



What If We Expanded Child Care Subsidies?

A National and State Perspective

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Child care subsidies can help low-income parents ensure the healthy development of their children while working to support their families. Yet the Child Care and Development Fund—the primary federal program supporting access to affordable child care—only has enough funding to serve a fraction of eligible families. This brief examines what would happen if child care subsidies were funded so every family with income below 150 percent of the federal poverty guidelines that is eligible under their state’s other rules could get a subsidy if they wanted one.

Using the Urban Institute’s Analysis of Transfers, Taxes, and Income Security (ATTIS) microsimulation model, we find that guaranteeing child care subsidies for eligible families at the proposed income level—currently \$31,995 a year for a family of three¹—would allow more families and children to be served by subsidies, let more parents work, raise incomes, and reduce poverty:

- First, at least 800,000 families with incomes below 150 percent of poverty who already meet their state’s other eligibility rules (including that they are already working or in school) would receive subsidies; this represents a **73 percent increase** in the number of families receiving subsidies in an average month.
- In addition, about 270,000 mothers would start working, knowing they would be able to obtain a child care subsidy. When these families are added to the 800,000 families described above, the **current caseload would double**, increasing by more than 1 million families in an average month.
- The net result is that more than 2 million additional children younger than 13 (or older than 13 with special needs) would benefit from subsidies in the average month: 1.6 million children whose parents were already working or in other allowed activities in their state and 0.5 million

as a result of parents starting work. The **number of children receiving subsidies nationwide would more than double**. The impact varies state by state, given the wide variation in their policy and funding environments.

- Almost 400,000 children would be raised out of poverty, resulting in a **3 percent reduction in the number of children living in poverty** (as measured by this analysis), stemming mostly from increased parental employment.
- Though we do not provide a formal cost estimate for this proposal, our analysis suggests that **the direct cost of child care subsidies would rise by close to \$9 billion a year** nationwide. This estimate does not include administrative costs and related funding requirements.

Research suggests that increased access to subsidies could result in a range of longer-term benefits for children and their families. With a subsidy, families could choose higher-quality child care, which can benefit their children's development. Increased family income and reduced poverty can have short- and long-term benefits for children's achievement and success. More stable child care can help families take less time out of the labor force and support their longer-term financial well-being and earnings trajectory.

Background

Child care is a critical family need: it allows parents to work, helps keep their children safe, and supports healthy child development. Yet quality child care is expensive and hard to find for most families, and the challenge is particularly acute for lower-income parents. The average annual cost of center-based child care is \$10,408, which is equivalent to 37 percent of median family income for single-parent families with children (Child Care Aware of America 2018). Lower-income families cannot afford those costs, resulting in significant challenges in securing adequate child care.

Concerns about the cost of child care are gaining visibility across the political spectrum. The president's budget proposal for fiscal year 2020 includes a child care proposal, a major presidential candidate has already released a major child care proposal, and the media attention is growing.² National polls demonstrate that affordable care is a major challenge for many families; recently, 71 percent of parents polled reported problems finding quality, affordable child care (Halpin, Agne, and Omero 2018). The challenges of finding and affording care, and the importance of making investments in this sector, are increasingly part of the public debate. The role of child care in supporting larger policy goals—such as school readiness, household economic stability and mobility, and the strength of the future workforce—is contributing to the recent public conversations.

The primary way the US supports access to affordable child care is through the Child Care and Development Fund (CCDF), which gives subsidies to families with low incomes to help defray some of or all the costs of child care so parents can work or engage in other allowable activities; CCDF also allocates some funds to support the quality and supply of care (box 1). The program's funding levels only permit a fraction of the families who are eligible under federal law to be served by CCDF or closely related federal funds; according to the most recent estimates, only one in seven potentially eligible

children receive assistance (Chien 2019).³ A few other public investments can support the child care needs of parents, including Head Start and state prekindergarten programs, which typically provide services to low-income preschoolers (usually 4-year-olds or 3- and 4-year-olds); Early Head Start, which serves some infants and toddlers; and the 21st Century Learning Centers, which support afterschool programming for schools in low-income areas. However, both Head Start/Early Head Start and prekindergarten programs tend to not provide services for a full working day or year, making them only a partial answer to parents' child care needs. Furthermore, none of these programs are funded at levels that allow them to meet the needs of all eligible families, except a few in states that have invested significantly in their state prekindergarten programs (Friedman-Krauss et al. 2019).

BOX 1

Overview of the Child Care and Development Fund

The Child Care and Development Fund (CCDF) is the largest child care subsidy program in the US, serving almost 800,000 families and more than 1.3 million children in the average month of fiscal year 2017.³ The program provides subsidies for children under age 13 as well as some older children with special needs. CCDF primarily serves families with working parents, but states can also use the funds to provide subsidies to parents who are in school or training, parents looking for a job, and families with certain special circumstances. In addition to the children who are served through CCDF funds, states may use funding from other sources to serve children through their CCDF-administered programs.

Estimates based on 2015 data suggest that the program currently serves one in seven children who are potentially eligible if all states set their income cutoffs at the federal cap of 85 percent of state median income. States served one in four of the children eligible under their 2015 rules (Chien 2019).

The proportion of eligible families served may be somewhat higher now. The CCDF program received a significant funding increase in fiscal year 2018, rising from \$5.7 billion in 2017 to more than \$8 billion in 2019. Some states are using these funds to reduce waiting lists (National Women's Law Center 2019). However, many states appear to be devoting significant proportions of their CCDF funds to fixing major gaps in the program. These efforts include raising the amount they will pay for care (because almost no state pays providers at the federally recommended levels), paying to implement the requirements of the 2014 block grant reauthorization, and other investments (Schulman 2019).

For more information about CCDF, see the Office of Child Care website: <https://www.acf.hhs.gov/occ/ccdf-reauthorization>. For more information on state CCDF policies, see the CCDF Policies Database: <https://ccdf.urban.org>.

