



RESEARCH REPORT

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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Executive Summary

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.¹ By helping reduce the cost of child care, the CCDF plays an important role in helping parents who have low incomes 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.² 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. 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,³ 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"> ▪ Strong focus on compliance and fraud ▪ Agency treatment of clients 	<ul style="list-style-type: none"> ▪ Conduct client-centered equity assessment of agency policies, practices, and incentives ▪ Implement antibias training and reflective supervision ▪ Gather insights from caseworkers on how to support greater equity and identify system incentives and potential business process constraints ▪ Focus on caseworkers' cultural competency ▪ Assess client experience, particularly for clients facing challenges or barriers
Knowledge about the program	<p>Parents may not know they can get subsidies, including those who</p> <ul style="list-style-type: none"> ▪ face language or literacy barriers ▪ are not connected with community or agency resources ▪ mistakenly believe they are not eligible (including because of immigrant status) 	<ul style="list-style-type: none"> ▪ Identify communities underserved by CCDF and engage parents and community members to understand why ▪ Work with parents and trusted intermediaries to develop and implement actions to increase knowledge and access ▪ Ensure materials are accessible to people with different first languages and literacy levels ▪ Use multiple outreach methods
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"> ▪ need child care to support education and training ▪ need child care to look for a job ▪ face challenges with child support enforcement requirements 	<ul style="list-style-type: none"> ▪ Place higher priority on providing subsidies to parents pursuing education and training and assess additional eligibility restrictions with an equity lens ▪ Place higher priority on providing subsidies to parents searching for work ▪ Eliminate child support enforcement requirements as a condition for eligibility
Agency access	<p>Parents facing barriers may face challenges accessing the subsidy agency, including</p> <ul style="list-style-type: none"> ▪ lack of transportation ▪ lack of internet access ▪ language barriers ▪ literacy challenges ▪ work hours that make it difficult to reach the agency during business hours ▪ complex lives 	<ul style="list-style-type: none"> ▪ Engage with community to identify barriers to access and possible solutions ▪ Establish access points where families already go ▪ Invest in navigators to help parents (and providers) manage the subsidy process and meet requirements ▪ Ensure key barriers to access are addressed by providing multiple methods of access and addressing language and literacy constraints

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"> ■ Application forms can be complex ■ 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 ■ Lack of flexibility in documentation options can make it more challenging 	<ul style="list-style-type: none"> ■ Assess client burden of each element of the application, recertification, and interim reporting process through the lens of parents and providers ■ Assess whether local agencies are implementing eligibility and application requirements consistently and in ways that support parents ■ Review and simplify required documentation for determining and retaining eligibility ■ Establish definitions of work and income that allow parents to retain eligibility with minimal disruptions ■ Explore alternatives to eligibility documentation, including using data or eligibility determinations from other safety net programs ■ Invest in trusted navigators to support parents in the application, eligibility, and recertification process ■ Allow parents to submit the pay stub that most accurately reflects their income rather than the most recent paystub
Authorizing hours	<ul style="list-style-type: none"> ■ Tying authorized payments to work schedules can be difficult for parents with fluctuations in schedules ■ Authorizing hours in small increments can make it difficult for parents and providers ■ Need to recognize commuting/transportation time in authorizing hours 	<ul style="list-style-type: none"> ■ Do not strictly tie the hours of care to the hours the parent is engaged in a work activity ■ Pay for full- or part-time care rather than smaller increments ■ Avoid setting strict requirements for the minimum number of hours parents need to be engaged in work

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"> Market forces alone do not support an adequate supply of quality care in underresourced communities Providers in underresourced communities may not be able to charge fees needed to meet higher quality standards Relying on market prices and supply builds existing inequities into the subsidy system 	<ul style="list-style-type: none"> 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 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 Consider providing programs operational resources to make up the difference between the amount they receive from private-paying parents or vouchers and the budget needed to sustain quality care
Provider eligibility	<ul style="list-style-type: none"> Health and safety requirements for license-exempt home-based providers, without adequate supports, can create barriers to participation Relying on licensing and ranking in Quality Rating and Improvement Systems (QRIS) as requirements to participate in the subsidy system may introduce inequities Criminal background check requirements may disproportionately affect providers of color Home-based providers face heightened barriers to participation, which can differentially limit supports to parents of color 	<ul style="list-style-type: none"> Seek input from child care providers of different types, including home-based providers and providers in underresourced communities, to identify barriers to participation Prioritize bringing relative caregivers and smaller license-exempt caregivers into the subsidy system 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 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 Evaluate the equity implications of requiring QRIS participation as a condition of being eligible to participate in the subsidy system 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
Provider approval processes	<ul style="list-style-type: none"> Application process may not be accessible given language, literacy, and other barriers (see section on agency access for parents above) Documentation requirements may be challenging for providers in underresourced 	<ul style="list-style-type: none"> Seek input from providers to identify challenges, barriers, and opportunities to improve the application process and outcomes 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

II. Whether Subsidies Allow Parents to Have Equal Access

Policy or practice area	Potential concerns	Potential strategies and solutions
	communities and home-based providers	<p>unfamiliarity with government forms and processes</p> <ul style="list-style-type: none"> Assess and simplify documentation requirements Review the application process to ensure it is accessible and relevant for the full range of providers (not only child care centers)
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"> the state's maximum payment rate and how the state deals 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 if the state only pays the rate the provider charges private-paying parents how much parents pay in copayments, whether the provider can charge parents more, and whether the provider collects copays the number of children receiving subsidies a provider serves and the stability of their enrollment how states establish and pay differential rates for certain types of care or care for particular children or families whether the provider receives the full amount they are supposed to receive ease or difficulty of dealing with the agency 	<ul style="list-style-type: none"> Work with a range of providers to assess equity implications of the full range of rate policies and practices, not just rate caps Assess the equity and equal access implications of rate caps as well as of assumptions and approaches used for any alternative methods for establishing rates Establish rate caps at or above the 75th percentile Cut the link between market prices and subsidy rates; target resources to providers in underresourced communities 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 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
Parent copayment policies and practices	<p>Subsidy affordability for parents is affected by whether</p> <ul style="list-style-type: none"> copayments are capped at 7 percent of family income provider fees are included providers can charge the parent the difference between state and provider rates (interaction with rate policies above) <p>The "cliff effect" presents significant challenges</p>	<ul style="list-style-type: none"> Assess implications of copayment policies and practices on equity and equal access Assess provider fee policies to explore implications for copayment policy and implications for equal access Set maximum copayments at 7 percent of family income (including provider fees) and exempt families below poverty 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

II. Whether Subsidies Allow Parents to Have Equal Access

Policy or practice area	Potential concerns	Potential strategies and solutions
		<ul style="list-style-type: none">■ Assess the cliff effect and consider ways to support parents such as establishing a longer graduated phase out, income disregards, and so forth

Assessing Child Care Subsidies through an Equity Lens

Overview

Our Goal

In 2019, our public child care system helped pay for child care for almost 1.4 million children from families with low incomes so their parents could go to work or attend education and training.⁴ This system—established and funded through the federal-state Child Care and Development Fund (CCDF)—is designed to both help parents work and support their children’s development. Funded at \$8.7 billion in 2020, the CCDF is designed to provide subsidies to help parents afford care so they can work and help them access better quality care than they could afford with their own resources (box 1). On a basic level, therefore, the CCDF child care subsidy system is designed to help address inequities in access to child care for families with low incomes who need child care to work.

Over the past year, our nation began a long overdue discussion around racial justice and the impacts of structural racism in our country. This conversation has underscored the importance of taking an honest and critical look at our social policies and programs with an equity lens to assess whether they are effectively addressing the inequities that have resulted from structural racism.

This report is intended to help child care administrators and stakeholders bring this lens to the child care subsidy system funded by the CCDF—exploring the following questions:

- Do child care subsidy policies and practices ensure 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?

This assessment is needed, because, as noted in an analysis of racial and ethnic disparities in key human services programs, “institutional policies and practices can still fuel, magnify, and perpetuate existing inequities—even if an organization or agency applies its policies and practices equally without

regard to race, ethnicity, gender, or other demographic difference” (McDaniel et al. 2017). This occurs if the policies and practices do not recognize the realities and constraints faced by families because of the inequities they face.

BOX 1

Understanding the Child Care and Development Fund

The Child Care and Development Fund (CCDF)—also sometimes referred to as the Child Care and Development Block Grant (CCDBG)—is a federal block grant program administered through the US Department of Health and Human Services. It provides states with funds to help families with low incomes pay for child care with subsidies, and it supports investments in improving quality and expanding supply.^a

Although the federal government establishes key parameters, states have flexibility in setting policies within these parameters. This includes in areas such as eligibility, parent copayment levels, provider payment policies and practices, and quality and supply initiatives. Providers who care for children receiving subsidies through CCDF must meet requirements outlined by the federal government and specified by each state.

In fiscal year 2021, before the pandemic relief funds were allocated, CCDF was funded at almost \$8.8 billion,^b with the majority of the funds paying for vouchers families can use to pay for child care.^c Over the past year, however, Congress has authorized more than \$50 billion in new funds for states to spend through CCDF and other mechanisms to stabilize and support child care as part of the various COVID-19 pandemic relief packages.^d

^a Introduction to CCDF,” US Department of Health and Human Services (HHS), Administration of Children and Families (ACF), Office of Child Care (OCC), Early Childhood Training and Technical Assistance System (ECTTAS), accessed August 10, 2021, <https://childcareta.acf.hhs.gov/ccdf-fundamentals/key-roles-implementation-ccdf>.

^b “GY 2021 CCDF Allocations (Based on Appropriations),” HHS, ACF, OCC, May 27, 2021, <https://www.acf.hhs.gov/occ/data/gy-2021-ccdf-allocations-based-appropriations>.

^c “FY 2019 Preliminary Data Table – Percent of Children Served by Payment Method,” HHS, ACF, OCC, May 21, 2021, <https://www.acf.hhs.gov/occ/data/fy-2019-preliminary-data-table-2>.

^d 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,” HHS, ACF, April 29, 2020, 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,” HHS, ACF, 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>.

Specifically, this report focuses on whether subsidy policies are (or can be) designed to address the realities and challenges caused by structural racism facing Black families, Latino families, and families with immigrants. As is described in box 2, 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. In addition, families of color may face disparate treatment when accessing public benefits and services because of both conscious and implicit bias (Pratt and Hahn 2021) and may face particular challenges—such as language barriers—that can further undermine access if not addressed.

Therefore this report examines 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.

BOX 2

Understanding the Role of Structural Racism in Affecting How Families of Color Experience CCDF

People of color face unfair barriers to economic, social, and political power because of policies, practices, and laws enacted historically and continuing today, which shape the disparate realities of families of color. Additionally, policymaking has lacked intentional focus on combatting past and present racial inequity, thus contributing to its continuation.

