National Study of Child Care for Low-Income Families

State and Community Substudy Final Report

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Introduction

In the mid-1990s low-income women entered the workforce in record numbers. For low-income families, as with all families, reliable and affordable child care may be critically important to parents' ability to obtain a job and hold onto it. The welfare reform legislation enacted in 1996 brought with it increased investment in child care, to serve the needs of families leaving the welfare rolls and other low-income families many of whom may never have received cash assistance

The National Study of Child Care for Low-Income Families, conducted for the Administration for Children and Families in the U.S. Department of Health and Human Services, was a ten-year effort in 17 states and 25 communities to provide information on the response of states and communities to the child care needs of low-income families, on the employment and child care choices these families made, and on the factors that influenced those choices. In addition, the study focused on the family child care[1] arrangements of low-income families and the experiences of children in this type of care. The study was conducted by Abt Associates Inc. of Cambridge, Massachusetts, and the National Center for Children in Poverty at Columbia University's Mailman School of Public Health in New York City.

Overview of the National Study of Child Care for Low-Income Families

Study Objectives and Design

The study was designed to examine how states and communities formulate and implement policies and programs to meet the child care needs of families moving from welfare to work, and other low-income parents; how these policies change over time; and how these policies, as well as other factors, affect the type, amount, and cost of care in communities. In addition, the study investigated the factors that shape the child care decisions of low-income families, and the role that child care subsidies play in those decisions. Finally, the study examined, in depth and over a period of two and one-half years, a group of families that use various kinds of family child care, and their child care providers. The goal was to develop a better understanding of the family child care environment, and the extent to which the care provided in that environment meets parents' needs for care that supports their work-related needs and meets children's needs for a safe, healthy, and nurturing environment.

Six specific objectives were identified for the study, including:

1. To develop an understanding of state child care and welfare policies and how these are implemented at the community level.
2. To develop an understanding of how other community-level factors (e.g., the community poverty rate, labor market, and the nature and scope of institutions related to child care) affect the way that communities are organized to help low-income families address work and child care needs.

[1] In this study, family child care is defined as care by an adult, related to the child or unrelated, in that adult's own home and outside the child's own home.

3. To examine the effects of child care and welfare policies and community-level factors on the demand for and the supply of child care, and on the types of child care arrangements that low-income parents make.
4. To examine changes in policies and programs over time and the effects of these changes.
5. To examine and model the child care decisions of low-income families and the role of child care subsidies in decision-making.
6. To conduct an in-depth examination of family child care used by low-income families, including the role of family child care in helping poor families manage the competing demands of work and child care, and children's experiences in the care environment.

To address these objectives the study team collected a variety of information. This state and community substudy draws from administrative records, policy manuals, and key informant interviews from the 17 states and 25 communities, conducted in 1999, 2000, 2001, and 2002. It describes subsidy use and expenditure information between 1997 and 2001, and subsidy policies and their administration from 1999 to 2002.[2]

For the community substudy, we gathered information on factors that influence parents' opinions about child care, the stability and continuity of child care, the child care choices parents make, and how these choices affect their ability to find and retain a job, or participate in educational or training programs. For this substudy, data were collected in 1999 through a one-time survey of low-income parents in 25 communities.

In addition, for the family child care substudy we collected more-detailed information on families that use family child care, their providers, and the experience of children in family child care. This family child care substudy involved multiple data collection efforts over a two and one-half year period, to allow us to track changes in parental employment, subsidy status, and child care arrangements over time.

The Study Sample

Data for the study were collected at three levels, with nested samples of communities within states and families and providers within communities. The first level was a sample of **17 states** containing **25 counties or rural county groupings** that were selected from a national sampling frame to approximate a representative sample of counties with child poverty rates above 14 percent. At the **family level**, the study included several samples: a **random sample of 2,500 low-income families** with working parents (with incomes under 200 percent of Federal poverty guidelines) and at least one child under age 13 for whom they use non-parental child care in the 25 communities (100 per community); a sample of **650 low-income parents who were receiving, or were eligible for, child care subsidies, and who were using family child care at the start of the study;** and a sample of the **650 family child care providers linked to these 650 families**

[2] The reason for the dates of the substudy's data collection is as follows. The first data collection occurred in 1999, at which point it was possible for states to report back to 1997 concerning subsidy use and expenditure data. The last date that data were collected from states was in early 2003; at that time it was possible to collect complete subsidy *use* data for 2002, but final *expenditure* data was available through 2001 only. The earliest key informant and policy data were from 1999—when data collection for the study began—and the latest were for late 2002/early 2003.

Selection of States and Communities

The primary focus of the state and community-level analyses was an examination of how Federal and state policies and practices are implemented at the local level. Therefore, rather than first selecting a sample of states and then selecting a sample of communities within those states, we allowed the selection of states to be determined by the sample of communities included in the study.

For the National Study of Child Care for Low-Income Families, we used the county as our definition of a community. An advantage of using counties is the availability of benchmark data at the county level from the National Child Care Survey (NCCS) and the Profiles of Child Care Settings (PCCS) studies conducted in 1990 in a nationally representative sample of counties
Our goal in the selection of counties was to select a sample that, in a broad sense, would be representative of where low-income children live. Starting with the NCCS/PCCS sample of 100 counties or county groupings, we identified 80 counties or county groupings with a 1993 poverty rate for children greater than 14 percent. When properly weighted, these 80 counties or county groupings represent more than 90 percent of poor children in the United States in 1990. Our sample of 25 communities was selected to be a representative sample of these 80 counties or county groupings.

Our sample of 25 counties or county groupings resulted in a sample of 17 states. The sample of counties and states is shown in Exhibit I-1.

Study Reports

Two reports present findings from the State and Community Substudy, which is primarily concerned with examining the ongoing changes in state and community child care and welfare systems associated with the implementation of the 1996 welfare reform legislation. One report, available in 2000, described the policies and their implementation as of 1999. This final report for the state and community substudy draws from administrative records, policy manuals, and key informant interviews from the 17 states and 25 communities, conducted in 1999, 2000, 2001, and 2002. It describes subsidy use and expenditure information between 1997 and 2001, and subsidy policies and their administration from 1999 to 2002.

Other reports from the National Study of Child Care for Low-Income Families include: (1) a report detailing the findings from the Community Survey, and (2) two reports that present findings from the In-Depth Study of Family Child Care.

Exhibit I-1: SELECTED STATES AND COMMUNITIES

State	Communities (Counties or County Groupings)	State	Communities (Counties or County Groupings)
ALABAMA	Mobile	NEW MEXICO	Dona Ana
CALIFORNIA	Los Angeles*		Luna/Grant/Hidalgo
	Orange	NEW YORK	Orange
	Riverside	NORTH CAROLINA	Mecklenberg
ILLINOIS	Cook		Alamance
INDIANA	Madison		Johnston
LOUISIANA	Oachita	OHIO	Hamilton*
MASSACHUSETTS	Franklin*	TENNESSEE	Shelby
MICHIGAN	Wayne		Hardeman/Fayette/Lake/ Lauderdale
MINNESOTA	Hennepin		Marshall/Coffee/Bedford
	Itasca/Koochiching/ Pennington	TEXAS	Harris*
NEW JERSEY	Union	VIRGINIA	Arlington
		WASHINGTON	King*

* Included in the in-depth study of family child care.

Chapter One: Context for the State and Community Substudy

The Federal Context

The decisions that states make about child care are dictated in large part by the Federal dollars they receive for child care and the regulations that govern the uses of that money. The purpose of the study is to develop a better understanding of how these Federal policies are interpreted at the state level and ultimately implemented at the community level. The major policies and programs that are the focus of the study are the Child Care and Development Fund (CCDF), and those aspects of the Temporary Assistance for Needy Families (TANF) that are directly related to child care, such as TANF-funded child care programs, time limits for cash assistance, and work requirements.

Section 103 (c) of the PRWORA repealed the child care programs authorized under Title IV-A of the Social Security Act: AFDC Child Care, Transitional Child Care, and At-Risk Child Care. In addition, PRWORA appropriated new entitlement child care funds under Section 418 of the Social Security Act, required that these funds be subject to the Child Care and Development Block Grant (CCDBG) Act, and reauthorized the Act. Since PRWORA required that these child care funds be administered as a unified program, the combined funds were named the Child Care and Development Fund. (Under the legislation, Congress provided approximately $8.5 billion for the unified child care program over the fiscal years 1997 – 2000.)

The State Context

To implement the CCDF, states' decisions include: determining the level of state resources; setting eligibility guidelines and identifying priorities among eligible populations (including priorities for serving TANF and non-TANF families); establishing requirements for notification, outreach, and the frequency of eligibility determination; developing co-payment scales; and developing fee schedules and payments for providers. States must also decide how to deliver child care subsidies (although this may be determined at the local level), including whether or not subsidy administration is privatized and whether subsidy programs are to be administered separately for TANF and non-TANF recipients. Also at the state level, policy decisions are made about relevant aspects of the TANF program, such as the time limits, work requirements, diversion programs, and child care benefits tied to prior TANF receipt. Each of the major decision points is described briefly below.

Although all these decisions could be made in a rational manner by carefully weighing the benefits and costs of various approaches, it is important to remember that states make these decisions within a political environment of competing demands for limited resources, intense time pressures, and little information about the relative benefits of one approach versus another. Prior to the passage of PWRORA, the majority of these decisions (beyond determining state funding levels) were made by state child care administrative offices. Since the passage of PWRORA, many administrative decisions have been elevated to state legislatures and governors' offices, which are subject to pressures from advocacy and interest groups representing child care providers, low-income families, and others.

State Financial Commitment

An important consideration for states is how much of their own funds to spend on child care subsidies and how to use flexible Federal sources, such as the TANF Block Grant, which can either be spent directly on child care or a portion of which can be transferred into the CCDF. Ongoing appropriations establish a maximum amount of Federal child care subsidy funds in the CCDF available to each state in a given fiscal year. In order to draw down its Federal allocation, a state must commit some of its own funds to meet Federal requirements for matching and maintenance of effort.

Therefore, the first policy decision that a state must make is how much of its own money to spend for child care. Funding within the CCDF falls into three categories: mandatory, matching, and discretionary funds. Upon application, a state automatically receives its "discretionary" allotment, but to receive its full "mandatory" allocation a state must demonstrate that its spending for child care programs linked to cash assistance is no less than spending just prior to PRWORA. To "match" Federal CCDF funding, a state must provide its own funds at the same rate it is required to do for its Medicaid funding. States may elect to draw down some or all of the Federal allocation. Beyond the spending necessary to obtain the full share of Federal child care funds, a state may elect to spend additional state funds to provide child care subsidies to low-income children. It may also choose to spend a proportion of TANF funds for child care subsidies. (Again, it is important to recognize the highly political context in which states must balance the need for state spending on child care against other competing state needs.)

Whom to Serve

The Federal statute allows states to assist families in paying for child care if their income falls below 85 percent of state median income (SMI), and if they need child care to support employment and/or education and training. Most states, however, exercise the flexibility allowed under the law and set their eligibility limits below the Federal maximum.[3] Within this eligibility pool are families who are currently receiving TANF or who have recently received it. The former group needs child care in order to comply with job preparation and/or employment requirements, in order to continue to receive TANF. The latter group—guaranteed at least one year of child care assistance under previous legislation if they left cash assistance for reasons related to employment—remains a high priority for many states. While states have a good deal of flexibility, the CCDF stipulates that they must spend at least 70 percent of CCDF mandatory and matching funds for families receiving TANF, transitioning from TANF, or at risk of TANF dependency.

These three groups of families that need child care for employment, education, or job preparation — current TANF, former TANF, and non-TANF families — become increasingly hard to differentiate as TANF caseloads decrease and as many former TANF families enter the workforce. Nonetheless, states establish income ceilings and other eligibility requirements to set the outer boundaries of the population eligible for services, and often tie these requirements to a family's TANF or former TANF status. In addition, some states use CCDF funds to provide child care for children in need of protective services.

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[3] State CCDF plans indicate that states' income eligibility ceilings ranged from 40 percent of SMI to 85 percent of SMI. According to a report summarizing state plans for 2002–2003, 33 states set eligibility ceilings at 69 percent of SMI or lower.

States are not required to serve all of the families that are eligible, but may choose how many to serve and which groups to serve first. In addition to choosing to set the eligibility ceiling at or below 85 percent of the SMI, states can choose whether or not to serve all applicant families that are eligible. Those that do not serve all applicants must choose which families to serve first and whether and how to establish waiting lists for subsidies.

How Much to Spend for Each Child Served

In addition to decisions about how many families to serve, states must decide the level of services. States set maximum reimbursement levels for child care providers. Often subsidies provide only partial payment to child care providers; many parents must contribute a co-payment, and that amount may be significant.[4] The cost to the state per child equals the maximum reimbursement level minus the parent's contribution, or the co-payment. States can spend less per child by requiring parents to pay a larger portion or by lowering the maximum reimbursement levels. They make these decisions in order to provide subsidies to the maximum number of children, while providing a level of subsidy support that will enable families to find and use child care that is adequate to meet their needs.

The Community Context

Several policies and programs implemented (and sometimes developed) at the community level have an impact on low-income families' access to child care. These include the implementation of child care subsidy programs, the development and/or implementation of initiatives to improve families' access to high-quality child care, the implementation of welfare policies and programs, and the development and implementation of other early care and education programs.

Child care subsidy programs and other early care and education programs are implemented at the community level. With few exceptions, it is at this level that parents interact with case workers, or resource and referral counselors, who determine their eligibility and inform them of child care options that are available to them. It is where child care providers find out about payment procedures and interact with staff when there are problems with payments. Agencies and staff at the community level interpret and apply the rules related to eligibility, fee schedules, co-payments, etc., that are determined at the state level.

Other efforts are also made to increase families' access to high-quality child care, from provider recruitment and training programs, to consumer education efforts, to facilities loan programs. These efforts are initiated and funded through a variety of mechanisms, including state programs, public-private partnerships, community-level initiatives, and hybrid programs. In some communities, coordinating bodies are also developed to rationalize the early care and education system.

TANF policies set by the state are interpreted and implemented at the community level. These include diversion programs, time limits, work requirements, and rules related to child care for TANF recipients.

4 Under the CCDF, states are required to implement a sliding fee scale for co-payments. At the option of the state, co-payments may be waived for families at or below the Federal poverty level.

At the community level, other early care and education programs are developed and/or implemented. In addition to state prekindergarten programs and state investments in Head Start programs, school districts and other community-level agencies may have early care and education programs.
The implementation of early care and education policies is influenced by the community context, including demographic characteristics (e.g., poverty levels, the number and age distribution of young children, women's labor force participation), the economic base and conditions (e.g., the types of industries in the community, unemployment levels, wage rates), and the existence and scope of public transportation systems, as well as social norms and attitudes.

Chapter Two: Child Care Expenditures for Fiscal Years 1997-2001

In establishing the Child Care and Development Fund, the Federal government greatly increased the overall funding available for child care. For Federal fiscal year 2001, $4.6 billion in CCDF was made available to states, territories, and tribes. This compares to $935 million in 1996. The newly created TANF block grant was an additional source of Federal funding, and many states had a history of spending their own funding for child care. How much public funding did states use for child care, and from what sources, during this time period?

The first and second *State and Community Study Interim Reports* (2000 and 2004) documented subsidy spending by study states between 1997 and 2000. In those years, the great majority of states spent their full CCDF allocations and more. This chapter updates the two reports, taking the story of state spending through Federal fiscal year 2001**.** In these years, growth in child care spending continued in the majority of study states, although at a slower rate, given changed fiscal realities.

Summary of Findings

- **Child care subsidies grew dramatically in every study state between Federal fiscal years 1997 and 2001**. The average[5] increase in child care spending over this period was 110 percent. In most of the states, spending grew very rapidly between 1997 and 1999, and much more slowly between 1999 and 2001. Between 1997 and 1998, average growth was 77 percent. Between 2000 and 2001 it slowed to 29 percent.
- **Average state spending per low-income child[6] more than doubled in the study states from Federal fiscal years 1997 to 2001.** After rising each year between 1997 and 2000, average spending dropped slightly in 2001.
- Adjusted for state differences in child care costs, **average state spending per subsidized child rose each year, increasing by 140 percent between Federal fiscal years 1997 and 2001. Average spending per child rose from $3,019 in FFY 1997 to $4,640 in FFY 2001.**
- Contrary to early fears that many states would not take advantage of all available CCDF funding, **all study states spent sufficient state dollars to draw down their full allocations of Federal CCDF dollars in Federal fiscal years 1997 and 1998.** All except two states drew down their full allocations in 1999, 2000, and 2001.
- **Beyond dedicated child care funds from the CCDF, states made substantial use of optional Federal and state funds not specifically earmarked for child care. The Federal TANF Block Grant was the prime source of optional child care funding.** Average child care spending from all

5 Throughout the report, averages were calculated using the median rather than the mean, to avoid distortion by extremes at both ends of the distribution.

6 To make state comparisons using a similar metric, we divided spending by the number of children in working parents under 62% of State Median Income (SMI). We chose this level of income because it was the average income cut-off among states in 2003, as indicated in their CCDF state plans. For more information on the estimate, please see Footnote 9.

Federal and state optional sources as a percentage of total expenditures for child care tripled between 1997 and 2001, rising from 16 to 47 percent. In 1997, just one state drew more than 20 percent of child care expenditures from its TANF Block Grant; in 2000, 15 states did.

- **States' patterns of spending—and not spending—their own optional funds on child care changed little between 1997 and 2001.** In FFY 1997, in seven of the 16 states, optional state funds constituted 9 percent or more of child care spending. In the rest of the states, optional state funds constituted 3 percent or less of child care spending. By FFY 2001, six of the seven states spent 14 percent or more on child care from state optional funds, and the rest spent 4 percent or less.
- **Growth in state spending on quality outpaced the growth in total child care spending. Over these years, average per-child spending on quality nearly quadrupled in the study states.** The adjusted average increase in spending per child of employed parents on quality and supply-building activities rose 259 percent between 1997 and 2001, more than twice the increase in overall spending. Every year, all study states met the required 4 percent quality spending from designated streams within the CCDF, and, in 2001, 15 of the states exceeded 4 percent of their total child care spending from **all** sources, not just the designated streams within the CCDF.

Provisions of the Child Care and Development Fund

The CCDF replaced previous Federal child care programs, each of which had either a separate funding formula and/or a slightly different target population. Instead of relying on a completely different system of funding allocation, the CCDF combines aspects of the previous pieces of legislation. The CCDF has three funding components—"mandatory," "matching," and "discretionary." Upon application, a state automatically receives its "discretionary" amount, but in order to draw down mandatory or matching funds it must either prove its maintenance of a certain level of spending or match Federal funds. These matching and maintenance-of-effort requirements are less than the requirements under previous legislation, and there was initial concern that, as a result, states would reduce the commitment of their own funding for child care.

Not every Federal source of child care funding was consolidated into the CCDF, and states can tap into these other sources as well as use state funding to support child care. Federal sources include: (1) the *TANF Block Grant*, which may be spent directly on child care or transferred into the CCDF; (2) the *Social Services Block Grant* (SSBG; sometimes known as Title XX), although the size of this block grant diminished substantially during the 1990s; and (3) *Title IV-E* of the Social Security Act, which several states use to provide child care subsidies for children in their child welfare systems.[7]

Many states also spend more of their own funds than is necessary to draw down their full Federal CCDF allocations. In fact, before the CCDF, some states had spent more than the minimums necessary to access funds from the predecessor Federal programs, and there was some concern that states might draw back from these commitments once more Federal funding was available under the CCDF.

[7] Also, under AFDC, significant support for child care came indirectly through the "child care disregard" mechanism. Rather than making explicit payments for AFDC child care, many states deducted families' child care costs before calculating their cash assistance levels. With the creation of TANF, states were no longer required to offer a child care disregard. As of October 1999, 21 states and the District of Columbia had some form of child care disregard for TANF recipients, but only three used the disregard of some or all child care costs as the sole method of subsidy provision. See State Policy Documentation Project, TANF Child Care: Subsidy Provision/Copayments as of October 1999. (2000). <http://www.spdp.org/tanf/copayments.PDF>

Finally, although state spending on prekindergarten and other early childhood education programs is beyond the scope of this report, it is important to note that states invest significantly in these programs.[8] The CCDF allows states to use prekindergarten funds to meet portions of the maintenance-of-effort and matching requirements, when states demonstrate that their prekindergarten programs support the needs of low-income employed parents.[9] In 2001, of the 17 study states, five used prekindergarten expenditures to meet maintenance-of-effort and/or matching requirements.[10]

Changes in Child Care Spending

Sustained Growth in States' Child Care Spending

Spending for child care subsidies grew substantially in the 17 study states between 1997 and 2001. For the 16 states that could report data for both FFY 1997 and 2001, median child care spending more than doubled; growth ranged from 45 percent in Massachusetts to 384 percent in Louisiana.[11] Spending more than tripled in five of the states. (See Exhibit 2-1 and Appendix Table 2-A.)

8 In 2000, 41 states and the District of Columbia spent $2 billion annually on prekindergarten initiatives. Ann Mitchell, *Prekindergarten Programs in the States: Trends and Issues,* Early Childhood Policy Research, 2001. (Copies available at nccic.org.)

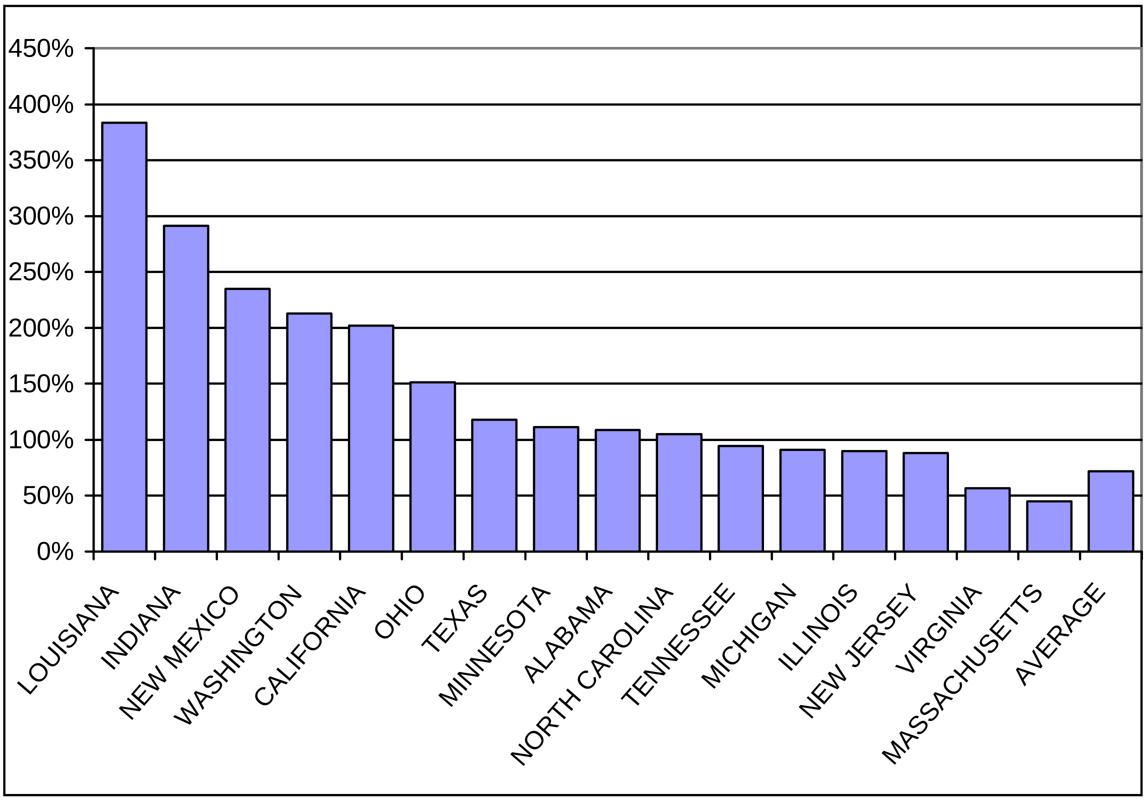
9 The CCDF allows a state to use prekindergarten funds to meet up to 20 percent of its maintenance-of-effort requirement, only if the state has not reduced its expenditures for full-day/full-year child care services. The CCDF also allows a state to use prekindergarten funds to meet up to 20 percent of its matching requirement, provided its state CCDF plan includes a description of efforts to ensure that its prekindergarten program meets the needs of employed parents.

10 Alabama, Michigan, Texas, and Washington used state prekindergarten spending to help meet maintenance-of-effort requirements. Alabama, Massachusetts, Michigan, and Texas also used prekindergarten expenditures to meet matching requirements. See U.S. Department of Health and Human Services, Administration for Children and Families. (2002). Fiscal Year 2001: Child Care and Development Fund (CCDF). Maintenance of Effort Summary and Matching State Share Categorical Summary. Quarter End Data 9/30/01. In addition, as allowed by the CCDF, Texas counted $1 million in private spending toward its state matching requirement.