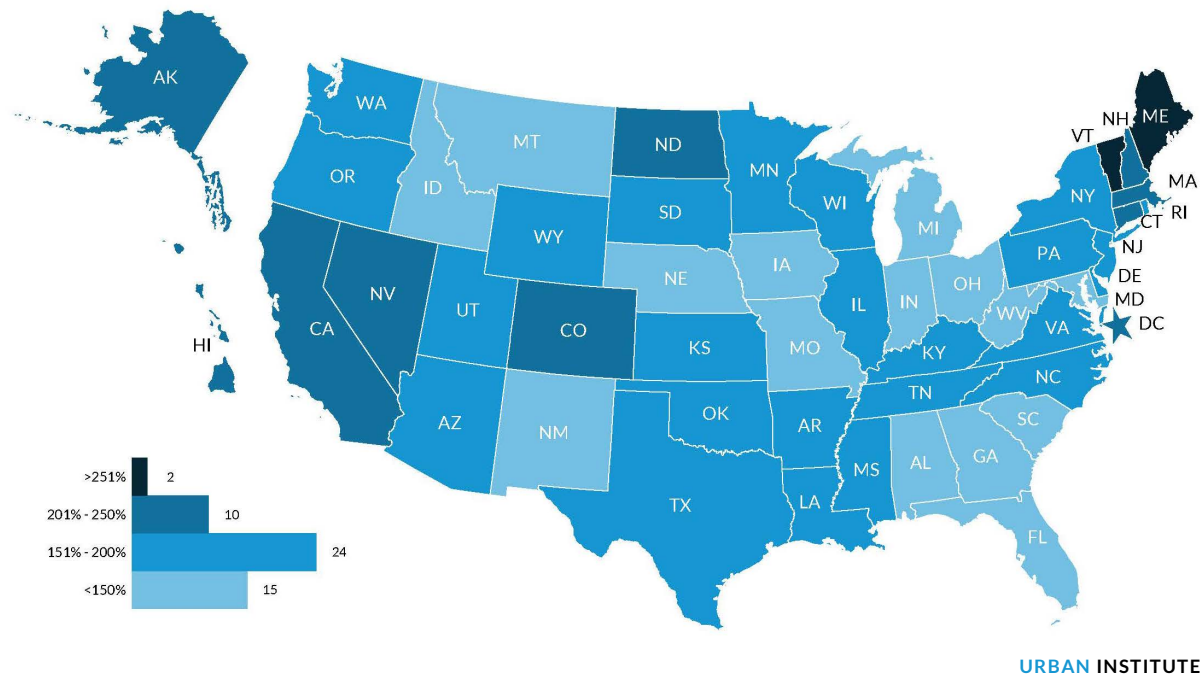
³ Federal fiscal year 2017 is the most recent year for which data are available. Preliminary estimates are available from the Office of Child Care: <https://www.acf.hhs.gov/occ/resource/fy-2017-preliminary-data-table-1>.

A core feature of CCDF is that it is a block grant, where the federal government allows states significant discretion to set policy within federal parameters. As a result, the program varies significantly across states, which invest different amounts of their own funds. States also make different choices around such key issues as which families they prioritize to receive limited funds, how much the state pays for care, and how much parents are expected to contribute.⁴ For example, states can set their

income eligibility thresholds anywhere below the federal limit of 85 percent of the state median income. Most states' cutoffs are well below that limit.

As a common metric, we consider state income cutoffs by their relationship to the federal poverty guidelines. Monthly income eligibility thresholds for a family of three range from 118 to 300 percent of the poverty guidelines (figure 1). This means the hypothetical policy scenario in this brief applies to a very uneven state landscape. And income cutoffs represent a ceiling for who can be served; states that need to prioritize their funding may only or primarily serve families significantly below that level.

FIGURE 1
State CCDF Eligibility Thresholds as Percentages of Federal Poverty Guidelines, 2016
Monthly thresholds for a family of three to qualify for subsidies



Source: Data taken from Minton et al. (2017).

Notes: The figure is based on the thresholds for a family initially applying for CCDF subsidies; the income limits may be higher for families already receiving subsidies. For the three states that establish eligibility thresholds locally, the map shows data for the area with the largest population. For Colorado, the data shown are for Denver. For Texas, the data shown are for the Gulf Coast region. In Virginia, counties are grouped, and each group uses different thresholds; the data shown are for Group III, which includes the largest counties, such as Fairfax, Prince William, and Loudoun.

What Is in This Brief

This brief is intended to inform the current debate about increasing access to subsidies for low-income families by looking at the likely impact on three important social goals:

- supporting the ability of low-income parents to work

- supporting the healthy development of children in low-income families
- reducing child poverty

The analysis explores what would happen if CCDF were funded at a level allowing every state to provide child care subsidies to every eligible family with income below 150 percent of the poverty guidelines. We estimate the impact on families and children's enrollment (making assumptions about which eligible families would choose to enroll), parental employment, child poverty, and subsidy cost:

1. **How many families who have incomes below 150 percent of the poverty guidelines and already meet all other state eligibility rules would now get subsidies?**
2. **How many parents would enter the workforce if they knew they could access a subsidy?**
3. **How many more children would get subsidies under this scenario, counting the children whose parents were already working or in other allowed activities and those with newly-working parents?**
4. **How might this policy affect the child poverty rate?**
5. **How much might this hypothetical expansion cost?**

This thought experiment is relatively conservative in that almost all other aspects of CCDF are left unchanged. Although several states whose income eligibility limits are below 150 percent of the poverty guidelines would have to raise them, this experiment assumes no other changes in states' rules. States' policies for how much subsidized families must pay out of pocket (copayments) and how much states will pay providers for child care (payment rates) are assumed to stay the same. In addition, the scenario does not seek to address such important questions as whether families will be able to find child care given gaps in supply. It is designed to focus on the likely impact of this hypothetical policy and funding strategy on subsidy use, parental work, and poverty.

We chose our income cutoff based on previous work to estimate the impact of child care subsidy guarantees. The Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, convened by the National Academy of Sciences, included this policy as part of their analyses (National Academies 2019). The Children's Defense Fund recommended this policy in its 2015 analysis of ways to reduce child poverty (Children's Defense Fund 2015) and continued recommending a variation of this policy more recently (Children's Defense Fund 2019).

