely to choose a center or a family child care home.
- ▶ Although children from poor households stand to benefit the most from high-quality care, they are less likely to be enrolled in high-quality programs than are children from affluent families, partly due to uneven access to high-quality options in their neighborhoods.

- ▶ Less than one-quarter of all eligible families use child care subsidies, and usage varies widely across states and local areas reflecting various barriers to access and scarcity of quality center-based care.

The authors conclude that to achieve welfare reform's ultimate goal of breaking the cycle of intergenerational poverty and dependence on government benefits, welfare-to-work programs should promote learning and development among children in welfare and working poor families by increasing access to high-quality child care in low-income neighborhoods.

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A central goal of the welfare reforms undertaken in the 1990s was to increase parents' self-sufficiency and end dependence on government benefits.¹ For this goal to be realized, not just for the current generation but also for the next, attention must be paid to the early development and long-term advancement of children in welfare and working poor families. Mothers' employment gains are of little consequence to children's development unless such gains lead to improvements in children's daily environments at home, in child care, at school, or in the community.

This article focuses on the effects of welfare reform on how and where low-income children spend their days, and on the role child care can play in improving their lives. The first section reviews the history of public interest and support for child care. The second section examines patterns of child care use among low-income families, changes in family life spurred by welfare reform, and factors affecting parents' choice of care. The third section summarizes what is known about the quality of care in various settings and how the quality of care affects children's development. The fourth section discusses strategies for crafting more effective policies to advance child care options for low-income families. Finally, the article concludes with some thoughts about steps needed to help achieve the policy aim of ending the inheritance of family poverty.

The Public Interest in Child Care

Society has a stake in families' child care choices, both because child care enables parents to work and because it can influence children's development. Separate strategies and funding streams have evolved over the past century in response to each of these concerns.

The settlement house movement, which began in the late 1800s, included a push to expand child care centers for single mothers who had to work. Congress redoubled this effort during World War II, rapidly expanding center-based programs for female factory workers when the labor power of young mothers was sorely needed.² A parallel effort focused on providing a wholesome environment for children in poverty. This movement first emerged in the 1930s, when federally funded nursery schools were established to create jobs

for unemployed teachers, nurses, and others.³ State-funded preschools emphasizing early education and school readiness evolved out of this tradition, most notably Head Start, a child development program created in 1965 to serve low-income children and their families. Then in 1988, Congress enacted three welfare-related child care programs to subsidize care as a support for parents who were engaged in work preparation activities or work itself, and who were on welfare, leaving welfare, or at risk of becoming dependent on welfare. In 1990, Congress also created the Child Care and Development Block Grant to subsidize child care for a wider range of low-income working parents.

The welfare reform law of 1996 enacted further changes to federal child care programs. Growing out of an interest in enabling work, but touching on concerns

Box 1

New Goals in the 1996 Law for Federal Support of Child Care

- ▶ To allow maximum flexibility for states to develop child care programs and policies that best suit the needs of children and parents in each state.
- ▶ To promote parental choice and empower working parents to make their own decisions about the child care that best suits their family's needs.
- ▶ To encourage states to provide consumer education information to help parents make informed choices about child care.
- ▶ To assist states to provide child care to parents trying to achieve independence from public assistance.
- ▶ To assist states in implementing the health, safety, licensing, and registration standards established in the states' child care regulations.

Source: Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Public Law 104-193, section 602, 110 Stat. 2279, August 22, 1996.

for children's development, the Child Care and Development Block Grant was expanded and consolidated with the other welfare-related funding streams described above. (See the article by Greenberg and colleagues in this journal issue.) The new goals established for the expanded block grant, referred to in federal regulations as the Child Care and Development Fund (CCDF), are summarized in Box 1. In addition to increasing funds for child care, the law also allows states to spend funds allocated to the new welfare program, Temporary Assistance for Needy Families (TANF), directly for child care, and to transfer up to 30% of their TANF funds into the CCDF.

Meanwhile, spending on preschools and early education programs also increased. Federal spending on Head Start preschools, for example, grew from \$1.2

billion in 1990 to \$5.3 billion in 2000 (\$3.8 billion in constant 1990 dollars).⁴ The Early Head Start program was established in 1994, and preschool support from Title I of the Elementary and Secondary Education Act began to grow rapidly in the mid-1990s as well.

Figure 1 summarizes the growth in federal appropriations for major child care and early childhood programs over the past decade. Only the federal Dependent Care Tax Credit, a nonrefundable tax credit for taxpayers who pay out-of-pocket for child care, declined during this period.⁵ The use and significance of this tax credit are likely to increase, however, as the Bush administration has agreed to make the credit refundable beginning in 2002.

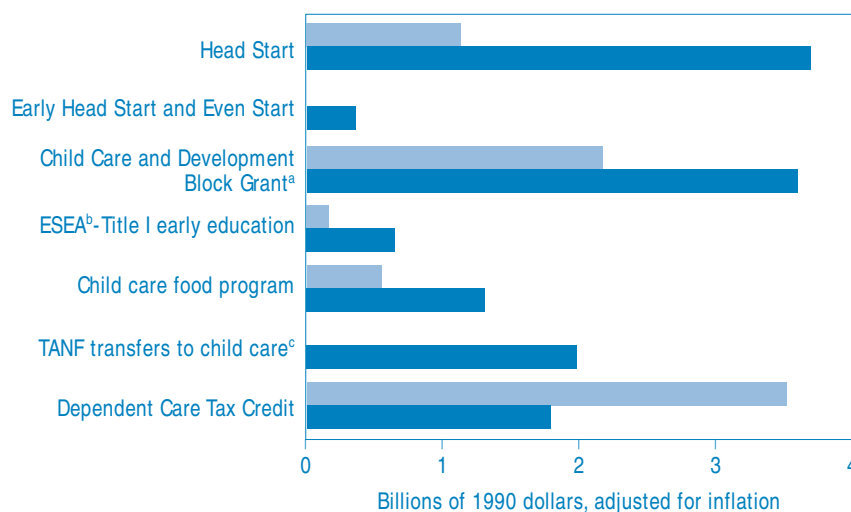
In addition, with their added flexibility under TANF, some states have aggressively reallocated welfare dollars

Figure 1

Rising Federal Commitment to Child Care and Early Education

KEY:

■ FY 1991
■ FY 2000



^aFiscal year 1991 funding for the Child Care and Development Fund reflects the sum of the amounts provided for various programs that were consolidated into the fund in 1996, including AFDC-related child care and the Child Care and Development Block Grant.

^bESEA = Elementary and Secondary Education Act

^cTANF transfers to child care includes direct spending on child care as well as transfers to state Child Care and Development Funds.