Racial inequity is engrained in our institutions and policies, resulting in structural racism: “the feature of our social, economic, and political systems in which an array of dynamics—historical, institutional, cultural, and interpersonal—legitimize and reinforce racial inequity.”^a Structural racism operates on a systemic, structural level where policies, practices, and cultural representations work in tandem to reinforce inequities across race.^b

Structural racism has been a feature of the United States since the early 1600s when white people began kidnapping and enslaving people of African descent for economic gain. After slavery officially ended with the ratification of the 13th Amendment in 1865, Black people continued to face laws, practices, and policies designed to maintain racial segregation and prohibit Black power and wealth building. Black codes and Jim Crow laws severely limited where the formerly enslaved could work; the pay they could receive; and their rights to vote, travel, and purchase property. Similarly, Latinos and immigrants have faced laws limiting these basic rights as well.^c

These laws, discriminatory practices, and acts of violence were intended to preserve racial and ethnic segregation and maintained and exacerbated the racial and ethnic income and wealth gap. Segregation was maintained through redlining, restricted covenants, and white mob violence. Black and

Latino workers were kept out of higher-paying jobs through overt discrimination and, later, structural barriers like segregated neighborhoods.^d Occupations featuring workers of color, like agricultural and domestic work, were intentionally excluded from the labor protections offered by the New Deal's Fair Labor Standards Act of 1938. The "separate but equal" doctrine and various other laws maintained educational segregation that limited access to quality education for Black and Latino students. Finally, racism in the criminal justice system has resulted in significant racial disparities at every step of the legal process for Black people as well as disparities for Latino people.^e

Narratives based in harmful, inaccurate stereotypes also play a role in supporting implicit biases and overt discrimination. For example, negative racial biases can harm people of color in the job market, education, and the criminal justice system, and implicit and explicit biases are experienced by people of color with the social safety net as well.^f

The racial inequities families of color face across income, wealth,^g housing, education, health, and other domains are the result of this long history of structural racism and discrimination. These inequities, in turn, make it more difficult for families of color to access higher-paying jobs, build wealth, and even access public programs like CCDF.

These realities mean that parents of color are disproportionately likely to face realities that make accessing child care subsidies, proving eligibility, and providing documentation more difficult:

- **Work realities that make it difficult to prove eligibility and access care:** Black and Latino workers, and particularly mothers, were particularly hard hit by the pandemic and face higher relative levels of unemployment. They also are more likely to work nontraditional hours, face involuntary part-time work, receive their work scheduled with little advance notice, and have unpredictable schedules. Immigrants are also more likely than US-born adults to work nontraditional hours. Black workers are more likely to work multiple jobs.^h
- **Literacy and language barriers may make it more challenging to access a system that communicates primarily (or exclusively) in English and often relies on written communication:** One-third of Latinos ages 5 and older report either not speaking English "very well" or not speaking English at all. Among immigrants, 53 percent ages 5 and older report English proficiency, with rates ranging from 34 percent among immigrants from Mexico to 50 percent among immigrants from East and Southeast Asia to 82 percent among immigrants from Oceania. Black and Latino adults are also disproportionately likely to score low in literacy.ⁱ
- **Transportation and internet access barriers can make it more challenging to establish eligibility, provide documentation, and access care:** Black and Latino adults have lower rates of internet connection at home than white adults, and Black, Latino and immigrant households have lower rates of vehicle ownership.^j
- **Housing instability can make it harder for parents to meet paperwork and documentation requirements and complicate reporting changes in household composition or residence:** Black and Latino renters face higher cost burdens than white renters and are more likely to face eviction; Black, Latino and immigrant households are disproportionately represented among doubled-up households; and finally, Black families disproportionately experience homelessness.^k
- **Family configurations that do not meet traditional assumptions may complicate eligibility determination:** Black and Latino children are more likely to live with a grandparent than white children, and Black children are more likely to live under the care of a grandparent. Black, Latino, and immigrant families are more likely to live in multigenerational households as well.^l

- **Racial disparities in policing can make it challenging for providers to participate in the subsidy system:** As described earlier, structural racism has resulted in significant racial disparities in policing and involvement with the criminal justice system. This can create challenges for home-based providers who must have everyone in their household who might come into contact with the children undergo a comprehensive background check before being approved to be part of the subsidy system, as well as for providers with undocumented family members who might have had a minor brush with the law but could potentially face deportation if identified.

Finally, it is important to recognize that structural racism and discrimination create inequities that impact not only individual families, but also entire communities. Structural racism has also had an impact on community-level measures of well-being, with residential segregation described earlier leading to higher concentrations of poverty among Black and Latino families, and a greater likelihood of living in an underresourced community. For example, one study found that when compared with white people, a Black person with low income was more than three times more likely to live in a neighborhood with a poverty rate of 40 percent or more, and a Latino person with low income is more than twice as likely to live in such a neighborhood.^m These community-level disparities can affect local child care markets, shaping the ability of providers to operate and access resources to provide quality care that meets quality standards, which in turn can shape the types and quality of child care families can access within their community. These disparities can also, of course, result in a greater concentration of public investments targeted to areas with low incomes, such as Head Start and prekindergarten resources.ⁿ

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^b The Aspen Institute Roundtable on Community Change, *Structural Racism and Community Building* (Washington, DC: Aspen Institute, 2004), https://www.aspeninstitute.org/wp-content/uploads/files/content/docs/rcc/aspen_structural_racism2.pdf.

^c David Castro, Amalia Chamorro, Alberto Gonzalez, Amanda Martinez, and Margaret Maynard, *Toward a More Perfect Union: Understanding Systemic Racism and Resulting Inequity in Latino Communities* (Washington, DC: Unidos US, 2021), http://publications.unidosus.org/bitstream/handle/123456789/2128/unidosus_systemicracismpaper.pdf?sequence=6&isAllowed=y.

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^e Danyelle Solomon, Connor Maxwell, and Abril Castro, *Systemic Inequality and Economic Opportunity* (Washington, DC: Center for American Progress, 2019); Castro et al. (2021); Shasta N. Inman, “Racial Disparities in Criminal Justice,” *American Bar Association* (blog), accessed August 6, 2021, https://www.americanbar.org/groups/young_lawyers/publications/after-the-bar/public-service/racial-disparities-criminal-justice-how-lawyers-can-help/.

^f Tom Rudd, “Racial Disproportionality in School Discipline: Implicit Bias Is Heavily Complicated” (Columbus, OH: Kirwan Institute, 2014), <http://kirwaninstitute.osu.edu/wp-content/uploads/2014/02/racial-disproportionality-schools-02.pdf>; Castro et al. (2021); Marianne Bertrand and Sendhil Mullainathan, “Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” Working Paper 9873 (Cambridge, MA: National Bureau of Economic Research), <https://www.nber.org/papers/w9873>; Eleanor Pratt and Heather Hahn, “What Happens When People Face Unfair Treatment of Judgement When Applying for Public Assistance or Social Services?” (Washington, DC: Urban Institute, 2021).

^g Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Caleb Quakenbush, and Emma Kalish, “Nine Charts about Wealth Inequality in America (Updated),” Urban Institute, October 5, 2017, <https://apps.urban.org/features/wealth-inequality-charts/>.

^h Gina Adams and Sarah Minton, “Three Steps State Child Care Agencies Can Take to Support an Equitable Economic Recovery,” *Urban Wire* (blog), Urban Institute, March 4, 2021, <https://www.urban.org/urban-wire/three-steps-state-child-care-agencies-can-take-support-equitable-economic-recovery>; Gina Adams, Peter Willenborg, Cary Lou, and Diane Schilder, “To Make the Child

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ⁱ Jens Manuel Krogstad, Renee Stepler, and Mark Hugo Lopez, *English Proficiency on the Rise among Latinos: US Born Driving Language Changes* (Washington, DC: Pew Research Center, 2015), <https://www.pewresearch.org/hispanic/2015/05/12/english-proficiency-on-the-rise-among-latinos/>; “A First Look at the Literacy of America’s Adults in the 21st Century,” National Center for Educational Statistics, December 8, 2005, https://nces.ed.gov/naal/pdf/2006470_1.pdf.

^j “Internet/Broadband Fact Sheet,” Pew Research Center, April 7, 2021, <https://www.pewresearch.org/internet/fact-sheet/internet-broadband/?menultem=3109350c-8dba-4b7f-ad52-a3e976ab8c8f>; “Car Access: Everyone Needs Reliable Transportation Access and in Most American Communities That Means a Car,” National Equity Atlas, 2017, https://nationalequityatlas.org/indicators/Car_access#/; Algernon Austin, *To Move Is to Thrive: Public Transit and Economic Opportunity for People of Color* (Washington, DC: Demos, 2017).

^k <https://www.demos.org/sites/default/files/publications/Public%20Transit.pdf>; “Renter Cost Burdens by Race and Ethnicity,” Joint Center for Housing Studies of Harvard University, accessed August 6, 2021, https://www.jchs.harvard.edu/ARH_2017_cost_burdens_by_race; Peter Hepburn, Renee Louis, and Matthew Desmond, “Racial and Gender Disparities among Evicted Americans,” *Sociological Science* (December 16, 2020), <https://sociologicalscience.com/articles-v7-27-649/>; Frederick J. Eggers and Fouad Moumen, *Analysis of Trends in Household Composition using American Housing Survey Data* (Washington, DC: US Department of Housing and Urban Development (HUD), Office of Policy Development and Research, 2013); Meghan Henry, Tanya de Sousa, Caroline Roddey, Swati Gayen, and Thomas Joe Bednar, *The 2020 Annual Homeless Assessment Report (AHAR) to Congress* (Washington, DC: HUD, Office of Community Planning and Development, 2021), <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>.

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^m Paul Jargowsky, *Architecture of Segregation: Civil Unrest, the Concentration of Poverty, and Public Policy* (New York: The Century Foundation, 2015), <https://tcf.org/content/report/architecture-of-segregation/?agreed=1&session=1>.

ⁿ National Academies of Sciences, Engineering, and Medicine, *Transforming the Financing of Early Care and Education* (Washington, DC: National Academies Press, 2018), <https://doi.org/10.17226/24984>.

Why Now?

Now is a particularly opportune time to focus on these issues because of four intersecting developments:

- The devastation of the child care system by the COVID-19 pandemic has raised awareness of the critical role child care plays in supporting parents' ability to work, and concerns about the economic recovery have raised interest in the role child care subsidies can play in supporting the return to work.
- The growing awareness and focus on racial injustice over the past year has led to increased interest in understanding the role of structural racism and resulting inequities across our country, a concern that contributed to President Biden's recent Executive Order stating that all "executive departments and agencies...must recognize and work to redress inequities in their policies and programs that serve as barriers to equal opportunity."⁵
- In addition, concerns about racial justice in the child care and early childhood education field have led to a rich and growing body of work around building a more equitable child care and early education system (Blevins, Meek, and Iruka 2021; James and Matthews 2017; Johnson-Staub and Workman 2021; Lloyd, Carlson, and Alvera-Hammond 2021; Meeks et al. 2021; Sethi, Johnson-Staub, and Robbins 2020).⁶
- As noted in Box 1 above, the pandemic relief packages have resulted in a historic investment of more than \$50 billion in child care to support the economic recovery, providing resources that can be used to begin assessing and addressing potential inequities in the subsidy system.

We hope that this report serves as one more resource to support stakeholders around the country who wish to build on these resources and take advantage of these opportunities to build more equitable child care systems that support all children and families.

What Do We Know about Inequitable Access to Child Care for Communities of Color?

Access to child care has recently been defined as involving five elements (Thomson et al. 2020):

- families can find care with reasonable effort,
- care is affordable,
- care meets parents' needs,

- care meets children’s developmental needs, and
- care supports equity in that families who face the greatest disadvantage or live in underresourced communities are able to benefit equitably.

Although the research literature on these issues and how families of color may experience them is not strong (Thomson et al. 2020), a quick review of the available research reveals it is not easy to summarize what is known about inequities in access to subsidies and quality care. Instead, the research literature suggests this question is complex, and that the answer varies across different racial and ethnic groups, involves patterns that have likely changed over time, may look different in different parts of the country, and likely varies depending on the type of program examined. It also is clear that there are serious gaps in the research literature.⁷

As a result, it is beyond the scope of this analysis to summarize these findings here. Instead, our focus is on the policies and practices of the subsidy system and whether they are likely to reduce the possible barriers parents of color may face in accessing subsidies or being able to use the subsidy to purchase care that helps them work, go to school, or attend training. However, clearly more work needs to be done to examine these important questions further to provide more definitive insights into access challenges facing communities of color.