To examine this hypothetical policy, we used the Urban Institute's ATTIS microsimulation model to estimate the effects on the program's caseload, on employment, and on child poverty. ATTIS includes a highly detailed simulation of the CCDF program, as well as simulations of other safety net programs. ATTIS can also simulate changes in employment. Because ATTIS operates on data from the American Community Survey (ACS), results can be produced at the state level.

This analysis is intended to help policymakers understand the potential impact of increasing access to child care subsidies. As with any estimates based on a hypothetical scenario, it is necessary to make assumptions about how the policy would function. We describe our key assumptions in box 2.

BOX 2

Key Assumptions

To estimate the impacts of this scenario, we make the following assumptions:

- We start from states' rules and caseloads as of 2016 (the most recent year of ATTIS model data available).
- Our hypothetical policy guarantees eligibility for families with income below 150 percent of the poverty guidelines—or \$30,240 in annual income for a family of three in the contiguous states in 2016—who are eligible and want assistance. We raise the income eligibility thresholds in all states using a lower threshold. In states using thresholds above 150 percent of the poverty guidelines, we continue to use the higher thresholds and assume no changes in participation among parents with incomes above 150 percent of the poverty guidelines.
- As our starting point for the number of children receiving child care subsidies, we use an adjusted caseload that considers families and children who receive subsidies funded by CCDF as well as those served by the state program administered by CCDF but whose subsidies are funded through other sources. The adjusted caseload figures (1.1 million families and 1.8 million children) likely still underestimate the total number of low-income children receiving subsidized care but bring us closer to the full picture of subsidy participation.
- The simulated expansion of child care subsidies guarantees assistance to all eligible families who want assistance. Not all eligible families will choose to take subsidies; for example, some families might have alternative informal child care arrangements that they prefer to continue using. We take a conservative approach and assume that, among families with parents already working or in school, only those with child care expenses before the expansion would take the subsidy.
- Some families will start working as a result of the expansion and will thus become eligible for subsidies. We estimate the number of new jobs based on previous econometric analyses relating percentage reductions in out-of-pocket child care costs to increases in parental work effort (Blau 2003). Because the percentage cost reductions would vary by state and would be higher for families with the youngest children (because their care generally costs more) we developed separate job-increase targets for each state, for families with very young children (younger than age 3), and for families with all children age 3 or older (but still eligible for CCDF).
- For this analysis, we assess changes in child poverty using the official poverty thresholds but with a slightly modified measure of family resources: cash income minus the family's out-of-pocket child care expenses. This lets us pick up the impact on family resources of moving from unsubsidized care to a lower CCDF copayment, as well as the impact of new parental earnings.

For more detail about our methodology and approach, see the [technical appendix](#).

Key Findings

We group our findings by the five questions posed earlier. We conclude with a discussion of what evidence tells us about how these policy impacts—increased access to subsidies, increased ability to work, and reduced poverty/enhanced income—may affect overall child and family well-being.

How Many Families Who Have Incomes below 150 Percent of the Poverty Guidelines and Already Meet All Other State Eligibility Rules Would Now Get Subsidies?

THE NATIONAL PICTURE

Over 800,000 families who were already working or in allowed activities but previously unserved would begin receiving subsidies in the average month (an increase of 73 percent).

As noted earlier, only one in seven children who are already eligible under federal rules (assuming all states use the maximum federal income limits) receive assistance from CCDF. The eligible but unserved families include parents who would be eligible to get services if funds were available because they are participating in qualifying activities under state rules, such as employment or education and training. Additionally, in states where the income eligibility limits were previously set below 150 percent of the poverty guidelines, some families who already met all nonincome eligibility rules would become newly eligible because of the increase in the income limits.

To estimate how many of these families would receive subsidies in this hypothetical scenario, we use a conservative approach that identifies parents who were already paying for some form of care but were not using subsidies. (This approach does not count families who may be using free care—for example, from relatives—but would use subsidies, if they were available, to access other care.) We assume that providing subsidies to these families would allow them to spend less of their scarce income on child care and/or allow them to use the subsidy to access a wider array of care options that they otherwise would not be able to. **The estimated new caseload represents a 73 percent increase over the starting point of 1.1 million families (including families served by non-CCDF funds within states' CCDF-administered programs).**

THE IMPACT ACROSS STATES

Under our scenario, 15 states would see their monthly caseloads increase by less than 50 percent, 13 states would see increases between 50 and 100 percent, another 14 states would see increases between 100 and 150 percent, and 9 states would see increases of 150 percent or more.

The increases vary significantly across states given the previously mentioned variation in state eligibility and funding approaches (table 1). For example, some states might already be serving a large portion of eligible families with incomes below 150 percent of the poverty guidelines; all else equal, those states would see less change from this policy than states currently serving a lower portion of eligible families with incomes below 150 percent of the poverty guidelines. Because of smaller sample sizes, state-level results are subject to greater uncertainty than the national results. The tables below identify results based on the smallest samples.⁵

TABLE 1

Impact of Subsidy Guarantee on Families with Incomes below 150 Percent of the Poverty Guidelines Who Meet All Other State Eligibility Rules (before Assuming New Employment)