11 Expenditure data are available for the state of New York only for Federal Fiscal Years 2000 and 2001. When reporting expenditures for 2000 or 2001, five states also revised some expenditure amounts for 1999 that they had previously reported for the *State and Community Substudy, Interim Report (November 2, 2000).* The Appendix Tables note all states with revised 1999 amounts..

Exhibit 2-1: INCREASE IN SUBSIDY SPENDING

Percentage Increase in State Spending for Child Care Subsidies, All Sources
FFY 1997 to FFY 2001

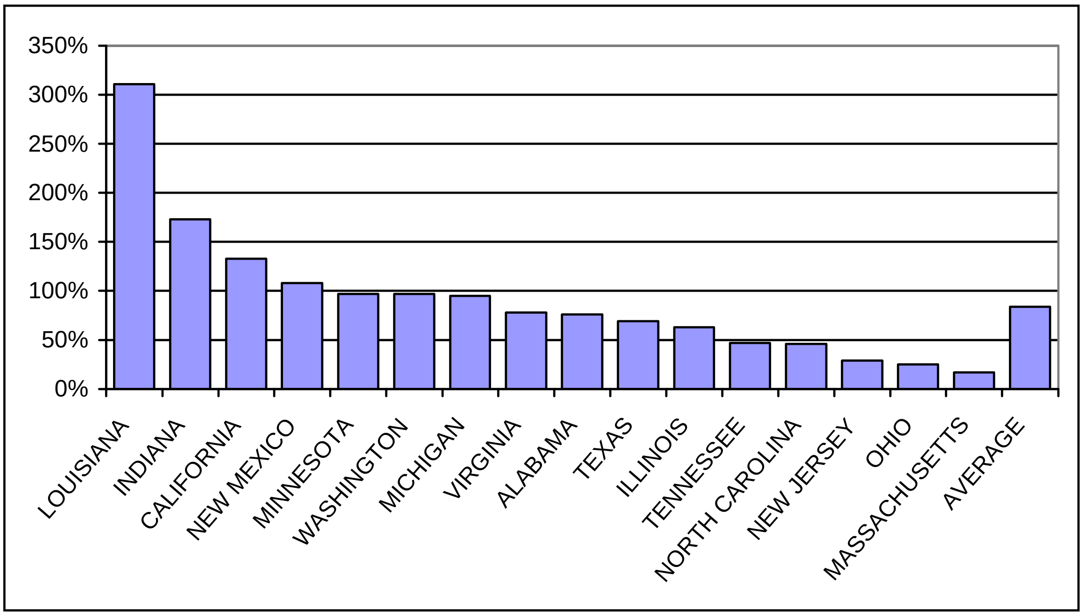


Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

In most states, most of the growth occurred between Federal fiscal years 1997 and 1999. Between FFY 1999 and 2001 spending grew at a much slower rate in most states and actually decreased in Michigan and Virginia. Exhibit 2-2 shows spending increases between 1997 and 1999; in that time period, the average spending increase was 77 percent. Between 1999 and 2001, the average increase was 29 percent. (See Exhibit 2-3.)

Exhibit 2-2: INCREASE IN SUBSIDY SPENDING, 1997-1999

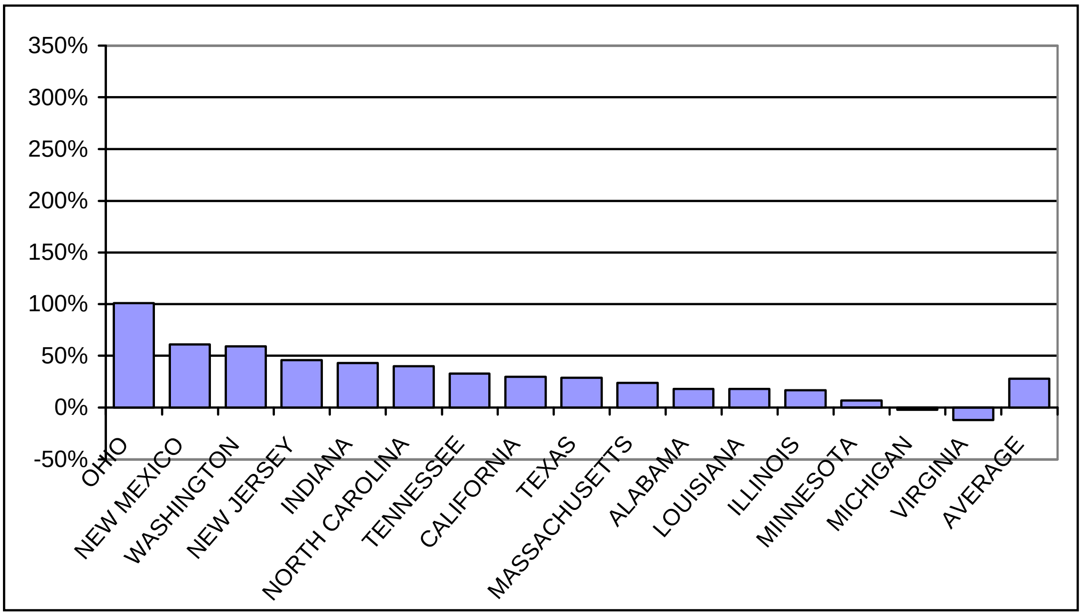
Percentage Increase in State Spending for Child Care Subsidies, All Sources FFY 1997 to FFY 1999



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 2-3: INCREASE IN SUBSIDY SPENDING, 1999-2001

Percentage Increase in State Spending for Child Care Subsidies, All Sources FFY 1999 to FFY 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Individual state patterns varied, although every state except Ohio experienced its greatest annual growth in child care spending either between FFY 1997 and 1998 or between 1998 and 1999. Between FFY 1999 and 2000, Michigan and Minnesota reported single-digit percentage decreases in spending, though both again reported increases the following year. Between FFY 2000 and 2001, three states reported decreases—Alabama (5 percent), Illinois (3 percent), and Virginia (19 percent).

Per Capita Growth in Child Care Spending

To compare the states' impressive increases in spending for child care subsidies, state differences in child care costs and size of the population of low-income children must be taken into account. Each state's child care expenditures have been adjusted to account for differences in child care costs.[12] To adjust for differences in population size, we used an estimate of the number of children under age 13 living in families with incomes below 62% of SMI, with all parents in the household employed, as well as all children under age 19 with disabilities. We chose the figure of 62% of SMI because that is where the average state sets its eligibility ceiling.[13] We divided the adjusted spending amount by the number of children living in families with incomes below this ceiling.

Exhibit 2-4 summarizes expenditures per low-income child (defined in the paragraph above) in the study states from FFY 1997 through FFY 2001. Across the states, adjusted spending per child more than doubled over the five-year period, increasing each year through 2000, before dropping slightly between 2000 and 2001. Average spending increased 40 percent from FFY 1997 to 1998, 48 percent from FFY 1998 to 1999, and 19 percent from FFY 1999 to 2000. Between 2000 and 2001, average spending decreased by 3 percent.

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[12] Expenditures were adjusted using a child care cost index based on the relative average hourly wage for a child care worker. The Child Care Cost Index is defined as: $CCCI_I = W_I / W_N$), where W_i = average hourly wage rate for child care workers in $Region_i$, and W_N = national average hourly wage rate for child care workers. Adjusted child care expenditures in $State_i$ = actual child care expenditures in $State_i$ divided by the $CCCI_i$, when $State_i$ is located in $Region_i$. For the CCCI used for FFY 1997 and 1998**,** average hourly wage rates for child care workers were obtained from the Census Bureau's 1997 National Compensation Survey. For the CCCI used for FFY 1999 and 2000, average hourly wage rates for child care workers were obtained from the Census Bureau's 1999 National Compensation Survey. For the CCCI used for FFY 2001, average hourly wage rates were obtained from the Census Bureau's 2001 National Compensation Survey. Wages are estimated for nine Census regions, nationally. (In the first *Interim Report,* the CCCI developed to adjust FFY 1999 expenditures was based on the Census Bureau's 1997 National Compensation Survey; this updated report uses the CCCI based on the 1999 Compensation Survey to adjust FFY 1999 expenditures.)

[13] Estimated numbers of children under 62% of SMI were developed to provide a common benchmark across the states that is unaffected by state policy. This is **not** an estimate of potentially eligible children under Federal law; under current law, states are allowed to set their eligibility ceiling as high as 85% of SMI. In some study states, such as Minnesota and North Carolina, children are eligible for subsidies when families have incomes that are higher than 62% of SMI. In other states, such as Alabama, Massachusetts, and New Jersey, children in families with incomes at 62% of SMI are ineligible. It is also important to note that, in reality, the number of children with incomes below that level is different each year because of changing numbers of families that enter or leave the labor force and relative changes in family income. However, data limitations for this report make it necessary to use an estimate for a single time period to compare use numbers from several years. The estimates were created by the Urban Institute using data on income, employment, and disability status from the combined March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. (The first *Interim Report* used a different benchmark, i.e., children in families earning 85% SMI or less with parents working or in other activities that confer potential eligibility.)

Exhibit 2-4: ANNUAL SPENDING PER LOW-INCOME CHILD

Adjusted Annual Spending Per Child under 62% SMI, Federal Fiscal Years 1997-2001

	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001
Range	$182 - $885	$391 - $984	$491 - $1,155	$572 - $1,400	$574 - $1,618
Average	$419	$588	$872	$1,035	$1,005
% Change From Previous Year		40%	48%	19%	-3%

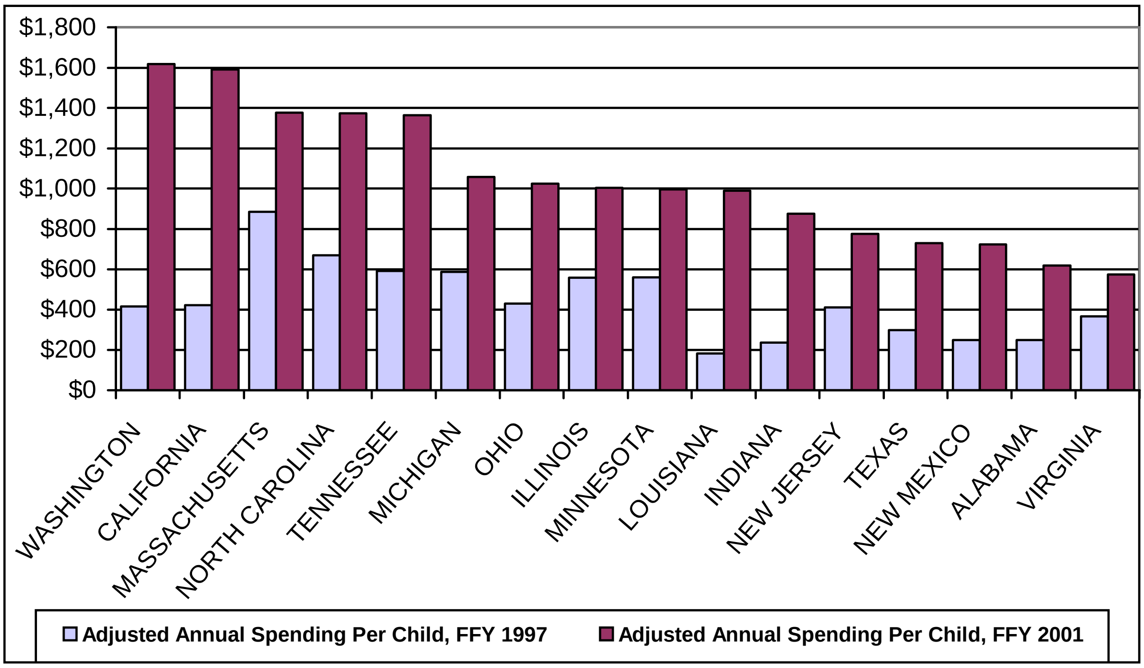
Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Among study states, the bottom and top of the spending range were widely separated in all five years; the widest separation ($1,044) occurred in 2001.

Exhibit 2-5 provides information on growth in state spending per child under 62% of SMI. Three of the five states with the biggest increases (Indiana, Louisiana, New Mexico) were also among those with the lowest adjusted annual spending per child below 62% of SMI in 1997. Similarly, of the six states in which spending grew by less than 100 percent, four were among the highest per-child spenders in FFY 1997 (Illinois, Massachusetts, Michigan, and Tennessee). (Also see Appendix Tables 2-B.1-5.)

Exhibit 2-5: STATE SPENDING PER LOW-INCOME CHILD, 1997 AND 2001

State Expenditures Per Child Under 62% of SMI, Federal Fiscal Years 1997 and 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Another way of comparing states' spending is to look at average amounts spent for each child served by subsidies, again adjusting state spending to account for state differences in child care costs. As Exhibit 2-6 shows, average adjusted spending per child served grew substantially each year.

Exhibit 2-6: ANNUAL SPENDING PER CHILD SERVED

Adjusted Annual Spending Per Child Served by Subsidies, Federal Fiscal Years 1997-2001

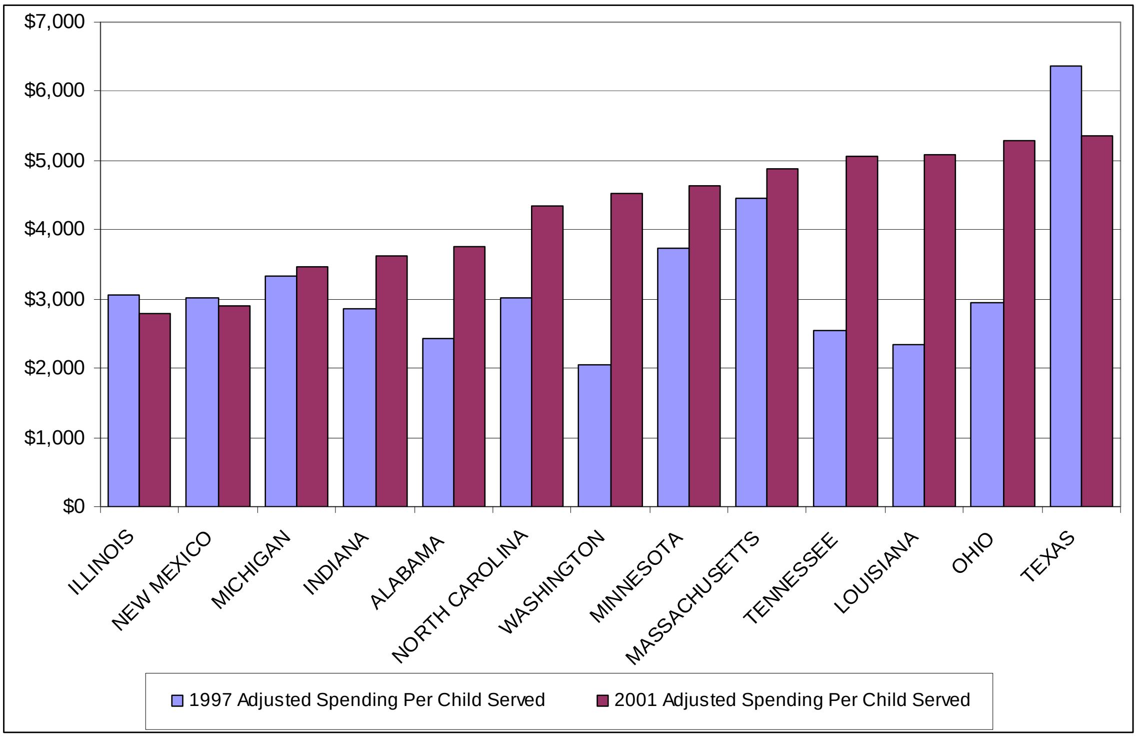
	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001
Range	$2,050 - $6,364	$2,437 - $5,064	$2,849 - $5,189	$3,174 - $5,288	$2,784 - $5,495
Median	$3,012	$3,323	$3,761	$4,168	$4,583
% Change From Previous Year		10%	13%	11%	10%

Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 2-7 provides information on spending per child served by state, for Federal fiscal years 1997 and 2001, for the 13 states reporting sufficient information in 1997 and 2001. In 10 of the 13 states, the adjusted amount states spent per child increased between the two time periods, in some cases quite substantially. (See Appendix Tables 2-C.1-5 for further details.)

Exhibit 2-7: SPENDING PER CHILD SERVED, 1997 AND 2001

Adjusted Spending Per Child Served, Federal Fiscal Years 1997 and 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Sources and Use of Child Care Funds Available to the States

We have broadly grouped the funds available to the states for child care into two categories, the same categories we used in the *Interim Report* (2000). The first, which includes all the Federal and state funding through the CCDF, is "dedicated" to child care. When states use these funding sources, they ***must*** use them for child care. The second category includes all other "optional" Federal and state sources, not specifically earmarked for child care. These are funds that states ***may***, at their option, spend on child care.

Dedicated funding under the CCDF consists of three distinct Federal components and two state components. These components and their associated requirements are described in Exhibit 2-8. Exhibit 2-9 presents similar information for optional Federal and state sources of child care funds, which include the Federal TANF and Social Services Block Grants and state general revenue funds.

Exhibit 2-8: DEDICATED CHILD CARE FUNDS

Dedicated Funds and Requirements for Use

Federal Funds		**State Funds**	
Source	***Requirements***	**Source**	**Requirements**
Child Care and Development Fund (CCDF)/Mandatory	Annual base amount for each state, determined by funding for former Title IV-A child care programs: AFDC, Transitional, and At-Risk.	CCDF/Maintenance of Effort	Annual amount based on historic state spending on former Title IV-A child care program.
CCDF/Federal Matching	Funds above the annual base amount, available to states meeting Maintenance of Effort and State Matching spending requirements. Amounts available to states determined by number of children under age 13 in each state.	CCDF/State Matching	State's required annual matching amount based on Medicaid matching rate.
CCDF/Discretionary	Annual amount for each state based on formula for former Child Care and Development Block Grant program.		
Former Child Care and Development Block Grant (CCDBG)	Funds carried over from earlier CCDBG allocations.		

Exhibit 2-9: OPTIONAL CHILD CARE FUNDS

Optional Funds and Requirements for Use

Federal Funds*		**State Funds**	
Source	***Requirements***	**Source**	**Requirements**
Temporary Assistance for Needy Families Block Grant (TANF)/Funds Transferred to CCDF	A state may transfer up to 30 percent of its Federal TANF Block Grant to its Child Care and Development Fund each year. Transferred funds come under the rules and regulations of the CCDF and are treated as Discretionary Funds.	TANF/Child Care Maintenance of Effort (in addition to CCDF Maintenance of Effort)	States may count the same child care expenditures, based on historic Title IV-A spending for child care, toward both TANF and CCDF Maintenance of Effort requirements. States may also count additional state spending on child care toward TANF Maintenance of Effort.
TANF/Direct Expenditures	A state may also spend Federal TANF funds for child care that are not transferred to the CCDF. There is no limit on these expenditures, which may be made whether or not a state transfers any TANF funds. According to final TANF regulations, an employed family's receipt of child care paid with direct TANF funds is not "assistance" and therefore does not count against a family's Federal lifetime limit on TANF benefits.	Separate State Program/Child Care Maintenance of Effort (in addition to CCDF Maintenance of Effort)	States may count spending on some non-TANF child care programs toward TANF Maintenance of Effort. This may include spending in addition to that included in CCDF Maintenance of Effort. Receipt of child care paid with these funds does not count against a family's Federal lifetime limit, whether or not the family is employed.
Title XX Social Services Block Grant (SSBG)	Historically used by many states to fund child care. PRWORA implemented gradual reductions in funding levels. Of the 30 percent maximum that states may transfer from its Federal TANF Block Grant, up to 10 percent may be transferred to SSBG. (In Federal fiscal year 2001, the maximum that states may transfer from Federal TANF Block Grants dropped to 4.25 percent.)	General Revenue	States may appropriate funds for child care.
Title IV-E	May be used by states to fund for child care related to Child Protective Services.	Protective Services	States may appropriate funds specifically for child care for children in protective services and foster care.

* Other optional Federal funds include Reallotted CCDF (states may apply for any CCDF funds unused by other states) and Food Stamp Employment and Training (funds used by states for the child care costs of legal aliens who must be employed or in a work activity in order to receive food stamps). One study state reported a small amount of Reallotted CCDF spending; another reported a small amount of Food Stamp Employment and Training spending.

All the states in the study except Michigan and Alabama made full use of their dedicated sources of child care funding between 1997 and 2001: they met their maintenance-of-effort and matching requirements to draw down the full Federal share of their CCDF allocations.[14] While Michigan maximized its dedicated sources for child care for all other years, in 1999 it spent no state matching dollars and therefore left unclaimed its entire Federal matching allocation of more than $33 million. Alabama left portions of its Federal matching allocations unclaimed three years in a row: $1.3 million in FFY 1999, nearly $1 million in 2000, and $7.2 million in 2001.[15] (For information on funds dedicated for child care spending, see Appendix Table 2-D.1.)

In addition to spending to draw down their dedicated Federal funds for child care, states also made substantial use of Federal and state funds that they could choose to spend for child care. (See Exhibit 2-10.) In FFY 1997, the study states used optional funding sources sparingly. That year, an average of 16 percent of total child care spending came from optional sources. By FFY 2001, the average percentage—of the far higher absolute level—of child care spending derived from these sources nearly tripled, reaching 47 percent. (See Appendix Tables 2-D.2.)

Exhibit 2-10: USE OF OPTIONAL CHILD CARE FUNDS

Percent of Total Annual Child Care Spending Derived from Optional Federal and State Sources, Federal Fiscal Years 1997-2001

	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001
Range	0% - 56%	0% - 67%	4% - 81%	11% - 82 %	0% - 78%
Average	16%	29%	40%	46%	47%
% Change From Previous Year		81%	38%	15%	2%

Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

In FFY 1997, only California and Michigan covered more than half their child care spending from optional sources. In FFY 2000, the number of study states for which this was the case peaked, at eight of the 17, and dropped back to six in FFY 2001. (See Appendix Tables 2-D.1 and 2.) As state budgets began to tighten, 10 states reduced the percentage of child care spending from optional funds between FFY 2000 and 2001. Although Michigan consistently spent high proportions of funds from

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14 While the funds included in the CCDF must be used for child care, time frames for using them vary. Federal mandatory funds are available until expended, unless Federal matching funds are requested. Matching funds are available provided the state obligates all its mandatory funds by the end of the Federal fiscal year and expends its required state maintenance-of-effort. Federal matching funds must be obligated by September 30 of the year in which funds are received; state matching funds must be obligated by September 30 to cover the state share of the Federal un-liquidated obligation. Obligations must be liquidated by September 30 of the following year. Federal discretionary funds must be obligated by September 30 of the fiscal year immediately following the fiscal year in which they were awarded. States must liquidate obligations within one year after the end of the obligation period. See U.S. Department of Health and Human Services, Administration for Children and Families. (2001). Fiscal Year 2000 State Spending Under the Child Care and Development Fund (CCDF) as of 9/30/2000. <http:/www.acf.dhhs.gov/programs/ccb/research/00acf696/overview.htm>

15 Email communication from Catherine Wade, U.S. Department of Health and Human Services, Administration for Children and Families, to J. Lee Kreader, July 1, 2003.

optional sources, the state was exceptional in FFY 1999 in choosing not to spend the dedicated state funds necessary to draw down any of its dedicated Federal matching funds.