How We Approached These Questions

In addition to the gaps in knowledge about the various elements of access for families of color, relatively little research exists on the impact of specific child care subsidy policies and practices on families overall, and even less on the extent to which they address structural inequities facing communities of color. Therefore, after conducting a scan of the relatively scant literature on this topic, we interviewed 28 experts including people who have been examining issues of structural racism in the early childhood education field, state child care administrators, experts on subsidy policy, advocates, and other stakeholders (see list of respondents in acknowledgments). We asked them to share their insights about aspects of the subsidy system they believed were either not addressing systemic inequities or were potentially contributing to inequity, as well as their thoughts on possible strategies to address the problems they identified.

Our focus was to identify issues that could be addressed within the current policy and funding context to help the system support greater equity for communities of color. We provide a list of policy actions states could take without significant changes in the federal law (see table 1 on page x). However,

many suggested actions have implications for those interested in developing new programs and supports that are more equitable for families as well.

What Is in This Report?

The report first walks 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 for Black, Latino, and immigrant families. Specifically, **we examine key elements of the process of getting a subsidy that can shape access:**

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

The report then examines the policies that affect whether subsidies help address inequities in access to quality options that meet these families' needs. Specifically, **we examine whether subsidies allow parents to have equal access to care options:**

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

How States Might Use the Information in This Report

This report provides states and key stakeholders with a list of policy and practice areas they can use to assess their own approaches to providing subsidies to families (table 1) and identify areas where their systems may not support greater equity for families of color and families with immigrants. In effect, the issues laid out here can be used as an assessment tool.

However, in our interviews, some respondents underscored the importance of ensuring states undertake the process of identifying and addressing inequities in subsidy policies and practices with substantial community engagement with parents and providers and other stakeholders, including developing trusting relationships and forming clear mechanisms to monitor and track progress. Truly addressing structural inequities means fully including those most affected by the policies in the process and taking the time to listen, reflect, and work together to identify problems and solutions (Hardy and Fortner 2021). It can mean assessing and disaggregating data about key elements including funding, service delivery, business processes, client experiences, caseworker experiences, and so forth. In other words, this process cannot be a quick fix. While not focusing on the subsidy system per se, one resource states may want to consult as they consider this process is a recent publication that provides a toolkit for those interested in building greater equity in early childhood systems (Blevins, Meek, and Iruka 2021).

Findings

Over the three decades of its existence, the federal child care system (initially known as the CCDBG and now known as CCDF) has helped millions of families, including many families of color, pay for child care so parents can work or, in some cases, attend school or training. An extensive body of research has found that receiving a subsidy is associated with positive employment outcomes, with some studies also suggesting associations with increased earnings and reduced hardship (Kim and Henly 2021). Although research on families involved in the subsidy system has often found they face challenges with different aspects of the subsidy process, it also clarifies that parents value how the subsidies support their ability to work and access care for their children they otherwise could not access (Adams, Snyder, and Sandfort 2002; Sandstrom, Grazi, and Henly 2015). As such, the subsidy system has been critical to the financial and economic well-being of millions of families and children, including many families of color.

However, a closer examination of the subsidy system with an equity lens suggests that despite its achievement in serving these families, specific aspects of the system may not be effective in addressing and may exacerbate inequities. Our assessment suggests there are two broad areas where subsidy policies and practices may not adequately address the impacts of structural racism—specifically,

1. the process of getting and keeping a subsidy and
2. the kinds of care families can access with a child care subsidy.

Before examining each area in greater depth, it is important to understand that until the recent federal pandemic investments, the CCDF funds were only able to serve a small fraction of eligible families. The most recent estimates, using data from 2017, suggest that the CCDF serves only 15 percent of children who are eligible under federal law.⁸ This reality means that state and federal policymakers have always had to make challenging trade-offs in prioritizing different populations, needs, and goals. As a result, an underlying question in the following sections is whether the decisions policymakers have made about priorities and trade-offs have equity implications in whether the scarce resources are directed to families facing the greatest challenges.

The Process of Getting a Subsidy

As noted above, the subsidy system's limited funding means there will be, by definition, many families who are eligible but not served, which raises the following questions: which families are they? Are families who face greater inequities more or less likely to receive subsidies? Does the subsidy system function in such a way that families with fewer barriers are more likely to get the scarce resources? In an ideal world, the subsidy system would be fully funded to allow all eligible families who wanted supports to receive services. In absence of full funding, it is important to ask whether the process of getting and keeping subsidies considers the structural barriers facing some families that could make it harder for them to benefit from the program.

Although there are not good data on this issue, one way to explore this question is to examine each step of the process of getting a subsidy to see whether parents who face systemic barriers because of structural racism or inequities seem likely to face challenges, or whether the system has policies or practices in place that might address these barriers. Each step in the process works individually and cumulatively to shape whether a family can access a subsidy and their experience with the process.

In this section, we share what we learned from our landscape scan and interviews about each of the following issues and steps in the process of getting and keeping a subsidy:

- general issues around dealing with the child care agency
- potential recipients' knowledge of subsidies
- ease of accessing the subsidy agency
- who is eligible and prioritized to get subsidies
- ease of applying for subsidies and proving eligibility

- how hours of care are authorized

In addition, the process of getting a subsidy may be undercut from the beginning if the parent knows they will not be able to get a subsidy to pay for the kind of care they need—discussed in the next section. However, this issue is relevant at this initial stage as well, as it may mean the parent doesn't even bother to apply.

GENERAL ISSUES DEALING WITH THE CHILD CARE AGENCY

Our review and interviews highlighted two aspects of subsidy systems that may result in inequitable treatment for communities of color, which policymakers may wish to examine further.

1. **CCDF's history as a welfare-related safety net program has caused it to often be heavily focused on compliance and rooting out fraud.** Some experts suggested that the subsidy system is fundamentally shaped by its history as being at least in part based on a welfare program, with the result that it can be heavily focused on compliance, with intensive oversight because of concerns about fraud and abuse, rather than focusing on providing what parents need to succeed. Many issues highlighted below around the process of getting and keeping a subsidy reflect this mindset, including extensive eligibility and documentation requirements that result in significant burden for both parents and caseworkers, and how parents are treated in waiting rooms and by caseworkers (Adams and Matthews 2013; Adams, Snyder, and Sandfort 2002). Although some of these issues were addressed in the 2014 Reauthorization of the program, it is not clear whether the challenges have been resolved. Some of our respondents suggested these realities at least in part result from the suspicion and distrust of people of color and people with low incomes, a belief shared by experts focusing on other safety net programs as well.⁹
2. **How clients are treated by agency staff:** Our review also highlighted concerns about the way some agency staff treat clients. Research suggests that caseworker interactions matter for obtaining and retaining child care subsidies and that parents experience a range of interactions from supportive and helpful to negative and condescending, and that some parents experience significant levels of disrespect (Adams, Snyder, and Sandfort 2002; Sandstrom, Grazi, and Henly 2015). One study found that Black and Latino parents were likely to report many more negative encounters with both the system and caseworkers, as well as view the negative experience as caused by the caseworker (Barnes and Henly 2018).

However, both our past research and current review highlighted the complex factors that can shape these interactions, including policies that codify an antifraud or compliance mentality and create direct incentives for caseworkers to focus on this aspect of serving clients, large caseloads and inadequate training on subsidy policies, challenges facing workers who may not be earning much more than the families they are serving, and potential biases—both conscious and unconscious—on the part of agency leadership and/or caseworkers. Each factor can contribute to creating a challenging environment for clients overall, with additional levels of challenge for clients of color.

Collectively, these issues can have multiple implications for clients. First, it can potentially affect how easy or difficult the process is for them. Are workers helpful in resolving problems parents may have or payment issues with providers? Are workers willing to recognize unique challenges families face in meeting requirements and able to help them comply? Although these issues may seem trivial, they can make a serious difference in parents' ability to get through the process. Second, they can shape client's experiences as they go through the process. Are they treated disrespectfully? Does this treatment simply add to a larger institutional betrayal trauma that parents of color can experience when dealing with public agencies and create a strong disincentive for parents to engage? Respondents also noted the relationship between these issues, what parents hear through word of mouth about the program, and whether they decide to bother applying. Others talked about the extent to which parents who have experienced systemic racism from public institutions are unwilling to put themselves in the situation of experiencing that again.

Suggested actions: While challenging to address given the complexities of the contributing factors, our review suggests that states could consider the following steps:

- conduct an overall equity assessment of agency policies and practices with a client-centered perspective to identify incentives and possible biases; engage with clients, the community, and caseworkers to understand their experiences and challenges; develop a plan of action that addresses findings and makes the agency accountable for improvements
- work with caseworkers to identify ways policies and practices may include unrecognized incentives or business process constraints may shape their ability to treat clients more equitably
- engage in systematic and thoughtful antibias training and reflective supervision

- invest in establishing pathways and training to support hiring caseworkers from the community, including people who have experience with the subsidy system themselves, with a conscious focus on cultural competence and how clients are treated
- assess the client’s overall experience, including whether the agency waiting room is welcoming, how staff answer phones, and how easy or difficult the website is to use, and consider how this experience may differ for families facing different barriers such as language or literacy barriers, internet access barriers, and so forth

POTENTIAL RECIPIENTS’ KNOWLEDGE OF SUBSIDIES

As the child care subsidy system is currently designed, it is likely to serve those who know about subsidy availability, think they might be eligible, and know how to apply. Parents for whom this list is not true seem less likely to access subsidies. Although little research exists on which families have this information, our review suggests that families who face language barriers, are less well connected to public or community resources, or have reason to think they are not eligible would be least aware of possible subsidies, whereas families who face fewer barriers would be more likely to know subsidies are an option.

Our review suggests that word of mouth was likely a major source of information about the subsidy system. However, this information may not be accurate, leading to misperceptions of ineligibility. Some respondents also suggested that information about program eligibility may not be available in different languages and that sometimes the translation of documents appears to be an afterthought, which automatically suggests that families facing language barriers are not a priority.

In addition to these general issues, parents who are immigrants or have family members who are immigrants may face two misconceptions about their eligibility that can create barriers:

1. They may believe they are not eligible, even though eligibility for CCDF subsidies is based on the immigration status of the child, not the parents.¹⁰ Given most children of immigrants in this country are themselves US citizens, this means most immigrant families would be able to access subsidies for their children.¹¹
2. Parents with family members who are immigrants may also fear the potential impact of applying for subsidies because of misperceptions related to the “public charge” rules during the Trump administration (Vesely et al. 2021). This proposed rule would have made it harder to obtain green cards or temporary visas if applicants had received certain public benefits, resulting in lower levels of immigrant parents seeking public assistance of various types (

et al. 2020), an impact which still lingers (Bernstein, Gonzalez, and Karpman 2021). Some experts we interviewed discussed how this may also contribute to reluctance to apply for child care even though the parent's immigration status is not supposed to affect citizen children's eligibility for CCDF subsidies, and child care was not on the list of services that made up the public charge issue.

Suggested actions: Numerous ways exist to improve outreach and education around subsidies to support more equitable access, even though states may not engage in significant outreach because of insufficient funding. Specifically, efforts to expand awareness of subsidies in underserved communities could include

- identifying which communities are underserved by the subsidy system and talking with parents and community members to understand the reasons why, and whether myths exist about who is eligible that may need to be dispelled (such as the concerns about public charge for families with parents who are not citizens);
- working with parents and trusted intermediary organizations to develop and implement targeted and tailored outreach campaigns that include a focus on access and inclusion from the outset; and
- further encouraging states to ensure program materials are available in multiple languages and made available in various ways to ensure language, literacy, or internet barriers do not shape who will be able to benefit from the information. Ensuring this is done thoughtfully, that the particular access barriers of the community are recognized and addressed, that the quality of the translation is good and reflects the dialects or language as is used in the community, and that outreach is a priority from the beginning can help overcome knowledge barriers.