Sources: U.S. General Accounting Office. *Education and care: Early childhood programs and services for low-income families*. HEHS-00-11. Washington, DC: GAO, 1999; Office of Management and Budget. *The U.S. budget, fiscal year 1992*. Washington, DC: Government Printing Office, 1991; Hayes, C., Palmer, J., and Zaslow, M. *Who cares for America's children?* Washington, DC: National Academy Press, 1991; U.S. General Accounting Office. *Preschool education: Federal investment for low-income children significant but effectiveness unclear*. GAO/T-HEHS-00-88. Washington, DC: GAO, 2000; and personal communication with Sandy Brown, U.S. Department of Education, and Nazanin Samari, American Enterprise Institute (who shared historical data assembled by Douglas J. Besharov).

to child care and after-school programs. Total federal and state expenditures for child care under the CCDF and welfare-related programs grew from \$2.8 billion in 1995 to \$8.0 billion in 2000, including \$2 billion in funds transferred from TANF.⁶

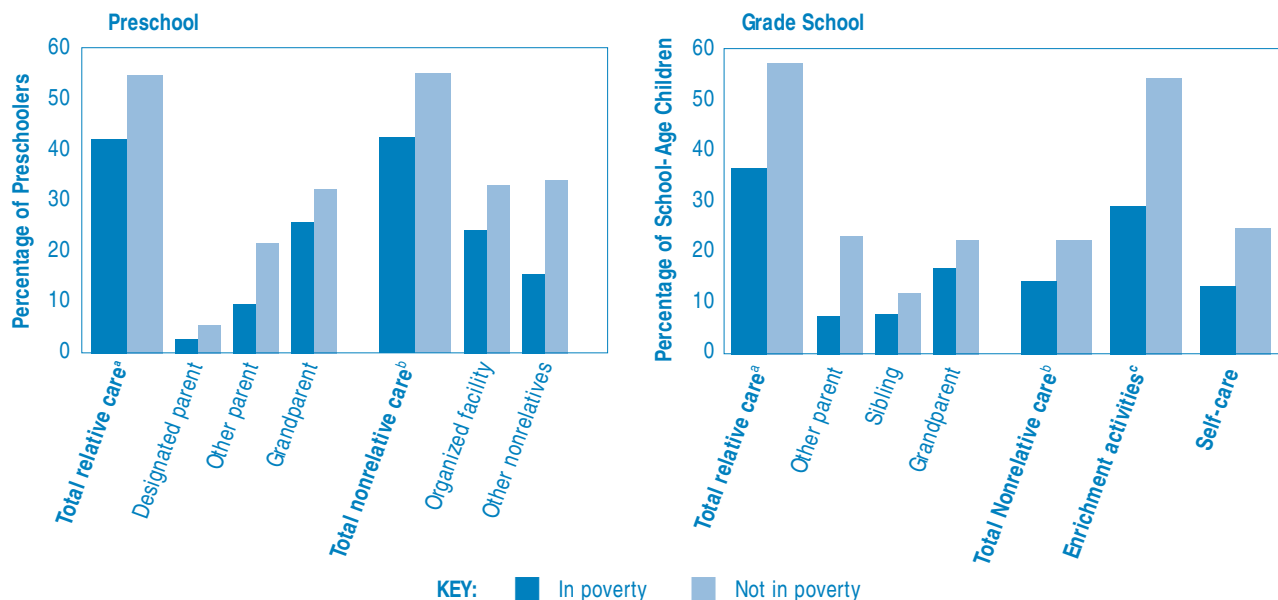
States have also stepped up their funding for early education. At least 43 states now support preschool programs for low-income families, enrolling more than 750,000 children. State funding for early education

programs for children ages 3 to 6 grew from just \$180 million in 1987 to over \$2 billion in 1999. Georgia is the only state to provide universal access for all four-year-olds whose parents seek preschool programs, but state-funded programs serve sizeable shares of low-income children in California, Maryland, Massachusetts, New York, and North Carolina.⁷ According to a recent report from the National Center for Children in Poverty, total state funding for early childhood initiatives, including infant and toddler programs and an

Figure 2

Types of Child Care Use by Poverty Status, Fall 1995

Data include children from all families, regardless of parents' employment status.



^aTotal includes care by designated parents, other parents, grandparents, siblings, and other relatives.

^bTotal includes care in an organized facility or by other nonrelatives.

^cEnrichment activities consist of organized sports, lessons (such as music, art, dance, language, and computer), clubs, and before- or after-school programs.

Source: Based on Census Bureau data from the Survey of Income and Program Participation, 1993 panel wave 9, as summarized in Smith, K. *Who's minding the kids? Child care arrangements: Fall 1995*. Current Population Reports, Household Economic Studies, P70-70. Washington, DC: U.S. Census Bureau, October 2000, tables 4 and 11. Because of multiple arrangements, total percentages may exceed the total number of children.

Figure 3

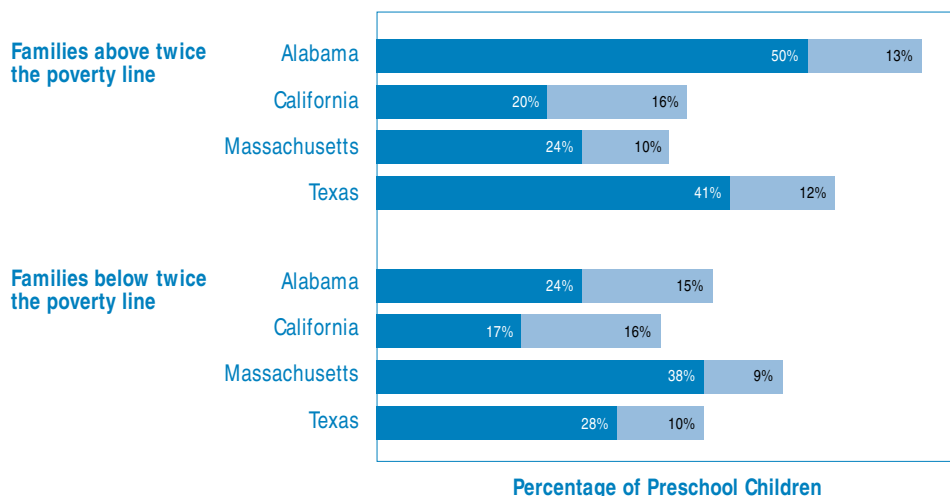
Child Care Settings by Poverty Level in Four States (1997)

Percentages are based on the number of children under age five with employed mothers.

KEY:

- % in child care centers
- % in family child care homes

Source: Compiled from data from the National Survey of America's Families, Urban Institute, 1997.



array of child development and family support efforts, exceeded \$3.7 billion in 2000.⁸

Child care funding at both the state and federal level has risen significantly, and children are spending increasing amounts of time in care, but the role child care plays in the lives of children and parents is not well understood. The remaining sections of this article examine the implications of welfare reform's changes to child care as an increasing number of low-income mothers move into jobs.

