



# Executive Summary: Assessing Child Care Subsidies through an Equity Lens

## A Review of Policies and Practices in the Child Care and Development Fund

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In 2019, the Child Care and Development Fund (CCDF) helped pay for child care for almost 1.4 million children from families with low incomes, allowing their parents to work or attend school or training while supporting their children's healthy development.<sup>1</sup> By helping reduce the cost of child care, the CCDF plays an important role in helping parents who have low incomes and need child care to work and support their families. Over the past year, there has been a growing national conversation about racial justice and the importance of addressing the impacts of structural racism, including a directive from President Biden requiring a systematic review of public policies and programs with an equity lens.<sup>2</sup> These developments have highlighted the importance of carefully reviewing our social policies and practices, including those of the CCDF child care subsidy system, to assess whether they effectively address the inequities that have resulted from structural racism.

This executive summary presents major findings from an in-depth review of the child care subsidy system through an equity lens: Gina Adams and Eleanor Pratt, *Assessing Child Care Subsidies through an Equity Lens: A Review of Policies and Practices in the Child Care Development Fund* (Washington, DC: Urban Institute, 2021). The report is intended to help state child care administrators, policymakers, and key stakeholders bring this lens to the child care subsidy system funded by the CCDF. It explores the following questions:

- Do child care subsidy policies and practices ensure that families facing barriers rooted in structural racism are able to equitably access child care subsidies?

- Do child care subsidies address the particular barriers these families may face in accessing quality care?
- What policy strategies and solutions can help make the child care subsidy system more effective in addressing the impacts of structural racism and making the system more equitable?

Specifically, the report focuses on whether subsidy policies are (or can be) designed to address the realities and challenges caused by structural racism that Black families, Latino families, and families with immigrants face. This is important because structural racism across key societal institutions has restricted access to quality education, employment, wealth-building, and housing for many people of color, leading to higher levels of poverty and lower incomes, lower levels of education, less access to good jobs, and other challenges. As a result, parents of color are disproportionately likely to face realities—such as internet access barriers and nontraditional work hours—that impede their ability to access child care subsidies, prove eligibility, and provide documentation. Structural racism and discrimination also affect entire communities. Higher concentrations of poverty and underresourced communities can affect local child care markets, shaping child care providers’ ability to provide quality and accessible care. In addition, families of color may face disparate treatment when accessing public benefits and services because of both conscious and implicit bias and may face particular challenges—such as language barriers—that can further undermine access if not addressed. For a more in-depth discussion of these issues, and a list of sources, see the full report.

This is an opportune time to explore these questions for four reasons: (1) because the pandemic has raised public awareness of the importance of child care in supporting parents and children; (2) because the focus on racial justice has raised awareness of the importance of addressing inequities stemming from structural racism; (3) because these forces have resulted in expanded interest in ways to build a more equitable child care and education system; and (4) because states have received investments of more than \$50 billion in unprecedented child care resources from the federal pandemic relief funds,<sup>3</sup> allowing them to invest time and resources in taking steps to make the subsidy system more equitable.

## Our Focus

We examined what we know about the extent to which subsidy policies and practices recognize the challenges these families face and actively work to address them so parents can have equitable access to child care assistance *and* be able to use that assistance to access quality child care options. Research on these questions is scarce, so we based this work on a review of the available research literature and conducted interviews with a diverse group of 28 experts, including experts on structural racism and the child care and early education fields, state child care administrators, subsidy experts, subsidy researchers, and others. Respondents are listed in the acknowledgements section.

We first walk through the subsidy process as experienced by parents, exploring the specific policies and practices that can shape whether the process of getting and keeping a subsidy supports equitable access to subsidies for Black, Latino, and immigrant families. Specifically, the process of getting a subsidy is shaped by

- general issues around dealing with the child care agency;
- potential recipients' knowledge about subsidies;
- ease of access to the subsidy agency;
- who is eligible and prioritized to get subsidies;
- ease of applying for subsidies and proving eligibility; and
- how hours of care are authorized.

We then examine the policies shaping whether the subsidy helps address inequities in access to quality child care options that meet these families' needs. Specifically, we examine key elements that shape whether subsidies allow parents to have "equal access" to care options, including

- challenges of relying on the private market;
- which providers are eligible to get subsidies;
- what providers have to do to be approved for payment;
- how much providers are actually paid; and
- the role of copayments and other fees.