EASE OF ACCESSING THE SUBSIDY AGENCY

Our review suggests another issue that can potentially affect communities of color concerns how easy or difficult it is to access the agency or caseworkers, whether for initial application, recertifying eligibility, or reporting changes. Our assessment suggests that allowing for a variety of access methods is the most helpful for parents, as different parents face different constraints. For example, parents may

- face transportation challenges, making in-person appointments difficult;
- not have easy access to the internet, making online options challenging;
- face literacy challenges, making written materials difficult;

- face language barriers that can make phone or internet interactions hard and make it hard to understand written materials if not translated;
- have work hours that do not allow them to interact with agencies during normal business hours; and
- have complex lives with many demands that make it difficult to wait for long periods of time in a waiting room or stay on hold for a long time on the phone.

Box 2 documents the higher incidence of issues such as literacy and language barriers, nontraditional work schedules, and internet access among Black, Latino, and immigrant families, suggesting that providing diverse access methods in various physical locations and time frames would be helpful in supporting more equitable access.

Data from the CCDF database¹² suggests that states vary in their policies and practices in this area. In 2019, for example, 33 states required an interview during the application process, with 20 allowing it to be in person or by phone and 11 requiring an in-person interview (Dwyer et al. 2020). Research suggests that these process barriers can make it harder for parents to access and retain subsidies, whether it be because of long waits in the office, having to deal with transportation challenges, having to take time off work, or not being able to access caseworkers for support (Adams, Snyder, and Sandfort 2002; Sandstrom et al. 2015). In one study, families who reported facing challenges applying for the subsidy program were at higher risk of leaving the program in an 18-month period (Henly et al. 2015).

In addition, some of our interview respondents discussed the challenges families can face when dealing with multiple agencies and requirements to apply for and retain other safety net benefits including Supplemental Nutrition Assistance (SNAP) and Medicaid. Each system can have overlapping, duplicative, or similar but slightly different requirements for documentation, eligibility verification, and so forth, which can make accessing and retaining benefits very complex. Efforts to align and simplify these systems and coordinate access points can help families more easily access services, reduce administrative and client burden, reduce errors, and improve efficiency. However, caution should be taken when the CCDF criteria are more restrictive than those of the other systems to ensure alignment doesn't result in reducing access to other services. (Detailed information on how to simplify child care eligibility systems and processes and align them with SNAP and Medicaid can be found in Adams and Matthews 2013. Also see various publications from the Work Support Strategies project, which worked with six states to align SNAP, Medicaid, and child care.)¹³

Suggested actions: To ensure subsidies are accessible to families who face the most barriers, our respondents suggested the following:

- Engage with the community to identify subsidy access barriers and possible solutions, and design access strategies to address the barriers identified.
- Provide diverse access methods in various physical locations and times.
- Establish access points where families already are going, including places where they access other safety net programs, early childhood services, or trusted intermediaries; this can include training local providers or organizations to do outreach and recruitment, as well as application and intake so families have easy access to the process and can work with trusted intermediaries.
- Invest in navigators who are trusted intermediaries and can help parents (and providers) navigate the child care subsidy process, and ensure they are able to comply with requirements.

WHO IS ELIGIBLE AND PRIORITIZED TO GET SUBSIDIES

The second step in the process of accessing a subsidy involves whether or not a family is eligible and prioritized for services. As noted earlier, the CCDF is not funded sufficiently to serve all eligible families, so accessing services not only requires a parent to be *eligible* for services but also *prioritized* to receive them—and that funds are available to serve them.

The federal government establishes overarching eligibility requirements—for example, families can get subsidies if they are income eligible and working, in education or training, looking for work, and so forth. While the CCDF rules establish some priorities, such as serving children from families with very low incomes, children with special needs, and children experiencing homelessness,¹⁴ states can choose how they allocate their subsidies across the other eligibility categories. However, to allocate their resources, states choose which families to prioritize for scarce resources, with many states prioritizing employed parents over parents who are, for example, in education and training (Gebrekristos and Adams 2019).

In our conversations, experts highlighted three eligibility criteria of particular concern in their potential impact on communities of color—specifically, whether parents

- can get subsidies to attend education and training;
- can apply for and receive a subsidy to get child care to look for a job; and
- are required to comply with child support enforcement as a condition of receiving subsidies.

Each criterion is described briefly below.

Subsidies to support education and training

Historically, because of racial inequities in access to education and employment (box 2), Black and Latino adults have had lower levels of education when compared with white adults. For example, in 2017, roughly three-quarters of Latino adults and two-thirds of Black adults ages 25 and older had less than an associate degree, compared with about half of white adults (Espinosa et al. 2019), leaving Black and Latino workers at a disadvantage in the job market.

Although getting more education or training can make a difference in a parent's employment trajectory (Durham et al. 2019), it can be very challenging for parents to participate in education and training without child care.¹⁵ Even though parents who need child care assistance to participate in education and training are eligible for child care subsidies under federal guidance, most states prioritize their limited subsidy funds for parents who need child care to support employment (Adams et al. 2015). As a result, in 2019, only 14 percent of families receiving CCDF subsidies nationwide received them to support education and training.¹⁶ Data from one state, Tennessee, which does make parents seeking education and training equal priority for child care assistance (Durham et al. 2019), show there is significant demand, with slightly more than a third of the children on the Tennessee caseload having parents participating in education and training in 2019.¹⁷ States also vary widely in how education and training is defined, as well as what other requirements they establish, such as how long can parents take to complete the program, whether parents have to work and attend education or training, or retain a certain grade level in their program (Minton, Tran, and Dwyer 2019).

Suggested action: To support parents looking to become more competitive in the job market, states could place a higher priority on providing child care assistance to parents who want to pursue education and training and remove additional requirements that can limit their ability to access child care.¹⁸ Further, states should seek community input on the detailed criteria associated with this policy and to talk with experts in the area of workforce development strategies to ensure alignment between any additional eligibility requirements and current best practices to support greater equity in workforce development among parents with low-incomes.

Accessing subsidies to allow parents to look for work

Again because of structural inequities in the labor market and education systems (see Box 2), Black and Latino parents have historically faced higher unemployment rates, a pattern that has become exacerbated during the pandemic.¹⁹ Unemployed parents face a complex challenge—searching for work can be difficult without child care, but without a job, it can be impossible to afford child care.

Under CCDF rules, states are allowed to make “looking for work” an allowable activity for which they can provide child care assistance if the parent applies for child care subsidies for this purpose. However, in 2019, only 19 states gave child care assistance to unemployed parents so they could search for work (Minton et al. 2021).²⁰ Also, states are required to provide a subsidy for job search if the parent was already getting one when they lost their job. Ensuring a parent seeking a job can get child care assistance to do so could help address structural inequities in the labor market by supporting families who face these additional barriers—and may be an important strategy to support pandemic recovery.²¹

Suggested action: Make job search an allowable activity to qualify for subsidies for parents seeking assistance, and make these families an equal priority to families seeking child care for employment.

Child support requirements

The final eligibility issue that seems likely to have a differential impact on communities of color concerns whether states require subsidy applicants to cooperate with child support agencies as a condition of eligibility, specifically requiring them to work with child support agencies to establish paternity and child support orders and enforce child support obligations. As of May 2018, 23 states had child support requirements for applicants for child care subsidies. Further, failure to comply with these requirements results in a “whole family” sanction, with the result that the child and custodial parent lose their child care subsidy (Selekman and Holcomb 2018).

Although child support requirements are intended to increase participation in the Child Support program and increase resources received by custodial parent families, these requirements are often based on flawed assumptions (Llobrera 2020) and can inadvertently create barriers and challenges for families. Noncustodial parents are often poor and unable, rather than unwilling, to meet child support obligations. In fact, challenges in paying child support have only grown during the pandemic,²² which is not surprising given the dramatic increase in unemployment and hardship among low-wage workers. Child support requirements can be particularly challenging for men of color who face structural barriers to decent employment and education (box 2) and thus are likely to have lower incomes and find child support payments challenging (Threlfall and Kohl 2015; Pate 2016). Qualitative studies of Black noncustodial fathers with low incomes suggest the child support system creates particular challenges for them, despite evidence suggesting they make significant informal contributions to their children unaccounted for in the child support system (Craigie 2011; Rodriguez 2016).²³

Suggested action: States should consider eliminating requirements that custodial parents comply with child support systems as a condition of eligibility for child care.

EASE OF APPLYING FOR SUBSIDIES AND PROVING ELIGIBILITY

The requirements parents face in trying to apply and prove eligibility for child care subsidies, including in the application itself, as well as the required documentation and verification for initial and ongoing eligibility, can also present challenges for parents (Adams et al. 2002).

To begin, the application form's complexity is directly related to what states establish as eligibility criteria. Only four eligibility criteria are required under federal law—child age, family income, reason for needing child care, and child citizenship status. Any additional criteria established on state application forms are at state discretion (Adams and Matthews 2013). However, despite this relatively simple list of areas where states are required to collect information to determine eligibility, subsidy application forms can be long and complex, which can be difficult for parents. One respondent described a 16-page application form for subsidies in one state, and some respondents described the high incidence of application forms not being completed or being returned for missing information.

In addition to the form's general complexity, parents can face circumstances that make providing documentation of their eligibility more challenging:

- proving and verifying self-employment income
- keeping good records of income, hours worked, employer information, and getting verification from employers
- proving income with irregular work hours, fluctuating pay, or multiple employers
- proving income from employers who may not have good financial records
- documenting pay and income without a relationship with a financial institution that can provide records
- documenting special circumstances such as diagnoses, medical records, and doctor visits to document a child's special needs, particularly if the family doesn't have a medical home

In addition to the issues above, parents who are immigrants can face an extra set of challenges, particularly if they are undocumented. As noted earlier, CCDF eligibility is based on the citizenship or immigration status of the child, not their parents. However, some issues immigrant parents can face include the following:

- Although states are not allowed to require parents to provide Social Security numbers (SSN), one study found that the 12 states with online applications ask for a SSN but only five indicate that it was optional (Hill, Gennetian, and Mendez 2019).

- Some experts suggested that parents who are undocumented may face greater challenges getting employers to verify their employment because of employer fears of being identified as employing someone undocumented; these parents may also be more reluctant to ask their employers for this information because of fears that this may make them less desirable employees.

Although the subsidy agency has good reason to ask for information and documentation of key eligibility criteria such as employment, income, and family composition and size, the complex realities of many people of color stemming from structural racism, as described in box 2, can make documenting these issues or getting other eligibility-related documents quite challenging. Further, these issues also create additional administrative burden for eligibility staff who can spend a lot of time working with parents to try to gather the needed information. These challenges also create a higher likelihood of errors and potential charges of fraud (Adams, Snyder, and Sandfort 2002).

Note that all of these issues not only affect initial application, but also what parents have to report and document to prove their eligibility to retain the subsidy after their initial eligibility period, as well as what they have to report during their eligibility period in changes to their circumstances (also known as interim reporting requirements). Research from the early 2000s found parents faced significant challenges around both recertification and interim reporting requirements (Adams, Snyder, and Sandfort 2002). The 2014 reauthorization required states to establish “family-friendly” policies to address some of these issues, including a requirement that parents be provided eligibility for 12 months before having to prove eligibility again (Lin et al. 2020). Relatively little published information is available on the impact of these changes, and very little work assesses whether the range of other potential process challenges continue presenting problems for parents—though several respondents in our interviews suggested these issues continue to create barriers for families of color.