State	Families previously receiving subsidies ^a	Families newly receiving subsidies ^b	Total families with subsidies	Percent increase
National total	1,109,100	806,300	1,915,400	73%
Alabama	14,100	20,200	34,300	143%
Alaska	2,900	1,700	4,600	59%
Arizona	17,300	20,600	37,900	119%
Arkansas	5,200	11,500	16,700	221%
California	113,900	89,400	203,300	78%
Colorado	13,100	13,800	26,900	105%
Connecticut	21,500	3,900	25,400	18%
Delaware	9,600	900	10,500	9%
District of Columbia	4,100	1,400	5,500	34%
Florida	93,100	48,400	141,500	52%
Georgia	30,900	34,600	65,500	112%
Hawaii	3,400	4,100	7,500	121%
Idaho	3,800	6,700	10,500	176%
Illinois	84,800	21,100	105,900	25%
Indiana	17,400	21,300	38,700	122%
Iowa	11,700	8,300	20,000	71%
Kansas	6,700	5,900	12,600	88%
Kentucky	14,600	13,900	28,500	95%
Louisiana	10,300	13,500	23,800	131%
Maine	2,100	3,300	5,400	157%
Maryland	8,500	13,300	21,800	156%
Massachusetts	36,300	9,300	45,600	26%
Michigan	16,600	30,100	46,700	181%
Minnesota	14,100	13,000	27,100	92%
Mississippi	10,100	10,900	21,000	108%
Missouri	24,900	16,500	41,400	66%
Montana	3,300	3,600	6,900	109%
Nebraska	8,300	3,700	12,000	45%
Nevada	3,800	7,100	10,900	187%
New Hampshire	4,000	2,200	6,200	55%
New Jersey	34,400	10,400	44,800	30%
New Mexico	10,300	7,100	17,400	69%
New York	77,500	29,000	106,500	37%
North Carolina	36,100	33,200	69,300	92%
North Dakota	3,200	1,000	4,200	31%
Ohio	63,600	23,400	87,000	37%
Oklahoma	18,100	10,800	28,900	60%
Oregon	8,200	10,600	18,800	129%
Pennsylvania	60,900	20,100	81,000	33%
Rhode Island	6,200	1,200	7,400	19%
South Carolina	6,800	19,900	26,700	293%
South Dakota	2,300	3,400	5,700	148%
Tennessee	11,400	19,500	30,900	171%
Texas	69,200	103,400	172,600	149%
Utah	6,400	8,900	15,300	139%

State	Families previously receiving subsidies ^a	Families newly receiving subsidies ^b	Total families with subsidies	Percent increase
Vermont	6,100	400	6,500	7%
Virginia	12,400	21,700	34,100	175%
Washington	30,400	9,100	39,500	30%
West Virginia	6,500	4,300	10,800	66%
Wisconsin	26,600	12,900	39,500	48%
Wyoming	1,900	2,000	3,900	105%

Source: Authors’ calculations using the Urban Institute ATTIS model. Current caseload numbers use ACF CCDF administrative (801) data available at <https://www.researchconnections.org/childcare/series/215> and CCDF caseload numbers from the Office of Child Care at <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.

Notes: Numbers are rounded to nearest hundred and are counts of families (not children) in the average month of the year.

^a “Families previously receiving subsidies” are all those reported to receive care through the CCDF-administered program, regardless of funding source.

^b In the 15 states with income limits below 150 percent of the poverty guidelines, “families newly receiving subsidies” includes some families who meet all their state’s nonincome eligibility rules but whose income is slightly above their state’s previous income limit (but below 150 percent of the poverty guidelines).

How Many Parents Would Enter the Workforce If They Knew They Could Access a Subsidy?

THE NATIONAL PICTURE

About 270,000 parents—mostly unmarried mothers—would start working, knowing that they would be able to obtain a child care subsidy (table 2). Because the percentage reductions in child care costs vary by state and are higher for families with the youngest children (because their care generally costs more), we developed separate job-increase targets for each state and for families with very young children (younger than age 3) as well as families whose children were all age 3 or older (but still eligible for CCDF).

Higher child care costs are related to lower parental employment (Blau 2003). As a result, providing a subsidy to all parents with incomes below 150 percent of the poverty guidelines if they are eligible and want it would likely increase the proportion of parents who are working.

To estimate the likely increase in the number of parents working, we reviewed available research on the relationship between the cost of child care and employment. Research to date has focused on *maternal* employment effects, with various studies showing different degrees of increase in employment. For this analysis, we used the midpoint of the ranges provided across several key studies, following the same approach selected by the National Academy of Sciences child poverty analysis (National Academies 2019). Based on that research, we assume a 2 percent increase in maternal employment for every 10 percent reduction in the net price of child care (for more information on these methods and the research upon which our assumptions are based, see the [technical appendix](#)).

We select specific parents in the ACS data to represent the new workers, all of whom would become eligible for CCDF by starting to work. The increase in the number of families with working parents, combined with the families already in eligible activities but not previously receiving child care subsidies, results in more than 1 million families newly receiving subsidies in the average month.

THE IMPACT ACROSS STATES

The impact of the proposal on maternal employment varies significantly across states. **Four states are estimated to have more than 10,000 mothers enter the workforce, and another 15 states will have between 5,000 and 9,999 mothers enter the workforce.** The differences in the estimates stem primarily from differences in state population size, but also from differences in child care costs.

TABLE 2

Impact of Subsidy Guarantee on Maternal Employment

State	Number of mothers who start work	State	Number of mothers who start work
National total	267,100	Missouri	5,000
Alabama	5,600	Montana	1,100
Alaska	800	Nebraska	1,500
Arizona	8,100	Nevada	2,300
Arkansas	6,100	New Hampshire	300
California	40,600	New Jersey	4,400
Colorado	3,300	New Mexico	2,900
Connecticut	1,900	New York	9,800
Delaware	300	North Carolina	8,700
District of Columbia	900	North Dakota	200
Florida	18,700	Ohio	8,600
Georgia	9,200	Oklahoma	3,500
Hawaii	600	Oregon	1,300
Idaho	1,600	Pennsylvania	5,200
Illinois	7,500	Rhode Island	700
Indiana	7,800	South Carolina	6,500
Iowa	2,900	South Dakota	1,000
Kansas	1,900	Tennessee	3,500
Kentucky	2,300	Texas	27,300
Louisiana	7,900	Utah	3,400
Maine	1,000	Vermont	500
Maryland	2,500	Virginia	5,300
Massachusetts	2,600	Washington	2,700
Michigan	12,500	West Virginia	1,200
Minnesota	5,400	Wisconsin	3,000
Mississippi	4,800	Wyoming	400

Sources: Estimates derived from a combination of three data sources: estimated change in child care spending due to the policy from the Urban Institute ATTIS data, assumed responsiveness of employment to change in cost based on data in Blau (2003), and current maternal employment data tabulated by the Urban Institute from ACS data.