## What We Found

Our detailed findings on each area laid out above are summarized in table 1 (following this executive summary), which includes information on each policy area, the potential areas of concern, and some possible policy strategies to address the issues. When looking at the big picture, though, our review suggests a mixed bag in the extent to which the system effectively addresses the inequities families of color face because of structural racism. Overall, our review suggests the following:

- The CCDF subsidy system can help make child care more affordable for parents with low incomes and parents of color who are able to complete the process of getting a subsidy and finding a provider that will accept it.
- Key elements of subsidy policy and practice seem unlikely to effectively address some key constraints that Black, Latino, and immigrant families face, and in some situations these policies and practices may actively contribute to systemic inequities and barriers in accessing subsidies and child care.
- We lack a great deal of knowledge about our current system or how it is implemented and experienced by families of color and other families facing inequities. Although the insights from the report are useful to help states begin taking steps to address inequities, additional evidence about the challenges and solutions would be helpful to more effectively address these problems.

## Recommendations for Action

The good news is that it is possible within the current policies and federal parameters for states to address several issues we identify; some states are already taking such steps. Further, the new federal resources in the pandemic relief packages give states the ability to take steps to address these challenges carefully and thoughtfully. However, some policy changes are likely to take federal leadership, and others will require sustained increases in federal funding, suggesting these issues should be a priority for federal action moving forward.

As noted above, we provide numerous concrete policy suggestions to make subsidy policies and practices more equitable (see table 1 following this executive summary). When looking across these suggestions, a few overarching themes are apparent, including that states should take the following steps:

- **Build a strong parent engagement strategy** as an ongoing mechanism to ensure parents' voices, and particularly voices of parents of color, are a strong part of efforts to improve the subsidy system; their input should be used to improve the system at each stage of the process, and there should be a system of ongoing monitoring and accountability to assess progress.
- **Ensure an equity review capacity is built into agency processes and staffing to have an ongoing presence and focus**; consider using administrative funds to support elements such as outreach and data analysis; recognize that a strong equity review process will take time and investment of resources.
- **Conduct an equity analysis of subsidy policies and practices** and system incentives that can shape which families get subsidies and how subsidies shape which providers they can access.
- **Assess the accessibility of the subsidy system for parents facing barriers** and ensure multiple methods of access exist.
- **Examine how parents are treated and their experiences** in working with the subsidy agency to ensure explicit or implicit biases do not result in unfair treatment.
- **Work with caseworkers to gather their insights** about direct or indirect incentives or business process challenges that may shape their ability to support parents equitably.
- **Ensure subsidy policies and practices recognize the complex employment realities and constraints** facing parents with low incomes, particularly those of color, and take steps to ensure these realities do not inadvertently create barriers to accessing a subsidy.
- **Expand eligibility priorities** to provide subsidies that support parents' ability to move ahead in the workforce by getting education and training or to find work.
- **Simplify the process of getting and keeping subsidies** to support continuity and stability as parents seek to support their children and move ahead in the workforce.

- **Ensure the subsidy system supports parents' ability to use the full range of child care options** they need to support their work realities and their children's development, including home-based providers and relatives who are legally exempt from licensing.
- **Engage with child care providers to identify ways the system could be more equitable in supporting access to quality care options**, including both those who do and do not participate in the subsidy system and both licensed and license-exempt home-based options.
- **Ensure quality standards in licensing and QRIS reflect inclusive definitions of quality**, including perspectives and values of people of color and of different socioeconomic backgrounds, and the unique strengths of home-based child care settings.
- **Remove the link between market prices and subsidy payments, and instead focus payments on supporting quality** improvements; recognize that providers may need operational supports separated from voucher or subsidy payments to remedy market failures in underresourced communities.
- **Examine whether public resources to support quality and supply are allocated equitably and ensure resources to support quality and supply are not allocated based on noninclusive definitions of quality**, whether through QRIS, quality initiatives, or differential subsidy rates.
- **Target quality and supply investments to providers in underresourced communities who cannot rely on market forces to improve quality**. Recognize that market forces can result in providers in underresourced communities facing greater challenges in providing care that meets traditional quality standards, and invest resources appropriately.