Patterns of Child Care Use among Low-Income Families

At the dawn of welfare reform in the mid-1990s, a fair amount of research had examined the type of child care relied upon by low-income families. As illustrated in Figure 2, national data indicate that families living below the poverty level relied heavily on relatives to care for both their preschoolers and school-age children in 1995, as did families living above poverty. However, families who were better off used nonrelative

care almost as frequently as relative care for their preschoolers, interspersing different types of care.⁹ Research shows, for example, that more than 70% of four-year-olds from affluent families were enrolled in a center or preschool in 1995, compared with 45% of those from low-income households.¹⁰ Affluent families were also much more likely to provide multiple types of enrichment activities for their children in grade school. School-age children in households earning more than \$55,000 a year were almost three times as likely to participate in sports, and more than twice as likely to take lessons after school, than were children from families earning under \$18,000 annually.¹¹

Studies show that the types of care families select also vary widely across states. To illustrate these between-state differences, Figure 3 shows the share of preschool children who attended a center-based program or family child care home in 1997 among families with a working mother in four different states, by poverty level. The share of children from households earning less than twice the poverty line who attended centers ranged from 17% in California to 38% in Massachusetts.¹²

Changes in Child Care Spurred by Welfare Reform

Before welfare reform, a significant number of mothers living in poverty cared for their children themselves, as they could usually rely on welfare without working. Caseload data from 1995 indicate that only about 20% of families receiving welfare were either engaged in work activities or employed, and 4.9 million families (monthly average) were on the rolls.¹³ But the 1996 federal welfare law required for the first time almost all parents, including those with preschool-age children and younger, to participate in work activities.¹⁴ By 1998, the percentage of families engaged in work activities or employed had grown to 35%, and only 3.2 million families were on the rolls.¹³ As welfare mothers moved into jobs, their children—especially preschool-age children—moved into nonmaternal child care arrangements. Many welfare mothers did not have a child care provider prior to the welfare-to-work requirements, and even for mothers who did, the number of hours their children spent in nonmaternal care likely increased.¹⁵

A Berkeley–Yale research team estimated that at least one million preschool-age children moved into new child care settings between 1996 and 1998, following changes under welfare reform.¹⁶ This estimate may be conservative, as it includes only families who were enrolled in work activities and those employed about a year after leaving welfare. Also, the estimate did not include the increasing number of older children who began spending time at home alone after school while their mothers were still at work.

Data on the types of child care selected by welfare parents are emerging from a number of studies in several states and cities across the country. The majority of welfare families rely on informal arrangements when they begin to participate in work activities. For example, in Vermont, most of the growth in use of nonmaternal child care following welfare reform involved relatives and informal providers, up 26% in the early years of the state's welfare-to-work demonstration program, whereas use of licensed centers and family child care homes increased by only 5%.¹⁷ But in some cities

Box 2

The Growing Up in Poverty Project

The Growing Up in Poverty (GUP) Project is a five-year longitudinal study, launched in 1997, to learn how children's upbringing and development may be affected by the push to move mothers from welfare into the workforce in the wake of welfare reform. Researchers are tracking 948 single women who have preschool-age children and who participate in welfare-to-work programs. The project's major goals are to measure the effects of welfare reform on children and their mothers; to assess the type and quality of child care used by families receiving TANF; to determine how differences in neighborhoods affect young children; and to make recommendations for the next generation of welfare reforms.

Participants were recruited from welfare-to-work programs in five cities across three states: San Francisco and San Jose, California; Tampa, Florida; and New Haven and Manchester, Connecticut. Each mother provided responses in a detailed interview covering issues such as parenting, home environment, sources of

income, living costs, and stress. After mothers became employed or began job training, information was gathered on the child care settings chosen for their children, and the child care providers were visited while the child was present to observe the setting and interview the primary provider. The second year of data collection, completed in 2000, focused in greater depth on the children's home environment, mothers' experiences in the job market, and the effect of those experiences on mother–child relationships.

The GUP Project is run jointly by the University of California at Berkeley, Yale University, and Teachers College, Columbia University, in collaboration with Mathematica Policy Research, Inc., and the Manpower Demonstration Research Corporation. The project receives support from nine foundations and government research agencies. For more details, see the GUP Web site at <http://pace.berkeley.edu>.

Data from early welfare-to-work programs show that when participation in such programs is complemented by strong child care and after-school support for families, use of center-based care rises.

and counties across the country, more than 40% of welfare families with preschool-age children select center-based care as they move into work activities.¹⁸

The Growing Up in Poverty (GUP) Project is detailing the wide variability in child care histories of young children in California, Connecticut, and Florida. (See Box 2.) The first wave of maternal interviews and child care observations, collected in 1998, revealed that 70% of participating Florida mothers selected center-based care after entering welfare-to-work programs, compared with the 29% and 13% of mothers who selected centers in California and Connecticut, respectively.¹⁹ This suggests that local implementation and center supply conditions may be important factors affecting mothers' child care selections.

Moreover, data from early welfare-to-work programs show that when participation in such programs is complemented by strong child care and after-school support for families, use of center-based care rises. For instance, in Minnesota, the selection of centers or family child care homes was significantly higher for families participating in the welfare-to-work program (the experimental group) than for nonparticipating families (the control group): 53% versus 42%, respectively.²⁰ The majority of welfare parents not in the experimental group continued to rely on parental care, relatives, or other informal child care arrangements.

Data from the National Evaluation of Welfare-to-Work Strategies (NEWWS) identified several maternal and family attributes that helped to predict which welfare mothers would select centers rather than home-based arrangements for their three- to five-year-olds. Most important were higher levels of maternal education and employment, a higher level of cognitive stimulation provided in the home, and residence not in public housing.¹⁸ These findings are similar to results from the GUP Project that showed that welfare mothers with stronger labor force experience were more likely to select center-based care, after taking into account child age and a variety of other factors.

Furthermore, working poor families have been found to choose center-based care more often than welfare families do. As parents move off welfare and into more stable, full-time employment, they are more likely to choose centers over less formal types of care. For example, among welfare recipients in Los Angeles with children ages 2 to 4, 27% selected center-based care in 1999; 51% relied on informal care, and the remaining 22% used a family child care home.²¹ In contrast, working poor parents in Los Angeles with similar access to subsidies tended to select centers more often. About 59% selected center-based care, just 15% used informal care, and the remaining 26% selected a family child care home. For school-age children, 42% of parents in the county welfare system relied on informal care; among working poor parents, just 16% used informal providers.

Factors Affecting Choice of Care

Even as Head Start, state-funded centers, and preschool initiatives are expanding in many neighborhoods, many low-income parents continue to rely on informal arrangements with relatives, neighbors, or babysitters (often referred to as “kith and kin”) for child care. Some analysts argue that low-income parents hold an a priori preference for informal child care arrangements. Evidence suggests, however, that other factors also play a role.

Over the past decade, much has been learned about the factors that influence parents' propensity to use child care and the type of care they select. Mostly this work has drawn from national samples of parents; only a portion has centered on low-income families. Findings from these studies suggest that the age of the child, trust and flexibility, cost, and accessibility figure prominently in parents' decision making about their children's care.

Age of the Child

Studies show that parents' likelihood of selecting formal care varies dramatically by the child's age. According to 1995 nationwide data, only 19% of families used formal care for their children less than age 1 during the hours a parent was engaged in school or work, but 50% use

such care for their children ages 3 to 4. For school-age children, while only 3% of families used a formal child care facility, 35% used some type of enrichment activity—including sports, lessons, clubs, or before- and after-school programs—to help cover these hours, and over 20% left their children in self-care at times.²²

Similar patterns are reflected in studies of parents participating in welfare-to-work programs. For example, among the subgroup of welfare families who participated in California's GAIN program (a precursor to contemporary welfare-to-work programs), most relied on kith and kin to care for their infants and toddlers.²³ Only 23% of those with children ages 0 to 2 selected center-based care, compared with 47% of those with children ages 3 to 5. Those with school-age children also relied more heavily on centers or after-school programs than on kith and kin.