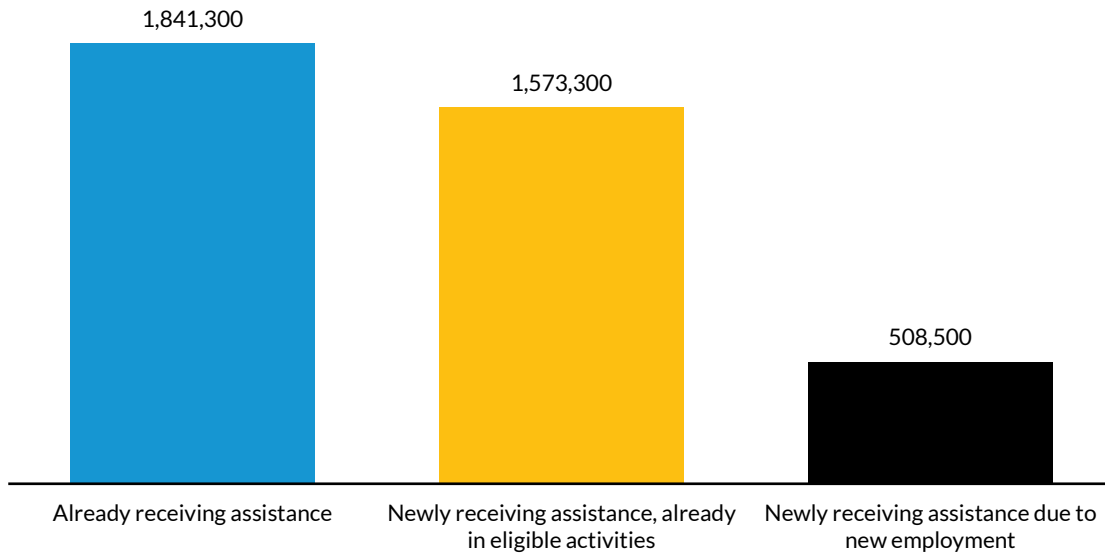
How Many More Children Would Get Subsidies under This Scenario?

THE NATIONAL PICTURE

This scenario would result in more children being able to get subsidies—including 1.6 million children whose parents were already working or in school and 0.5 million children whose parents are able to start working. The cumulative impact of this hypothetical policy proposal on **the number of children served in CCDF would be an increase of over 2 million in the average month (more than doubling the**

caseload), resulting in a 113 percent increase in the number of children receiving subsidies (figure 2). The cumulative increase in the number of *families* served is estimated at slightly over 1 million.

FIGURE 2
Impact of Proposed Policy on Child Care Subsidy Receipt
Number of children receiving subsidies in the average month



URBAN INSTITUTE

Source: Authors' calculations using the Urban Institute ATTIS model. Current caseload numbers calculated using ACF CCDF administrative (801) data available at <https://www.researchconnections.org/childcare/series/215> and CCDF caseload numbers from the Office of Child Care at <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.

THE IMPACT ACROSS STATES

Again, the increases vary significantly across states given the different state eligibility and funding approaches (table 3). Under the hypothetical scenario, **20 states would see increases in the number of children served of less than 100 percent, 18 states would see increases between 100 and 200 percent, and 13 states would see increases of 200 percent or more.**

TABLE 3

Impact of Subsidy Guarantee on Children

	Children previously receiving subsidies	New recipients, parents already working/in school	New recipients, parents newly employed	Total children with subsidies	Percent increase
National total	1,841,300	1,573,300	508,500	3,923,100	113%
Alabama	27,600	38,400	10,700	76,700	178%
Alaska	4,500	3,300	1,900	9,700	116%
Arizona	25,600	37,200	14,500	77,300	202%
Arkansas	7,000	23,600	10,800	41,400	491%
California	166,400	172,100	77,700	416,200	150%
Colorado	23,200	24,100	6,300	53,600	131%
Connecticut	31,200	7,600	3,600	42,400	36%
Delaware	15,200	2,200	900	18,300	20%
District of Columbia	5,000	3,200	1,000	9,200	84%
Florida	131,300	96,400	31,300	259,000	97%
Georgia	55,500	69,800	17,400	142,700	157%
Hawaii	5,800	9,100	900	15,800	172%
Idaho	6,800	12,700	3,000	22,500	231%
Illinois	150,400	43,000	14,200	207,600	38%
Indiana	32,700	40,200	13,800	86,700	165%
Iowa	21,100	15,200	4,700	41,000	94%
Kansas	12,400	12,100	3,800	28,300	128%
Kentucky	27,700	28,000	6,500	62,200	125%
Louisiana	15,600	26,700	15,900	58,200	273%
Maine	3,400	6,700	1,800	11,900	250%
Maryland	14,600	23,600	5,200	43,400	197%
Massachusetts	52,500	15,200	3,100	70,800	35%
Michigan	30,200	54,300	25,000	109,500	263%
Minnesota	28,200	24,700	9,300	62,200	121%
Mississippi	18,000	21,000	8,700	47,700	165%
Missouri	37,900	35,400	9,200	82,500	118%
Montana	5,000	7,100	2,300	14,400	188%
Nebraska	15,500	6,300	3,000	24,800	60%
Nevada	6,600	14,300	4,300	25,200	282%
New Hampshire	5,600	3,400	300	9,300	66%
New Jersey	50,900	25,100	10,000	86,000	69%
New Mexico	16,800	15,100	5,900	37,800	125%
New York	132,200	56,700	18,500	207,400	57%
North Carolina	76,400	59,100	15,800	151,300	98%
North Dakota	4,900	1,800	600	7,300	49%
Ohio	116,600	48,400	19,000	184,000	58%
Oklahoma	30,100	20,900	5,600	56,600	88%
Oregon	15,100	24,600	1,400	41,100	172%
Pennsylvania	103,600	42,700	8,800	155,100	50%
Rhode Island	9,800	1,800	1,100	12,700	30%
South Carolina	10,800	38,100	14,400	63,300	486%
South Dakota	3,700	6,500	2,300	12,500	238%
Tennessee	20,100	38,100	6,000	64,200	219%
Texas	116,400	200,000	58,700	375,100	222%
Utah	11,600	17,700	6,200	35,500	206%