Suggested actions: States can take numerous steps to address the challenges created by the application and eligibility determination or redetermination processes, and in particular elements that may differentially affect communities of color who are more likely to face challenges and constraints because of inequities resulting from structural racism (box 2). Such steps include the following:

- Gather information from parents and caseworkers about which elements of initial application, recertification, and interim reporting requirements are creating the greatest client and administrative burden, assess which items are most prone to error or failure to complete, and take steps to remove them or make them less challenging.

- Work with parents and caregivers to assess the complexity of the application in terms of length, language and literacy level, and documentation requirements; review and simplify to the extent possible; and allow flexibility as to what documentation is required; and during recertification only request documentation and verify information that has changed.
- Assess whether local agencies are implementing eligibility and application requirements, and redetermination requirements, consistently and in ways that support parents.
- Establish definitions of work and income that allow parents to retain eligibility with minimal burden through fluctuations and short-term interruptions.
- Explore whether there are other ways to get documentation—for example, by using data from other safety net programs to establish or verify eligibility or allowing eligibility determinations from other programs to serve as sufficient verification for some elements (such as income, children, etc.); these steps would be supported by efforts to align required information with other safety net programs, and linking data systems though states should ensure that such alignment does not negatively affect a family’s subsidy.
- Explore simplification strategies such as presumptive eligibility used by other safety net programs such as SNAP and Medicaid; simplify the submission of information (including allowing updates online and using electronic customer accounts, submission by email, text, fax, or phone).
- Recruit and compensate trusted navigators or others to help parents struggling with the application and eligibility determination/recertification process, including bi- or multilingual staff to support parents and caseworkers.
- Allow parents who have fluctuations in pay to submit pay stubs that they feel most accurately reflect their income rather than only the most recent paystub, as required under the 2014 Reauthorization. In addition, states can choose to support parents who are managing fluctuating work schedules by allowing them to choose the child-care setting that is best for their children without limiting them to child care that strictly matches their work schedule (James and Matthews 2017).²⁴

HOW HOURS OF CARE ARE AUTHORIZED

Another issue that can differentially affect parents who have irregular or part-time work schedules is how states approach authorizing hours of child care. Respondents suggested several challenges that may disproportionately affect parents of color given their higher incidence of nontraditional work

schedules as described in box 2. For example, state efforts to strictly tie authorized payments to work schedules can be challenging and cumbersome given fluctuations in schedules. States may also not recognize issues such as commuting or transportation time, time needed for studying, or the complexity of supporting children’s continuity of care and stability if care is only authorized for short segments. For example, research on the process of authorizing subsidies for parents in education and training in one state limited the hours to the time parents were in class, with a short amount of time before and after to allow for the parent to get to the child care program—not recognizing that the parent would have to go and pick up the child for an hour between classes, which is challenging for the parent, the child, and the program (Adams and Heller 2015). Yet under current CCDF regulations, states do not have to match the hours of subsidized care to the hours the parent is engaged in a work activity, though our respondents suggested that some states still take this approach.

Finally, many child care programs require parents to pay for full-time care even if only participating part time (Adams and Heller 2015), so only authorizing care on a part-time basis or for smaller increments can significantly limit the child care options that parents have. However, the 2014 Reauthorization required that states follow generally approved payment practices, including paying for either full-time or part-time care, rather than in smaller increments.²⁵

Suggested actions: Policies that can accommodate parents with irregular hours or patterns of employment or education or training include the following:

- States should not match the hours of subsidized care to the hours the parent is engaged in a work activity.
- States should follow the 2014 Reauthorization requirement that states follow generally approved payment practices, including paying either full-time or part-time care, rather than in smaller increments.
- States should avoid setting strict requirements for minimum number of hours that parents need to be engaged in work, as this creates challenges for parents who have no control over their work schedules.

These policies can be important for parents who work multiple jobs, have long commutes, have irregular work or class schedules, and so forth. As noted earlier, these kinds of work complexities are more common among workers of color. They also are important for supporting stability and continuity of care for children, and for supporting more stability for providers.

Whether Subsidies Allow Parents to Have Equal Access

The second overarching set of issues to consider in exploring the subsidy system with an equity lens is, once a parent gets a subsidy, whether the subsidy helps address inequities in access to quality child care that communities of color can face. In fact, a core principle in the CCDF is what is often called the “equal access” principle, which states that children receiving subsidies should have access to child care services comparable to those provided to children who are not eligible for CCDF.²⁶ As noted earlier, while not part of the formal CCDF definition of equal access, a recent definition of access to child care provides a helpful framework for this discussion. Specifically, accessible care is determined to have five elements: only requiring *reasonable effort*, being *affordable*, meeting *children’s developmental needs*, meeting *parent’s needs*, and supporting *equity* (Thomson et al. 2020).

In examining the question of whether the subsidy system helps address inequities in the care parents can obtain and supports equal access to child care, several issues emerged as important to explore further:

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

Before examining these issues, two points are important to understand. First, as noted earlier, the research base is not sufficient to provide definitive research findings for many of these topics in general, much less broken down by providers serving children of color, so the information below should be seen as an effort to identify questions that could be explored further.

Second, the issues described in this section, and their equity implications, are in some ways more complex than those described in the previous section, as they involve not only the way the system affects individual families based on their characteristics, but also include the way structural racism may have affected the resources available at a community level, which in turn establishes the context for the child care options available to parents in that community. In other words, the inequities created by structural racism seem likely to play out on multiple levels as we consider the child care options available to parents. These could include market forces that affect the resources of parents in a particular community (which in turn shape providers’ ability to operate, the quality of care they provide, and their ability to meet parents’ needs), as well as some policies and practices that may affect

providers' ability and willingness to participate in the subsidy system. All of these, in turn, affect whether parents in the subsidy system are likely to have access to them, thus affecting equal access.

CHALLENGES OF RELYING ON THE PRIVATE MARKET

To understand the implications of subsidy policy and practice for addressing inequities in access, it is important to understand that the subsidy system has traditionally focused on helping parents pay for care in the existing child care market, with a smaller amount of funds through the CCDF's "quality set-aside"²⁷ dedicated for states to use to support higher quality and supply of care. In 2019, for example, almost all subsidies nationwide were financed through vouchers parents could use for any provider in their community that was willing and able to be approved to get paid through the subsidy system.²⁸

One result of this approach is that subsidies are not spread evenly across the child care market. Providers may choose not to serve any children receiving vouchers or may not be eligible to get subsidies; those who do serve children receiving subsidies vary in whether they serve many, some, or a few; and their enrollment can fluctuate over time as parents can choose to leave and take their vouchers elsewhere. Research suggests that providers have various reasons for choosing to accept or not accept subsidies (Adams, Rohacek, and Snyder 2008). All of this differs from, for example, Head Start or most public prekindergarten programs that fully support entire programs or classrooms, including operating costs, for a year or more.

However, the challenge with using subsidies to purchase care in the private market is that market forces do not support an adequate supply of care that meets licensing standards, particularly in underresourced communities, as well as in communities of families. Our current child care market relies heavily on the fees parents pay, which means providers in underresourced communities are less able to provide child care that meets quality standards unless additional resources are available beyond parent fees. This results in overall supply gaps in communities with lower incomes that have fewer resources to pay for care (Malik et al. 2018) and the reality that quality child care is unaffordable or unavailable to many parents with low and moderate incomes (National Academies 2018) without assistance.

These issues suggest that a system that relies primarily on helping parents access what is in the private market may not result in parents in communities with lower incomes having equal access to child care options without additional investments.

Suggestions for action: Several experts we interviewed described the importance of identifying ways to use CCDF funds to support a supply of good quality care in areas where the market forces are not adequate to sustain such care. Some suggestions included the following:

- Work with parents and community members to understand what types of care they need and want to ensure supports are targeted toward care that will meet parent’s preferences and needs.
- Identify and allocate resources to underresourced communities where market forces are unable to sustain quality care without external resources for targeted investments. For example, some states are using the Center for Disease Control’s Social Vulnerability Index to identify communities that face greater challenges and fewer resources to more effectively target investments for supply-building efforts in these communities.²⁹
- Assess the availability of the supply to meet the needs parents identify, and work to support and stabilize options in the community. A strategy suggested by several respondents involved providing direct grants or contracts (not tied to subsidies or slots) to programs to allow them to make up the difference between the amount they receive from private-paying parents or vouchers and the budget level needed to sustain quality care (Adams, Ewen, and Luetmer 2021). This strategy is currently being explored by some states as a way to use the stabilization funds from the American Rescue Plan.³⁰

The issues involved in supporting a supply of quality care are quite complex and beyond the scope of this paper to present in detail. However, little evidence exists on the efficacy of different strategies to build supply, and in particular how to do so in situations where market forces do not function effectively to support and sustain child care options over time. This gap in knowledge is particularly problematic given market forces do not effectively support an equitable supply of quality care.

WHICH PROVIDERS ARE ELIGIBLE TO GET SUBSIDIES

Federal and state policies on what requirements providers must meet to be eligible for subsidy payments shape which providers parents can use with their subsidy. Our review suggests there are currently three policies shaping which providers are eligible that have equity implications:

1. health and safety requirements for providers who are legally exempt from licensing
2. requirements to meet licensing requirements and, in some states, to have ratings from state Quality Rating and Improvement Systems (QRIS)
3. requirements for comprehensive criminal background checks (CBC)

Some standards were established as part of the 2014 Reauthorization of the CCDF. Although these requirements reflect an understandable and critical desire to improve the safety and quality of

programs supported with public funds, experts we interviewed suggested some of these policies had the potential to result in inadvertently limiting access to the subsidy system for some groups of providers who are meeting the needs of communities of color—thus limiting these parents' ability to get help paying for care. This was particularly likely given these requirements were put in place without sufficient additional funding needed for states to either pay for the extra administrative costs or support providers in meeting these additional requirements.

Health and safety requirements for license-exempt providers

Before 2014, federal law required that providers must either be licensed, or—if they were legally exempt from licensing—they had to meet basic health and safety standards established by the state, although states could exempt relatives from these requirements (Minton, Shantz, and Blatt 2016). This changed with the 2014 Reauthorization of the CCDF, at which point the federal government established stronger health and safety standards and inspection requirements for license-exempt providers who were required to participate in preservice, orientation, and ongoing training, as well as annual site monitoring.³¹ States could still exempt relatives from these requirements. The implications of these requirements vary widely across states, as some states effectively require everyone caring for unrelated children to be licensed, while other states allow providers to serve up to five or six, and in some cases even more, children without having to be licensed.³²

Our review suggests these requirements may have created barriers for home-based child care providers, particularly those legally exempt from licensing, to participate in the subsidy system for various reasons, including the following:

- Experts suggest that home-based providers, especially license-exempt family, friends, and neighbors, are less likely to participate in the subsidy program because of the new requirements. Some may not want to have strangers inspecting their homes, others may not be aware of how to meet the requirements, and others may lack the resources and supports to comply with the new standards and requirements (Adams and Dwyer 2021; Henly and Adams 2018)
- Given the historical lack of resources in the child care system, there are concerns that the additional costs associated with implementing the new standards and conducting the annual inspections have created a deterrent for states to continue allowing license-exempt home-based providers to participate in the subsidy system (Henly and Adams 2018). In fact, many states did not even conduct annual inspections of their licensed programs before 2014, so this additional requirement for annual inspections of participating unlicensed providers had the

potential to involve a significant increase in monitoring and enforcement costs (Lin et al. 2020). While states did get some additional funds in subsequent years, the overall funding levels for CCDF still only served a fraction of eligible families, meaning states faced challenging trade-offs in how to allocate their funds.