Trust and Flexibility

Many welfare-to-work programs require quick entry into orientation sessions, job clubs, or job search activities, so mothers entering these programs must rapidly find a trusted organization or individual to provide

child care. Interviews with these mothers suggest that they often trust kin members or friends more than center-based caregivers because kith and kin offer familiar child-rearing practices and speak their language, both figuratively and literally. In addition, kith and kin often have more flexibility than other providers to care for children early in the morning or later in the evening, which is important for many low-income mothers who work odd-hour shifts.

In the GUP study, for instance, mothers entering new welfare programs in 1998 were asked to rank the flexibility, trustworthiness, and interpersonal openness of their child care provider, as well as the extent to which their child received individual attention. Mothers scored kith and kin higher than centers on all four dimensions.²⁴ Other studies including interviews with women on welfare confirm this trust in and flexibility of kith and kin, especially when it comes to care for infants and young toddlers.²⁵

Language concerns, in particular, may affect mothers' trust in informal arrangements. The GUP study found that members of language minority groups (Latinas and Vietnamese Americans) are less likely to select center-based care.²⁶ Also, it appears that welfare mothers are less apt to use centers when they can rely upon more supportive kin or coresident adults for their children's care. At the same time, while Latina mothers in the Los Angeles welfare system were less likely to select centers (33%) than were Anglo clients (45%), such ethnic differences were not found among the working poor.²¹

Cost

The cost of child care is a significant consideration for all families, but especially for low-income families. A survey of welfare parents in Illinois, conducted in 1990, revealed that 81% worried about the cost of child care and just over half said they had serious difficulty finding a caregiver.²⁷ Formal care is generally more costly than informal care, which is often unpaid. Thus, many low-income families require a subsidy to gain access to center-based care or a family child care home. Data from the GUP Project corroborate this point. Researchers examined the flow of subsidies to single mothers who selected a child care provider after entering welfare-to-work programs in California and Florida, and found that subsidy use was heaviest

Unless the full range of child care options is truly available and affordable, low-income parents' continued reliance on kith and kin cannot necessarily be interpreted as their true preference.

among mothers who selected center-based care. Nearly 90% of mothers using centers received a full subsidy, whereas only 39% of mothers selecting a home-based setting received a subsidy.²⁸

When welfare or working poor parents do not receive a subsidy or cannot find publicly supported child care, they must pay out-of-pocket for whatever type of care they use, and these costs can be substantial. Results from the Urban Institute's "National Survey of America's Families" found that a third of all working parents who had children under age 13 paid for child care. Among those who paid, parents spent, on average, \$190 per month (or 23% of earnings annually) on care in 1997.²⁹ For low-income families with a working mother, the percentage of family income spent on child care is even higher. According to 1995 survey data from the U.S. Census Bureau, among families who had an employed mother and paid for child care, those earning less than \$18,000 a year spent an average of 30% of their annual income on care. In contrast, affluent families (those with annual incomes of approximately \$54,000 or more) spent only 5% of their income, on average, for child care.³⁰

Given that the costs of child care can quickly become substantial, it is not surprising that many low-income parents put their names on waiting lists for subsidies and vouchers. For example, in a random survey of parents on such lists in Santa Clara County, California, researchers found hundreds of working poor mothers waiting for a subsidized child care slot or voucher.³¹ Two in five expressed concerns about the quality of their current child care provider and were eager to obtain support in order to afford another caregiver. Similar findings emerged from a study of families on waiting lists in Minnesota.³²

Accessibility

Neighborhood conditions and basic access to particular child care options also shape parents' choice of child care. When centers are available in poor neighborhoods, parents choose this form of care more frequently, especially as their children reach age three or

four. When the supply of centers or family child care homes is scarce, working mothers must rely on kith or kin for child care or forgo their jobs.

The stock of child care organizations that has sprouted within states and neighborhoods varies remarkably. For example, the GUP Project studied provider markets across five counties in California, Connecticut, and Florida. The data suggest that the differences in child care selection patterns by welfare mothers could be explained, in part, by the differences in per capita supply of slots in centers and family child care homes in neighborhoods where the mothers resided. For example, the low use of center-based care in Connecticut is due, in part, to the low supply of centers in the research sites of New Haven and Manchester.²⁸

An analysis of California zip code data also found a close association between the share of welfare parents who selected a center or family child care home and the per capita supply of these organizations in the surrounding communities.²¹ And both the use and supply of formal care settings were found to be closely associated with average levels of maternal education, as illustrated in Figure 4. Other data corroborate that mothers with higher education levels are more likely to choose centers and preschools over kith or kin.³³ At the same time, maternal education is highly correlated with maternal employment rates and income levels. These may be the underlying factors driving both the increased demand for center-based care and the greater supply of centers in neighborhoods with higher maternal education levels.

In sum, many factors help to explain welfare parents' selection of care for their children, including the age of the child and the mother's level of trust and education. But as welfare parents enter the workforce and their incomes rise, so does the likelihood that they will choose a more formal child care arrangement—either a center or a licensed family child care home. Still, parents' choices concerning child care are influenced by the cost and accessibility of various options within their neighborhoods. Unless the full range of

child care options is truly available and affordable, low-income parents' frequent reliance on kith and kin cannot necessarily be interpreted as their true preference.

The Effects of Child Care Quality on Development

As children, especially younger children, spend increasing amounts of time in child care, concerns have been raised about the effects of child care on children's well-being. Studies show that total hours of care, stability of care, and the type of care all can have effects on children's development, but the quality of care has by far the greatest influence.

Elements of Quality

Over the past two decades, researchers have explored the quality of various child care settings and its effects on children. Key indicators of quality include the relationship between the child and the caregiver (referred to as "process quality") and the structural characteris-

tics of the child care setting, such as the child-to-adult ratio, the size of each group of children, and the formal education and training of caregivers. These two aspects of quality are often interrelated—that is, high process quality tends to be associated with high-quality structural characteristics.³⁴

Of all the quality indicators, the nature of the daily interaction between the child and the caregiver has been found to be very important.³⁵ High-quality interactions are characterized by sensitivity and responsiveness, generous amounts of attention and support, and high levels of verbal and cognitive stimulation. Compared to children in settings with less engaged caregivers, children with high-quality daily interactions tend to display stronger cognitive and language development, school readiness, and early school achievement. High-quality care has been found to be especially effective in improving academic outcomes for children growing up in poverty or facing other risks at home. Effects on children's social development have proven more elusive to discern, however.