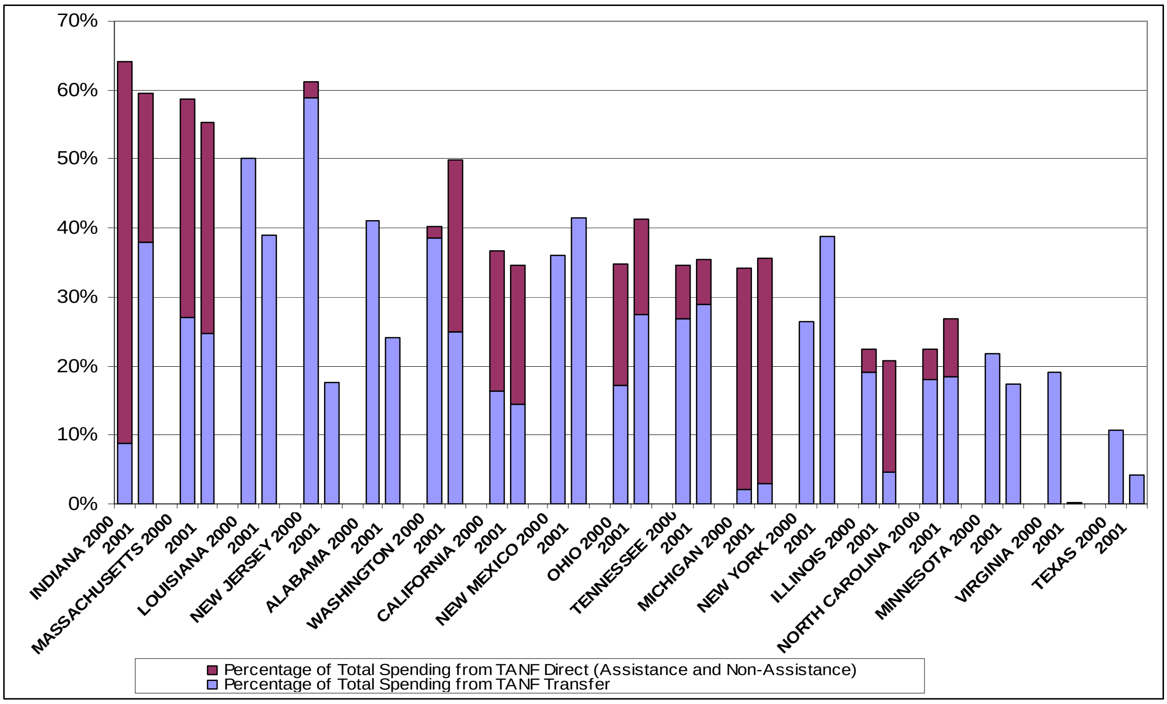
Optional Spending from TANF Block Grants to the States

Federal TANF Block Grants were the main new optional source for child care funds between 1997 and 2001. As welfare caseloads fell, states redirected significant portions of their unspent Federal TANF funds to child care. In 1997 only Massachusetts, Michigan, and Tennessee used TANF funds for child care—either transferred into TANF or spent directly. In FFY 1999, 2000, and 2001, all reporting states, with the exception of Virginia, made use of TANF funds for child care. [16]

Already striking in FFY 1999, states' use of Federal TANF funding climbed in 2000, then slipped back a little in FFY 2001. In 1997, Massachusetts was the only state to draw more than 20 percent of its child care expenditures from its Federal TANF Block Grant. At the FFY 2000 peak, 15 of the 17 states met 20 percent or more of their child care spending needs with Federal TANF funds, and, in six of the 15, Federal TANF money accounted for 40 percent or more of child care expenditures. In FFY 2001, 13 states met 20 percent or more of their child care spending with these funds and, in 5 of the 13, TANF funds accounted for 40 percent or more for child care expenditures. (See Exhibit 2-11; also see Appendix Table 2-E.)

Exhibit 2-11: SPENDING PER CHILD SERVED, 2000 AND 2001

Adjusted Spending Per Child Served, Federal Fiscal Years 2000 and 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

[16] All study states except New York provided financial information for FFY 1997 through FFY 1999. All 17 study states provided financial information for FFY 2000 and 2001. In FFY 2001, Virginia reported just 0.12 percent of its child care spending from TANF.

Child care financed with funds transferred from TANF into the CCDF is subject to CCDF health and safety regulations. Transferred TANF funds are also governed by the CCDF requirement that at least 4 percent be spent on activities to enhance quality and expand supply. Of the three states reporting use of Federal TANF funds for child care in FFY 1997, Massachusetts and Tennessee used transferred TANF funds exclusively, and Michigan used a combination of transferred funds and direct spending. By FFY 2000, all 17 study states used transferred TANF funds and of these, seven used only transferred TANF funds. States used similar combinations in FFY 2001. (See Exhibit 2-11.)

States became more willing to spend TANF funds directly on child care after final TANF regulations, published in 1999, held that receipt of these funds would not count against the lifetime limit for TANF benefits for working families, defined as TANF "non-assistance." (For non-working families, child care subsidies are counted in the TANF "assistance" category.) As a result of this new ruling, in FY 1999, 10 of the 16 reporting states used direct TANF funds. This trend was sustained through 2001, when 10 of 17 states spent direct TANF dollars, and five of them spent more direct TANF than transferred funds.

In financial reports to the Federal government for FFY 2000, for the first time states were asked to distinguish between direct TANF child care spending for "non-assistance" and "assistance." Eight of the 10 states reporting direct TANF spending in FFY 2000 and 2001 spent more for "non-assistance" than "assistance." The exceptions were Louisiana (FFY 2001), New Jersey (FFY 2000), and Tennessee (FFY 2000 and 2001). (See Appendix Table 2-E.)

Optional Spending from Social Services Block Grant, Title IV-E, and Other Federal Sources

The Social Services Block Grant (SSBG, also known as Title XX) declined in importance as a source of child care funding between 1997 and in 2001. (See Appendix Table 2-E.) Although 10 states used SSBG in 1997, and 11 in 2001, it accounted for a declining amount of child care spending each year in most states, as diminishing SSBG allocations were available to them.[17] [18] In 1997, among the 10 states that reported using SSBG funds for child care, the proportions of total child care spending from SSBG ranged from less than 1 percent in Ohio and Washington through 4 to 9 percent in seven states, up to a high of 26 percent in Michigan. In 2001, the range among the 11 states using SSBG funds had narrowed from less than 1 percent in eight states to 8 percent in New York.

Each of the study years, four or fewer states made modest use of Title IV-E funds for child care. Small amounts of spending from Food Stamp Employment and Training funds were reported by one state in FFY 1997 and 2001, two in FFY 1999, and three in FFY 2000. (See Appendix Table 2-E.)

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17 As noted earlier, PRWORA called for gradual reductions in SSBG funding levels. During FFY 1997-2000, states could increase available SSBG funds by transferring up to 10 percent of their TANF Block Grant into SSBG.

18 Some SSBG funds spent on child care had been transferred by states into the SSBG from TANF. (See Exhibit 2-9 above for more information about the use of SSBG and TANF funds on child care.) All but Louisiana and New Mexico transferred some FFY 2001 TANF funds into the SSBG, but for most study states, we do not know the amounts—if any—of transferred funds these states spent on child care. See HHS, *2002 TANF Annual Report to Congress,* Table 2:11:a, p. II-55. North Carolina, however, did explain that the bulk of its SSBG child care spending came from transferred TANF funds in 2000. (See note in Appendix Table 2-8.) Funds transferred into the SSBG may be spent in the year received, but may also be spent in the subsequent year. Schumacher, Greenberg, and Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs,* Center for Law and Social Policy, 2001, pp. 27-28.

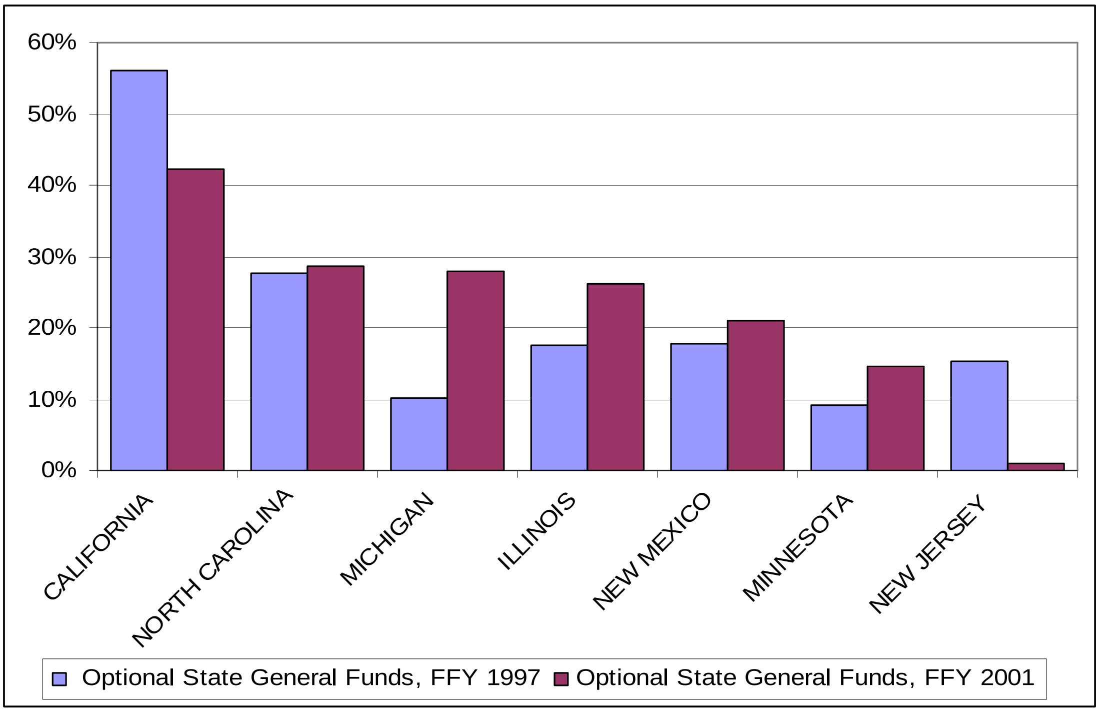
Illinois and New Mexico used state appropriations earmarked for child care for children in protective services during all five years. In addition, Ohio used this optional state source in FFY 1997 and 1998, as did Massachusetts in 1998 and 2000, Alabama in 2000, and Washington in 2000 and 2001.[19]

Sustained State Patterns of Optional Spending from State Funds

Fears that states that historically had spent more than the required minimum on child care might abandon their commitments as a result of increased funding available from the Federal government were unrealized. Study states largely held to their traditional practices of spending—or not spending—their own optional funds on child care between FFY 1997 and 2001. In FFY 1997, in seven of the 16 reporting states, 9 percent or more of child care assistance came from optional funds. In all of the rest of the states, the proportion was between 0 and 3 percent. In FFY 2001, in six of the 17 reporting states, 14 percent or more of child care came from state optional funds; in the rest the proportion was 4 percent or less. Six of the seven states in the group that spent more optional funds in FFY 1997 were also in that group in FFY 2001 (See Exhibit 2-12 and Appendix Table 2-F.)

Exhibit 2-12: STATE GENERAL REVENUE SPENDING, 1997 AND 2001

Percent of Subsidy Spending From "Optional" State General Revenue Funds For Study States Spending 9 Percent or More in Federal Fiscal Years 1997 or 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

[19] While other states also purchased child care for children in the child welfare system, they did not have identified appropriations for this purpose.

As Exhibit 2-9 shows, optional state funds include those spent on TANF or Separate State Child Care programs that states count toward TANF maintenance-of-effort requirements. Three reporting states used funds so designated in FFY 1997; 10 did so in FFY 2001. (See Appendix Table 2-F.)

Individual State Spending Patterns

Exhibit 2-13 shows individual state spending patterns for the years 1997 through 2001. For each state, the exhibit shows the amount of adjusted state spending per child under 62% of SMI that came from each major source: Federal dedicated funds (i.e., Federal CCDF, not including amounts transferred from TANF), Federal TANF funds, other Federal optional funds, state dedicated funds, and state optional funds.

Spending for Activities to Enhance Quality and Expand Supply

In addition to spending on direct child care services, all the states fund a host of activities designed to improve the quality and expand the supply of child care. CCDF regulations require states to spend a minimum of 4 percent on quality activities from their aggregate allocations of Federal mandatory, matching, and discretionary funds (including those transferred from TANF) and state matching funds. Activities supported with these funds include training and education for child care practitioners, salary enhancements for teachers, consumer education for parents, and child care resource and referral systems for parents, practitioners, and communities. Tiered reimbursement rates, another way of supporting quality, are paid for with direct services funds.

Continued Growth in States' Spending on Quality and Supply-Building Activities

Growth in states' spending on activities to enhance the quality and expand the supply of child care outstripped the growth in their overall spending on child care. [20] All 16 states that reported information for both FFY 1997 and 2001 spent more—usually much more— on quality activities in the later year. [21] Over these years, the percentage growth in such spending spanned a wide range--from a low of 10 percent in Minnesota to a high of 877 percent in California. Average growth was 259 percent, more than double the average increase in overall spending. Three of the four states with the lowest growth rates (Massachusetts, Minnesota, and New Jersey) were also among those states reporting the highest adjusted per capita quality spending in the study's first year, FFY 1997. (See Exhibit 2-14 below and Appendix Table 2-G**.)**

State spending on quality was more likely to spike and dip from year to year than spending on direct services. For example, Minnesota made a significant one-time investment in quality spending in FFY 1998. California spent $13 million more on these activities in FFY 1999 than it did either the year before or the year after, then increased quality spending by $75 million in 2001.

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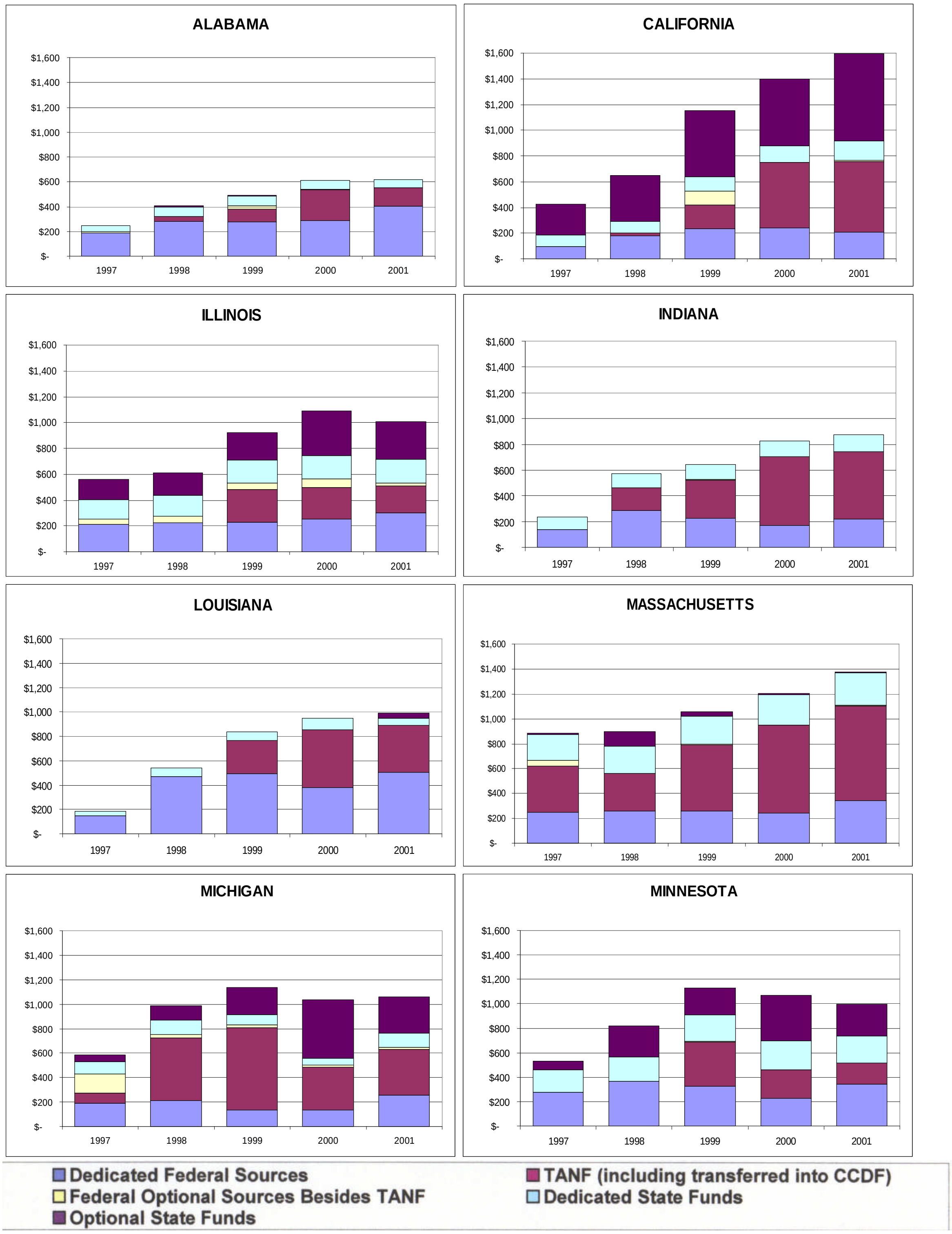
[20] In addition to asking states to report amounts spent on quality/supply-building activities from the dedicated funding of the CCDF, we asked them to report amounts spent on quality from optional funding sources.

[21] For brevity, we will sometimes use the terms "quality" activities or "quality" spending to describe state activities both to enhance quality and expand supply.

Exhibit 2-13: STATE BY STATE SPENDING PATTERNS

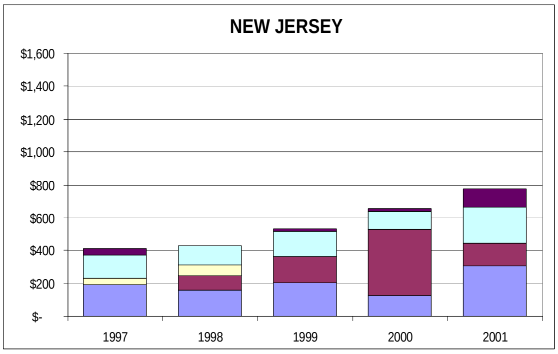
State Spending Per Child Under 62% SMI, by Source of Funds, Federal Fiscal Years 1997-2001

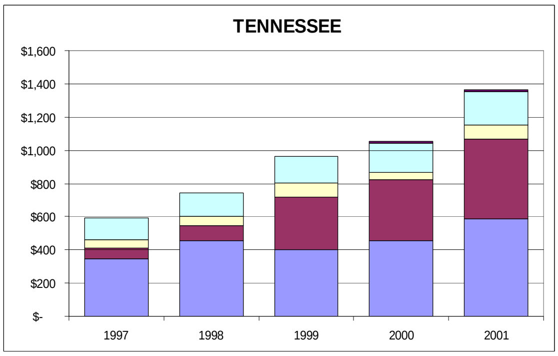


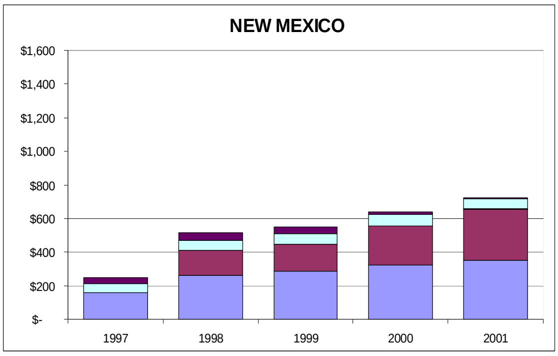
Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

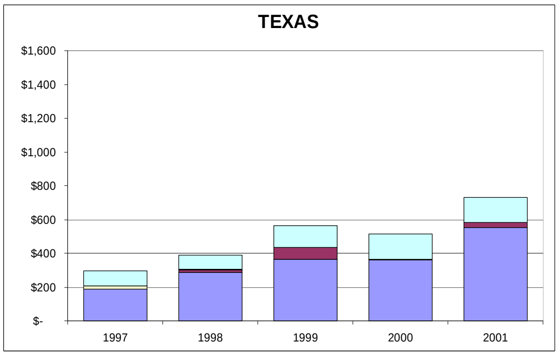
Exhibit 2-13: STATE BY STATE SPENDING PATTERNS, Continued

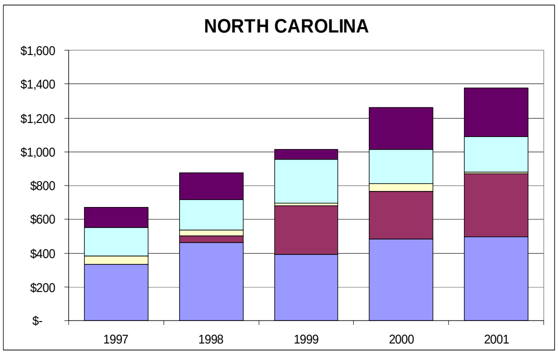
State Spending Per Child Under 62% SMI, by Source of Funds, Federal Fiscal Years 1997-2001

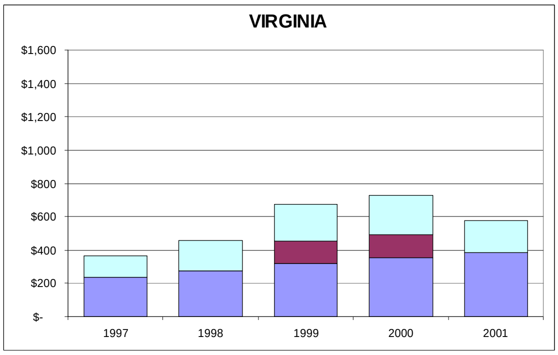


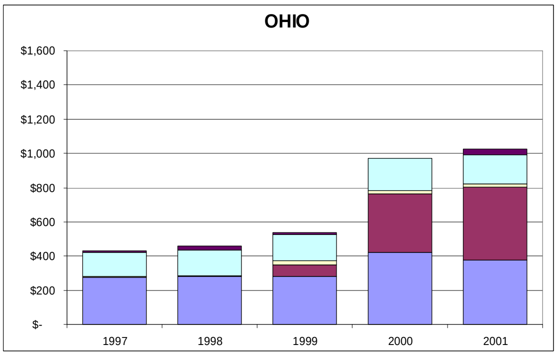


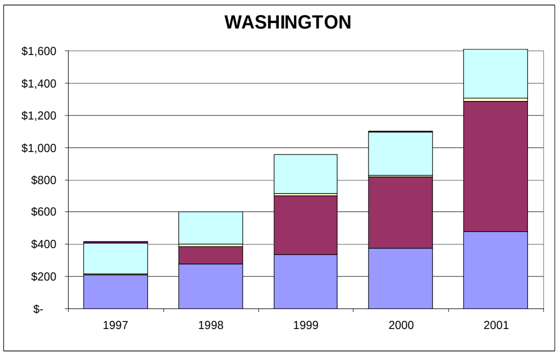










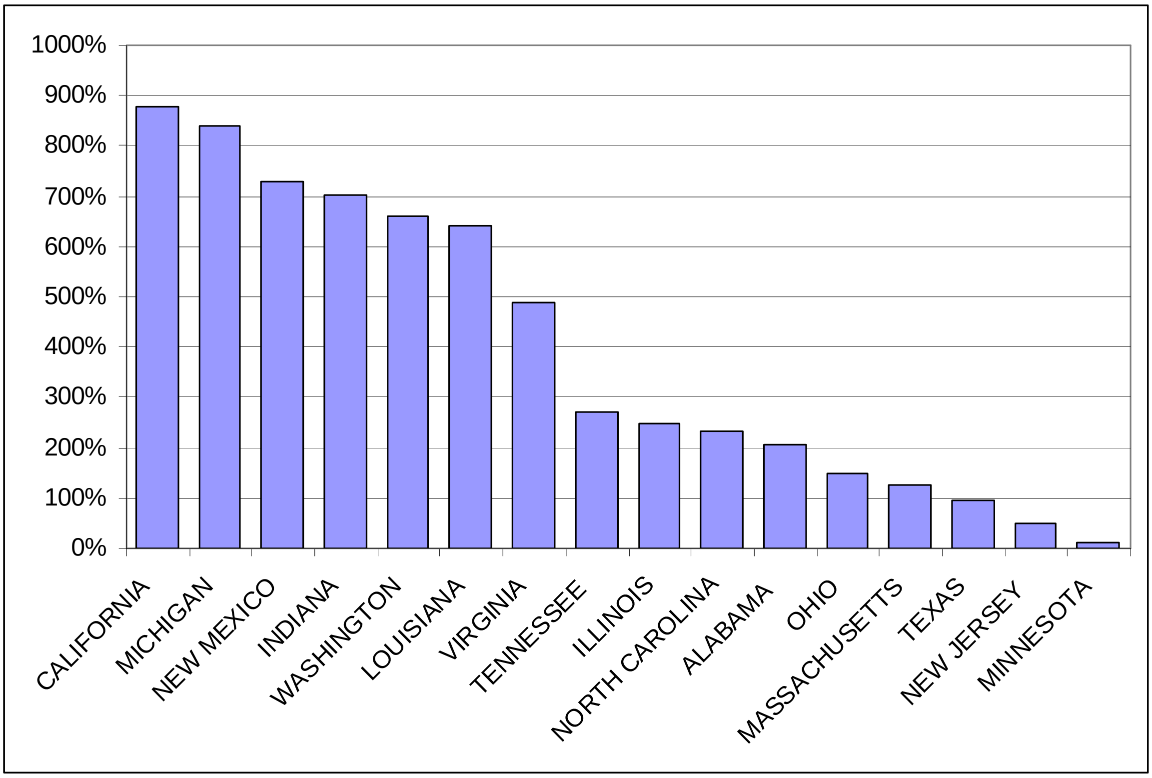


Dedicated Federal Sources
Federal Optional Sources Besides TANF
Optional State Funds
TANF (including transferred into CCDF)
Dedicated State Funds

Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 2-14: PERCENT CHANGE IN QUALITY SPENDING, 1997 - 2001

Percent Change in Spending Used to Expand the Supply and Improve the Quality by State, Federal Fiscal Years 1997 to 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Per Capita Growth in States' Quality and Supply-Building Activities

To compare states' per capita spending for quality and supply-building activities, we used a two-step process similar to that used above to compare states' total child care expenditures. First, we adjusted states' quality and supply-building expenditures by their child care labor costs.[22] Second, we divided each state's adjusted quality and supply-building expenditures by an estimate of the number of children in each state with employed parents. We used the metric of number of children with employed families, rather than number of children in low-income families, for these comparisons,

22 As noted above, we used an index based on labor price differentials to adjust quality expenditures in the 17 study states. We constructed this index using the Child Care Cost Index (CCCI), which is based on wage rates for child care workers, to adjust quality expenditures. See footnote 10 for further information.

because the CCDF intends quality expenditures to upgrade communities' child care supply and thereby benefit all children using child care—subsidized and unsubsidized.[23]

Quality spending per child of employed parents nearly quadrupled between Federal fiscal years 1997 and 2001. As Exhibit 2-15 shows, the average per-child expenditure across the reporting states increased by between 43 and 56 percent each year from 1997 to 2000. The rate of increase slowed to 13 percent between FFY 2000 and 2001.