Use of licensing and ranking in Quality Rating and Improvement Systems (QRIS) as requirements to participate in the subsidy system

The focus on quality has highlighted the role of licensing systems as a gateway for providers to be eligible for subsidies. And some states are increasing the requirements further by requiring that providers can only participate in the subsidy system if they are ranked at certain levels in state Quality Rating and Improvement Systems.³³ This has several implications for those concerned about equity:

- Unless significant resources are invested in helping underresourced providers meet the requirements both initially and on an ongoing basis, these requirements can create barriers for underresourced providers and home-based providers to participate in the subsidy system.
- Our research scan highlighted concerns that both licensing and QRIS systems are not based on inclusive definitions of quality—including both the perspectives of communities of color and families with lower incomes, as well as the unique strengths and needs of home-based providers (including relative caregivers and those exempt from licensing) (Johnson-Staub 2017; PHLC 2017; Sugarman and Park 2017). As a result, relying on these criteria for funding can inadvertently funnel resources and supports to providers who already have more resources, and thus can present higher barriers to providers of color, providers serving underresourced communities, and home-based providers, and potentially exacerbate inequities.³⁴
- Home-based child care programs are less likely to participate in QRIS systems (Tout et al. 2018,³⁵ in part likely because of the challenges identified above, as well as variation across states in QRIS requirements and policies around home-based child care (PHLC 2017; Sugarman and Park 2017). In 2017, only eight states allowed license-exempt providers to participate in their QRIS.³⁶ As a result, linking subsidy payments to QRIS participation is likely to limit access for home-based providers.

Criminal background check (CBC) requirements

The 2014 Reauthorization law requires a comprehensive criminal background check (CBC) for all providers receiving subsidy funds, as well as for all licensed providers regardless of subsidy participation. The CBC requirements include a national FBI background check, national sex offenders list background check, and a set of state-specific background checks (Cunningham and Ravishankar

2021). For home-based child care providers this must be conducted for any person ages 18 and older who may have unsupervised access to the children,³⁷ which is likely to involve other adults who may be in the provider's home. If the background check finds evidence of a conviction for any one of a number of possible crimes (such as murder, child abuse, crimes against children, and so forth), the person is disqualified. This list includes having a drug-related offense in the previous five years, though states are provided some flexibility on this particular offense.³⁸

Ensuring children are protected from harm is a critical goal, and children should not be exposed to risks of the felonies listed above. However, it is also important to recognize that while there does not appear to be much research on how this requirement affects provider participation in CCDF, this requirement is likely to have a differential impact on communities of color:

- Because of structural racism in policing (box 2), providers of color seem likely to have more involvement with the justice system, which could lead them to be unwilling to open their lives up for review by law enforcement agencies because of discriminatory and unfair treatment, as well as to potentially be disqualified.
- Various studies have found significant error rates in CBC checks³⁹—for example, documenting arrests without including information on conviction (NELP 2015). This is disproportionately likely to result in errors for communities of color given their higher likelihood of being involved with the justice system, whether appropriately or not.
- The CBC requirement may also have a chilling effect on the willingness of providers who are immigrants or have family members who are undocumented to participate in the subsidy system because of fears of potential deportation.

As a result, the CBC seems likely to disproportionately affect communities of color in that it may deter providers from considering accepting subsidies to avoid having their families subject to a CBC or in case they may become disqualified. This, in turn, affects the extent to which parents can use their subsidies to access these providers.

Equity implications of provider eligibility requirements

The issues described above shape which providers can participate in the subsidy system, which in turn affects whether parents who need these providers are able to benefit from the subsidy system:

- **The combined impact of the health and safety requirements for providers who are exempt from licensing, the lack of representation in QRIS systems, and the CBC requirements may create particular barriers for home-based providers.** This is of concern, as research suggests

that many families of color use home-based providers overall, as well as license-exempt home-based providers. In fact, Black and Latino parents are as likely to have their children in nonparental home-based settings as they are to use child care centers.⁴⁰ Further, some evidence suggests that regulated home-based providers are more likely to reflect the language and immigrant characteristics of the children they serve than are teachers in child care centers (Paschall, Madill, and Halle 2020), suggesting that these caregivers can be particularly important for immigrant parents who face language barriers.

- **The share of children receiving subsidies who are cared for in centers rather than home-based child care options has increased dramatically over recent decades**—rising from 56 percent of children in the subsidy system cared for in centers in 1998 to 75 percent in 2019 (Henly and Adams 2018).⁴¹ This share varies across states, though 14 states reported that 90 percent or more of the children they served were in centers in 2019, with some almost reaching 100 percent. While the increased use of centers in the subsidy system has been a trend for many years, experts believe that the 2014 reauthorization may have further contributed to this trend for the reasons outlined above.
- **These patterns mean families needing home-based care options—particularly smaller license-exempt home-based options—may face extra barriers to receiving child care assistance.** This has a disproportionate impact on populations less likely able to access child care centers, including parents working nontraditional schedules, parents living in rural areas, parents with infants and toddlers, and parents with children with special needs (Henly and Adams 2018).

While parents of color are in each of these groups, research shows that Black and Latino parents are disproportionately likely to work nontraditional hours (Adams et al. 2021c; Enchautegui 2013; Golden 2015; Sandstrom et al. 2019)⁴² and that less than one in 10 child care centers operate outside of traditional hours.⁴³ As a result, policies that create more challenges for home-based providers to participate in the subsidy system are likely to have a disproportionate impact on these parents' ability to benefit from child care assistance.

- **Requirements of greater government oversight and inspection for providers may deter providers or parents of color who may not trust public institutions.** Another issue raised during our assessment was the potential impact of these greater levels of government involvement, oversight, and monitoring for providers who may have reasons to distrust public agencies. These could include, for example, providers with family members who are immigrants,

providers who have faced institutional racism or mistreatment by public agencies or the law or justice system, and so forth.

Suggested actions: States could take several actions to assess and address possible inequities created by the policies and practices associated with the requirements that providers must meet to access subsidies—particularly the barriers faced by home-based providers. Many of these suggestions build on Adams and Dwyer’s 2021 analysis of strategies to improve participation of home-based child care providers in the subsidy system, including the following:

- Seek input from child care providers of different types, including home-based providers and providers in underresourced communities, to identify barriers to participation and possible solutions.
- Actively engage in outreach and recruitment for providers to serve underresourced communities, help them meet necessary requirements for approval, and seek partnerships with trusted intermediaries to reach out to providers in communities that may have reasons to be concerned about government involvement.
- Assess and simplify application and approval processes for providers and ensure they are accessible to a range of providers, including those who are legally exempt from licensing.
- Recognize the core role of relative caregivers, and of smaller license-exempt caregivers, in meeting the needs of families of color, and prioritize finding ways to bring these providers into the subsidy system while supporting children’s health and safety.
- 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.
- Address hurdles created by health and safety standards for home-based providers while prioritizing the health and safety of children:
 - » Seek input from home-based providers (including those legally exempt from licensing) to review and potentially revise health and safety standards, monitoring, and enforcement to ensure they are relevant for different kinds of home-based providers, do not create unnecessary barriers, and build on their strengths, while protecting children’s safety and well-being.
 - » Identify ways to incorporate supportive coaching strategies appropriate for a range of provider types rather than relying as heavily on punitive enforcement strategies.

- » Make resources available to help home-based child care providers meet these standards.
- Evaluate the equity implications of requiring QRIS participation as a condition of eligibility to participate in the subsidy system and revise if necessary.
- Use CCDF funds to support navigators or facilitators who can help home-based child care providers navigate approval processes and provide supports to help them meet health and safety standards.

WHAT PROVIDERS MUST DO TO BE APPROVED FOR PAYMENT

Although data about the application process providers must go through to become approved for subsidies is scarce, a recent review of barriers home-based child care providers face to participating in the subsidy system suggests that this process may be quite challenging in some states, including one respondent that described a 10-page provider application form (Adams and Dwyer 2021). This review suggests that the application process for providers may involve challenges similar to those described earlier about subsidy application processes for parents. These can include the ease or difficulty of the questions asked, the documentation required, assumed literacy levels, whether the applications are available in other languages, whether providers must go in person or can apply online, and whether anyone can help home-based child care providers with paperwork. In addition, our respondents said some states charge fees for different elements of the process, which can also be a deterrent.

These issues are important overall but particularly for home-based child care providers, given they are more likely to have lower levels of income and lower levels of education than providers in center-based care, are more likely to have been born outside the US and speak languages other than English (Paschall, Madill, and Halle 2020; SCBC 2017), and may also face challenges compiling documentation (Adams and Hernandez forthcoming).

Finally, it is likely that providers' application processes may involve questions and requests for information such as social security numbers that could be challenging for those who are immigrants and do not have legal documentation.

Suggested actions: Many of the access barriers described in the preceding section on parents are also true for providers, including language, literacy, time, and so forth. As a result, some recommended actions listed in that section are applicable here as well, including the following:

- Seek input from providers across the continuum of child care setting types to identify possible challenges, barriers, and opportunities to improve the subsidy application process and outcomes.
- Assess the application process for providers to ensure it is accessible for a broad range of providers, including those who may have limited English proficiency or low literacy levels, have inadequate internet access, or be unfamiliar with government forms and processes.
- Examine what information and documentation providers must give the subsidy agency to be approved to serve a family in the subsidy system, and if necessary take steps to simplify requirements.
- Review the application information and process to ensure it is relevant and targeted to the full range of providers—not designed primarily for child care centers.

HOW MUCH PROVIDERS ARE ACTUALLY PAID

The issue of the amount providers are paid to serve a child with a voucher plays a critical role in determining which child care providers parents can access with their voucher and which providers are willing to participate in the subsidy program. As a result, addressing this issue key in shaping whether CCDF’s goal of equal access—described earlier—is attained.

Although much of the policy discussion focuses on the level at which states set their maximum rates, this actually is only one of a set of policies that determine how much providers are paid. The amount the provider is actually paid depends on the cumulative impact of several policies and issues—described below—each of which can have an important impact on the provider’s payment. However, many basic questions about state payment rates and policies, and their implications for providers and parental access to child care options, have not been explored and deserve further study:⁴⁴

1. **What is the maximum rate the state will pay, and does it cover provider fees?** The policy conversation often revolves around state payment or reimbursement rates, which is actually the level at which states set their maximum payment rate—effectively the cap on the amount the state will pay any provider (BPC 2020; 2021). The CCDF final rule states that a “benchmark for gauging equal access” is if states set their maximum rate at a level sufficient to cover the rates charged by 75 percent of the providers in the market—commonly referred to as “the 75th percentile.”⁴⁵ However, in 2020, only one state set their maximum rate at this level, and many states set their rates significantly below the 75th percentile (Schulman 2020).

As a result, by definition, even the maximum amount most states will pay is below the level that would provide equal access under the federal guidance. Although the federal government has urged states to raise their rates to better meet the goal of equal access, particularly those states with the lowest rates, most states continue to have rates below the 75th percentile (Schulman 2020).

Further, these maximum rates are not the same for all providers within a state, as they are based on local market rate surveys and vary across different communities, types of providers, and child ages. As a result, the maximum rate is likely to be lower in communities where the general market child care prices are lower, which are likely shaped by the resources parents in that community have to pay for care (BPC 2020). Rates also may be lower for home-based settings, as a recent review of subsidy policies for home-based providers also found these providers usually have maximum state payment rates below those of child care centers and that states have various methods for setting payments for home-based providers, which may or may not rely on actual assessments of what providers charge (Adams and Dwyer 2021).

Finally, although not commonly used yet, the 2014 reauthorization of CCDF allowed states to use alternative methods for establishing their maximum rates, specifically a cost estimation model or a cost study or survey (BPC 2020). However, relatively little information is available about how these might work, what impact they might have on equity, or what assumptions they will involve. Ensuring an equity lens for those policies will be critical moving forward.