Figure 4

Neighborhood Supply of Center-Based Care in California by Maternal Education Levels

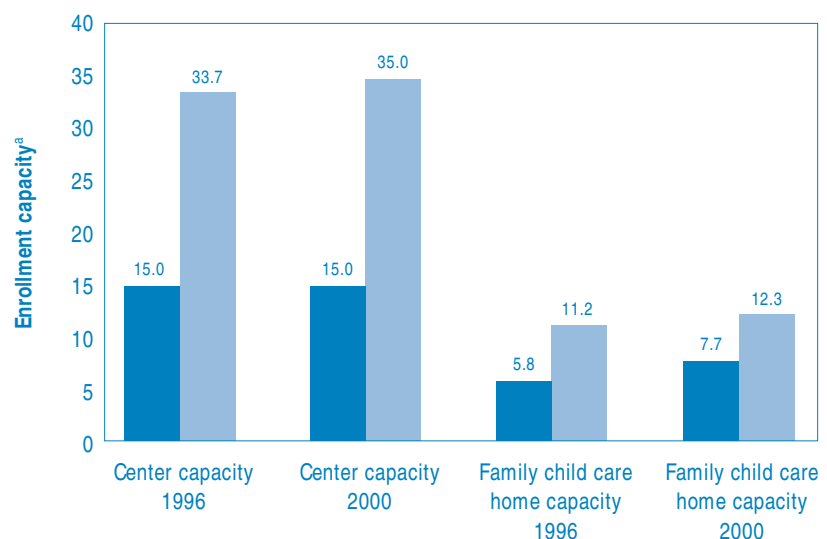
KEY:

- Low maternal schooling level^b
- High maternal schooling level^c

^aEnrollment capacity is represented as the percentage of children ages 2 to 5 for centers, and children under age 13 for family child care homes. Neighborhoods (zip code areas) with fewer than 10 preschool-age children or with no child care capacity in 2000 were excluded.

^bNeighborhoods with the lowest quartile of average maternal education levels.

^cNeighborhoods with the highest quartile of average maternal education levels.



Source: Compiled from data from the California Child Care Resource and Referral Network.

The Quality of Different Types of Care

All types of child care span the range from high to poor quality. Both center-based and home-based care settings can at times be unstimulating, disorganized, and even unclear or unsafe. Few studies have examined the quality and character of kith and kin arrangements, but a consistent finding across the small number of multicity studies that have been conducted indicates that home-based settings typically lack the breadth of learning and play materials offered in centers, and caregivers typically are less well educated. Researchers in one study rated about half of the home-based settings they observed as displaying fair quality or worse.³⁶

Other studies have found home-based care to be better than center-based care in some situations. For example, a study by the National Institute of Child Health and Human Development (NICHD) has tracked more than 1,000 children, mostly from middle class and affluent families, to analyze their developmental progress and their care arrangements from birth to age three. The study team reported that in-home caregivers for these infants and toddlers provided the most positive caregiving, whereas center-based care with higher ratios of children to adults provided the least positive care.³⁷

At the same time, various studies—including the NICHD study—have demonstrated that if the center-based care is of high quality, it can benefit low-income preschoolers, especially in terms of cognitive development and engagement in learning-related tasks.³⁸ The high-quality settings that the study referred to included well-known intervention programs such as Head Start, the High/Scope Perry Preschool Project, and other early childhood education centers—not the types of child care settings generally supported by subsidy programs for welfare families moving into work, or for working poor families more broadly. And the effects were modest when compared to the stronger influence of the home environment.³⁹ Nevertheless, findings from the NEWWS evaluation reveal that among children ages three to five growing up in welfare families, those who participated in center-based care scored better on school readiness assessments than those in home-based settings.⁴⁰ In addition, a

new research paper from the GUP Project shows that among families receiving welfare, children who spend more time in centers display higher rates of cognitive and language growth than children in home-based settings, after taking into account a variety of maternal and home attributes.⁴¹

Access to High-Quality Programs

Poor children stand to benefit most from high-quality child care. But according to studies from before the 1996 expansion of child care funding, poor children are less likely to be enrolled in high-quality centers than are children from wealthier households. Such were the findings from the Cost, Quality, and Outcomes Study, which observed centers in four states in 1995, and two earlier studies that examined center-based care in particular cities.⁴² However, one of these studies also discovered that, based on structural characteristics, the quality of centers attended by middle-class children was worse, on average, than the quality of centers attended by poor children.⁴³ The presence of many moderate or high quality centers in low-income neighborhoods no doubt reflects the 35 years of targeted federal and state child care spending on centers in poor communities.

Other studies have confirmed that the quality of center-based care is not uniformly low across poor communities, but that quality levels are associated with the richness of state financing and the intensity of quality regulation. Drawing on a 1990 national survey of child care organizations, a Harvard research team examined quality levels for centers in 36 states and found that some quality indicators were relatively high among subsidized centers in low-income communities compared to centers in middle-income communities supported through parental fees.⁴⁴ More heavily subsidized centers and those subject to more intense regulation tended to pay higher staff salaries and more frequently offered a structured set of learning activities, two factors associated with positive child development.

In contrast, home-based arrangements in low-income neighborhoods were found to be less well equipped and less stimulating for children relative to middle-class settings, a finding confirmed by the NICHD study group.⁴⁵ The GUP study, which focused on mothers' child care selections after entering new welfare pro-

grams, also found that the quality of typical home-based care was generally low. Whether the home-based setting was a licensed family child care home or with kith and kin, often it did not have materials such as art supplies and play items. Home-based providers did talk more with individual children and displayed similar levels of warmth and positive social interaction compared with teachers in center classrooms. Although such positive social interactions, when they occurred, helped to explain gains in development among children in centers, they did not boost children's development in home-based settings.

Efforts to Improve Quality

Head Start plays an important role as a national laboratory for improving the quality of early childhood education programs.⁴⁶ The Head Start program is dedicated to addressing weaknesses in quality, meeting new quality standards, and ensuring adequate numbers, training, and compensation of staff. By contrast, the primary focus of child care supported by the Child Care and Development Fund is to enable parents to

work.⁴⁷ Even so, the 1996 law did require states to spend at least 4% of their total CCDF expenditures each year on activities to improve the quality and availability of child care. In addition, Congress specifically earmarked more than \$240 million in discretionary funds in 1998 and 1999 for quality-building efforts.

To date, many states have focused CCDF quality funds on efforts to support child care resource and referral agencies that help parents locate care; to provide technical assistance and training to caregivers; and to help providers meet child care standards set by state licensing agencies.⁴⁸ States report, however, that more funding is needed to provide higher wages for caregivers to reduce turnover and promote the stability of care—important to parents' long-term employability and to children's development—and to provide adequate capacity for infant care and care during non-standard work hours. In a recent study of child care for low-income families, the amount of CCDF dollars spent on quality averaged just \$11.42 per child of employed parents across the 16 states reporting.⁴⁹ (See

Appendix 1 at the end of this article for three examples of state initiatives to improve access to high-quality child care.)

In sum, the most important element of quality, regardless of setting, is the relationship between the child and the caregiver. Moreover, children growing up in poverty or facing other family-based risks appear to benefit most from high-quality child care. Low-income children ages three to five who are placed in high-quality centers show the strongest gains in cognitive development and early learning, but access to quality programs in poor communities is uneven. Increased investment for quality initiatives under CCDF and state funding streams could lead to significant improvements in children's learning and development.

Crafting More Effective Policies to Advance Child Care Options

Welfare reform has sparked stronger political support for child care and early education, primarily to enable mothers to work.⁵⁰ For the more than two million parents currently on the welfare rolls to find and hold down jobs, new child care providers must be found or current caregivers must become available for more hours each week. Over half the children in welfare families were under age six, and another third were in elementary school in 1999. To meet the rising demand for care, federal and state governments have attempted to expand access to various child care options in low-income communities by increasing the availability of vouchers or by making direct institutional efforts to strengthen center supply. Although significant progress has been made in expanding subsidies, take-up rates remain low and the supply of quality options uneven.