Exhibit 2-15: PER CHILD QUALITY SPENDING

Quality Spending Per Child of Employed Parents, Federal Fiscal Years, 1997-2001

	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001
Range	$1.95 - $15.74	$3.91 - $19.16	$7.41 - $19.12	$6.80 – $29.05	$10.44 - $32.69
Average	$5.07	$7.80	$12.17	$17.39	$19.70
% Change From Previous Year		54%	56%	43%	13%

Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 2-16 provides state information on per capita quality spending between for 1997 and 2001 and shows how some states' positions as relatively high or low spenders on quality changed during that time. For example, Washington, Michigan, and New Mexico went from relatively low per child expenditures in 1997 to being among the highest spenders in 2001. New Jersey went from relatively high spending in 1997 to relatively low spending in 2001. No matter where they ranked, each study state appears to have satisfied the 4 percent requirement throughout the five years of this study.[24] [25]

States' Quality and Supply Spending as a Percentage of Their Total Child Care Spending from All Sources

To analyze state spending on quality and supply building from a broader perspective, we calculated states' annual spending on quality as a percentage of their child care spending from *all* sources, even if the source is not included in the pool for which a minimum spending of 4 percent on quality activities is required. Viewed this way, spending on quality activities more than kept pace with the

[23] The estimated number of children of employed parents is derived from a simulation model developed by the Urban Institute using data on income, employment, and disability status from the combined March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. We used these estimates in the absence of data on children in all forms of child care.

[24] Conversations and emails with Catherine Wade at HHS, July 2003.

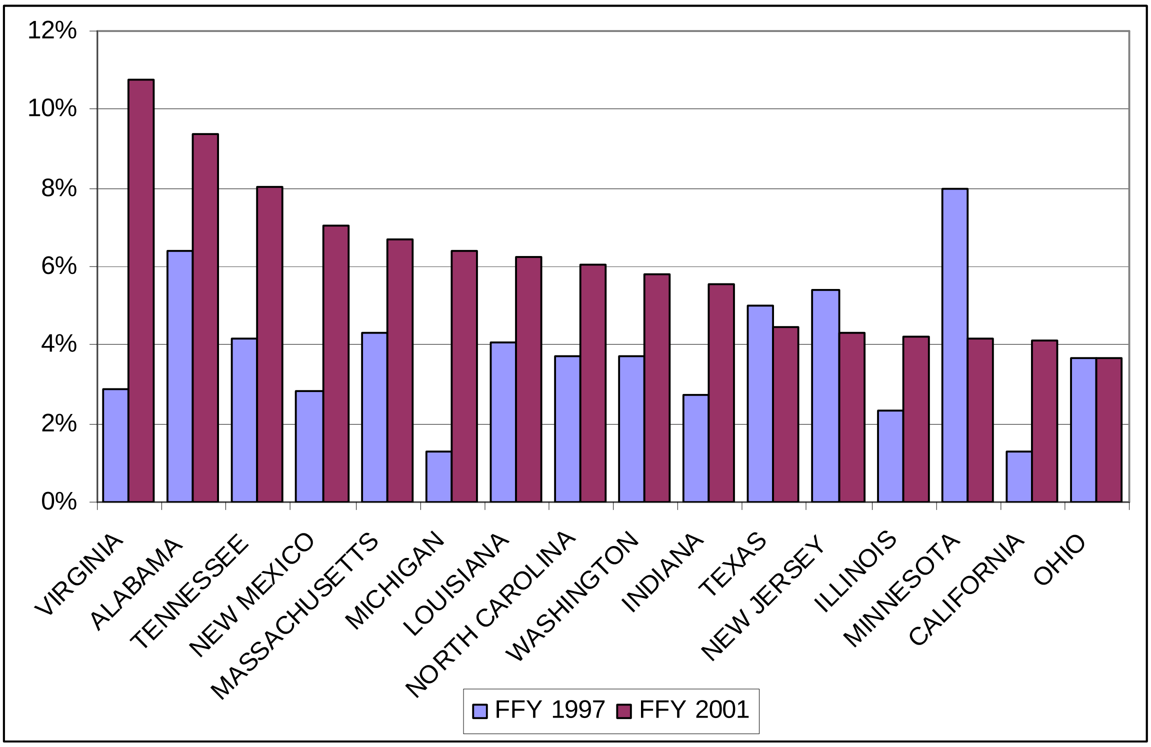
[25] The CCDF's 4 percent requirement applies to *each Federal fiscal year's allocations* from each source, but only at the end of their various multi-year liquidation periods. The 4 percent requirement does not apply to *spending during each Federal fiscal year* from each of these sources—the amounts states reported for this study.

overall growth in child care spending between FFY 1997 and 2001. With the exceptions of Minnesota, Texas, and New Jersey, every reporting state devoted the same or a higher proportion of total spending to quality activities in 2001 than it had in 1997. (See Exhibit 2-16 and Appendix Table 2-H.)

The number of states with quality spending exceeding 4 percent of their spending from all sources grew steadily over the first five years of the Child Care and Development Fund. In 1997, seven states spent more than 4 percent on quality. By 2001, quality spending exceeded 4 percent in 16 of 17 reporting states.

Exhibit 2-16: PERCENT CHANGE IN QUALITY SPENDING, 1997 - 2001

Percent Change in Spending Used to Expand the Supply and Improve the Quality by State, Federal Fiscal Years 1997 to 2001



Source: Information provided by study states, drawn from their ACF-696 and ACF-196 financial reports to the U.S. Department of Health and Human Services and additional sources.

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These changes in the numbers of children served reflect states' spending patterns. The next chapter compares the numbers of children served by subsidies among the study states.

Chapter Three: Meeting the Demand for Child Care Subsidies

This chapter discusses state trends in the use of child care subsidies from 1997 to 2002.[26] It offers two ways to facilitate cross-state comparisons: by using a standard metric of children living in families with incomes below 62% of state median income (SMI), and by describing the extent to which states provides subsidies to children in families with incomes below their own eligibility ceilings. After showing use trends from 2000-2002 for the study counties, the chapter describes how the 17 states in the study allocated the increased subsidy funding described in the previous chapter to meet the needs of TANF families, families transitioning from TANF, and non-TANF families. It also shows the distribution of types of arrangements that were subsidized and how these changed.

Summary of Findings

- **From 1997 to 2002, the number of children served by child care subsidies nearly doubled in the average state**. Eleven of these 14 states experienced a growth rate of over 50 percent. Five—Indiana, Louisiana, New Mexico, New York, and Texas—more than doubled their child care subsidy caseload in this time period. For most states, most of the growth occurred between 1997 and 1999. In fact, in four states, the number of children receiving child care subsidies decreased between 2000 and 2002.
- **Although most states showed tremendous growth in the numbers of children receiving subsidies between 1997 and 2002, the proportion of low-income children served varied widely across the states,** ranging from 12 percent in Virginia to 37 percent in Washington in 2002.[27]
- **In 2002, seven of the 14 states reporting data served 25 percent or more of the families with employed parents and incomes below state eligibility guidelines. In 1997, no states in this study met this threshold.** States differed in the extent to which they provided subsidies to families who were potentially eligible for subsidies according to their state's own income rules. In Illinois, more than half of children who were eligible for subsidies under state income rules received them in 2002. By contrast, in Minnesota, New Mexico, Texas, and Virginia, less than 20 percent of potentially-eligible children received subsidies.[28]
- **On the county level, between 2000 and 2002, changes in the number of children receiving subsidies varied widely, from an increase of 50 percent in rural counties in New Mexico, to**

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[26] Please note that data on state expenditures reported in the prior chapter is for the period ending in 2001 while data on subsidy use is for the period ending in 2002. The year difference is because the final data collection occurred in 2002, at which point the most recent data were reported by States. While states could report April 2002 subsidy use, they were able to report complete financial information for the prior year only.

[27] To facilitate comparisons, we computed the numbers of children served as a percentage of those who lived in households with family incomes below 62% of SMI, as described in the previous chapter. We chose the 62% cut-off because this was where the average state set its income ceiling in 2002. For more information, see the text in this chapter following Exhibits 3.3, as well as the relevant sections in Chapter 2.

[28] The income level at which the state sets eligibility for subsidies does, of course, affect the proportion of eligible children served.

a reduction of 27 percent in a rural county in Massachusetts. The level and the direction of change at the county level often were not in keeping with change at the state level over the same time period, partly because the lower numbers served at the county level make percentage change figures more volatile.

- **Within the subsidy caseload, children in non-TANF families and families transitioning from TANF constituted the great majority of subsidy users**. In 12 of the 14 states that reported subsidy use data by TANF status, children in non-TANF families and families transitioning from TANF accounted for two-thirds or more of the child care subsidy caseload.
- **Although TANF children were a small and decreasing proportion of the *child care subsidy caseload*, in most states the proportion of children receiving subsidies whose families were on the *TANF cash assistance* caseload grew in the period from 1997 to 2002**. In 2002, in 14 of the 15 states that reported data in sufficient detail, more than 10 percent of children from TANF families received child care subsidies. In 1997, only four of 13 states reported that more than 10 percent of children from TANF families were receiving subsidies.
- **In the majority of states in the study, more than half of all the subsidized arrangements were in centers.** A much smaller proportion of subsidies supported care by relatives; in 13 of the states 20 percent or less of subsidized arrangements were care with relatives, either in the relative's home or the child's own home. These two trends not withstanding, there was tremendous variation among the states.

Child Care Subsidy Use

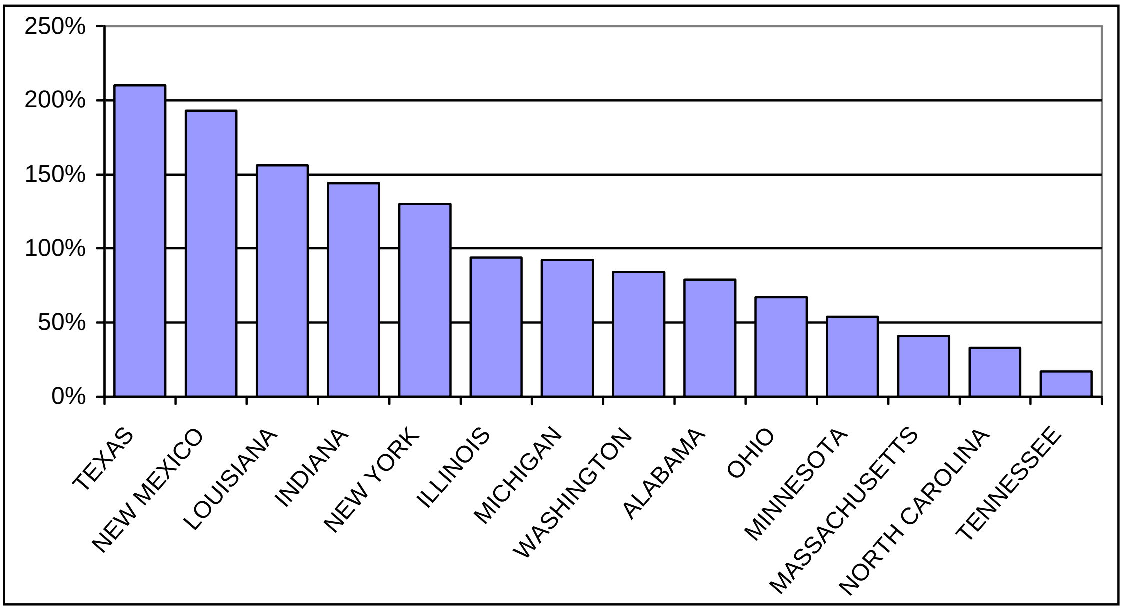
In this section, we describe the changes in the number of children who received child care subsidies in all the states that participated in the study except California, which was unable to provide state-level use information in sufficient detail. After describing state-level subsidy use from 1997 to 2002, we then provide county-level information for the period between 2000 and 2002.

State-Level Patterns of Subsidy Use

From April 1997 to April 2002, the number of children who received subsidies grew substantially in nearly all of the states in the study (see Exhibit 3-1). The average growth rate in subsidy use across the 14 states that could report data for all years was 89 percent. Eleven of the 14 states that reported subsidy use numbers for all four years experienced a growth rate of more than 50 percent. (State-by-state total child care enrollments and rates of growth are shown in Appendix Table 3-A.)

Exhibit 3-1: INCREASE IN SUBSIDY USE

Percentage Increase in the Number of Children Receiving Child Care Subsidies April 1997 to April 2002



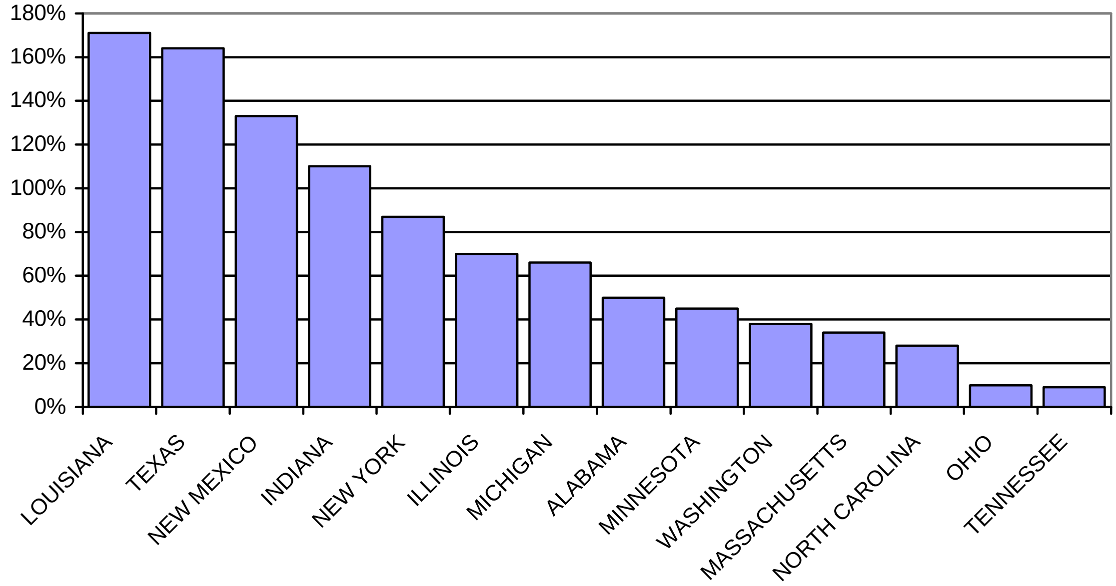
Note: California, New Jersey, and Virginia did not supply sufficient data for either 1997, 2002, or both years.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

In the majority of the states, the numbers of children who received subsidies increased in each succeeding year during this period, but the gains were not steady. For the period between 1997 and 1999, the gains were dramatic; nine of the 14 states that could report subsidy use for both years showed increases of over 40 percent, with Indiana, Louisiana, New Mexico, and Texas showing gains of over 100 percent. Tennessee had the lowest growth rate—9 percent (see Exhibit 3-2). The rate of growth slowed considerably between 2000 and 2002 (see Exhibit 3-3). In that period, only Ohio showed a growth rate of over 30 percent and, in four of the states, subsidy caseloads actually decreased.

Exhibit 3-2: 1997-1999 INCREASE IN SUBSIDY USE

Percentage Increase in the Number of Children Receiving Child Care Subsidies
April 1997 to April 1999

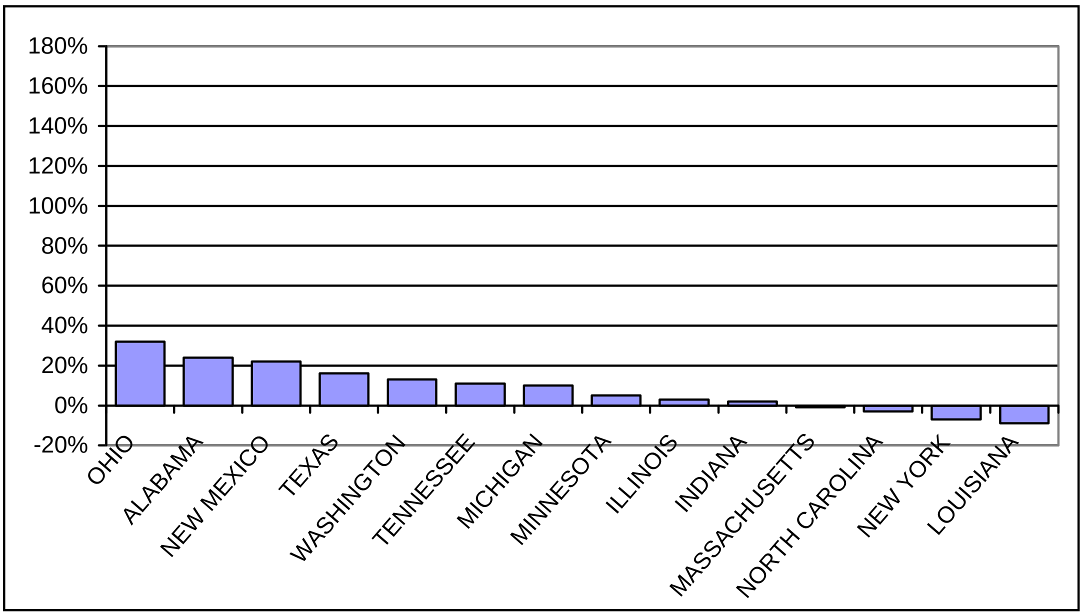


Note: California, New Jersey, and Virginia did not supply sufficient data for either 1997, 2002, or both years.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 3-3: 2000-2002 INCREASE IN SUBSIDY USE

Percentage Increase in the Number of Children Receiving Child Care Subsidies
April 2000 to April 2002



Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

After describing the general growth in the number of children served by all sources of subsidies, a next step is to describe the growth using a common metric so that it is possible to compare states of different sizes. (See Exhibits 3-4 and 3-5.) To make appropriate comparisons between states with relatively large populations, such as New York, and states with small populations, such as New Mexico, we used an estimate of the number of children under age 13 living in families with incomes below 62% of state median income (SMI), with all parents in the household employed, as well as all children under age 19 with disabilities.[29] We chose the figure of 62% of SMI because that is where the average state set its eligibility ceiling.[30] This is not an estimate of eligible children served, since, under current law, states are allowed to set their eligibility ceiling as high as 85% of SMI. In some states in our study, such as Minnesota and North Carolina, children are eligible for subsidies when families have incomes that are higher than 62%. In other states, such as Alabama, Massachusetts, and New Jersey, children in families with incomes at 62% of SMI are *ineligible*. It is also important to note that, in reality, the number of children with incomes below 62% of SMI is different each year because changing numbers of families enter or leave the labor force and family incomes change from year to year. However, data limitations for this report make it necessary to use an estimate for a single time period to compare use numbers from several years.

Exhibit 3-4 shows that the average percentage of low-income children served in the study states, calculated as described above, increased from 15 percent in April 1997 to 24 percent in April 2002. The percentage peaked in 2001, at 25 percent. Throughout the five-year period, the proportion of children served in the study states varied widely; for instance, in April 2002, the proportion served varied 12 to 37 percent. Exhibit 3-5 shows individual state figures for April 1997 and April 2002. (See also Appendix Table 3-A.)

Exhibit 3-4: LOW-INCOME CHILDREN SERVED BY SUBSIDIES

Children Served by Subsidies as a Percentage of Children under 62% SMI, April 1997-2002

	1997	1998	1999	2000	2001	2002
Range	5%-20%	13%-26%	11%-31%	10%-33%	11%-36%	12%-37%
Average	15%	18%	22%	22%	25%	24%
% Change From Previous Year		20%	22%	0%	14%	-4%

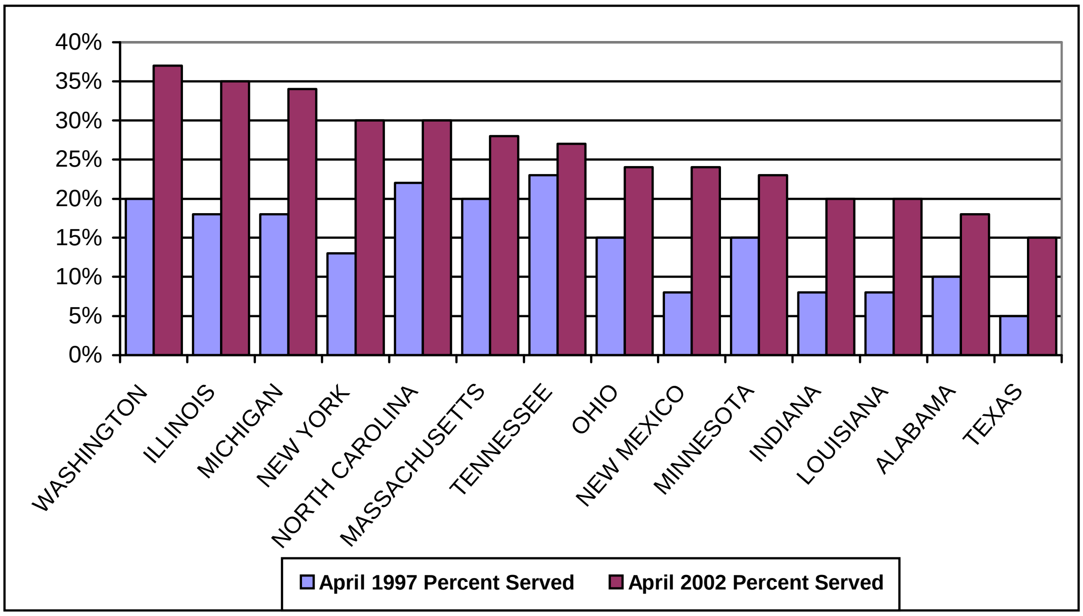
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

29 The number of children in families below 62% SMI was estimated by the Urban Institute using a simulation model and data on income, employment, and disability status from the combined March 1995, March 1996, and March 1997 Current Population Surveys, which cover calendar years 1996-1998.

30 See Child Care and Development Fund Report of State Plans FY 2002-2003, which summarizes the CCDF State plans for the 50 states, Washington, D.C., the U.S. Virgin Islands, and Puerto Rico. December 2002. Published by the Child Care Bureau, U.S. Department of Health and Human Services.

Exhibit 3-5: PERCENTAGE OF LOW-INCOME CHILDREN RECEIVING SUBSIDIES

Children Receiving Subsidies as a Percentage of Children Under 62% of SMI, April 1997 and 2002



Note: California, New Jersey, and Virginia did not supply sufficient data for either 1997, 2002, or both years.
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

States that initially served smaller proportions of these low-income children tend to show the greatest percentage gains. This is the case in Texas. The state ranked among the lowest of the study states in terms of the proportion of children served by subsidies in 2002, when calculated using the denominator of children in families below 62% of SMI, yet experienced a 210 percent increase in numbers served between 1997 and 2002.

However, states that served relatively high percentages in 1997 also showed dramatic percentage gains. For instance Illinois, New York, and Michigan all showed relatively high rates of increase in numbers of children served between 1997 and 2002, ranging from 92 to 131 percent, even though they were serving relatively high percentages of low-income children in 1997.

A second way to think about state patterns in the numbers of children served by subsidies is to compare the proportion of children served who may be eligible under each state's rules. These comparisons make it possible to see the extent to which states are meeting the needs of families that they have targeted for subsidies. Exhibit 3-6 shows the average percentages of children served under state income rules across the study states for the years of the study, together with the range, and Exhibit 3-7 shows individual state patterns. In 2002, seven states in the study provided child care subsidies to an estimated 30 percent or more of the children who were potentially eligible for subsidies under state rules. This is quite a change from 1997, when only Tennessee served more than 30 percent of potentially state-eligible children.