	Children previously receiving subsidies	New recipients, parents already working/in school	New recipients, parents newly employed	Total children with subsidies	Percent increase
Vermont	8,500	1,000	500	10,000	18%
Virginia	21,700	43,200	9,800	74,700	244%
Washington	52,600	17,200	3,900	73,700	40%
West Virginia	10,700	9,200	2,500	22,400	109%
Wisconsin	43,300	26,900	5,400	75,600	75%
Wyoming	3,000	2,500	1,200	6,700	123%

Source: Authors’ calculations using the Urban Institute ATTIS model. Current caseload numbers are calculated using ACF CCDF administrative (801) data available at <https://www.researchconnections.org/childcare/series/215> and CCDF caseload numbers from the Office of Child Care at <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.

Notes: Numbers are rounded to nearest hundred and refer to the number of children with subsidies in the average month of the year. “Children previously receiving subsidies” are from all families reported to receive care through the CCDF-administered program, regardless of funding source.

How Might This Policy Affect the Child Poverty Rate?

THE NATIONAL PICTURE

The financial well-being of children is expected to improve as their families increase their income. In some cases, the income would raise their family income above the poverty level. As described in box 2, and in more detail in the [technical appendix](#), for this exercise, we use a modified version of the official poverty measure that subtracts child care expenses from cash income. **The policy scenario would reduce the number of children in poverty by an estimated 385,000, or 3 percent (table 4). This would reduce the national child poverty rate from 19.1 to 18.6 percent (using our modified definition).**

This policy scenario also would improve the financial well-being of almost all families newly able to access subsidies. The largest increases in income would be among those families in which a parent starts to work. We also anticipate a small boost in disposable income for families who are already working, because receiving the subsidy would allow some of them to pay less out of pocket for child care.

THE IMPACT ACROSS STATES

The proposed policy would reduce the number of children in poverty by as much as 6 percent in four states and 4–5 percent in nine states. The extent of these changes would vary across states, partly— as previously discussed—because of variation in states’ existing eligibility rules and funding approaches. In some states, the sample sizes are too small to draw meaningful conclusions from the results. Most children gaining child care subsidies (over 2 million in the average month) would experience higher family income, resulting from either a parent starting work or lowered child care expenses.⁶

TABLE 4

Impact of Subsidy Guarantee on Child Poverty

State	Change in number of children in poverty	Percent change	State	Change in number of children in poverty	Percent change
National total	-385,400	-3%	Missouri	-7,800	-3%
Alabama	-5,900	-2%	Montana	-2,100	-6%
Alaska	-1,700	-6%	Nebraska	-3,300	-4%
Arizona	-7,900	-2%	Nevada	-2,700	-2%
Arkansas	-9,700	-6%	New Hampshire	--- ^a	--- ^a
California	-56,800	-3%	New Jersey	-8,700	-3%
Colorado	-7,800	-5%	New Mexico	-3,000	-2%
Connecticut	-3,400	-4%	New York	-13,600	-2%
Delaware	--- ^a	--- ^a	North Carolina	-9,600	-2%
District of Columbia	--- ^a	--- ^a	North Dakota	--- ^a	--- ^a
Florida	-23,500	-3%	Ohio	-12,100	-2%
Georgia	-12,600	-2%	Oklahoma	-4,900	-2%
Hawaii	-500	-1%	Oregon	-1,300	-1%
Idaho	-3,000	-4%	Pennsylvania	-6,600	-1%
Illinois	-15,400	-3%	Rhode Island	--- ^a	--- ^a
Indiana	-8,200	-3%	South Carolina	-7,000	-3%
Iowa	-4,900	-5%	South Dakota	-800	-2%
Kansas	-2,100	-2%	Tennessee	-3,800	-1%
Kentucky	-6,800	-3%	Texas	-38,600	-2%
Louisiana	-11,600	-4%	Utah	-5,500	-5%
Maine	-200	0%	Vermont	--- ^a	--- ^a
Maryland	-1,900	-1%	Virginia	-10,400	-4%
Massachusetts	-1,900	-1%	Washington	-3,500	-2%
Michigan	-24,500	-5%	West Virginia	-1,600	-2%
Minnesota	-10,600	-6%	Wisconsin	-4,900	-3%
Mississippi	-7,000	-3%	Wyoming	-400 ^b	-2%

Source: Authors' calculations using the Urban Institute ATTIS model.

Notes: Numbers are rounded to nearest hundred and reflect changes in the number of children in families with annual income below the poverty thresholds. For this analysis, poverty is defined using the official poverty definition but subtracting child care expenses from families' cash income.

^a The sample size in this state was too small to generate an estimate for this number.

^b The estimate is based on fewer than 50 observations and is less precise than estimates based on larger samples.

BOX 3

A Focus on Infants and Toddlers

Parents of infants and toddlers (defined here as children younger than age 3) face particular challenges in finding and affording child care for their child(ren). Infant and toddler care is more expensive, averaging \$10,096 to \$11,959 annually (compared with \$9,170 for 4-year-olds) for center-based care (Child Care Aware of America 2018), and it is much harder to find good quality care for this age group (Jessen-Howard et al. 2018). As a result, child care barriers can be particularly difficult for low-income parents with very young children, which increases the barriers to work as well as the likelihood that working parents will have difficulty finding quality care (Henly and Adams 2018).

Further, infants and toddlers are particularly vulnerable; the early years are when children’s brains are developing at astonishing speed. Adverse circumstances or inadequate care can jeopardize this development (Center on the Developing Child 2007).