In conclusion, the child care subsidy system has the potential to play an active role in addressing the impacts of systemic racism and structural inequities on the ability of parents of color to gain greater economic and financial security and support the healthy development of their children. At this moment in time, states have a unique opportunity to take a thoughtful and transparent look at their policies and practices; work with parents and others in the community to identify ways to ensure subsidies are accessible to families who face challenges because of structural racism and other inequities; and make sure subsidies support equal access to child care for all parents.

TABLE 1

**Key Child Care Subsidy Policy Areas, Potential Equity Concerns, and Potential Strategies and Solutions**

**I. Process of Getting a Subsidy**

Policy or practice area	Potential concerns	Potential strategies and solutions
General issues around dealing with the child care agency	<ul style="list-style-type: none"> <li>▪ Strong focus on compliance and fraud</li> <li>▪ Agency treatment of clients</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conduct client-centered equity assessment of agency policies, practices, and incentives</li> <li>▪ Implement antibias training and reflective supervision</li> <li>▪ Gather insights from caseworkers on how to support greater equity and identify system incentives and potential business process constraints</li> <li>▪ Focus on caseworkers' cultural competency</li> <li>▪ Assess client experience, particularly for clients facing challenges or barriers</li> </ul>
Knowledge about the program	<p>Parents may not know they can get subsidies, including those who</p> <ul style="list-style-type: none"> <li>▪ face language or literacy barriers</li> <li>▪ are not connected with community or agency resources</li> <li>▪ mistakenly believe they are not eligible (including because of immigrant status)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify communities underserved by CCDF and engage parents and community members to understand why</li> <li>▪ Work with parents and trusted intermediaries to develop and implement actions to increase knowledge and access</li> <li>▪ Ensure materials are accessible to people with different first languages and literacy levels</li> <li>▪ Use multiple outreach methods</li> </ul>
Eligibility and priorities to receive subsidies	<p>Parents may not be able to get subsidies, including those who</p> <ul style="list-style-type: none"> <li>▪ need child care to support education and training</li> <li>▪ need child care to look for a job</li> <li>▪ face challenges with child support enforcement requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Place higher priority on providing subsidies to parents pursuing education and training and assess additional eligibility restrictions with an equity lens</li> <li>▪ Place higher priority on providing subsidies to parents searching for work</li> <li>▪ Eliminate child support enforcement requirements as a condition for eligibility</li> </ul>
Agency access	<p>Parents facing barriers may face challenges accessing the subsidy agency, including</p> <ul style="list-style-type: none"> <li>▪ lack of transportation</li> <li>▪ lack of internet access</li> <li>▪ language barriers</li> <li>▪ literacy challenges</li> <li>▪ work hours that make it difficult to reach the agency during business hours</li> <li>▪ complex lives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engage with community to identify barriers to access and possible solutions</li> <li>▪ Establish access points where families already go</li> <li>▪ Invest in navigators to help parents (and providers) manage the subsidy process and meet requirements</li> <li>▪ Ensure key barriers to access are addressed by providing multiple methods of access and addressing language and literacy constraints</li> </ul>

## I. Process of Getting a Subsidy

Policy or practice area	Potential concerns	Potential strategies and solutions
Application and eligibility documentation requirements	<ul style="list-style-type: none"> <li>Application forms can be complex</li> <li>Documentation challenges can include proving self-employment income; documenting income or hours worked with irregular work hours; fluctuating pay or multiple employers; documenting income without a relationship with a financial institution; documenting special circumstances like diagnoses and medical records for children with special needs without a stable source of medical care</li> <li>Lack of flexibility in documentation options can make it more challenging</li> </ul>	<ul style="list-style-type: none"> <li>Assess client burden of each element of the application, recertification, and interim reporting process through the lens of parents and providers</li> <li>Assess whether local agencies are implementing eligibility and application requirements consistently and in ways that support parents</li> <li>Review and simplify required documentation for determining and retaining eligibility</li> <li>Establish definitions of work and income that allow parents to retain eligibility with minimal disruptions</li> <li>Explore alternatives to eligibility documentation, including using data or eligibility determinations from other safety net programs</li> <li>Invest in trusted navigators to support parents in the application, eligibility, and recertification process</li> <li>Allow parents to submit the pay stub that most accurately reflects their income rather than the most recent paystub</li> </ul>
Authorizing hours	<ul style="list-style-type: none"> <li>Tying authorized payments to work schedules can be difficult for parents with fluctuations in schedules</li> <li>Authorizing hours in small increments can make it difficult for parents and providers</li> <li>Need to recognize commuting/transportation time in authorizing hours</li> </ul>	<ul style="list-style-type: none"> <li>Do not strictly tie the hours of care to the hours the parent is engaged in a work activity</li> <li>Pay for full- or part-time care rather than smaller increments</li> <li>Avoid setting strict requirements for the minimum number of hours parents need to be engaged in work</li> </ul>