Exhibit 3-6: STATE-ELIGIBLE CHILDREN SERVED BY SUBSIDIES

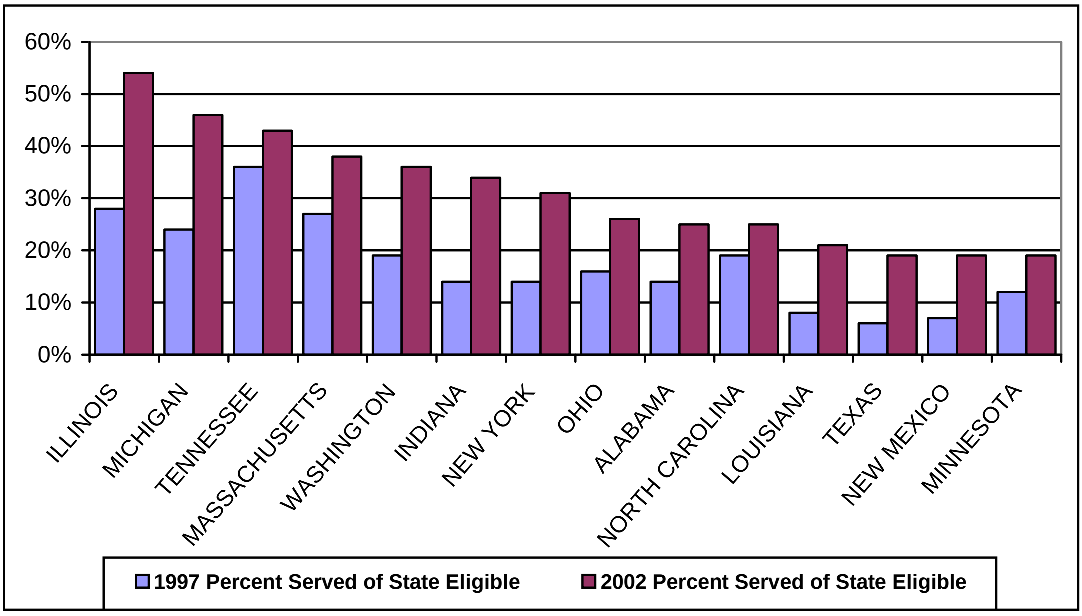
Children Served by Subsidies as a Percentage of State-Eligible, April 1997-2002

	1997	1998	1999	2000	2001	2002
Range	7%-27%	11%-34%	16%-48%	14%-53%	15%-55%	16%-54%
Average	16%	22%	24%	25%	25%	26%
% Change From Previous Year		38%	9%	4%	0%	4%

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 3-7: PERCENTAGE OF STATE-ELIGIBLE CHILDREN SERVED

Percentage of State-Eligible Children Receiving Child Care Subsidies, by State, April 1997 to April 2002



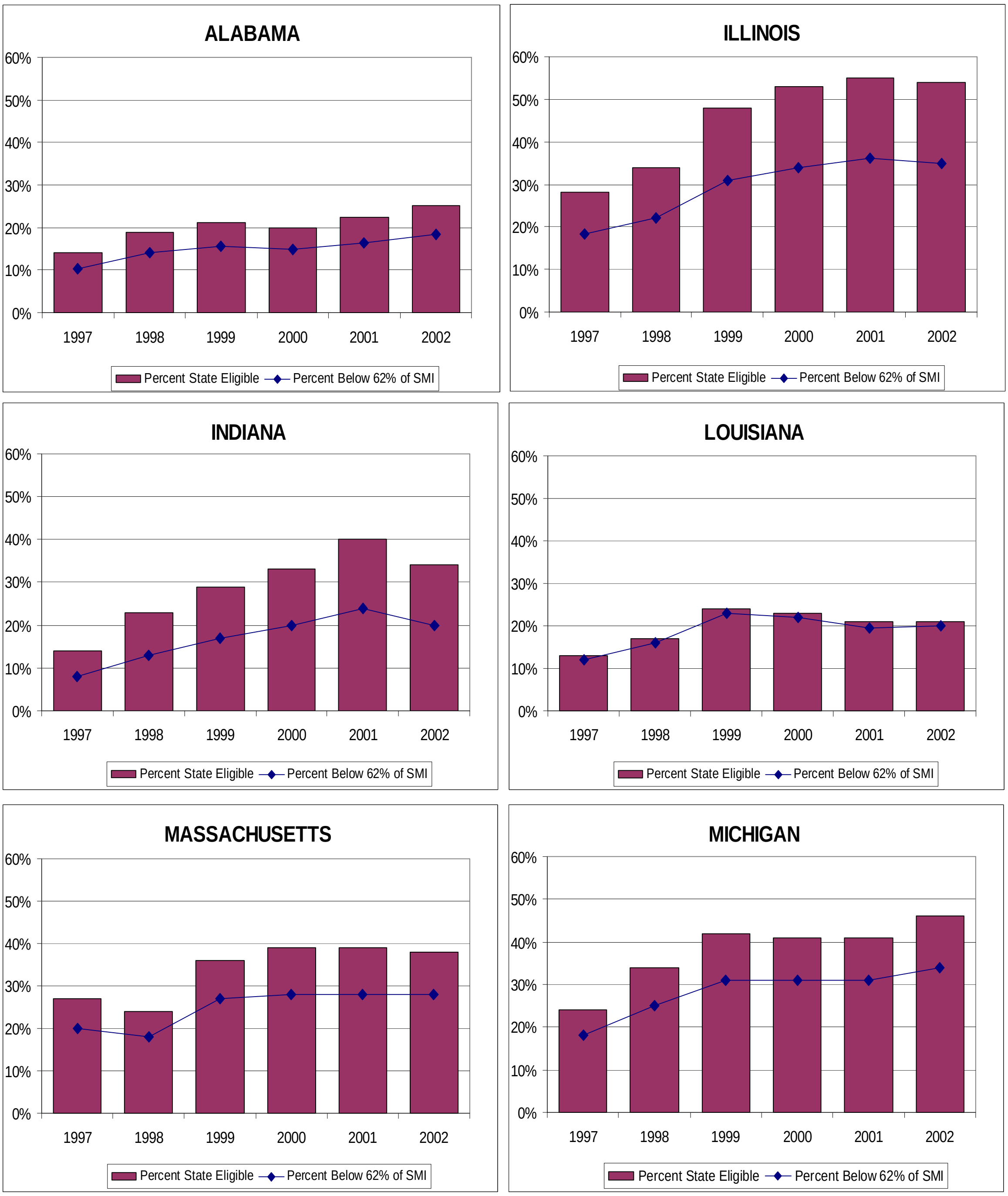
Note: California, New Jersey, and Virginia did not supply sufficient data for either 1997, 2002, or both years.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

A closer look at individual state patterns shows that, while in most states larger increases occurred in the first half of the study period, there was substantial variation among states. Exhibit 3-8 shows, for each state, the percentage of potentially state-eligible children served each year between 1997 and 2002 for which we have data. It also shows the number of children served as a percentage of the number below 62% of SMI. (For additional information, see Appendix 3-A.)

Exhibit 3-8: STATE-BY-STATE USE PATTERNS

Percentage of State-Eligible Served Compared with Percentages of Children Under 62% of SMI, 1997-2002

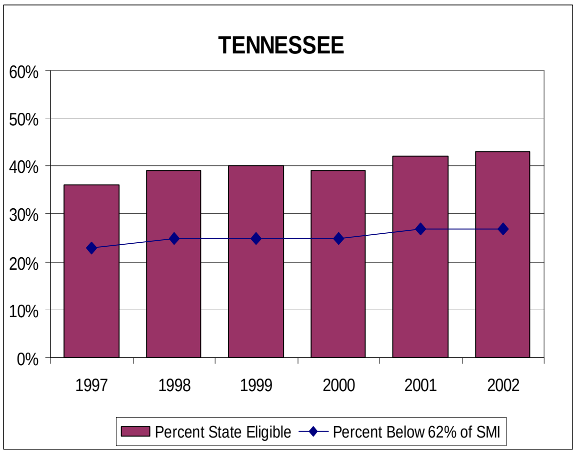


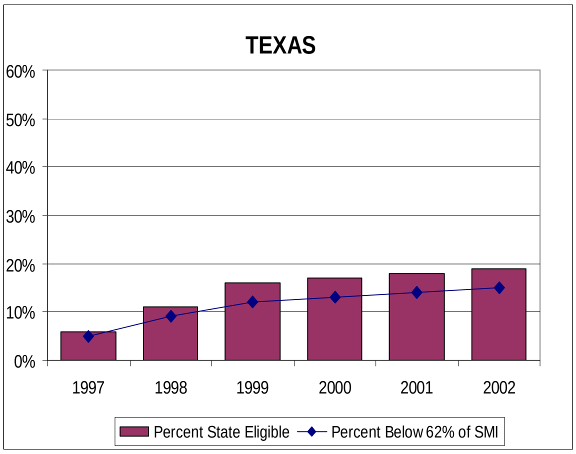
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

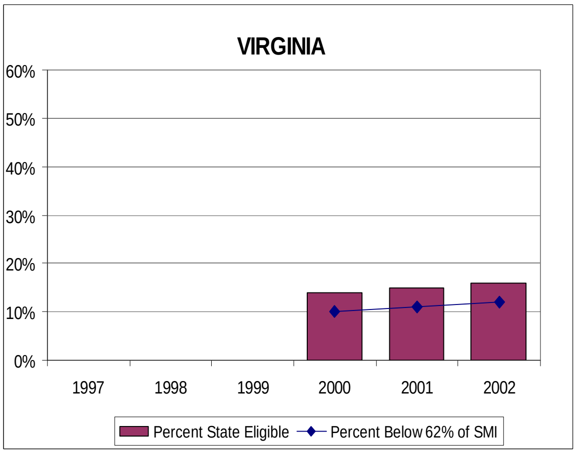
Exhibit 3-8: STATE-BY-STATE USE PATTERNS, Continued

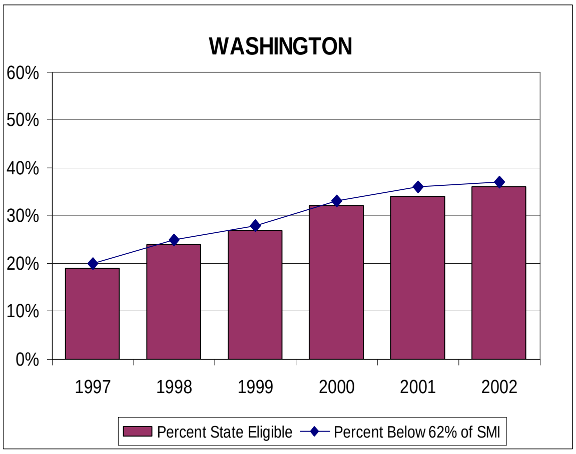
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 3-8: STATE-BY-STATE USE PATTERNS, Continued









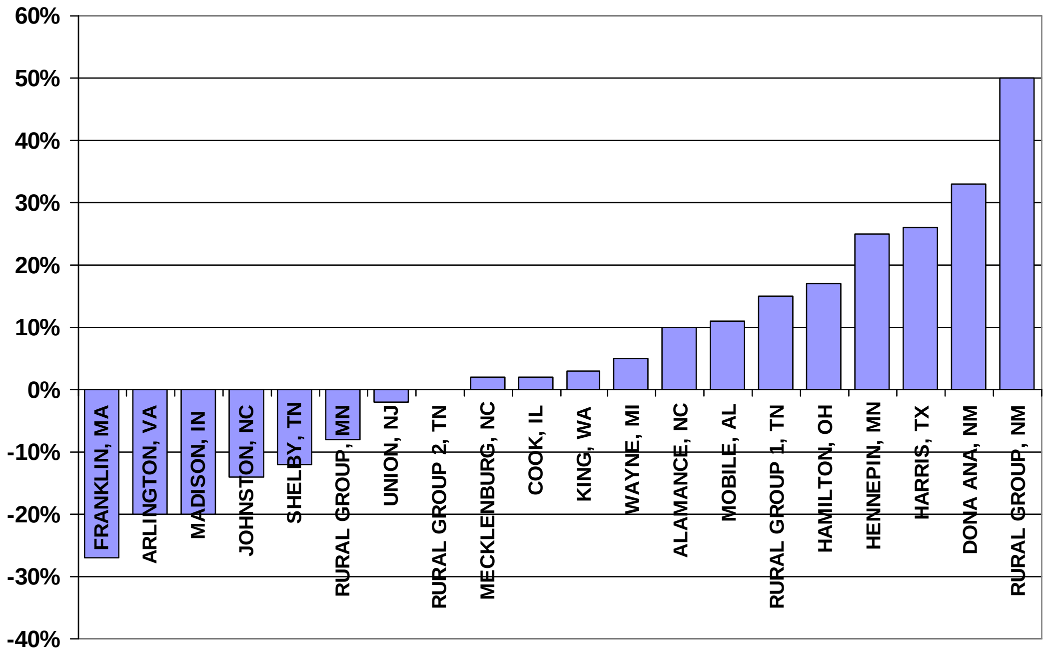
Note: When data were not supplied by state for a specific year, no value is given. Insufficient data were reported for California.
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

County-Level Information

All but two of the states in the study provided information about child care subsidy use in the 25 study counties for the years 2000-2002.[31] Exhibit 3-9 shows the percentage change in numbers of children receiving subsidies at the county level for these years. The county-level use data shows great differences in percentage changes among the counties for this period; the range, in fact, is much wider than at the state level. (See Exhibit 3-2 for comparison and Appendix Table 3-B for further detail.)

Exhibit 3-9: COUNTY-LEVEL CHANGE IN SUBSIDY USE, APRIL 2000-2002

Percentage Change in Number of Children Served at the County Level, April 2000 and April 2002



Note: Data were unavailable for counties in California and Orange County, New York. "Rural County Group, MN," includes Itasca, Koochiching, and Pennington counties. "Rural County group 1, TN," includes Bedford, Coffee, and Marshall counties. "Rural County Group 2, TN," includes Fayette, Hardeman, Haywood, Lake, and Lauderdale counties. "Rural County Group, NM," includes Grant, Luna, and Hidalgo counties.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

In addition to showing a wider variation than at the state level, the change that occurred at the county level was not necessarily consistent with overall change in the home state. For instance, for the period of 2000-2002, Tennessee experienced an 11 percent increase in subsidy use. However, county-level data for that state shows a very mixed picture: Shelby experienced a 12 percent *decrease* in the numbers of children receiving subsidies, one rural county group experienced no growth, and the other rural county group showed a 15 percent increase. Similarly, Franklin, Massachusetts experienced the greatest percentage decrease in subsidy use (27 percent) among the counties for which data were available for

[31] California and New York provided insufficient county-level information

2000-2002, yet the state of Massachusetts reported an increase of 36 percent over that time period. Exhibit 3-10 provides a comparison of the change in subsidy use at the county level over the two-year period, compared with change at the state level.

Exhibit 3-10: COUNTY AND STATE-LEVEL CHANGE IN SUBSIDY USE, APRIL 2000-2002

A Comparison of Percentage Change in Number of Children Served on County and State Levels, April 2000 and April 2002

County	2000-2002 Percentage Change, County Level	2000-2002 Percentage Change, State Level
MOBILE, AL	11%	24%
COOK, IL	2%	3%
MADISON, IN	-20%	2%
FRANKLIN, MA	-27%	-1%
WAYNE, MI	5%	10%
HENNEPIN, MN	25%	5%
ITASCA, KOOCHICHING, PENNINGTON, MN	-8%	5%
UNION, NJ	-2%	-11%
DONA ANA, NM	33%	22%
GRANT, HIDALGO, LUNA, NM	50%	22%
ALAMANCE, NC	10%	-3%
JOHNSTON, NC	-14%	-3%
MECKLENBURG, NC	2%	-3%
HAMILTON, OH	17%	32%
BEDFORD, COFFEE, MARSHALL, TN	15%	11%
FAYETTE, HARDEMAN, HAYWOOD, LAKE, LAUDERDALE, TN	0%	11%
SHELBY, TN	-12%	11%
HARRIS, TX	26%	16%
ARLINGTON, VA	-20%	NA
KING, WA	3%	13%

Note: State and county numbers were unavailable for California. County numbers were unavailable for Louisiana and New York for at least one of the two years.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

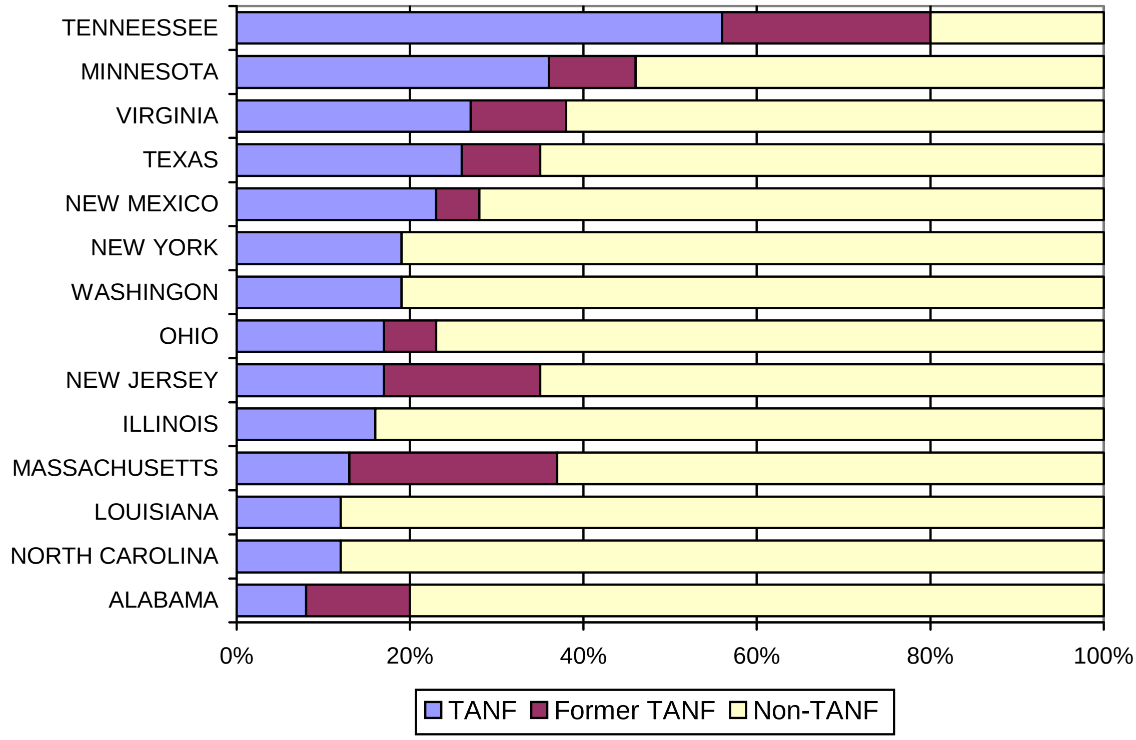
The Composition of the Child Care Subsidy Caseload

As we noted in Chapter 1, children eligible for subsidies live in families with several different circumstances: with parents in approved employment or job preparation activities and receiving TANF cash assistance; with employed parents transitioning from TANF; or in low-income (non-TANF) families with parents eligible for subsidies because they are working or in approved education or training activities. Many states balance the needs of these three groups, but in general make TANF families and those transitioning from TANF among their highest priorities.

What proportion of subsidies supports children from non-TANF families? The states in the study were asked to indicate the numbers of children in their child care subsidy caseload that fell into the categories of TANF, transitional (if a formal program existed), or Non-TANF families. Exhibit 3-11 shows the proportion of children receiving subsidies in each of these family categories in April 2002. (We include information on "transitioning" families for those states that have such a category, but it is important to remember that, in the states without such a distinction, they are counted among the "non-TANF" population.) With the exception of Tennessee, in all the states with subsidy use data reported by TANF status, children from non-TANF and transitioning families constituted the majority of children receiving subsidies. Even in Tennessee, non-TANF children accounted for nearly 44 percent of the child care subsidy caseload. (See Appendix Table 3-C for more details.)

Exhibit 3-11: CHILDREN RECEIVING SUBSIDIES BY TANF STATUS

TANF, Transitioning, and Non-TANF Children Receiving Child Care Subsidies as a Proportion of All Subsidized Children, April 2002



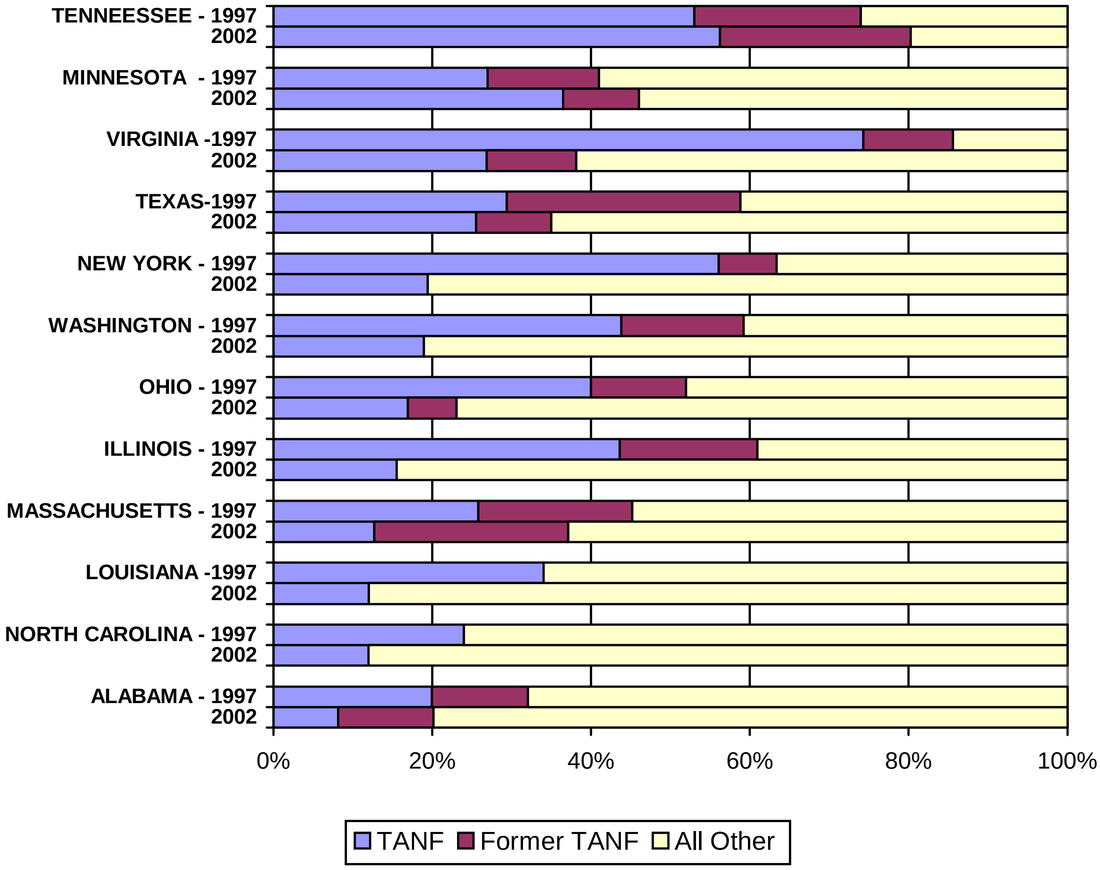
Note: Data were either not supplied or unavailable from California, Indiana, Michigan, and New Mexico.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 3-12 provides subsidy caseload information by TANF status for 1997 and 2002, for the 12 states for which both years of data were available. In all these states except Tennessee and Minnesota, children from TANF families accounted for a smaller proportion of the child care subsidy caseload in April 2002 than in April 1997. In nine of the states the proportion of children who were from TANF families dropped substantially—by more than 100 percent. (For more-detailed information, see Appendix Table 3-C.)

Exhibit 3-12: CHILDREN RECEIVING SUBSIDIES BY TANF STATUS, 1997 AND 2002

TANF, Transitioning, and Non-TANF Children Receiving Child Care Subsidies as a Proportion of All Subsidized Children, April 1997 and April 2002



Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Meeting the Demand for Subsidies for Families on TANF

Although TANF children represented a decreasing share of the numbers of children in *subsidy caseloads*, paradoxically, over time a larger proportion of children from TANF families were receiving child care subsidies. With the passage of Federal welfare reform, many state and local policymakers expected that the TANF program's emphasis on work would significantly increase the demand for child care subsidies by those receiving cash assistance. And, indeed, between 1997 and 2002, in all states in the study, the proportion of children in TANF families who received subsidies increased, in some cases dramatically.