Therefore, it is important to shine a spotlight on what the policy scenario described in this brief would mean for very young children and their parents. We find the following:

- The number of infants and toddlers with CCDF-funded subsidies would increase by about 588,000 monthly—more than doubling the caseload of this age group.
- 132,000 more mothers of very young children would be able to work.
- More than 100,000 infants and toddlers would be lifted out of poverty.

The scope of the impact would vary across states (see box table).

BOX TABLE

Impact of Subsidy Guarantee on Children under Age 3

State	Children previously receiving subsidies ^a	New recipients, parents already working/in school	New recipients, parents newly employed	Total children with subsidies	Change in number of children in poverty
National total	510,600	443,800	144,700	1,099,100	-101,400
Alabama	7,800	11,300	3,400	22,500	-1,300
Alaska	1,400	1,100	500	3,000	-400 ^b
Arizona	7,400	11,300	3,800	22,500	-800
Arkansas	2,600	6,500	3,200	12,300	-1,800
California	31,700	45,700	24,000	101,400	-17,300
Colorado	6,100	5,900	1,600	13,600	-1,600 ^b
Connecticut	9,800	1,600	600	12,000	--- ^c
Delaware	4,100	500 ^b	100 ^b	4,700 ^b	--- ^c
District of Columbia	2,500	--- ^c	--- ^c	--- ^c	--- ^c
Florida	42,600	27,400	8,800	78,800	-6,500
Georgia	16,200	20,200	4,500	40,900	-4,200
Hawaii	1,800	2,400	300	4,500	--- ^c
Idaho	2,000	2,300	1,300	5,600	-700 ^b
Illinois	37,300	12,400	3,600	53,300	-4,000
Indiana	8,100	13,000	3,000	24,100	-2,200
Iowa	6,300	4,000	1,300	11,600	-400 ^b
Kansas	3,300	3,800	1,500	8,600	-400 ^b
Kentucky	9,100	9,500	1,700	20,300	-2,200
Louisiana	6,400	8,500	3,900	18,800	-3,000
Maine	1,000	1,500 ^b	500 ^b	3,000 ^b	--- ^c

State	Children previously receiving subsidies ^a	New recipients, parents already working/in school	New recipients, parents newly employed	Total children with subsidies	Change in number of children in poverty
Maryland	4,200	7,100	2,000	13,300	-600
Massachusetts	13,400	4,200	1,300	18,900	-200 ^b
Michigan	8,400	16,000	7,200	31,600	-5,100
Minnesota	7,600	7,200	2,100	16,900	-1,400
Mississippi	4,400	7,900	3,100	15,400	-2,700
Missouri	12,000	8,600	1,900	22,500	-1,800
Montana	1,700	2,600 ^b	600 ^b	4,900 ^b	--- ^c
Nebraska	4,600	2,300	600	7,500	--- ^c
Nevada	2,000	4,500	2,500	9,000	-1,200 ^b
New Hampshire	1,600	--- ^c	--- ^c	--- ^c	--- ^c
New Jersey	14,900	8,800	3,400	27,100	-1,700
New Mexico	4,100	4,500	1,500	10,100	-1,400
New York	35,100	14,200	4,700	54,000	-4,500
North Carolina	18,200	16,700	3,700	38,600	-2,400
North Dakota	1,900	--- ^c	--- ^c	--- ^c	--- ^c
Ohio	33,500	12,500	4,400	50,400	-2,800
Oklahoma	10,200	6,500	2,100	18,800	-2,300
Oregon	3,900	6,700	100	10,700	--- ^c
Pennsylvania	26,300	10,800	2,800	39,900	-2,000
Rhode Island	2,300	--- ^c	--- ^c	--- ^c	--- ^c
South Carolina	4,400	10,300	3,800	18,500	-1,500
South Dakota	1,100	2,300 ^b	600 ^b	4,000 ^b	--- ^c
Tennessee	7,500	9,600	1,700	18,800	-1,600
Texas	36,600	58,700	16,500	111,800	-10,400
Utah	3,000	4,600	1,500	9,100	-1,300 ^b
Vermont	2,300	--- ^c	--- ^c	--- ^c	--- ^c
Virginia	5,600	12,000	3,100	20,700	-2,400
Washington	14,400	3,900	1,400	19,700	-1,300
West Virginia	3,200	2,500	900	6,600	--- ^c
Wisconsin	13,500	6,300	1,600	21,400	-1,000
Wyoming	1,000	--- ^c	--- ^c	--- ^c	--- ^c

Source: Authors' calculations using the Urban Institute ATTIS model. Current caseload numbers calculated using ACF CCDF administrative (801) data available at <https://www.researchconnections.org/childcare/series/215> and CCDF caseload numbers from the Office of Child Care at <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.

Notes: Numbers are rounded to nearest hundred. The numbers of children with subsidies reflect caseload in the average month of the year. The changes in poverty status are based on analysis of poverty using annual income data. For this analysis, poverty was assessed using the official poverty thresholds but with out-of-pocket child care expenses subtracted from cash income.

^a "Children previously receiving subsidies" are from all families reported to receive care through the CCDF-administered program, regardless of funding source.

^b Estimates are based on fewer than 50 observations and are less precise than estimates based on larger samples.

^c The sample size in this state was too small to generate an estimate for this number.

How Much Might This Plan Cost?

Though we do not provide a formal cost estimate for this potential policy change, our analysis suggests that the annual national cost of direct child care subsidies would rise by close to \$9 billion. This estimate does not include administrative costs and related funding requirements. Also, the analysis assumes that newly enrolled children are distributed across types of care (child care centers, family day care homes, and informal care) in the same ways as currently enrolled children in each age group and state.