## II. Whether Subsidies Allow Parents to Have Equal Access

Policy or practice area	Potential concerns	Potential strategies and solutions
Relying on the private market in setting prices and establishing supply	<ul style="list-style-type: none"> <li>Market forces alone do not support an adequate supply of quality care in underresourced communities</li> <li>Providers in underresourced communities may not be able to charge fees needed to meet higher quality standards</li> <li>Relying on market prices and supply builds existing inequities into the subsidy system</li> </ul>	<ul style="list-style-type: none"> <li>Work with parents and community members to understand the types of care they need and want; assess the relevant supply; target supports toward care that will meet parents' preferences and needs</li> <li>Identify and invest in providers in communities that face greater challenges and fewer resources by using metrics such as the Center for Disease Control's Social Vulnerability Index</li> <li>Consider providing programs operational resources to make up the difference between the amount they receive from</li> </ul>

## II. Whether Subsidies Allow Parents to Have Equal Access

Policy or practice area	Potential concerns	Potential strategies and solutions
Provider eligibility	<ul style="list-style-type: none"> <li>▪ Health and safety requirements for license-exempt home-based providers, without adequate supports, can create barriers to participation</li> <li>▪ Relying on licensing and ranking in Quality Rating and Improvement Systems (QRIS) as requirements to participate in the subsidy system may introduce inequities</li> <li>▪ Criminal background check requirements may disproportionately affect providers of color</li> <li>▪ Home-based providers face heightened barriers to participation, which can differentially limit supports to parents of color</li> </ul>	<p>private-paying parents or vouchers and the budget needed to sustain quality care</p> <ul style="list-style-type: none"> <li>▪ Seek input from child care providers of different types, including home-based providers and providers in underresourced communities, to identify barriers to participation</li> <li>▪ Prioritize bringing relative caregivers and smaller license-exempt caregivers into the subsidy system</li> <li>▪ Assess and revise licensing and QRIS standards to include definitions of quality that are inclusive of perspectives and values of people of color and different socioeconomic backgrounds, and of the unique strengths and needs of home-based child care settings</li> <li>▪ Address hurdles created by health and safety standards for home-based providers while prioritizing the health and safety of children, by seeking input, building supportive models, and targeting resources</li> <li>▪ Evaluate the equity implications of requiring QRIS participation as a condition of being eligible to participate in the subsidy system</li> <li>▪ Use CCDF funds to support navigators and trusted intermediaries to conduct outreach and help home-based providers navigate approval processes and meet health and safety standards</li> </ul>
Provider approval processes	<ul style="list-style-type: none"> <li>▪ Application process may not be accessible given language, literacy, and other barriers (see section on agency access for parents above)</li> <li>▪ Documentation requirements may be challenging for providers in underresourced communities and home-based providers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seek input from providers to identify challenges, barriers, and opportunities to improve the application process and outcomes</li> <li>▪ Assess the provider application process to ensure it is accessible for a broad range of providers, including those who may have limited English proficiency or low literacy levels, inadequate internet access, or unfamiliarity with government forms and processes</li> <li>▪ Assess and simplify documentation requirements</li> <li>▪ Review the application process to ensure it is accessible and relevant for the full range of providers (not only child care centers)</li> </ul>
Provider payment policies and practices	<p>The amount a provider is actually paid is affected by several issues:</p> <ul style="list-style-type: none"> <li>▪ the state's maximum payment rate and how the state deals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work with a range of providers to assess equity implications of the full range of rate policies and practices, not just rate caps</li> <li>▪ Assess the equity and equal access implications of rate caps as well as of</li> </ul>