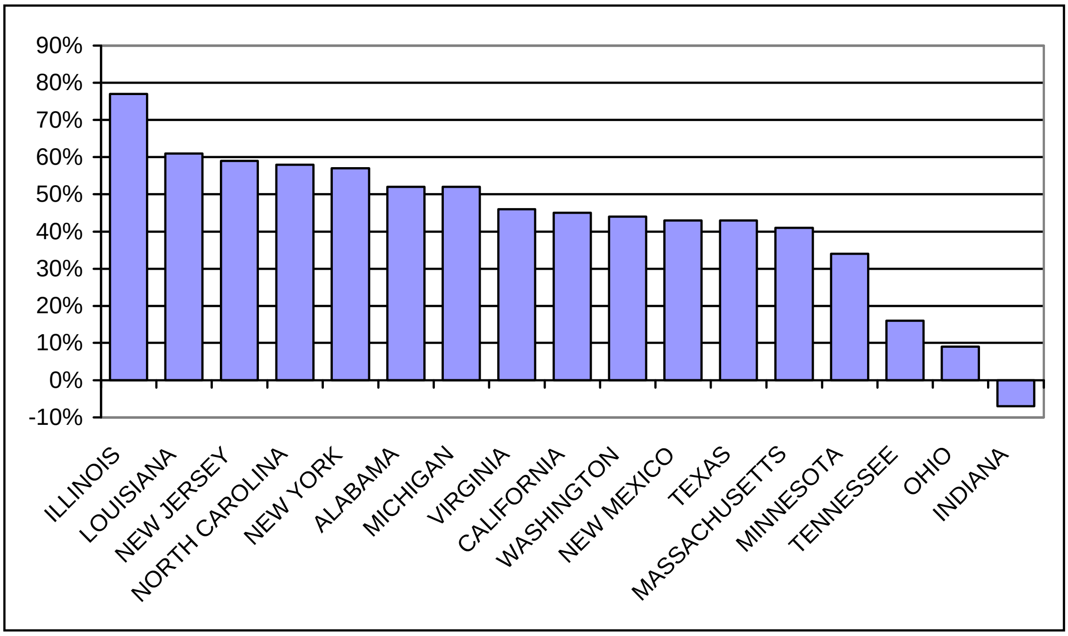
How can it be that children from TANF families represented a decreased share of the child care subsidy caseload, and yet a larger proportion of *TANF* children received subsidies in 2002 than in 1997? Much of the explanation lies in the dramatic decrease in the overall TANF caseload. Even though a higher proportion of children on TANF were receiving subsidies in 2002 than were in 1997, the *absolute number* decreased substantially. This section briefly describes TANF caseload trends and their effect on the use of child care subsidies.

TANF Caseload Trends

In many of the study states, TANF caseloads decreased substantially between 1997 and 2002 (Exhibit 3-13). In 13 of the 17 states, TANF caseloads decreased more than 40 percent in this time. (For more information, see Appendix Table 3-D.)

Exhibit 3-13: TANF CASELOAD DECREASES

Percentage Decrease in Overall Number of Children In TANF Families* **
1997-2002



* Estimate for each year used one month of state data on the number of families receiving TANF, multiplied by each state's average number of children per TANF family for that relative time period. In this way, child-only cases were excluded from the estimates, i.e., those cases where the child receives TANF but parents are not.

** Indiana showed a 7 percent *increase* in its TANF caseload in the period between 1997 and 2002.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Trends in Numbers of Children on TANF Cash Assistance Who Received Subsidies

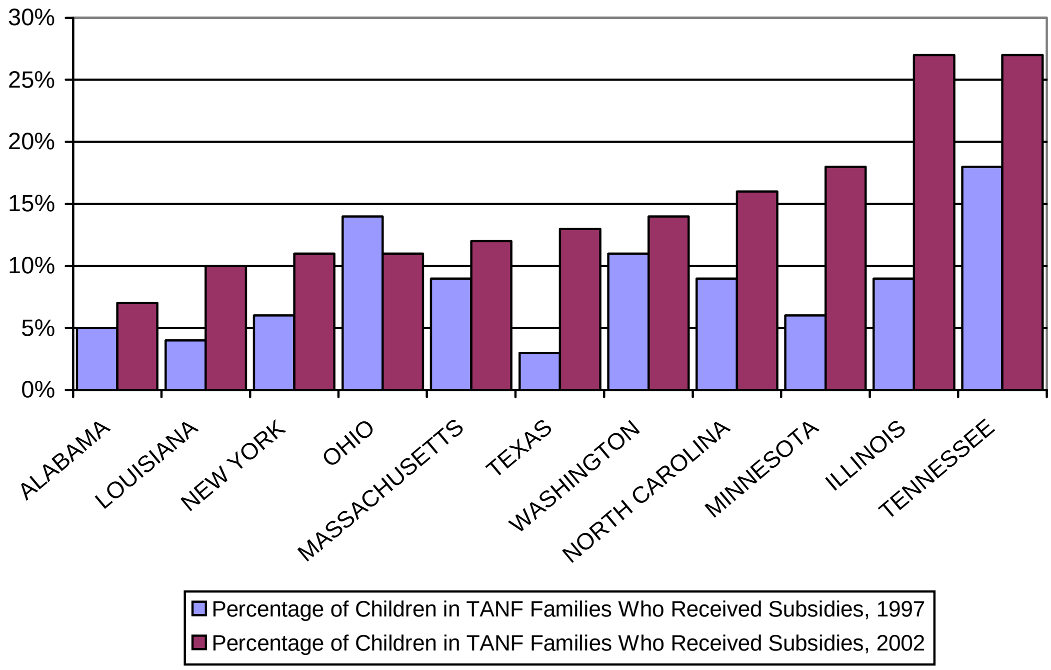
Data reported by 11 of the states make it possible to estimate the percentage of children living in TANF families who received child care subsidies between 1997 and 2002. Exhibit 3-14 shows that many states served a significantly higher percentage of the TANF child caseload with child care subsidies in 2002 than in 1997.[32] In some states, the increase was very substantial. For instance, in Illinois, Louisiana, and

[32] Our calculation is different from those used by most states. States generally calculate the use of subsidies according to the number of parents with earnings or who are in approved education and training programs. Because these programs differ greatly, children in similar families are included in one state's calculation but excluded in another. To facilitate cross-state comparisons, our estimate takes into account all children living in families receiving TANF assistance by taking the reported number of TANF families and multiplying it by the average number of children in family. (We have excluded child-only TANF cases.)

Minnesota, the percentage doubled or nearly doubled; in Texas, the percentage of TANF children receiving subsidies increased more than three-fold.

Exhibit 3-14: TANF CHILDREN RECEIVING SUBSIDIES

Percentage of Children in TANF Families Who Received Subsidies, April 1997 and 2002



For 1997, data were either not supplied or were unavailable from California, Indiana, Louisiana, Massachusetts, New Mexico, North Carolina, Ohio, and Washington. For 2002, data were either not supplied or were unavailable from California and Michigan.
Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

State Patterns of Child Care Receiving Subsidies

Overall State Patterns

A final way to describe the subsidy patterns among the states is to do so in terms of the types of care subsidies purchase. Exhibit 3-15 depicts the proportions of the different types of care supported by each state, and across the 15 states reporting data in April 2003. These states were asked to report on all of the arrangements that were paid for with *all* sources of funding used for child care. We asked that states be as precise as possible and to indicate whether their reports were generated by their administrative systems, informed estimates, or a combination of the two approaches.

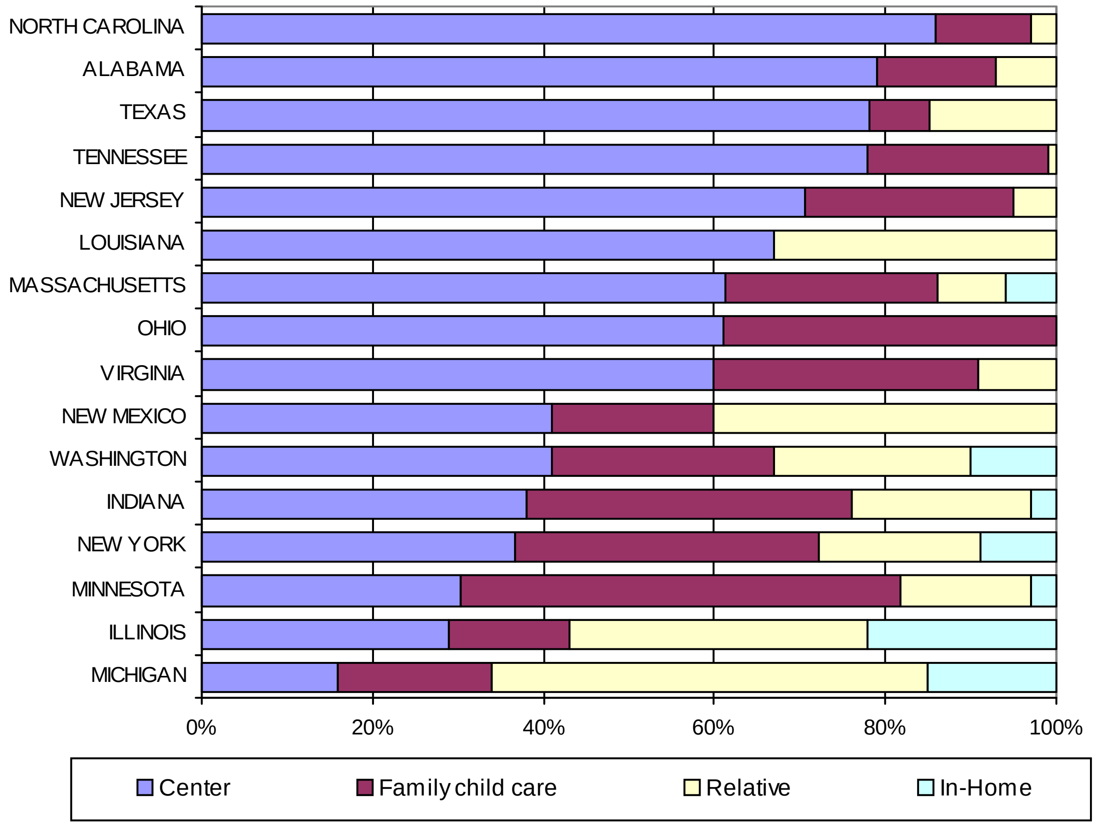
In nine of the 16 states that reported use data in 2002[33,] more than half of the subsidized arrangements were in centers. A much smaller proportion of subsidies supported care by relatives; 13 of the states had 20 percent or less of their subsidized arrangements with relatives, either in the relative's home or the child's own home. In eight of the 15 states, less than 1 percent of subsidized care was provided by a non-

[33] California did not supply data on child care use for 1997-2003.

relative in the child's own home. These two trends not withstanding, as the exhibit shows, there was tremendous variation among the states. For instance, in Michigan, 16 percent of subsidized arrangements were in centers and 66 percent of children were with a relative (in the relative's or child's home) or with a non-relative in the child's home. By contrast, in North Carolina 85 percent of arrangements were in centers and 3 percent in relative care and .02 percent of subsidized care occurred with a non-relative in the child's home. For detailed state information on the distribution and growth rates of all types of care, see Appendix Table 3-E.

Exhibit 3-15: STATE PATTERNS OF SUBSIDIZED CHILD CARE

Distribution of Types of Subsidized Child Care By State, April 2002



Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

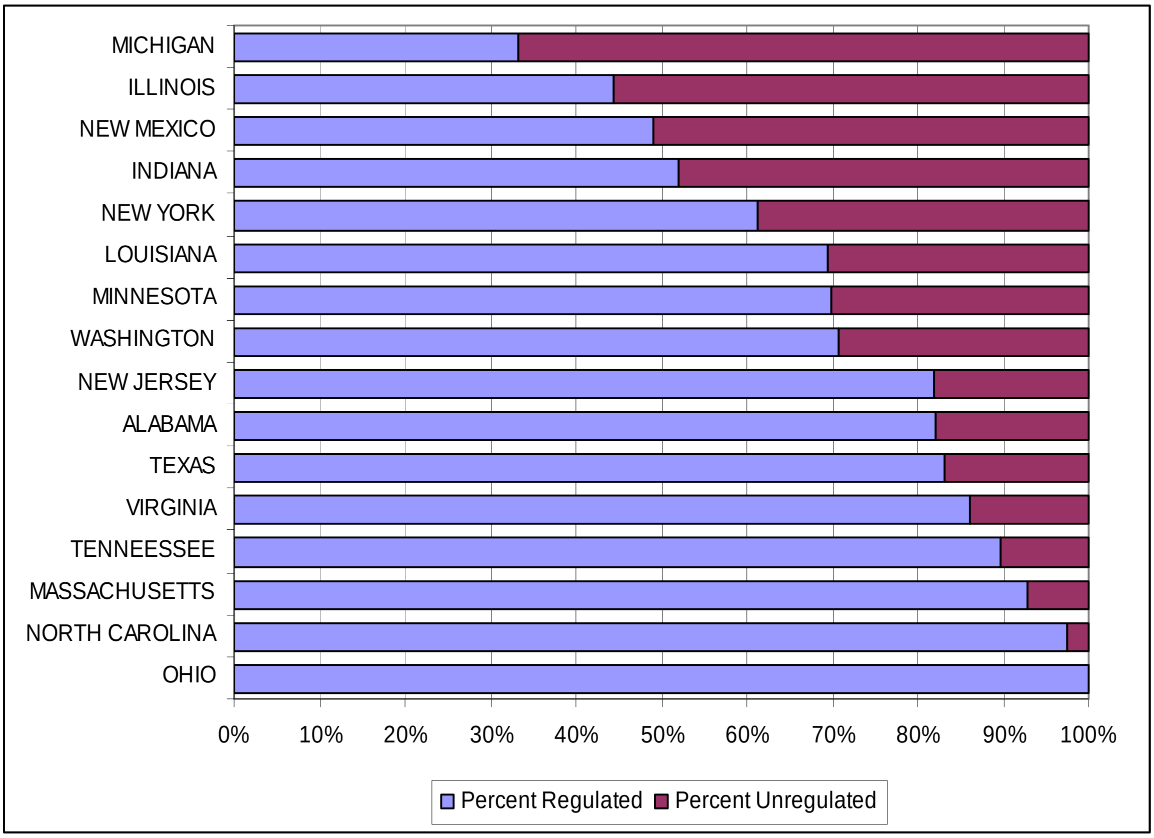
The states also reported their subsidized arrangements according to their regulatory status. Exhibit 3-16 shows that in 12 of the 16 states, more than 60 percent of the arrangements supported occurred in regulated settings; in half of the states, 80 percent or more of subsidized care was regulated. In Ohio, where 100 percent of subsidized child care is considered "regulated," the state requires license-exempt arrangements to submit to its regulatory standards, although in these cases, parent inspections may substitute for inspections from the regulatory agency.

Changes in the Proportions of Care Between 1997 and 2003

How did patterns shift from 1997 to 2002? Exhibit 3-17 shows each state's distribution of arrangements by type in 1997 and 2002 for the 13 states that could supply data in both years. These show that there were shifts in distribution of subsidized arrangements between the two points in time, but these shifts did not always move in one direction. For instance, between 1997 and 2002, four of the states showed a 10 percent or greater increase in the proportion of care subsidized in centers, while, in five states, the change in the proportion of subsidized center slots was between plus or minus 10 percent and, in four states, the change was 10 percent or more. In the case of child care that goes largely unregulated—care by relatives and care in a child's home by a non-relative—there was a consistent decrease. With the passage of the 1996 legislation, policymakers and others were concerned that welfare reform would result in increasing numbers of subsidized children in these forms of child care. However, the proportion of subsidies that went to the combined category of all relative arrangements and care by a non-relative in the child's home stayed the same or decreased in nine of the 13 states that could report data for the two time periods. For more information, see Appendix Table 3-E.

Exhibit 3-16: REGULATED AND UNREGULATED ARRANGEMENTS

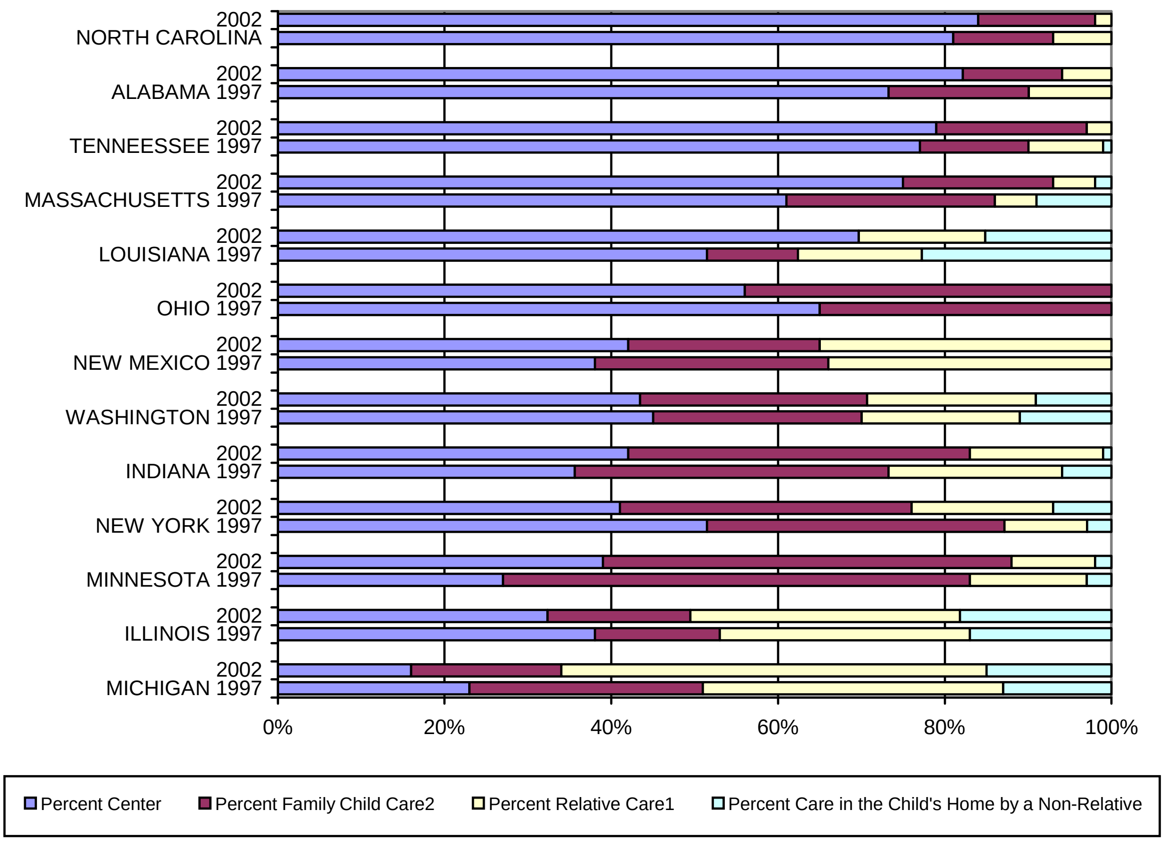
Distribution of Types of Child Care by its Regulatory Status, by State, April 2002



Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

Exhibit 3-17: CHANGE IN DISTRIBUTION OF SUBSIDIZED ARRANGEMENTS

Percent of Care Arrangement Receiving Subsidies By Type of Child Care, April 1997 and 2002



*California did not supply data for 1997 or 2003. New Jersey, Virginia, and Texas did not provide date about type of arrangements for 1997.

Source: Information provided by the study states, drawn from their ACF-800 and ACF-801 reports to the U.S. Department of Health and Human Services and additional sources.

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This chapter described the study states' use of the subsidy funding in terms of numbers served, families, TANF status, and the types of arrangements purchased. The following chapter describes the state policies that guided these decisions.

Chapter Four: Subsidy Policies and Their Implementation

Previous chapters described the tremendous growth in subsidy spending and numbers of children served between 1997 and 2002. In the beginning of this period, administrators in states and communities where growth was particularly rapid faced strong pressures to increase the level and amount of services to families as quickly as possible. In the winter and spring of 2002 and 2003, when the last round of interviews occurred with key informants at the state and community levels, the picture had changed dramatically. An economic downturn and the threat of a loss of state funds confronted state administrators with a new challenge—how to maintain their child care subsidy program in the face of reduced resources.

This chapter provides information on state policies in the study states related directly to families' access to services in the winter/spring of 2002/3, and, in some cases, how they changed from 1999. The chapter describes states' eligibility requirements, the existence of waiting lists for subsidies, policies related to parents' co-payments, provider reimbursement rates, and regulatory requirements for providers. The chapter also briefly describes the ways in which subsidy eligibility, certification, and payment systems were implemented in the states and counties in the study.

Summary of Findings

- **In 2003, the income eligibility ceiling for child care subsidies for non-TANF families ranged from 37% of State Median Income (SMI) in Indiana to 77% SMI in New Mexico.** In three of the 17 states, eligibility ceilings were relatively unchanged since 1999. In five of the states, eligibility ceilings went up as a percent of SMI. In the remaining 9nine states, eligibility ceilings were lower in 2002/3 than they were in 1999, and in some cases, substantially lower. In addition to income requirements, eight of the 17 states required non-TANF families to work a minimum number of hours to be eligible. Requirements ranged from 15 to 40 hours per week.
- **While 14 of the 17 states in the study maintained waiting lists for subsidies, virtually all families receiving TANF cash assistance or transitioning from TANF that requested subsidies continued to receive priority for services. A**ll of the states showed a continued commitment to serve families who were on TANF or transitioning from TANF. One state did report that about 250 families in its Work First program went unserved in 2002. For non-TANF families, the size of the waiting lists ranged from approximately 3,700 children in Virginia to 40,000 children in Texas.
- **In nine of the 17 states, subsidies were delivered through a statewide system, in 7 states through a county-based system.** One state, California, delivered some of its subsidy dollars through the State Department of Education, and the remainder, directed toward families on TANF, through county social services offices. While all states delivered subsidies through vouchers, four of the states in the study also delivered one-half to one-fifth of their subsidies through contracts with providers.
- **Ten of the 25 study counties used private child care management agencies exclusively to deliver subsidies, while 12 of the counties used government agencies exclusively, usually TANF offices.** The remaining three counties used both government agencies and private voucher

management agencies for families, depending on their TANF status. While a growing number of the agencies allowed families to mail applications for subsidies, non-TANF families had to apply for subsidies in person in 17 of the 25 study counties.

- **In all of the states in the study, the standard length of certification for subsidies for non-TANF families was either six or 12 months.** In all of the states, copayment levels were adjusted at recertification and, in about half, agency staff asked parents to pay any co-payment debt accrued in the interval since certification.[34] In eight states, no action was taken to recoup money owed because parents should have been paying a higher co-payment in the interval since their last certification.
- **Co-payment rules varied greatly for families at 33% of SMI as well as for families at 50% of SMI.** For instance, in 2002, in eight states, families at 33% of SMI either had no co-payment or were required to pay less than 5 percent of their weekly income. In three states, the required amount represented more than 10 percent of income.
- **Although families had legal access to virtually all types of child care, the extent of subsidy and regulatory requirements imposed on legal providers differed by state and community.** Some of the most restrictive requirements are those for in-home, non-relative child care. As a result, in half of the states in the study, less than 1 percent of subsidized care occurred in the child's home. Requirements for small family child care homes, relative caregivers, and in-home care (where it is allowed) varied in stringency. Requirements for center-based care also varied, and those states that impose less stringent regulations also tended to purchase higher proportions of center-based care. The greatest variation in regulation was for small family child care homes, which are regulated in some but not all of the states.[35]
- **In 2002/3, only five of the states in the study had recently made changes in reimbursement rates.** In 2001, nine states had made increases. Illinois and Louisiana had last raised their reimbursement rates in 2000 or earlier. All but two of the states used a tiered reimbursement system to provide incentives to providers to offer higher-quality care or care that was relatively scarce.

Eligibility for Subsidies: Policies for TANF and Non-TANF Families

The Child Care and Development Fund allows states to use CCDF resources to assist families in paying for child care if their incomes fall below 85% of the state median income (SMI) and if they need child care to support employment and/or education and training. Most states, including the states in this study, take advantage of the flexibility allowed under the law and set their eligibility limits below the Federal maximum. Some also have eligibility requirements related to minimum *hours* of employment as well as to the types of education, job search, and other job preparation activities that make families eligible to receive subsidies. Families receiving or transitioning from cash assistance and in approved education or job preparation activities are no longer entitled to subsidies as they were under previous legislation, although the CCDF requires them to be a high priority.

[34] We do not have information on the percentage of families who actually paid additional amounts.

[35] Legally license-exempt providers are not subject to any licensing requirements, but usually need to meet some requirements in order to receive subsidies.

Setting eligibility limits is one way in which states and communities ration their limited subsidy resources. Income eligibility ceilings and other requirements are the upper bound of eligibility; states are not required to serve all those eligible for subsidies. If more families apply than can be served with available funding, states may establish priorities for service among the eligible population.

TANF Families Requesting Subsidies

During the study period, all of the states in the study made and maintained a commitment to serve all families on TANF cash assistance who applied for subsidies to support approved employment or job preparation activities. Whether or not the states had a formal program to provide child care subsidies for employed families transitioning from cash assistance, most states made employed families leaving TANF a high priority category among eligible families requesting subsidies. States also had a policy to continue providing subsidies to those who had received them while on TANF, and who remained income-eligible for subsidies when their TANF status changed. It appears that, with the exception of North Carolina, all of the study states continued to serve these families, even where waiting lists began or grew between 1999 and 2002.[36] In North Carolina, when the size of the waiting list peaked at 24,015 children, 246 were from families in the state's Work First program.

Income Eligibility Ceilings for Non-TANF Families

There was much greater variation in eligibility policies and practices for non-TANF families who were not receiving TANF cash assistance (i.e., "non-TANF" families). Exhibit 4-1 shows state income eligibility limits, as a proportion of state median income (SMI), for Fiscal Years 1999 and FY 2003. In 2003, the subsidy eligibility ceiling, expressed as the percentage of state median income, ranged from 37% of SMI in Indiana to 77% in New Mexico.[37] (See Exhibit 4-1.)