Since enactment of the child care block grant in 1990, federal policymakers have banked heavily on a demand-side strategy, based on the idea that use of child care vouchers will effectively raise low-income families' purchasing power and spur the market to strengthen the child care infrastructure in poor neighborhoods. As a result of increased funding and expanded eligibility rules, the number of children receiving child care subsidies under the CCDF and predecessor programs has grown by about 28% from approximately 1.4 million in 1995 to nearly 1.8 million by 1999.⁵¹ Still, subsidy

utilization rates remain under one-quarter of all eligible parents, and are highly variable across states and local areas.⁵² For example, although subsidy utilization rates are under one-quarter in many large urban counties such as Los Angeles, other counties have moved aggressively to raise rates: in San Francisco County, subsidy use now exceeds two-thirds of all eligible families.⁵³ (See Appendix 2 at the end of this article for a listing of CCDF utilization rates, by state, in 1999.)

In devising strategies to bolster subsidy take-up rates, it is important to remember that the child care market is affected by both demand-side and supply-side factors. Parents respond to policy rules and incentives in expressing their demand for particular child care providers. At the same time, parents live or work in neighborhoods with variable populations of organizations and individuals who provide care. In contrast to the demand-side strategy of bolstering parents' purchasing power, there is also the older, alternative strategy involving direct public financing of new or expanded child care centers and preschools—a supply-side approach. Supply-side financing was how federal policymakers originally supported child care programs during World War II. Other examples of this institution-building approach include Head Start and state-funded preschools.

Both demand- and supply-side strategies, if effectively implemented, can help to expand the range of child care options in low-income communities and improve the quality of care. Key factors to consider in improving these strategies include states' eligibility criteria, copayment policies, reimbursement rates, links to center-based care, and local neighborhood contexts, as discussed below.

Income Eligibility and Copayments

The 1996 law increased states' authority to establish eligibility criteria for child care subsidies, and raised the allowable family income limit to qualify for a subsidy from 75% to 85% of the state median income. As a result, states' income limits vary widely. By 1999, nine states had raised eligibility to the new federal maximum of 85% of the state median income. On the other hand, Missouri and Wyoming decided that families with incomes up to only 42% of the state median should be eligible. Urban Institute researchers found that states

raised their monthly income eligibility standard by \$130, on average, after passage of the 1996 reforms.⁵⁴

At the same time, eligibility does not guarantee utilization. States require most subsidized families to pay a portion of the monthly costs of child care, or copayment, ranging from \$10 to \$100 or more. From a state's perspective, copayments can stretch available child care funding so that more families can receive subsidies. But from a family's perspective, the copayment may discourage both subsidy use and employment.⁵⁵ In addition, the administrative process for getting and retaining subsidies, involving in-person visits and extensive paperwork, can be discouraging for working poor families who may risk losing their jobs if they take time off to meet these bureaucratic demands.⁵⁶

Reimbursement Rates

Under the federal welfare reform law, states may now reimburse child care providers (organizations and individuals) above the 75th percentile of local market rates, previously the cap for welfare-related child care subsidies. About 30 states are continuing to use the 75th percentile to set their rates, whereas others are using their discretion to either raise or lower rates. For example, most California counties reimburse providers at about the 90th percentile of local market rates. In contrast, Massachusetts now sets its rate at the 55th percentile. Reimbursements are constrained both by setting rates at lower percentiles and by basing payments on old market rate surveys.⁵⁵

Lower reimbursement rates allow states to provide subsidies to more families, but can make it difficult for families to find care, as fewer providers can afford to accept the lower rates. Moreover, if a provider accepts the lower rate, the quality of care offered may be undercut, as providers rely on lower paid, less well-educated staff, or skimp on learning-related supplies. Lower reimbursement rates also discourage both individuals and organizations from entering the provider market. As an incentive to improve both quality and access to care, an increasing number of states are experimenting with tiered reimbursements rates, paying higher rates to centers that are accredited, or to providers who address special needs (such as infant or odd-hour care) or attend training or seek certification.⁵⁷

Links between Subsidy Use and Center-Based Care

A high correlation between use of subsidies and enrollment in center-based care has persisted since long before the 1996 reforms. The inverse also is true: Families who rely on informal arrangements have been far less likely to draw financial aid for this care. Because center care often is more costly, it is understandable that families wishing to use centers would be most likely to seek out a subsidy, but institutional factors may be contributing to this pattern. The high use of subsidies for center care in some states and local areas is rooted in longstanding contracting policies that secure a set number of center-based slots for children. The subsidy-center linkage also may be partly due to the way information about subsidies is communicated and how center slots continue to be allocated.

Following the 1996 reforms, federal regulations required that parents eligible for assistance under the CCDF be given a choice of receiving a voucher or enrolling their child in a state-funded facility. Nationwide, use of vouchers is certainly the most widely used option. In 1999, 83% of children subsidized by the CCDF were provided vouchers. Only 11% were using a state-funded center or family child care home, and the remaining 6% received a direct cash subsidy.⁵¹ However, use of state-funded facilities is much higher in some states. For example, among the 23 states using CCDF grants and contracts to fund facilities, the percentage of children using these facilities ranged from only 1% in states such as Colorado, Indiana, New Mexico, and Vermont to a high of 73% in Florida.

By using subsidy dollars for grants and contracts with selected centers and securing a stable number of slots, welfare agencies can support the basic infrastructure at these sites, exert greater influence to promote quality caregiving, and encourage these centers to expand. But tying substantial portions of subsidy funds to centers may deter the use of subsidies by families who prefer different types of care, and may deprive other providers of monetary incentives necessary to remain in the field.

Even with respect to vouchers, in many welfare offices throughout the country, it has been a tacit belief among clients and caseworkers alike that child care aid goes only for center-based programs. Researchers have found that when a caseworker asks, "Do you need day

care?”, many welfare mothers take this to mean, “Do you want to place your child in a center or preschool?” The conversation sometimes ends there, without the caseworker explaining that a voucher could reimburse kith or kin members for child care services.⁵⁸ Since reform, however, use of vouchers for kith and kin providers has been growing.

Local Neighborhood Conditions

Before the mid-1990s, child care researchers rarely focused on neighborhood contexts, particularly the many small-scale child care organizations created over the past 40 years. Now, as government agencies escalate efforts to help parents move from welfare to work, state and federal officials are discovering a territory densely populated by privately funded centers and non-profit programs run by community-based organizations and local schools.