2. **Will the state only pay providers the rates the providers charge private-paying parents?** It is important to recognize that providers do not necessarily get paid the maximum rate, as many states only pay providers what the provider charges their private-paying parents (Schulman 2020), though this is not required under federal law. In this case, the only providers who would get the maximum rate from the state would be the providers who charge that amount (or more) to private-paying parents for the same service. Providers whose rates fall below the state cap will only get what they charge private-paying parents. This approach is likely to disproportionately affect providers in underresourced areas where prices are constrained because private-paying parents in their communities are unable to pay as much—thus codifying the market inequities into state payment levels.
3. **How much are parents supposed to contribute in copayments, can providers charge parents the difference between their rate and the state rate, and do providers collect parent copayments?** The amount a provider actually receives is also affected by state policies for parent copayments, which states are required to establish on a sliding-fee basis. Therefore, the

amount the state pays for any particular child would be the state rate minus the required copayment. As a result, the amount a provider gets to care for any child is also shaped by the amount the parent is supposed to contribute toward the cost of care, whether the provider is allowed to require the parent to pay an additional amount to cover any difference between the amount the state pays and the amount the provider normally charges, and whether the provider is able to collect the copayment. Research suggests that providers vary in whether they collect the copayment for various reasons, including concerns about the child and family, market practices of other providers with whom they are competing, challenges collecting the funds, and so forth (Adams, Rohacek, and Snyder 2008). Providers also noted it can be harder to collect copayments from parents facing more challenges. (The issue of copayment levels and fees is discussed more below.)

4. **How many children receiving subsidies does the provider serve, and how stable is their enrollment?** In addition to these issues that shape the amount the state will pay for any individual child in the subsidy program, the amount the provider actually gets from the subsidy system will also depend on the number of children receiving subsidies they serve and whether this number fluctuates or is relatively stable. A 2008 report suggests significant variation exists across providers in the share of their enrollment made up of children whose care is subsidized by CCDF (Adams, Rohacek, and Snyder 2008), as well as in the stability and reliability of the funds they receive this way.
5. **Does the state establish and pay higher rates for certain types of care or care for particular children or families? Which providers benefit and how?** Another issue that affects how much providers are paid, and that has implications for equity, concerns whether and how states pay differential rates—also sometimes called tiered rates. Differential rates are when states set higher rates to incentivize the supply of particular types of care in short supply—such as care that meets particular quality standards or serves particular populations such as infants and toddlers, families working nontraditional hours, or families experiencing homeless. States vary widely in the extent to which they have differential rates, what kinds of care can get such rates, and where they set the rates (Schulman 2020).

Although some research exists on differential rates, many questions need to be explored further to assess their implications for equity. In particular, our review identified a number of concerns and questions, including the following:

- a. Are higher rates paid as bonuses or only for providers who charge higher rates to private-paying parents? If the latter, then it disadvantages programs in underresourced areas with lower rates, which could have equity implications.
- b. Are the higher rates established at levels sufficient to meet the higher costs of providing the desired care? And how many children would the provider have to serve at this higher rate to provide them the resources needed for the desired form of care? In other words, do these rates have any effect on providers who only serve a few children who can get the higher rates or who have relatively little access to outside resources to cover these higher costs (Henly and Adams 2017)?
- c. Are providers who have a lot of turnover in their voucher enrollment because of family instability or changing circumstances less able to benefit from differential rates because they cannot rely on the extra funding to support the desired service? If so, providers who serve families who are particularly vulnerable (e.g., have irregular work, volatile home circumstances, and so forth) may be less able to benefit from this policy.

The answers to these questions in turn shape the answer to a larger and fundamental question—whether differential rates actually help existing providers begin providing the desired services or instead primarily allow providers already offering these services to get paid better rates for children they already serve (Henly and Adams 2018). In other words, do they *expand supply* by allowing underresourced providers to begin serving target populations or *stabilize existing supply* and make it accessible to families already in the subsidy system?

Both are worthy goals; however, the policy discussion around differential rates often presumes that these rates allow providers to begin supplying the desired service without recognizing there are many other factors shaping whether that is likely. Such factors include whether the provider has the resources independently to establish the service, whether demand is sufficient so the provider can feel confident that relevant families will enroll, whether there will be a sufficient and stable number of enrolled children getting the higher rate moving forward to reliably bring in the needed resources to cover the higher service costs, and whether the differential payment is high enough and paid for enough children to cover the costs of providing the required service.

Our conversations with experts highlighted significant concerns about whether differential rates as currently implemented actually support providers with fewer resources or instead lock them out of higher rates because they don't address these underlying barriers. This was most clearly articulated in serious concerns about the inequities created when states establish

higher rates based on QRIS ratings. A 2015 study found that 59 percent of the 39 QRIS systems examined (26 states and three regional QRIS systems in Florida) offered higher reimbursement rates based on the QRIS rating level (Holod et al. 2015). Several experts we interviewed were quite concerned that this approach ends up solely supporting providers who can already provide quality care, rather than also targeting intensive resources to providers in underresourced markets and who need extra resources to meet these higher standards, a concern that has been raised more broadly (Dichter et al. 2021). They also noted that these supports will likely need to be both up front and ongoing, as the market failures in these communities will continue challenging providers' ability to meet higher standards.

6. **Does the provider receive the full amount they are supposed to receive?** Another issue shaping what providers receive, with equity implications, concerns the range of payment practices that can result in the provider getting less than the actual rate they are supposed to get from the state. As Adams, Rohacek, and Snyder (2008) describe, these can include whether the provider is notified promptly when the parent is authorized for and or terminated from care, is paid for absent days, is paid for other fees normally charged to parents, is able to collect the parent copayments, and is paid accurately and on a timely basis. While some of these issues were addressed in the 2014 reauthorization, they were mostly framed as recommended policies and thus are optional. These issues have the potential to differentially affect providers serving families with lower resources or families of color as these providers may be serving families with more unstable work and enrollment patterns (box 2), may themselves face language, literacy, or internet barriers that make it more challenging to resolve inaccuracies, and so forth.
7. **How easy or difficult is it to interact with the subsidy agency?** The final issue affecting the provider's experience with the subsidy system involves a more intangible set of expenses, specifically the challenges they face in terms of the paperwork, the challenges with the system, and how easy or difficult it is to work with the agency and get problems solved (Adams, Rohacek, and Snyder 2008). Again, our review suggested that these challenges may be greater for smaller providers, as well as providers serving families whose lives are less stable or who themselves face barriers of language, literacy, or internet access.

Equity implications of how much providers are paid

When taken collectively, the issues outlined above suggest that current subsidy payment policies and practices may have the following implications for the question of whether subsidies are able to support parents' equal access to child care options:

- First, the reality that most states set their maximum rates at levels below the 75th percentile—the level the federal government suggests is the appropriate benchmark for equal access—means that at the outset the rates are not supporting equal access.
- Second, the cumulative impact of the range of policies that shape what providers actually receive (described above) may result in providers in underresourced communities receiving less in payment than providers in higher-resourced areas, as well as facing greater challenges in trying to access the full payments they are due. Further, the reality that payments are linked to licensing and QRIS policies means that to the extent those standards are not inclusive, providers may have inequitable access to funding. These concerns suggest that these providers may have less funding to support the needs of the children and families they serve than would be the case in a more equitable system, which not only affects the options available to families participating in the subsidy system, but also has the potential of codifying the market inequities for all families.
- Third, research also suggests that while providers who are highly dependent on the subsidy system would have to accept these challenges as they have few other options, providers who were not dependent on the subsidy system—for example, because they had sufficient demand from private-paying parents—have the ability to simply choose to either limit the number of children receiving subsidies that they would serve or would refuse to serve them at all (Adams, Rohacek, and Snyder 2008). Thus, these policies have the potential to affect which providers are willing to accept subsidies—shaping the options available to families in the subsidy system and affecting equal access.

Suggested actions: Several steps could help address the inequities that may result from our current approach to subsidy payments. Some ideas suggested from our review include the following:

- Engage with a broad range of child care providers to examine current subsidy payment policies and practices, explore whether they are supporting equal access and addressing inequities, and identify strategies and solutions to better support providers and their ability to provide quality care in underresourced communities.

- Assess the equity implications of current rate caps as well as any state efforts to use alternative methods to establish rates, assess the assumptions upon which these are built and whether they support greater equity in access and resource allocation, and work to ensure they result in resources being invested in ways that support equal access and greater equity.
- Ensure rates are set no lower than the 75th percentile, and potentially higher, thus ensuring parents can access at least 75 percent of the care in their local markets (rather the much smaller share of the market covered by current rate levels) and supporting more equal access.
- Rethink the approach to paying for subsidies by cutting the link between market prices and subsidy rates, and by exploring strategies to support providers in underresourced communities; consider innovative efforts such as providing operational grants or contracts that are not linked to a particular number of children receiving vouchers to build greater stability and equity (Adams, Ewen, and Luetmer 2021) or strategies to ensure rates are sufficient to support a living wage for home-based providers.
- Examine the impacts of differential rate policies and practices on the resources available to different types of providers, and on their ability to provide quality care; explore strategies that could make the use of differential rates more equitable by directing resources toward providers who need supports to meet desired goals.
- Examine whether public resources for subsidies, as well as efforts to support quality and supply, are being allocated equitably, and ensure these are not allocated based on noninclusive definitions of quality, whether through QRIS, quality initiatives, or differential subsidy rates.
- Assess the equity implications of linking higher rates to QRIS ratings and ensure differential rate strategies are accompanied by investments in underresourced programs to help them meet and maintain the desired level of services.
- Target resources to support quality 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.
- Assess current payment practices that may affect equal access by shaping the willingness of providers to participate in the subsidy system as well as the ability of underresourced providers to provide quality care; these include payment accuracy, ease of resolving payment problems, paying provider fees, paying absent days, ease of working with the agency for providers with different constraints, and so forth.

- Address the inequities affecting rates and payment processes for home-based providers, including those who are legally exempt from licensing, to support more equitable access to resources and ensure parents who need these providers can access them.

THE ROLE OF COPAYMENTS AND OTHER FEES

The final policy area that can shape whether parents can use their subsidies to purchase the care they need and want is state policies around parent copayments and fees. States are required to establish sliding-fee scales that determine how much parents at different income levels must contribute toward the cost of child care, though they may waive copays for families with incomes below the federal poverty level or other families as determined by the state.⁴⁶ Copayment policies, therefore, determine whether parents can afford to use the subsidy. They are also, as noted earlier, another factor that can affect the amount of money the provider gets, as research suggests that providers vary widely in whether they collect copayments.

Multiple issues can affect what a parent actually has to pay for care if they get a subsidy. The description below illustrates the close relationship between state payment rate policies and state copayments in shaping both what providers receive—as described earlier—and what parents must pay.

1. **How much does the parent have to pay according to the sliding-fee scale established by the state:** While the federal Office of Child Care has recommended that parent copayments not exceed 7 percent of the family's income, in reality many states set copayment requirements at levels exceeding that. For example, in 2020, seven states set their copayment requirements at levels that exceeded 7 percent of income for a family of three with one child in care whose income was at the poverty level, and 23 states had copayment requirements that exceeded 7 percent of income for a family of three with one child in care whose income was at 150 percent of the poverty level (Schulman 2020).
2. **Does the state rate cover extra fees, or do parents have to pay for them separately?** If the state payment rates do not cover extra fees the provider may charge, such as extra fees charged by providers (e.g., diaper fees, field trip fees), the parent may need to pay these separately. This would result in higher out-of-pocket costs for parents.
3. **Does the provider charge the parent the difference between the state rate and the provider's rate if their rate is higher?** As noted in the previous section on payment rates, states can allow providers whose rates fall above the state rate cap to charge parents the difference between the state rate and the provider's rate. This would increase the amount parents must pay to access the provider. In 2019, 12 states did not allow providers to charge parents the difference

between their rate and the state reimbursement level, and some additional states only allowed providers to charge the difference in some situations (Dwyer et al. 2020).