What happened to state eligibility ceilings between 1999 and 2003? Again, as shown in Exhibit 4-2, the picture is mixed. Sometimes a state did not change its eligibility ceiling, but changes in the state's median income resulted in an increase or decrease in eligibility limits as a percentage of SMI; in many cases these changes were modest. In California, Ohio, and Texas, eligibility ceilings changed less than one percentage point of SMI. In five states, between 1999 and 2002/3, eligibility ceilings went up as a percentage of SMI; in four of those five states, the increase was between three and eight percent. New Jersey increased its eligibility limit substantially, from a ceiling of 48% of SMI in 1999 to 57% of SMI in 2003. In the remaining nine states, eligibility ceilings, as a percentage of SMI went down, and in some cases substantially. Illinois, Indiana, Louisiana, and Michigan had ceilings that went down 20 percent or more between 1999 and 2003. (For more information, see Appendix Table 4-A.)

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36 Since the evidence for this comes from statements made by key informants, it is possible that, in some cases, actual practice may deviate from the stated policies.

37 To calculate subsidy eligibility as a percentage of SMI, we relied on U.S. Census Bureau SMI estimates for calendar years 1999 and 2003. Some states may have used different SMI estimates, and different base years, when describing their eligibility ceilings as a percentage of SMI.

Exhibit 4-1: SUBSIDY ELIGIBLITY CEILINGS

Income Eligibility Ceilings as a Percentage of State Median Income (SMI) For Families Not Receiving TANF, FY 1999 and 2003

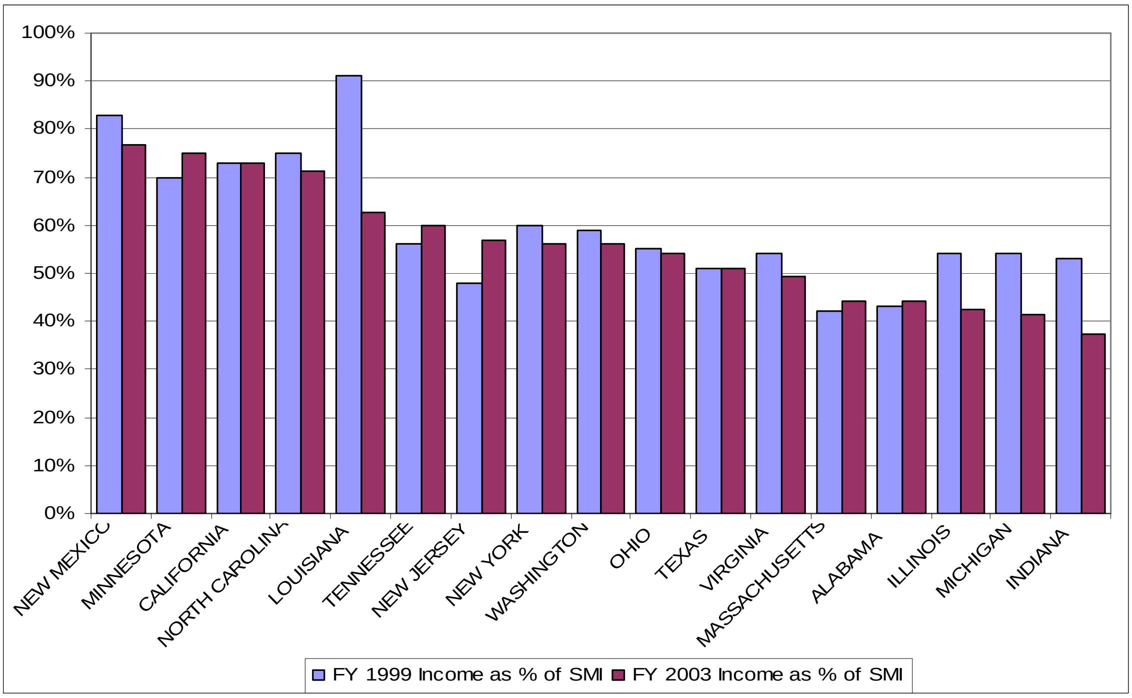
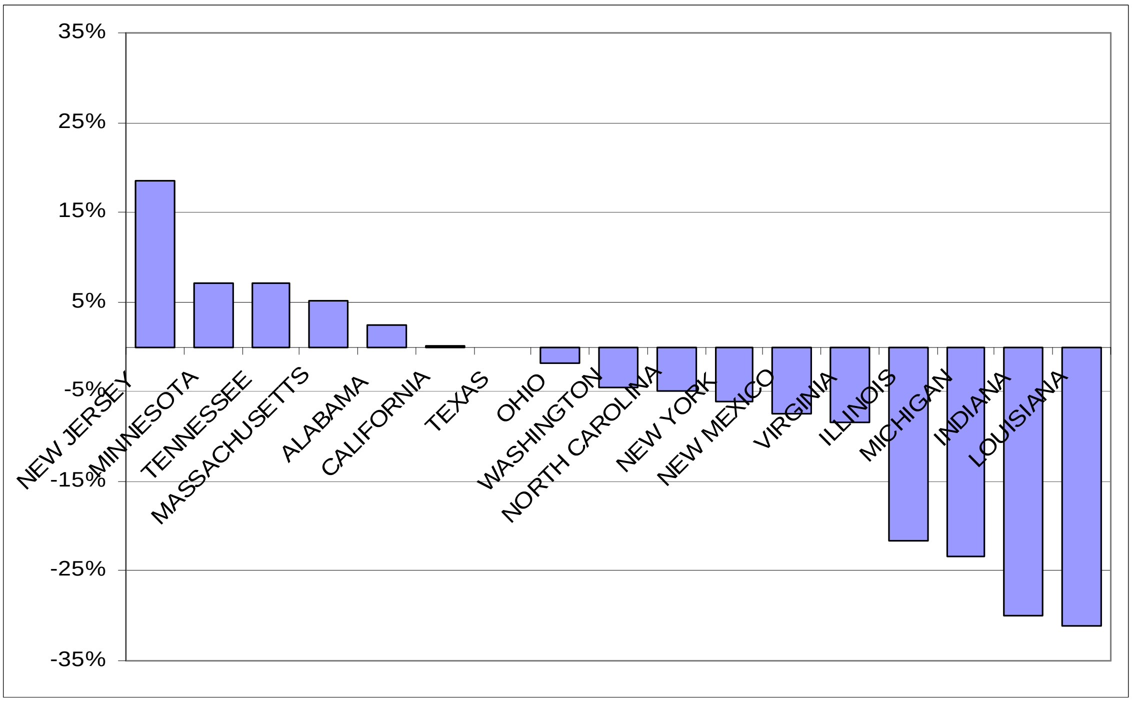


Exhibit 4-2: CHANGE IN SUBSIDY ELIGIBILITY CEILINGS

Percentage Change in Income Eligibility Ceilings as a Percentage of State Median Income (SMI) For Non-TANF Families, FY 1999-2003



Requirements Related To Hours of Employment

In addition to imposing income eligibility requirements, some states also set requirements for the minimum hours parents must work to be eligible for subsidies. Eight of the 17 states in the study required that employed parents work a minimum number of hours per week in order to receive subsidies. As Exhibit 4-3 shows, the minimum weekly hours of employment required for non-TANF families, in those states with such requirements, ranged from eight hours of work per week in North Carolina to 40 hours per week in Tennessee. These “hours of work” requirements were sometimes different for families transitioning from TANF than for non-TANF families. For instance, although non-TANF families were required to work 30 hours in New Jersey and 40 hours in Tennessee, TANF families needed only 20 hours of work to be eligible. The study did not collect information about how states with minimum hour requirements dealt with the weekly variation in hours of work that frequently occurs in low-wage jobs.

Exhibit 4-3: "HOURS OF EMPLOYMENT" ELIGIBILITY GUIDELINES

Weekly Number of Hours of Work Required for Non-TANF Subsidy Recipients 2002/3

State		Weekly Hours of Employment Requirement for Non-TANF Families
CALIFORNIA	-	no requirement
ILLINOIS	-	no requirement
INDIANA	-	no requirement
MICHIGAN	-	no requirement
NEW MEXICO	-	no requirement
NEW YORK	-	no requirement
OHIO	-	no requirement
TEXAS[3]	-	no requirement
VIRGINIA	-	no requirement
NORTH CAROLINA	-	8
ALABAMA	-	15
LOUISIANA[1]	-	20
MASSACHUSETTS	-	20
MINNESOTA[2]	-	20
WASHINGTON	-	20
NEW JERSEY	-	30
TENNESSEE	-	40

[1]LA: 20 hours of employment are required for a single parent with a child under the age of 6; 30 hours of employment are required for a single parent with a child age 6 years or older.
[2] MN: Families not on TANF must work a minimum of 20 hours per week, of which 10 must be paid employment.
[3] TX: Counties may make decisions about required hours of employment.

Waiting Lists for Subsidies

In 1999 and, again in 2001, 12 of the 17 states either had waiting lists for subsidies or turned some eligible families away. In 2003, 13 states did not serve all eligible applicants. In some of these states, all eligible applicants in the study county were served but families were turned away elsewhere in the state. Illinois, Louisiana, Ohio, and Washington served all eligible families in the winter/spring of 2002/03 (Exhibit 4-4).[38] In the other 13 states, the size of the reported waiting list varied from approximately 3,700 children in Virginia to approximately 40,000 in Texas. Tennessee reported that it was only serving families who were in TANF or transitioning from TANF; as of January 2003, all non-TANF families were placed on the state's waiting list, which included 22,500 children. And while there was no waiting list in New Mexico for families below 100 percent of the Federal poverty level, the state placed families between 100 percent and 200 percent of poverty on a list for "future contact" should funds become available.

[38] Washington reported 75 children on a waiting list for its program for child care for seasonal workers. All other children were served.

Exhibit 4-4: STATE WAITING LISTS

Whether States Served All Eligible Subsidy Applicants, 2002-3

State	YES All Eligible Applicants Received Subsidies	NO Some Eligible Applicants Were Turned Away or Put on Waiting Lists
ALABAMA		X
CALIFORNIA		X
ILLINOIS	X	
INDIANA		X
LOUISIANA	X	
MASSACHUSETTS		X
MICHIGAN		X
MINNESOTA		X
NEW JERSEY		X
NEW MEXICO*		X
NEW YORK		X
NORTH CAROLINA		X
OHIO	X	
TENNESSEE		X
TEXAS		X
VIRGINIA		X
WASHINGTON	X	
STATE TOTAL	**states**	**13 states**

* New Mexico has no waiting list for families below 100% of the Federal poverty level (FDL). However, New Mexico has set its income eligibility at 200% of FPL. As of the fall of 2001, the state maintains a list of families with incomes between 100% and 200% of FPL for future contact should funds become available.

Accessing the Child Care Subsidy System

In the 13 states in the study, where waiting lists exist, clearly the major factor that limits subsidy use is the lack of funding to serve all eligible families who apply. Other factors that may affect access to and continued use of child care subsidies include how "user-friendly" the system is, both for TANF and non-TANF families. At first glance, the most "user-friendly" approach would differ for TANF and non-TANF families. For non-TANF families, it would be a system where applications were available in many locations and then sent to a local office by mail, fax, or electronically. For TANF families, a user-friendly system would enable families to apply for and maintain subsidy use through the office they must use to apply for and maintain their cash assistance and other benefits, with as few additional forms to fill out and steps to undergo as possible.

States and counties must balance the degree to which systems are user-friendly with the extent to which they are cost-effective, reduce error, and limit fraud and abuse. For instance, the state may believe that it is more efficient, and likely to be more accurate, when state eligibility workers fill in the application forms and verify eligibility face-to-face, rather than relying on forms that are mailed. Therefore, it may require parents to make an appointment with an eligibility worker rather than mail in an application.

For this study, we sought three types of related information to assess the balance between "user friendliness" and efficiency and accountability: (1) whether all eligible families—both TANF and non-TANF—apply to one organization, or whether the application process is split according to TANF status; (2) the type of local organizations to which parents apply; and, (3) the ways in which parents may apply, reapply, and the length of their certification period. After a general description of the subsidy delivery system, the chapter will describe how states and communities have addressed these general questions of implementation.

Subsidy Delivery Systems

Child care subsidies are administered within the context of systems that exist to administer all social services. One way of categorizing states is whether the state has a statewide or county system to deliver social services. As Exhibit 4-5 shows, in nine of the states in the study, all decision-making rests with the state agency and counties have little or no latitude in either interpreting policies or shaping administrative practices. (The one exception is Washington; although it is a statewide system, local offices have flexibility in designing and managing some administrative processes.) In the seven states where the subsidy system is county-based, counties are granted at least some decision-making authority. In many of them, the county is responsible for some decisions about some administrative practices, such as staffing patterns and responsibilities, application and reapplication procedures, payment approval procedures, and record systems.

California has a mixed system. For non-TANF families, the Department of Education has a state-delivered system of subsidies, and the Department of Social Services administers child care subsidies for TANF families through its county system. The California subsidy system is complex, and, for families moving through and out of the welfare system, has three stages.[39] Stage 1, which is managed by the state Department of Social Services and implemented by the local county offices, begins with a family's entry into the CALWORKS program (the state's TANF program), and typically lasts for a maximum of six months. This period can be extended if it is determined that the recipient's situation is too unstable for her to be moved to the next stage, or if no funds are available in Stage 2. Stages 2 and 3 are administered by the state Department of Education through Alternative Payment programs, often by local Child Care Resource and Referral agencies, which have contracts directly with the state. Stage 2 begins after 6 months of participation in the Stage 1 subsidy program, or longer, if a recipient's situation is unstable, or when the family is moving off cash assistance. Families receive Stage 1 or Stage 2 child care for up to 24 months after leaving cash aid, as long as they remain otherwise eligible. After this 24-month period, they transition to Stage 3. Stage 3 is administered in the same way that subsidy programs for low-income working families are administered. In addition, a number of centers and family child care networks receive contracts for services; eligible families access these programs in various ways, depending upon the county.

In some states with county systems, such as Indiana and New York, the state sets subsidy policy and counties control interpretation and administrative practices. In two states with county-based systems, Texas and Virginia, a good deal of authority for developing policies as well as their interpretation and administration rests or can rest at the county level. In the other states, some administrative decisions, such as whether or not to privatize the delivery of services, rest with the counties.

[39] Currently, there are a number of proposals in California that would substantially change the eligibility system.

Exhibit 4-5: SUBSIDY DELIVERY SYSTEMS

County- or State-Based Systems for Delivering Child Care Subsidies, 2003

Statewide System	County-Based System	Mixed System
ALABAMA	INDIANA	CALIFORNIA
ILLINOIS	MINNESOTA	
LOUISIANA	NEW YORK	
MASSACHUSETTS	NORTH CAROLINA	
MICHIGAN	OHIO	
NEW JERSEY	TEXAS	
NEW MEXICO	VIRGINIA	
TENNESSEE		
WASHINGTON		
9 states	7 states	1 state

Subsidy Vouchers and Contracts

As required by law, in all of these states, families have access to child care subsidies in the form of vouchers, which allow parents to use the subsidies for all legal forms of child care, provided that all of states' certification requirements are met. (Certification requirements are described later in this chapter.) In addition to these voucher systems for child care subsidies, five of the study states (California, Illinois, Massachusetts, New Jersey, and New York) maintain a separate system of contracted care, in which the state, or an individual county within the state, enters into an agreement with individual providers for a specified number of subsidized slots, and pays for those slots if they are filled with eligible children. (By and large, providers with child care slots that are not reserved by the contract may also accept voucher payments for the unreserved slots.) In the contracted system, the parent usually applies for the child care arrangement through the center or family child care network that holds the contract. In the states in our study where they are found, contracted systems represent a significant proportion of subsidized care, with the exception of Illinois. Contracts account for approximately half the subsidized care in California, one-third in Massachusetts and New Jersey, and less than one-fifth in Illinois. Some, but not all, counties use child care contracts in New York; information on the overall share of subsidies that were delivered through contracts is unavailable.

Place of Application

The decision about whether to use government agencies or private organizations to provide subsidy services entails a set of tradeoffs. For example, most of the counties that use government agencies use the TANF agency to determine eligibility for subsidies. Delivering subsidies through a TANF office can create a tight link between TANF receipt and child care assistance, which can help ensure that families that receive TANF learn about and have ready access to child care subsidies. It may also result in some administrative economies of scale, since child care delivery is co-administered with TANF and other public benefit programs.

Exhibit 4-6 provides information about the place of application in the 25 study counties. The 10 counties that use private child care management agencies (CCMAs) to provide subsidies for all families offer examples of the potential advantages and disadvantages of privatizing. For example, those private agencies usually specialize in child care services and can provide expertise and experience in helping families choose providers. Moreover, the private agencies are much less likely to have any stigma attached to them. On the other hand, the use of private agencies exclusively may pose an additional burden for TANF families who have to travel to another location, in addition to the TANF office where they apply for cash assistance, to apply for subsidies and choose a provider.

Eligibility for child care subsidies for many, if not all, TANF families must be determined by the TANF agency, whether or not the application process is completed by a private child care management system. This is because eligibility for child care for TANF recipients is contingent upon a parent's compliance with employment and job preparation requirements of the TANF cash-assistance program. Some of the counties in the study that use private child care management agencies, such as Union, New Jersey, and Mecklenberg, North Carolina, have at times eased the additional burden for TANF families by co-locating a CCMA worker in the TANF office. Other counties, such as Cook County, Illinois, have improved computer systems so that local CCMAs have access to the relevant state TANF administrative information and can confirm that a TANF family is eligible to receive subsidies. In some of the other communities that use CCMAs, parents must bring documentation showing authorization for subsidy use to the CCMA as part of the application process.

Fifteen counties in the study required at least some families to apply for subsidies to a government agency. In most cases, the application was submitted to the state or county agency that administered TANF, although the application did not necessarily occur at the TANF office. For example, in New Mexico, parents who seek child care subsidies call one of four regional child care subsidy offices, which are part of the Department of Human Services, the agency responsible for TANF, Medicaid, and Food Stamps, among other services.

Exhibit 4.6 PLACE OF APPLICATION

Agency Where Families Apply For CCDF Subsidy Vouchers

State	County	Do All Families Apply To the Same Agency?	Families Apply to Private CCMA	Families Apply to TANF/Human Services Agency
ALABAMA	Mobile	yes	X	
CALIFORNIA	Los Angeles	yes	X	
	Orange(1)	no	X	X
	Riverside(2)	no	X	X
ILLINOIS	Cook	yes	X	
INDIANA	Madison	yes	X	
LOUISIANA	Ouachita	yes		X
MASSACHUSETTS	Franklin	yes	X	
MICHIGAN	Wayne	yes		X
MINNESOTA	Hennepin (3)	no	X	X
	Itasca/Koochiching /Pennington	yes		X
NEW JERSEY	Union	yes	X	
NEW MEXICO	Dona Ana(4)	yes		X
	Luna/Grant/Hidalgo (4)	yes		X
NEW YORK	Orange	yes		X
NORTH CAROLINA	Alamance	yes		X
	Johnston	yes		X
	Mecklenburg	yes	X	
OHIO	Hamilton	yes		X
TENNESSEE	Shelby	yes		X
	Hardeman/Fayette/Hay-wood/Lake/Lauderdale	yes	X	
	Bedford/Coffee/Marshall	yes	X	
TEXAS	Harris	yes	X	
VIRGNIA	Arlington	yes		X
WASHINGTON	King	yes		X

(1, 2) Families on TANF apply to the TANF agency while transitioning and non-TANF families apply to a private child care management agency.
(3) All TANF and transitioning families apply to the TANF agency. Some non-TANF families apply to a private child care management agency. The remainder apply to the TANF agency.
(4) Families apply to one of four of the state's regional child care subsidy offices.

Application Processes

Stigma associated with the place of application is much less if a parent does not have to apply in person but can apply by telephone, mail, or other means. Application processes can also make it relatively easier or harder to receive subsidies. The ease of application and reapplication may be important factors in families' decisions to apply for subsidies. Exhibit 4-7 shows that, in 17 of the study counties, non-TANF parents have to apply for subsidy vouchers in person, whether at a TANF agency or at a private child care management agency. In eight counties, the application can be by mail, or by phone, although in some cases it is preferred that parents appear in person to apply.

If the application must be in person, the location of the office, and whether there are multiple locations, becomes important. If the office is not in a central location or cannot be reached by public transportation, it may be difficult for some families to use. In some rural areas, such as Luna County, New Mexico, the regional TANF office can be far away from eligible families. In contrast, in King County local offices are located throughout the Seattle metropolitan area. Some key informants also indicated that non-standard hours, allowing families to apply for child care without taking time from work, were important.

Applying or being recertified as eligible for subsidies by mail means that parents may not need to take time off from work to come to the subsidy agency. In rural areas this process also eliminates the need to travel long distances. It is important, however, that the office be run efficiently. Key informants from some study states, where the private child care management agencies or others process thousands of applications each year, described situations where paperwork could be lost or mislaid. Applying by mail also has disadvantages if the parent fills out some parts of the application incorrectly. The application may need to be sent back and then returned, potentially adding days or weeks to the application process.

Exhibit 4-7 APPLICATION FOR NON-TANF FAMILIES

Ways TANF and Non-TANF Families Typically Apply For Subsidies
Winter/Spring 2002/3

County and State	Application Process for Non-TANF Families
Mobile, AL	In person
Los Angeles, CA	In person
Orange, CA	In person
Riverside, CA	In person
Cook, IL	In person, by mail, or by phone(1)
Madison, IN	In person
Ouachita, LA	In person, by mail or by phone(2)
Franklin, MA	In person or by mail
Wayne, MI	In person
Hennepin, MN	In person, by mail, or by phone (3)
Itasca/Koochiching/Pennington, MN	In person
Dona Ana, NM	In person
Luna/Grant/Hidalgo, NM	In person
Union, NJ	In person, by mail or by phone (3)
Orange, NY	In person or by mail
Alamance, NC	In person
Johnston, NC	In person
Mecklenburg, NC	In person
Hamilton, OH	In person, by mail or by phone(3)
Hardeman/Fayette/Haywood Lake/ Lauderdale, TN	In person(4)
Shelby, TN	In person (4)
Marshall/Coffee/Bedford, TN	In person (4)
Harris, TX	In person, by mail or by phone(1)
Arlington, VA	In person
King, WA	In person
Number of Counties with in Person Only	**17**

(1) Application most often occurs by mail or by phone.
(2) Application most often occurs by phone.
(3) Application most often occurs by mail.
(4) Families may re-apply by mail.

Length of Certification

Families are certified as eligible for subsidies for a set period of time, after which they must reapply for subsidies and again be deemed eligible for them. This process is often called “redetermination” or “recertification.” (Parents are also obligated to contact the subsidy agency if their employment or education situation changes, if it would change the amount of time allowed for child care services, their co-payment amount, or their eligibility in general.) The longer the period of certification, the more “user-friendly” the subsidy system is for families; however, the longer the period, the higher the likelihood that families who are no longer eligible for subsidies will continue to receive them. In those states with no grace period and waiting lists, the risks of either not complying or having problems with the reapplication may be great: a family may be deemed ineligible, lose their subsidies, and be put on the waiting list. In contrast, relatively shorter periods of certification limit the possibilities of fraud and abuse. Key informants in the states and communities said that parents often do not report changes in income if the changes will increase their co-payment obligation; these changes are picked up at recertification.

Most families who are receiving TANF and in job preparation activities receive subsidy certification for the period of their training or activity assignment. TANF families who are employed, as well as families transitioning from TANF, often receive certification periods that are longer. Exhibit 4-8 shows the standard length of certification for non-TANF families in the 17 study states. In nine of the states, the standard length is six months, and in the seven states, the standard length is one year. (In Texas, the length of the certification period varies by county.) In almost all cases, the certification period often is left to the eligibility workers' discretion; when families appear to have unstable employment situations, workers may choose to certify for periods that are shorter than the standard length.