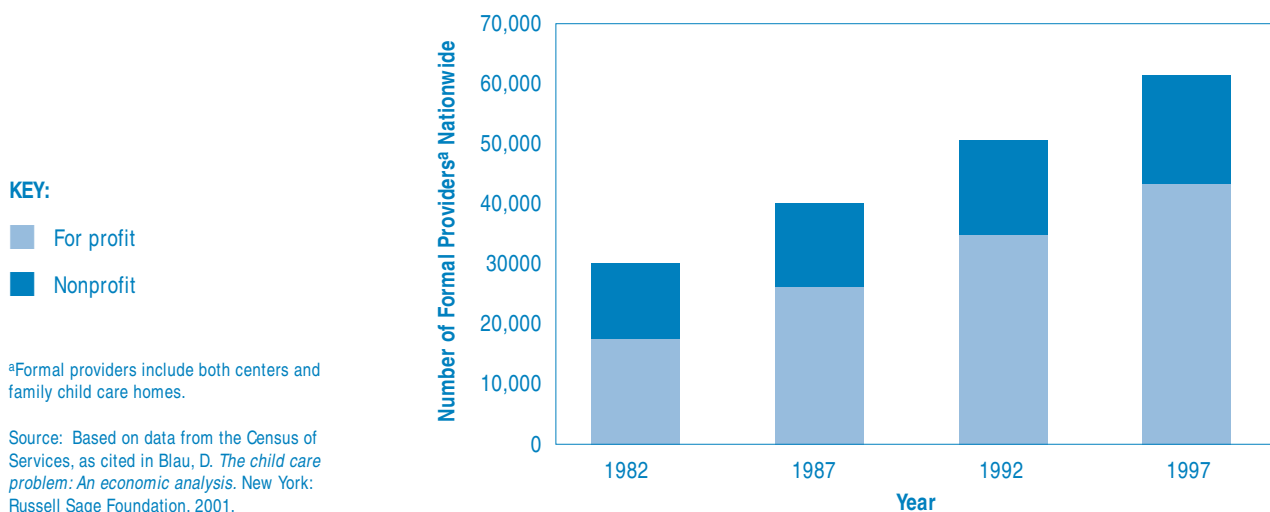
Recent data from the Census Bureau reveals the steady growth in the number of formal centers and family child care homes since 1982, as depicted in Figure 5. However, nationwide data from a recent study by the Children’s Foundation suggests that licensed centers’

capacity grew only between 2% and 3% per year during the late 1990s, not enough to keep pace with child population growth in major urban areas.⁵⁹ Moreover, neither study focused on organizational growth in low-income neighborhoods.

To begin taking stock of child care provider markets at the local level—the contexts in which welfare and working poor parents must make decisions—local child care agencies in many states now conduct a census of centers and family child care homes, tracking how many are in operation and how many children they are licensed to serve. A few states collect data on actual child enrollments. These organization-level data allow researchers to identify different levels of access to child care options across diverse zip codes or census tracts. A recent analysis of such data in California, for example, revealed some progress between 1996 and 2000: Capacity growth was higher overall in zip codes that had a relatively low supply at the beginning of the four-year period, indicating that these communities are slowly catching up with high-supply communities. Although center capacity was relatively high in the poorest zip codes, it declined in working poor and

Figure 5

Growth in Formal Care Providers 1982–1997



Stronger efforts to expand high-quality child care options will be needed to achieve the tandem goals of child care: enabling mothers to work and enhancing the development of children.

lower middle-class communities and areas with higher concentrations of Latino families, before rising sharply again in affluent zip codes.⁶⁰

In California, licensing data from the state welfare agency show that centers' enrollment capacity grew by 2.5% annually in the three years following passage of the state's welfare reform bill in 1997, nearly one full percentage point behind the 3.4% annual growth rate in the state's child population.²¹ Similar slow rates of center growth have been found in Illinois and Maryland.⁶¹ In addition, the number of new centers granted licenses grew at about two-thirds of the center-growth rate, indicating that much of the expansion was through new slots within existing centers rather than entry of new organizations. Adding slots to existing centers does little to expand capacity for many working-class communities and new immigrant communities because the number of existing centers is acutely low in those communities.

Moreover, the quality of center-based programs also depends on state and local conditions. In some low-income communities, public investment targeted on carefully regulated centers and preschools has effectively sustained programs of reasonably strong quality, at least with respect to structural factors. In other neighborhoods where infrastructure is weak, financial incentives have been insufficient to sustain higher quality centers. The mix of centers and preschools run by school districts, nongovernment organizations, and for-profit firms also affects average quality levels, especially when centers operate under weak state regulation. The GUP Project, for instance, has detailed the ample supply of low-quality centers in Florida. Beyond efforts to increase subsidy take-up rates, states may need to address the political and economic forces that surround neighborhood populations of child care organizations to simultaneously bolster supply and improve the quality of care.

In sum, federal and state governments have significantly increased spending on child care and preschools for low-income families since 1996. Use of vouchers for kith and kin providers has grown rapidly, and the sup-

ply of centers and family child care homes in major urban states is struggling to keep pace with child population growth. The constraints on center supply may be limiting parental choice and pushing families toward kith and kin caregivers. The supply of quality care options is uneven, especially in poor and middle-income communities, and the number of providers entering the child care market may be tapering off due to flagging subsidy take-up rates and the low reimbursement rates set by some states. Stronger efforts to expand high-quality child care options for low-income families will be needed to achieve the tandem goals of child care: enabling mothers to work and enhancing the development of children.

Conclusions

Although policymakers and private benefactors have long argued that public agencies can effectively strengthen the child care infrastructure and regulate quality, progress has been slow. Meanwhile, affluent families have built and enriched their own child care infrastructure, privately financing expansion and quality, often through hefty fees. Ensuring that children in welfare and working poor families have equal access to high-quality care is a crucial challenge facing society and all levels of government.

Important empirical lessons are emerging about the extent to which welfare reforms have or have not widened child care options for low-income parents making new decisions about who cares for their children. But much remains to be learned in two crucial areas. First, little is known about the relative benefits of maternal versus the different types of nonmaternal care for low-income children of different ages. It is unclear whether the increasing use of nonmaternal care by welfare families helps or hinders early development because information is just now beginning to emerge about the quality of children's home settings versus the quality of care in settings outside the home. More focused analyses should explore the comparative quality of different types of care and the underlying reasons

parents select particular arrangements for their children. Second, too little is known about the effects on both families and providers of alternative policies regarding eligibility for child care aid, out-of-pocket costs, reimbursement rates, the links between subsidies and centers, and the effects of neighborhood supply on subsidy take-up rates.

Successful policies need to be identified, both to support stronger gains in mothers' employability and to promote children's development. To begin, the following policy adjustments could help ensure that welfare and working poor parents are truly able to choose from a range of quality child care options in their neighborhoods:

- ▶ Welfare and working poor parents need clear, comprehensive information about their child care options to gain purchasing power through the use of child care vouchers and bolster growth of quality choices.
- ▶ CCDF funding should be increased and states should expand the capacity of center-based programs and licensed family child care homes so that welfare and working poor families have a full array of stable, affordable options.
- ▶ In support of federal, state, and local efforts to bolster subsidy use and ensure that parents' and children's needs are being met, better information should be gathered on the types of child care low-income parents prefer, the stability and quality of the care they select, and the ways parents are paying for the arrangements.

A huge amount of political capital has been invested in the proposition that single mothers should work to

build a better future for themselves and their children. But maternal employment alone cannot benefit children unless it leads to improvements in children's daily environments. It is not enough for welfare reform simply to cause no harm. Welfare-to-work programs must focus on policies that help promote children's development by widening access to high-quality child care and after-school options. Children need opportunities for brighter futures if welfare programs are to achieve the ultimate goal of breaking the intergenerational cycle of poverty. Delivering on the promise of affordable, high-quality child care would be an important step toward realizing this goal.