Implications and Conclusions

Improving access to subsidies, strengthening parents' ability to work, and reducing poverty and enhancing income may be associated with positive developments for the longer-term well-being of children and families in several ways. Here are some examples from research:

- **Higher-quality care.** Receiving subsidies is associated with parents selecting higher-quality care on average than similar families paying for child care without subsidies (Ryan et al. 2011). Participating in higher-quality child care settings can support healthy child development and better long-term outcomes (see, for example, Shonkoff and Phillips 2000; and Vandell and Wolfe 2002).
- **Maternal work effort.** Access to subsidies is associated with greater maternal work effort, which can affect children and parents. Looking first at children, the research on the impact of maternal work on children's development suggests both benefits and risks for children, especially if the mother is working full time during the child's first year of life or if working leads to a significant increase in parental stress. Overall, research concludes that even when mothers work during the first year, some short-term costs are balanced by longer-term gains (Brooks-Gunn, Han, and Waldfogel 2010). During childhood as a whole, maternal employment appears to be a net positive for children's well-being and development (Vandell and Ramanan 1992).⁷

Furthermore, working is important for the parent's longer-term financial well-being. Studies estimate that parents who stay out of the workforce because they can't afford child care lose far more than just their immediate salary. Their ability to find work and their earnings potential are reduced by time out of the labor market, lowering lifetime earnings by the equivalent of three to four times their annual salary for each year out of the workforce (Madowitz, Rowell, and Hamm 2016). This suggests that if subsidies can help parents get back in the workforce, there could be longer-term benefits for the family's financial well-being than is accounted for by the immediate income they earn.

- **Greater income and reduced poverty.** The financial and poverty impacts of broadening subsidy access may result in important improvements in children's lives. For example, increased income is associated with improvements in children's achievement and outcomes; specifically, an increase of \$1,000 in annual income is associated with improvements in school achievement (Duncan, Morris, and Rodrigues 2011). Reducing the time a child spends in poverty is also

associated with significant improvements in their longer-term success—specifically, compared with children who are persistently poor (i.e., children who live at least half their childhood years in poverty), children who are poor but for fewer years are significantly more likely to graduate from high school, more likely to get a college degree, more likely to be consistently employed, and (for girls) less likely to have a child as a teenager (Ratcliffe 2015).

Other positive implications for policy strategies that help stabilize child care and reduce child care barriers to work are likely. These include the potential for reducing the costs that employers experience from employee absences, as well as turnover due to breakdowns in child care arrangements (Littlepage 2018; Shellenback 2004). The current tight labor market may also create additional incentives to remove barriers that keep parents out of the workforce.

In conclusion, our evidence suggests that policy strategies that increase the availability of child care subsidies for lower-income families are likely to result in more parents being able to work, more children being served, greater family income, and reductions in child poverty. Further, these impacts may have longer-term benefits for child and family well-being.

Notes

- ¹ Using the 2019 federal poverty guidelines, 150 percent of the guideline for a family of three is \$31,995 in the contiguous 48 states and the District of Columbia, \$39,990 in Alaska, and \$36,810 in Hawaii.
- ² See Tamara Keith, “Exclusive: White House and Ivanka Trump Propose New Spending on Child Care,” *All Things Considered*, NPR, March 10, 2019, <https://www.npr.org/2019/03/10/701870547/exclusive-white-house-and-ivanka-trump-propose-new-spending-on-child-care>; and Senator Elizabeth Warren, “Warren Unveils Universal Child Care and Early Learning Proposal,” press release, February 18, 2019, <https://www.warren.senate.gov/newsroom/press-releases/warren-unveils-universal-child-care-and-early-learning-proposal>. For an example of recent media attention regarding the cost of child care, see “Taking Care: The Cost of Child Care in 2019,” 1A, WAMU, March 19, 2019, <https://the1a.org/shows/2019-03-12/taking-care-the-cost-of-child-care-in-2019>.
- ³ The estimates published by ASPE use a concept of federal eligibility, representing the number of children who would be eligible for subsidies if each state set its program rules to align with the broad federal guidelines (e.g., if every state set income eligibility thresholds at 85 percent of state median income). This provides a consistent estimate of need across the country, rather than using different income limits and other policies in each state. The proportion of eligible families who are served may be somewhat higher now, as the program received a significant increase in funding in 2017, and some states are using these funds to reduce waiting lists (National Women’s Law Center 2019).
- ⁴ For more information on how state CCDF policies vary, see the CCDF Policies Database: <https://ccdf.urban.org>
- ⁵ Bear in mind that microsimulation models like ATTIS rely extensively on sampling. There is sampling error in the starting sample and variance around all the model parameters (for example, coefficients in imputation equations, which are themselves generally derived from samples rather than full populations). Because of the reliance on sampling, sometimes point estimates of outcomes for a group of families in one state may differ from estimates for another state, even if there is no true difference; or point estimates may be the same even if there is in reality a difference. This is especially true when estimates are based on smaller numbers of households in the underlying data. In this brief, estimates based on fewer than 50 unweighted households are noted, and estimates based on fewer than 25 unweighted households are not shown. The development of standard errors or confidence intervals for these estimates is not feasible owing to the multiple sources of uncertainty.
- ⁶ In some situations, the family’s copayment for subsidized child care might be the same or slightly higher than what the family was paying out of pocket, such that cash resources would not increase. Also, families with a

newly working parent who received either Temporary Assistance to Needy Families benefits or Supplemental Security Income could lose some of or all those benefits after starting the new job. In almost all cases, their cash resources would remain higher than was the case before they started to work.

- ⁷ Carmen Nobel, “Children Benefit from Having a Working Mom,” press release, Harvard Business School, May 15, 2015.

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Errata

This brief was corrected July 1, 2019. On page 7, the number of states that would see monthly caseload increases between 100 and 150 percent is 14, not 13 as originally published. On page 14, table 4 has been replaced to correct errors in the "Percent change" column for Missouri through Wyoming.

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Linda Giannarelli is a senior fellow in the Income and Benefits Policy Center at the Urban Institute. She directs the development of the ATTIS model and is a nationally recognized expert on the use of microsimulation modeling to study income supports for lower-income Americans. Child care has been a particular area of focus; she directed the initial work on the CCDF Policies Database and has studied the types of help families receive with child care expenses. Her current research areas include the potential antipoverty impacts of policy changes, the marginal tax rates faced by lower-income families, and the continued development of the ATTIS model.

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