This strategy can make it possible for providers whose rates are above the state rate cap to afford to serve families in the subsidy system without losing money, but it can undercut the concept of the sliding-fee scale being established based on what parents can pay.⁴⁷ This effectively is a workaround that states have put in place because of the low rates, to try to allow parents to access a broader set of providers. However, paying even more for care, above the existing copayment, can be particularly challenging for families with fewer resources, thus affecting equal access.

Although making care affordable for parents is a goal of supporting equal access, policymakers can face a complicated trade-off. Specifically, lower copayment rates at the higher end of the sliding-fee scale can make care more affordable for parents, yet also will result in parents facing a much steeper jump in price when their income increases sufficiently to make them no longer eligible for subsidies—an issue commonly referred to as the “cliff effect.” This reality can create perverse incentives for families, making parents unwilling to accept raises in pay if they will result in losing eligibility for subsidies—as the increased child care costs are likely to far outweigh the increased income the family would get from the pay raise. This has the effect of undercutting the goal of the subsidy system to support economic mobility. On the other hand, setting copayment levels too high for families as they earn more can result in parents being unable to afford to participate in the subsidy system and force them to opt out for cheaper care that they can afford but may not meet their other needs.

Suggested actions: States have significant discretion in setting their copayment policies. Some possible policy actions could include the following (Johnson-Staub and Workman 2021):⁴⁸

- Work with families and providers to assess the equity implications of current copayment policies and practices in shaping the affordability of care for families at different income levels who are receiving subsidies, as well as the implications for families who face the cliff effect.
- Examine the extent to which providers of different types charge parents other fees, whether these fees are covered by state payments, and the implications of state policies in this area on both the affordability of care and whether these policies shape parents’ ability to have equal access.
- Limit total family payments for subsidized care (including fees, additional provider charges, etc.) to 7 percent of family income, and exempt families in poverty and other particularly challenging circumstances from having to pay any fees.

- Assess the interaction of state provider payment policies and practices with state copayment policies in shaping both the affordability of child care for families and the amount providers receive in payment and the implications for equal access to care. Raising rates to the 75th percentile or higher can eliminate the option of providers charging parents the difference.
- Explore strategies to minimize the cliff effect—for example, by gradually increasing parent copays when families lose eligibility and creating a longer phase-out period before a family is terminated, as well as other policy strategies such as creating income disregards for earned income.⁴⁹ (States are allowed to increase copayment levels during the graduated phase-out period when a family loses eligibility but before they are terminated, though they are not allowed to change copayment levels during the 12-month eligibility period.)

Summary and Conclusion

Our goal with this report is to provide child care administrators and stakeholders information needed to assess whether the subsidy policies or practices in their state ensure families facing barriers because of structural inequities are able to access subsidies, and that the subsidies are designed to help them overcome the barriers they face to accessing quality care.

The preceding pages deeply examine a range of subsidy policies and practices and explore whether they are accomplishing the goal of ensuring families facing inequities are able to access subsidies and use them to overcome any barriers they may face to accessing quality care. In looking again at the five elements that make up the definition of access to child care—that parents should be able to find child care with *reasonable effort*, that is *affordable*, *meets their needs*, *meets their children’s needs*, and takes *equity* into account—our review suggests the following:

- The CCDF subsidy system can help make child care more affordable for those parents with low incomes and parents of color who are able to get through 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 constraints Black, Latino, and immigrant families can face, and in some situations these policies and practices may actively contribute to systemic inequities and barriers in accessing subsidies and child care.
- We still do not know a great deal about our current system or how it is implemented and experienced by families of color and other families facing inequities, and although this report’s

insights 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.

The good news is that, within the current policies and federal parameters, it is possible for states to address several of the issues identified in this report, and though it was beyond this report's scope to do a systematic review of current state efforts, some states are already taking such steps. Further, the new federal pandemic relief resources provide states the ability 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.

This report provides numerous concrete policy suggestions to make subsidy policies and practices more equitable (table 1 on page x). When looking across these suggestions, a few overarching themes are apparent. These include that states could do the following:

- **Build a strong parent-engagement strategy** as an ongoing mechanism to ensure parents' voices are part of efforts to improve the subsidy system; ensure this strategy includes working with parents of color—both those within the subsidy system and those that have been unable to access it—and other families with low incomes to identify problems and barriers, and explore ways to improve the subsidy system to better meet their needs (Hardy and Fortner 2021).
- **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 ongoing investment of resources.
- **Conduct an equity analysis⁵⁰ of each element of subsidy policies and practices** involved in determining which families get subsidies and how subsidies shape which providers they can access; work with parents to identify solutions and develop and implement action steps to address challenges; and be accountable for progress.
- **Assess the subsidy system's accessibility for parents facing barriers** and ensure multiple methods of access.
- **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** on direct or indirect incentives or business process challenges that may shape their ability to support parents equitably.
- **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.
- **Ensure eligibility and documentation policies and practices recognize the complex employment realities and constraints** facing parents with low incomes and particularly those of color; design subsidy policies to maximize their ability to access child care assistance and use subsidies to address barriers to access child care options that meet their needs.
- **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.
- **Engage with child care providers to identify ways the system could be more equitable in supporting access to quality care options**—both those who do and do not participate in the subsidy system and including both licensed and license-exempt home-based options.
- **Ensure the subsidy system supports parents' ability to use the full range of child care options they need** to support their work, education, or training while also supporting their children's development, including home-based providers and relatives who are legally exempt from licensing; work with parents and providers from diverse communities to ensure these settings receive the appropriate and accessible supports they need to ensure children are safe and getting developmentally appropriate care.
- **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.
- **Examine whether public resources to support quality and supply are being 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.

- **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

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 are able to support equal access to child care for all parents.

Notes

- ¹ “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>.
- ² “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/>.
- ³ 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; (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>.
- ⁴ “FY 2019 Preliminary Data Table – Average Monthly Adjusted Number of Families and Children Served,” HHS, ACF, OCC.
- ⁵ “Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” The White House.
- ⁶ Stakeholders interested in assessing policy equity more broadly may also be interested in the following frameworks and tools: (1) a conceptual framework for identifying racial and ethnic disparities across the service delivery pathway (McDaniel et al. 2017); (2) the Policy Equity Assessment, a framework to identify and analyze a policy’s ability to reduce inequities (Joshi et al. 2014).
- ⁷ For a summary of some research on communities of color and the CCDF subsidy program, see the research synthesis presented in McDaniel et al. (2017).
- ⁸ Nina Chien, “Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2017, US Department of Health and Human Services (HHS), Office of the Assistant Secretary for Planning and Evaluation, November 11, 2020, <https://aspe.hhs.gov/reports/factsheet-estimates-child-care-eligibility-receipt-fiscal-year-2017>.
- ⁹ Heather Hahn and Margaret Simms, “Poverty Results from Structural Barriers, Not Personal Choices. Safety Net Programs Should Reflect That Fact.,” *Urban Wire* (blog), February 16, 2021, <https://www.urban.org/urban-wire/poverty-results-structural-barriers-not-personal-choices-safety-net-programs-should-reflect-fact>.
- ¹⁰ Hannah Matthews, “Immigrant Eligibility for Federal Child Care and Early Education Programs” (fact sheet), CLASP, April 17, 2017, <https://www.clasp.org/publications/fact-sheet/immigrant-eligibility-federal-child-care-and-early-education-programs>.
- ¹¹ Cary Lou, Gina Adams, and Hamutal Bernstein, “Part of Us: A Data-Driven Look at Children of Immigrants: Shedding Light on the Children of Immigrants Who Are Shaping This Country’s Future,” Urban Institute, March 14, 2019, <https://www.urban.org/features/part-us-data-driven-look-children-immigrants>.

- ¹² Kelly Dwyer, Sarah Minton, and Victoria Tran, “Using the CCDF Policies Database: 2018 Fact Sheets,” Urban Institute, January 30, 2021, <https://www.urban.org/research/publication/using-ccdf-policies-database>.
- ¹³ “Work Support Strategies,” Urban Institute, August 6, 2021, <https://www.urban.org/work-support-strategies>.
- ¹⁴ “Priorities Report,” Administration of Children and Families (ACF), Office of Child Care (OCC), January 16, 2017, <https://www.acf.hhs.gov/occ/report/priorities-report>.
- ¹⁵ For resources on issues surrounding providing child care assistance to parents seeking education and training, see “Bridging the Gap,” Urban Institute, accessed August 6, 2021, <https://www.urban.org/policy-centers/cross-center-initiatives/building-americas-workforce/projects/bridging-gap>.
- ¹⁶ “FY 2019 Preliminary Data Table 10 – Reasons for Receiving Care, Average Monthly Percentage of Families,” ACF, OCC, May 21, 2021, <https://www.acf.hhs.gov/occ/data/fy-2019-preliminary-data-table-10>.
- ¹⁷ “FY 2019 Preliminary Data Table 10,” ACF, OCC.
- ¹⁸ “Bridging the Gap,” Urban Institute, accessed August 6, 2021, <https://www.urban.org/policy-centers/cross-center-initiatives/building-americas-workforce/projects/bridging-gap>.
- ¹⁹ Adams, Gina, and Sarah Minton, “Three Steps State Child Care Agencies Can Take to Support an Equitable Economic Recovery,” *Urban Wire* (blog), Urban Institute, March 4, 2021, <https://www.urban.org/urban-wire/three-steps-state-child-care-agencies-can-take-support-equitable-economic-recovery>.
- ²⁰ Kelly Dwyer and Danielle Kwon, “Child Care Subsidies Can Provide Critical Support to Families during Unemployment,” *Urban Wire* (blog), February 26, 2021, <https://www.urban.org/urban-wire/child-care-subsidies-can-provide-critical-support-families-during-unemployment>.
- ²¹ Adams and Minton, “Three Steps State Child Care Agencies Can Take to Support an Equitable Economic Recovery.”
- ²² Yiyu Chen and Elizabeth Karberg, “Child Support Reform Can Help Parents Better Support Their Children during and after the COVID-19 Recession,” *Child Trends* (blog), June 25, 2020, <https://www.childtrends.org/blog/child-support-reform-can-help-parents-better-support-their-children-during-and-after-the-covid-19-recession>.
- ²³ Pratt, Eleanor, “Child Support Enforcement Can Hurt Black, Low-Income, Noncustodial Fathers and Their Kids,” *Urban Wire* (blog), Urban Institute, June 16, 2016, <https://www.urban.org/urban-wire/child-support-enforcement-can-hurt-black-low-income-noncustodial-fathers-and-their-kids>.
- ²⁴ For more information on many of these issues, see Adams and Matthews (2013).
- ²⁵ “Equal Access,” HHS, ACF, OCC, Early Childhood Training and Technical Assistance System, accessed August 10, 2021, <https://childcareta.acf.hhs.gov/ccdf-fundamentals/payment-practices-and-timeliness-payments>.
- ²⁶ “Child Care Development Fund FINAL RULE: Equal Access Provisions,” ACF, OCC, September 2016, https://www.acf.hhs.gov/sites/default/files/documents/occ/stam_final_rule_equal_access_sept_2016.pdf.
- ²⁷ With the 2014 reauthorization, states are required to spend 9 percent of their funds on activities supporting quality and supply, also known as the “quality set-aside,” as well as an additional 3 percent to support child care for infants and toddlers.
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