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APPENDICES

Appendix 1

Innovative Uses of TANF Funds to Improve Access to High-Quality Child Care

These program profiles were prepared by Kate Boyer, Ph.D., senior researcher, and Catherine Lawrence, C.S.W., research associate, of the Rockefeller Institute of Government as part of the Institute's project, "Beyond Symbolic Politics."

Program name:	Kansas Early Head Start
State:	Kansas
Coverage:	13 local programs throughout the state
Program goals:	Promote healthy prenatal outcomes for pregnant women, enhance the development of very young children, and promote healthy family functioning
Service population:	Families with children ages 0 to 4 whose household incomes are at or below 100% of the federal poverty guidelines at enrollment; one-tenth of enrollment slots are reserved for children with disabilities
Funding sources:	TANF funds transferred into the state's Child Care and Development Fund, and funds from the federal Head Start program

Description: Launched in 1998, this Kansas program constitutes the nation's first effort to provide enriched child care environments and other services to families by merging TANF-funded child care with the federal Head Start program. By partnering with existing child care providers in the community, the program provides full-day, full-year child care while parents are at school, job training, or work. The program also provides comprehensive services including nutrition, health and social services, parent and community involvement, and self-sufficiency training for parents. In 2001, Kansas Early Head Start served 825 children in 32 counties statewide.

Results: Each of the 13 local programs must adhere to performance standards as laid out by the National Head Start program, monitored every three years through on-site visits. Since 1998, 11 sites have received site visits; all have met the federal performance standards. Selected Early Head Start programs in Kansas were also included in a national evaluation conducted by Mathematica Policy Research. The study found that children enrolled in Early Head Start enrichment programs have significantly better cognitive, linguistic, and social skills than children who do not participate in the program.

For further information: See the Kansas Department of Social and Rehabilitation Services Web site at <http://www.srskansas.org/kidsnet/kehskhs.htm>; and the Mathematica Web site at <http://www.mathematica-mpr.com/3rdlevel/ehstoc.htm>.

Program name:	Los Angeles County After-School Enrichment Program
State:	California
Coverage:	153 public schools in Los Angeles County
Program goals:	Provide after-school care that enhances academic achievement
Service population:	Children receiving TANF
Funding sources:	TANF

Description: For the past three years, Los Angeles County has offered TANF funds to expand the capacity of local schools to meet the needs of low-income families and children by operating an after-school program in those schools with the highest percent of TANF-eligible children. The program provides care for school-aged children at times when parents often have difficulty finding care, such as weekends, vacations, and holidays. In addition, the program works to improve students' academic achievement by mandating a high level of teacher involvement. Some schools use the funds to improve teacher-student ratios, a key indicator of quality programming. Others use the funds to resume lost activities such as drama, art, and music. In each case, academic and enrichment activities are required. As of April 2001, nearly 6,000 TANF children had been enrolled in the program. The county is also working with other cities that want to replicate the program throughout the country.

Results: An evaluation of 30 sites is under way, and initial responses to the program are positive. Parents say the individualized attention has improved their children's reading and writing, teachers say they have seen some children blossom into real leaders, and principals feel the program has built more solid bridges between the school and parents.

For further information: See the Los Angeles County child care directory Web site at http://childcare.co.la.ca.us/afterschool_enrichment_prog.htm.

Program name:	Building Capacity Project
State:	Washington
Coverage:	Statewide
Program goals:	Increase the supply of child care that meets special needs
Service population:	Families earning below 225% of the federal poverty guidelines
Funding sources:	TANF

Description: The Building Capacity Project seeks to expand access to certain hard-to-find forms of child care, including infant care, middle-school child care, before- and after-school care, evening and weekend care, and care for children with disabilities. To accomplish this goal, the program provides training so that first-time care providers may gain licensing, and existing child care centers may expand their capacity. Program administration is subcontracted to community groups. These groups must justify their choice of neighborhoods for increasing the supply of care and then must submit monthly progress reports toward achieving their goals. In addition to expanding child care options for low-income families, the program also seeks to provide an economic boost to small business owners in economically-depressed areas by aiding the expansion of child care centers.

Results: This program began in October 2000, thus implementation is still in its early stages. Site-monitoring was planned for 2001, and an on-site assessment is scheduled for 2002.

For further information: See the Washington State Department of Social & Health Services Web site at <http://www.wa.gov/dshs/occp/ccdfinal.doc>.

Appendix 2

CCDF Utilization Rates, by State, 1999

These rates include only those children funded under the Child Care and Development Fund. They do not include children participating in Head Start or other state-funded preschools or child care programs.

State	Number of children		
	Served ^a	Eligible ^b	Percent
Alabama	24,500	233,300	11%
Alaska	6,260	46,700	13%
Arizona	36,590	283,800	13%
Arkansas	11,250	180,600	6%
California	226,750	1,732,500	13%
Colorado	23,790	226,300	11%
Connecticut	9,790	187,700	5%
Delaware	5,920	50,700	12%
District of Columbia	1,040	31,500	3%
Florida	58,630	705,300	8%
Georgia	38,170	485,200	8%
Hawaii	7,110	81,200	9%
Idaho	7,560	68,200	11%
Illinois	92,030	676,000	14%
Indiana	20,230	299,800	7%
Iowa	15,720	199,200	8%
Kansas	11,570	172,800	7%
Kentucky	26,220	170,200	15%
Louisiana	38,980	219,700	18%
Maine	8,890	60,900	15%
Maryland	22,070	259,900	8%
Massachusetts	40,200	301,700	13%
Michigan	101,890	545,100	19%
Minnesota	17,200	297,400	6%
Mississippi	17,870	185,500	10%
Missouri	58,390	305,600	19%

Number of children

State	Served ^a	Eligible ^b	Percent
Montana	6,430	60,800	11%
Nebraska	12,140	115,000	11%
Nevada	5,900	97,000	6%
New Hampshire	6,790	71,600	9%
New Jersey	34,000	350,500	10%
New Mexico	16,610	126,900	13%
New York	164,200	880,900	19%
North Carolina	67,100	411,400	16%
North Dakota	4,450	37,700	12%
Ohio	58,440	577,300	10%
Oklahoma	30,820	191,100	16%
Oregon	20,490	188,500	11%
Pennsylvania	82,750	533,900	15%
Rhode Island	6,390	42,500	15%
South Carolina	17,840	231,000	8%
South Dakota	3,680	46,200	8%
Tennessee	63,090	346,000	18%
Texas	96,640	1,161,700	8%
Utah	13,260	130,400	10%
Vermont	4,980	33,400	15%
Virginia	27,120	348,100	8%
Washington	46,130	310,500	15%
West Virginia	13,310	52,700	25%
Wisconsin	24,940	365,800	7%
Wyoming	3,330	31,600	11%
U.S. Total	1,760,260	14,749,500	12%

^a Average monthly number of children served in fiscal year 1999.

^b Number of children eligible under the maximum limit allowed under federal law, set at 85% of the state median income.

Source: U.S. Department of Health and Human Services, Administration for Children and Families. Based on numbers from the 1999 Access to Child Care for Low-Income Working Families Report. *New statistics show only small percentage of eligible families receive child care help.* Press release. Washington, DC: USDHHS, December 6, 2000.