## II. Whether Subsidies Allow Parents to Have Equal Access

Policy or practice area	Potential concerns	Potential strategies and solutions
	<p>with extra fees; whether the state is using alternative methods for establishing maximum rates; how the state handles establishing maximum rates for home-based providers</p> <ul style="list-style-type: none"> <li>▪ if the state only pays the rate the provider charges private-paying parents</li> <li>▪ how much parents pay in copayments, whether the provider can charge parents more, and whether the provider collects copays</li> <li>▪ the number of children receiving subsidies a provider serves and the stability of their enrollment</li> <li>▪ how states establish and pay differential rates for certain types of care or care for particular children or families</li> <li>▪ whether the provider receives the full amount they are supposed to receive</li> <li>▪ ease or difficulty of dealing with the agency</li> </ul>	<p>assumptions and approaches used for any alternative methods for establishing rates</p> <ul style="list-style-type: none"> <li>▪ Establish rate caps at or above the 75th percentile</li> <li>▪ Cut the link between market prices and subsidy rates; target resources to providers in underresourced communities</li> <li>▪ Examine and address the efficacy and equity implications of differential rate policies (including tying rates to QRIS ratings) on the resources available to different types of providers; direct resources toward providers who need supports to meet desired goals</li> <li>▪ Assess payment practices such as payment accuracy, ease of resolving challenges, paying provider fees, paying absent days, and how easy it is to interact with the agency for providers with different constraints</li> </ul>
<p>Parent copayment policies and practices</p>	<p>Subsidy affordability for parents is affected by whether</p> <ul style="list-style-type: none"> <li>▪ copayments are capped at 7 percent of family income</li> <li>▪ provider fees are included</li> <li>▪ providers can charge the parent the difference between state and provider rates (interaction with rate policies above)</li> </ul> <p>The “cliff effect” presents significant challenges</p>	<ul style="list-style-type: none"> <li>▪ Assess implications of copayment policies and practices on equity and equal access</li> <li>▪ Assess provider fee policies to explore implications for copayment policy and implications for equal access</li> <li>▪ Set maximum copayments at 7 percent of family income (including provider fees) and exempt families below poverty</li> <li>▪ Assess interaction between rate caps and parent copays; raise rates to (or above) the 75th percentile to maximize equal access without resulting in parents having to pay more than copay</li> <li>▪ Assess the cliff effect and consider ways to support parents such as establishing a longer graduated phase out, income disregards, and so forth</li> </ul>

## Notes

- <sup>1</sup> “FY 2019 Preliminary Data Table – Average Monthly Adjusted Number of Families and Children Served,” US Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Care (OCC), May 21, 2021, <https://www.acf.hhs.gov/occ/data/fy-2019-preliminary-data-table-1>.
- <sup>2</sup> “Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” The White House, January 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>.
- <sup>3</sup> Child care funds were included in three pandemic relief packages: (1) \$2.5 billion for CCDF in the Coronavirus Aid, Relief, and Economic Security Act from March 2020—see “Information Memorandum: CCDF-ACF-IM-2020-01,” April 29, 2020, [https://www.acf.hhs.gov/sites/default/files/documents/occ/ccdf\\_acf\\_im\\_2020\\_01.pdf](https://www.acf.hhs.gov/sites/default/files/documents/occ/ccdf_acf_im_2020_01.pdf); (2) \$10 billion for CCDF in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021—see “Program Instruction: CCDF-ACF-PI-2021-01,” February 12, 2021, <https://www.acf.hhs.gov/sites/default/files/documents/occ/CCDF-ACF-PI-2021-01.pdf>; (3) the American Rescue Plan allocated \$15 billion for CCDF and another \$24 billion in stabilization funds for providers in and out of the subsidy system to support supply building. See “ARP Act Child Care Stabilization Grants,” HHS, ACF, OCC, May 10, 2021, <https://www.acf.hhs.gov/occ/policy-guidance/ccdf-acf-im-2021-02>, and “ARP Act CCDF Discretionary Supplementary Funds,” HHS, ACF, OCC, June 10, 2021, <https://www.acf.hhs.gov/occ/policy-guidance/ccdf-acf-im-2021-03>.

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