Exhibit 4-8: RECERTIFICATION POLICIES

Length of Initial Certification for Non-TANF Families 2002/3

State	Months
ALABAMA	6
ILLINOIS	6
INDIANA	6
LOUISIANA	6
MASSACHUSETTS	6
MINNESOTA	6
NEW MEXICO	6
TENNESSEE	6
WASHINGTON	6
CALIFORNIA	12
MICHIGAN	12
NEW JERSEY	12
NEW YORK	12
NORTH CAROLINA	12
OHIO	12
VIRGINIA	12
TEXAS	varies by county

Co-Payment Policies and Practices

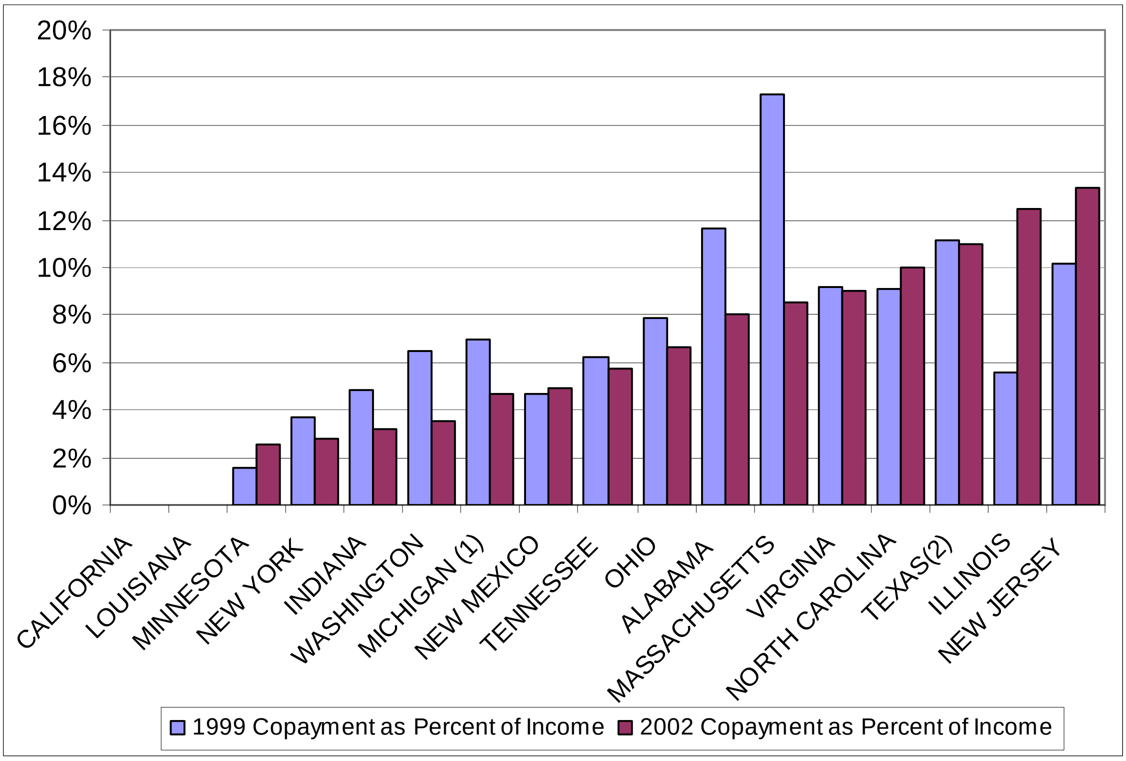
In addition to guidelines for eligibility, co-payment amounts are a second major subsidy policy decision. States set the amount that families are required to contribute as part of the payment to the child care provider. In 15 of the 17 states in the study, co-payment levels are set by family income alone and do not vary by the type or cost of child care. In Louisiana and Michigan the price of the child care arrangement is taken into consideration in the co-payment formula.

Co-Payment Amounts

To illustrate differences in co-payment policies, we chose to depict co-payment amounts as a percentage of family income in all of the states at two income levels: 33 percent of State Median Income (SMI) and 50 percent of SMI. Exhibit 4-9 shows the percentage of weekly family income the co-payment represents for families whose incomes are at 33% of SMI in 1999 and 2002/3. The exhibit shows the great variation in copayment levels within the same year as well as, in some cases, between years. In 2002/3, California and Louisiana, non-TANF families had no co-payment obligation. In six other states, co-payments were five percent or less of family income. In contrast, for families at the same income level in Texas, Illinois, and New Jersey, required co-payments represented 10 percent or more of their weekly income.

Exhibit 4-9: CO-PAYMENT BURDEN FOR FAMILIES AT 33% SMI

Weekly Co-Payment for Non-TANF Families at 33% SMI as a Percentage of Family Income



(1) Information from Michigan for 2002/3 came from the state website and CCDF plan summary.
(2) The co-payment amounts for families in Texas increase over time.

How did co-payments or families at 33% of SMI change from 1999 to 2002/3? In 6 of the 17 states, there was less than a 10 percent change in the amount of the co-payment, as a percentage of family income. In Illinois, Minnesota, New Jersey, and North Carolina, co-payments increased. For instance, North Carolina increased its co-payment amount from 9 to 10 percent of family income across the income scale, in conjunction with other efforts to find funds to reduce the size of its waiting list. In Illinois, the co-payment more than doubled, from 5.6 percent to 12.4 percent of family income. In the other seven states, the co-payment amount decreased, sometimes substantially. For instance, in Massachusetts, which required families at 33% of SMI to spend 17.3 percent of their income on child care co-payments in 1999, the percentage went down to 8.5 percent in 2002/3. (See Exhibit 4-10. For more information, see Appendix Table 4-B.)

Exhibit 4-10: CHANGE IN CO-PAYMENT BURDEN FOR FAMILIES AT 33% SMI

Percentage Change in the Portion of Family Income Represented by the Co-Payment for Families at 33% of SMI, from 1998/9 to 2002/3

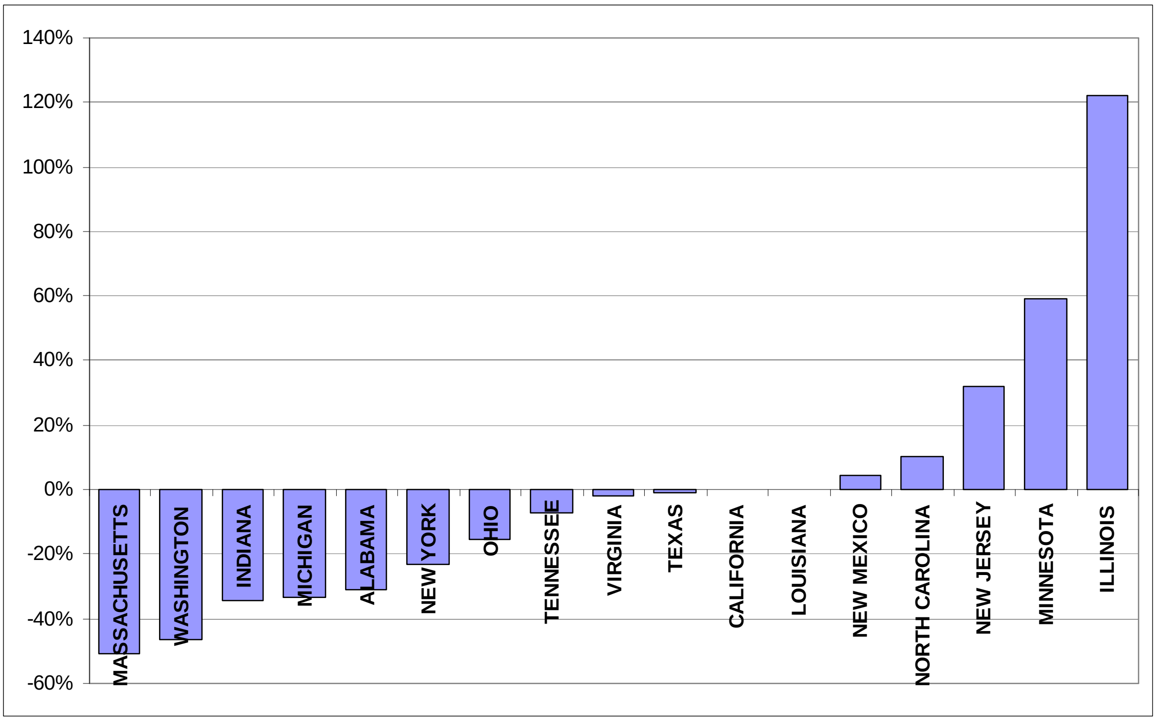


Exhibit 4-11 provides 2002/3 co-payment information for non-TANF families whose incomes were at 50% of the SMI. As might be expected, in many states, families at 50% of SMI were required to pay a higher percentage of their income for co-payments than families at 33% of SMI. In Alabama, Illinois, Massachusetts, and Michigan, families at 50% of SMI were not even eligible for subsidies, and were required to cover the full cost of care. In Illinois and Michigan, families at 50% of SMI had been eligible in 1999 but were no longer so. In New Jersey, families at 50% of SMI had not been eligible in 1999 but became so in 2002/3.

Exhibit 4-11: CO-PAYMENT FOR FAMILIES AT 50% SMI

2002/3 Co-payments as a Percentage of Weekly Income

	1999 Co-Payments as a Percentage of Weekly Income	2002/3 Co-Payments as a Percentage of Weekly Income
ALABAMA	Ineligible	Ineligible
MASSACHUSETTS	Ineligible	Ineligible
NEW JERSEY	Ineligible	12%
CALIFORNIA	0%	1%
LOUISIANA	4%	11%
MINNESOTA	4%	5%
MICHIGAN	5%	Ineligible
NEW MEXICO	8%	8%
NORTH CAROLINA	9%	9%
ILLINOIS	10%	Ineligible
INDIANA	10%	8%
TENNESSEE	10%	10%
TEXAS	11%	11%
OHIO	12%	10%
NEW YORK*	14%	15%
VIRGINIA	14%	9%
WASHINGTON*	20%	14%

Co-Payment Notches and Cliffs

In addition to co-payment amounts at fixed levels, the marginal co-payment rate—the rate of change of the copayment amount from one income level to another— an important factor to consider in examining subsidy policy. When a family's contribution increases abruptly at a certain level (defined as a "notch") this may affect parents' employment choices, use of particular child care arrangements, or use of subsidies altogether.

While this study did not plot the co-payment amounts at all family incomes in the 17 states, it did track the marginal change in the co-payment, as a percentage of weekly SMI, between 33 and 50% of SMI. Exhibit 4-12 shows the co-payment as a percentage of family income at 33 and at 50% of SMI for the 17 states, as well as the marginal rate (i.e., the percentage increase or decrease between the two rates). As with most other policies studied, the results present a mixed picture. In four states, families at 50% SMI were ineligible for subsidies. In New Jersey, families at the higher income level spent a slightly lower percentage of their weekly income on the subsidy co-payment; in North Carolina, Virginia, and Texas, the co-payment was the same percentage of family income. By contrast, for New Yorkers with incomes at 33% of SMI who received child care subsidies, co-payments represented 4 percent of their weekly income; those at 50% of SMI paid 15 percent of their weekly income—a marginal increase of 257 percent.

Exhibit 4-12: COPAYMENT NOTCHES

Difference Between Copayment at 33% and 50% of SMI as a Percentage of Weekly Income 2002/3*

	Co-Payment as Percent of Income at 33% SMI	Co-Payment as Percent of Income at 50% SMI	Marginal Rate (Percentage Increase/Decrease)
NEW JERSEY	13%	12%	-10%
NORTH CAROLINA	9%	9%	0%
VIRGINIA	9%	9%	0%
TEXAS	11%	11%	0%
CALIFORNIA	0%	1%	Not Calculable
OHIO	8%	10%	26%
MINNESOTA	2%	5%	117%
NEW MEXICO	5%	8%	59%
TENNESSEE	6%	10%	65%
INDIANA	3%	8%	164%
LOUISIANA	4%	11%	164%
WASHINGTON	6%	14%	139%
NEW YORK	4%	15%	257%
MICHIGAN	5%	Ineligible	Not Applicable
ALABAMA	11%	Ineligible	Not Applicable
ILLINOIS	12%	Ineligible	Not Applicable
MASSACHUSETTS	13%	Ineligible	Not Applicable

Additional Fees for Families

Some states allow providers to charge parents an extra fee in addition to the co-payment. This practice is likely to occur either when there is a difference between the maximum payment rate and the amount charged to non-subsidized parents, or when state payment practices do not cover absences, holidays, or special fees. As Exhibit 4-13 shows, 11 of the states allow providers to charge more than the maximum payments, while six do not permit this practice.

Exhibit 4-13: COLLECTING MORE THAN THE CO-PAYMENT

Whether Providers Are Legally Able to Collect Additional Charges Beyond the Co-Payment From Subsidized Families

Additional Charges Allowed	Number of States	States
Yes	11	Alabama, California, Illinois, Indiana, Louisiana, Michigan, Minnesota, New Jersey, New York, Tennessee, Virginia
No	6	Massachusetts, New Mexico, North Carolina, Ohio, Texas, Washington

Although the practice was allowed in some places and prohibited in others, virtually no key informants had a clear understanding of the extent to which parents were being asked to pay additional rates or fees. The practice appeared to be a greater issue for families in communities where the state's maximum payment amount was significantly lower than the true market price for child care. These gaps occurred either in pockets of more expensive child care within a large area with relatively low subsidy rates or because the rates had not been adjusted for some time. In Hennepin County, Minnesota, some parents were required to pay as much as $60 or $70 a month in addition to their co-payment because of the discrepancy between subsidy rates and the true market price for child care. Key informants acknowledged that, even in states where providers could not legally charge more than the state's payment rate, the practice still occurred.

In most states or localities, the child care provider collected the co-payments. In a few areas, this practice was monitored by the state, and providers had to show that the co-payment was collected each month. In the states in which co-payments were not closely monitored or were collected directly by the subsidy agent, key informants almost uniformly noted that providers were reluctant to report parents' delinquency in making the co-payments if it meant that the subsidy would be cut off. For this reason, very little information existed on the degree to which parents were or were not making co-payments and to which providers. However, key informants in most communities did not believe that providers experienced much difficulty collecting the co-payments. Typically, it was a greater problem with parents at the higher end of the eligibility scale who had relatively high co-payments.

Co-Payment Changes Between Certification Periods

Between certification periods, parents are required to report changes in family income or earnings that would trigger a change in their co-payment obligation. Key informants in the study states and communities indicated that, despite this obligation, most changes in family income that result in an increased co-payment are picked up only at the recertification period.

States handle situations in which a parent should have paid a higher co-payment between certification periods quite differently. In 2001, nine states reported that no action is taken, but in the other states the parent is required to make up the back co-payments owed, either by paying the provider with an adjusted co-payment amount (i.e., the state reduces its portion of the payment to providers) or by making a payment to the state.[40]

Payments to Providers

In addition to making decisions about eligibility levels, application processes, and co-payment amounts for parents, state and local policymakers also determine payment rates and payment processes. Again, they must achieve a balance. Their goals are to enable families to have a choice of providers, yet be able to offer assistance to as many eligible children as possible given funding constraints. In addition, state and local policymakers must establish processes to ensure that subsidies are paying for services that are actually being delivered, and that are not administratively cumbersome for either the subsidy agent or the

[40] In 2001, Illinois, Massachusetts, Michigan, New Jersey, Ohio, Tennessee, Texas, Virginia and Washington reported that, in most cases, the adjusted co-payment amount owed was forgiven. An exception was if the family was no longer eligible for subsidies at recertification, in which case a state may attempt to recoup its full payment for the period of time the family was ineligible for subsidies.

child care provider. The increased flexibility and funding that accompanied the 1996 Federal legislation gave states and communities the opportunity to address these issues. This section describes payment rates, including those for relative and in-home care, co-payment collection practices, and issues surrounding payment systems.

Payment Rates

A major decision for state policymakers involves setting the maximum payment rates for different types of child care programs in the various markets in the state. The Child Care and Development Fund directs that payment rates must allow eligible children access to child care programs equal to that of non-eligible children, and regulations stipulate that states must base their rates on a market survey conducted within two years. Previous Federal child care legislation stipulated that states could receive Federal reimbursement for all child care payments that fell below the 75^{th} percentile of the cost of care according to that survey. Since that time, many states have continued to compare their payment rates for specific forms of care in different communities against the 75^{th} percentile benchmark. For some forms of care, namely in-home and relative care, states and communities have experienced more difficulty in determining the proper reimbursement rate. Each of these issues will be discussed further below.

With respect to payment rates, states and communities in our study fell into three categories: states where the payment rates were last adjusted in 2000 or in prior years; those that adjusted their rates in 2001; and those that had adjusted rates between January 2002 and April 2003. Data for the report was collected in the winter of 2002 and early spring of 2003; some states may have subsequently raised rates. Exhibit 4-14 shows that the majority of the states raised their rates in 2001 but that Illinois and Louisiana had their last rate adjustment in 2000 or before. For some states the rate adjustments drew on market rate surveys that occurred within the previous year, but in other states the adjustment was based on information that was several years old.

Exhibit 4-14: PAYMENT RATE INCREASES

Timing of Child Care Payment Rate Adjustments
As of April 2003, Date of Last Subsidy Rate Increase By State

State	Last Payment Increase Occurred 2000 or Prior	Last Payment Increase Occurred 2001	Last Payment Increase Occurred 1/2002-4/2003
ALABAMA		X	
CALIFORNIA		X	
ILLINOIS	X		
INDIANA		X	
LOUISIANA	X		
MASSACHUSETTS		X	
MICHIGAN(1)			
MINNESOTA			X
NEW JERSEY			X
NEW MEXICO		X	
NEW YORK		X	
NORTH CAROLINA			X
OHIO		X	
TENNESSEE			X
TEXAS(2)		X	
VIRGINIA		X	
WASHINGTON			X
TOTAL	***2***	***9***	***5***

(1) No information was available for Michigan.
(2) The maximum state rate varies, but the 75th percentile of the 1999 market rate is the benchmark. Local areas may set the payment rate lower than this benchmark if they can demonstrate that subsidized families will have equal access as do non-subsidized families.

Changes in Rate Amounts Between 1999 and 2003

In addition to when the rates were adjusted, it is important to understand what has happened to the rate in terms of its purchasing power in the states and communities. There is no satisfactory metric to compare purchasing power; states that compute the percentage of the regulated market that charges fees below the state payment rate do so using different base years and different methodologies, limiting the meaning of cross-state comparisons. In this study, we took the weekly maximum rate for full-time, center-based care for three-year-olds, in the study county in each state with the highest rates. We adjusted this rate by a child care labor cost index, which makes the rate worth relatively more in terms of the amount of child care it can purchase in those state markets where child care workers are paid relatively less. We then looked at how the rates changed in these states between the summer of 1999 and the winter/spring of 2002/3.

Exhibit 4-15 shows the great range in rates, even when adjusted by the child care labor cost index. The weekly rate for full-time center care for a three-year-old ranged from approximately $76 in Madison County, Indiana, to over $187 in Arlington County, Virginia. Seven of the 17 states had weekly rates of less than $110; counties in three states — Arlington, Virginia; Orange, New York; and Hennepin, Minnesota—had weekly full-time rates that were above $150 per week for this type of care.

Exhibit 4-15: CHANGES IN RATES BETWEEN 1999 AND 2003

Change in the Weekly Adjusted Child Care Rate Between 1999 and 2000 for Full-Time Center Care for a Three-Year Old in the Study County With the Highest Reimbursement Rate

State	County	1998/99 Adjusted Rate	2002/3 Adjusted Rate	Percentage Change
VIRGINIA	Arlington	$ 175.91	$ 187.17	6%
NEW YORK	Orange	$ 114.07	$ 168.11	47%
MINNESOTA	Hennepin	$ 134.90	$ 152.22	13%
MASSACHUSETTS	Franklin	$ 114.59	$ 143.75	25%
TEXAS	Harris	$ 108.84	$ 135.00	24%
NORTH CAROLINA	Mecklenburg	$ 134.18	$ 134.56	0%
CALIFORNIA	Orange	$ 109.49	$ 133.89	22%
WASHINGTON	King	$ 92.73	$ 127.63	38%
TENNESSEE	Shelby	$ 80.32	$ 119.33	49%
NEW JERSEY	Union	$ 99.28	$ 112.79	14%
ALABAMA	Mobile	$ 82.59	$ 108.72	32%
LOUISIANA	Ouchita	$ 81.99	$ 106.58	30%
ILLINOIS	Cook	$ 106.69	$ 103.47	-3%
OHIO	Hamilton	$ 108.75	$ 100.32	-8%
MICHIGAN	Wayne	$ 169.86	$ 95.65	-44%
NEW MEXICO	Dona Ana(	$ 77.63	$ 81.57	5%
INDIANA	Madison	$ 62.91	$ 76.52	22%

Exhibit 4-15 also shows how the rates changed between summer 1999 and winter/spring 2002/03, after making the adjustments in child care labor costs. In 11 of the 15 states, the rates increased by 10 percent or more. Counties in nine states experienced an increase of 20 percent or more. Rates were relatively stagnant in Arlington, Virginia; Mecklenburg, North Carolina; Cook, Illinois; and Dona Ana, New Mexico. They decreased slightly in Hamilton County, Ohio and significantly in Wayne County, Michigan. (For more information, see Appendix Table 4-C.)

Recognizing the great degree of variation in local child care markets, the study also compared full-time rates for care in 2000 with the fees the programs charged to fee-paying parents, using CCR&R data. More information about that analysis is provided in the next chapter, which discusses issues related to child care supply.

Differential Reimbursement Rates[41]

As increasing emphasis is placed on the importance of quality child care, as well as on having some types of regulated care available in the market, some states have moved to support provider efforts to increase the quality of care through differential reimbursement rates. Differential rates are paid to providers as incentive payments to enhance quality, to offer care for non-traditional hours, or to cover the additional costs associated with providing child care to children with special needs. As shown in Exhibit 4-16, as of 2001, the majority of the states in the study used differential rates for at least one of these three purposes. In all but two of the states, for instance, child care providers who serve children with special needs received an increased reimbursement.

Exhibit 4-16 TIERED REIMBURSEMENT RATES

Whether States Provide Higher Rates To Increase Availability Or Improve Quality, 2001

State	Higher Rates for Care Operating Non-Traditional Hours	Higher Rates for Care for Children with Special Needs	Higher Rates for Care Meeting Higher Quality Standards
ALABAMA			
CALIFORNIA	X	X	
ILLINOIS	X	X	
INDIANA		X	X
LOUISIANA		X	X
MASSACHUSETTS	X	X	
MICHIGAN	X	X	X
MINNESOTA	X	X	X
NEW JERSEY		X	X
NEW MEXICO	X	X	X
NEW YORK		X	
NORTH CAROLINA		X	X
OHIO	X	X	
TENNESSEE		X	X
TEXAS		X	X
VIRGINIA			
WASHINGTON	X	X	
TOTAL	***8***	***15***	***9***

The states have used two basic approaches to judge whether child care providers meet higher standards worthy of higher reimbursement: they either rely on national accreditation systems or they develop their own rating system, which may have several tiers. Some of the tiered rating systems are part of the overall regulatory scheme, and provider ratings are made available to all parents to help inform their selection of care. In other cases, they are tied to the subsidy payment system only. Indiana and New Jersey are states that pay higher reimbursements to providers that become voluntarily accredited through a nationally-recognized and approved entity, such as the National Association for the Education of Young Children

41 Information on tiered reimbursement rates was collected in 2001 and may have changed in 2002/3.

(NAEYC). New York also provides counties with this option, although only a handful of districts throughout the state use differential rates for accredited programs. New Mexico, North Carolina, Tennessee, each have developed rating scales with three to five tiers, or in some cases, stars, with a higher rate associated with higher tiers in the scale.

The size of the increase or bonus for higher quality also varied greatly among the states that employed these measures. As of 2001, differential rates for higher quality in Indiana and North Carolina were five percent or less. New York State gives counties the option to pay as much as 15 percent more than the rate. In New Mexico, the Aim High rating scale pays higher rates to the top three of the five tiers, which are associated with rate increases of 5 percent, 9 percent and 18 percent, respectively. Tennessee's "bonuses" for providers at each of its three star ratings range from 5 percent to 20 percent of the rate at the 70th percentile for that particular type of care.[42]

Subsidy and Regulatory Requirements for Types of Care

One of the major principles of the Child Care and Development Fund is to provide families that receive subsidies a choice of all legally-available forms of child care. These choices include center-based care, family child care, relative care, and in-home care. However, the legislation also allows states and counties, as a condition of receiving subsidy payments, to impose requirements on child care providers who would otherwise be exempt from state regulation, such as church-based child care centers, relatives, in-home providers and, in some places, small family child care homes. (We refer to the requirements with which all providers must comply, regardless of receiving subsidies, as "regulatory requirements." We refer to those *additional* requirements with which providers must comply as a condition of receiving subsidies as "subsidy requirements.") In fact, the legislation requires that children in care paid for by subsidies must be regulated in terms of the prevention and control of infectious diseases (including immunizations), the safety of building and physical premises, and health and safety training. The states are allowed, but not required, to exempt from these requirements care provided by relatives, and care that is provided in the child's own home. For legally exempt care, including care by relatives, many states require otherwise unregulated caregivers to undergo self-certification or attest to the fact that these requirements have been met. Some states choose to employ more-stringent regulatory or enforcement requirements, such as requiring proof of health and safety training, or conducting home inspections to determine environmental safety.

Therefore, while all states and communities in the study give subsidized families legal access to virtually all types of child care, they differ in the extent and type of subsidy, regulatory, and monitoring requirements imposed on providers. The level of requirements may account for some of the variation in the distribution of the forms of subsidized child care used among the states. Some of the subsidy requirements may limit families' choice related to in-home child care. Requirements for small family child care homes, including the requirements of both the subsidy and regulatory systems, vary so greatly from state to state as to make comparisons of subsidy requirements and their effects very challenging. States have a wide range of subsidy and other regulatory requirements for these homes, from self-certification and criminal records checks to quite intense training requirements and monitoring.

[42] Information on tiered reimbursement rates was collected in 2001 and may have changed in 2002/3.

Requirements for Centers

In most cases, prior to the enactment of CCDF, states established regulations for center-based care that fulfill the Federal health and safety requirements discussed above. In some states, however, a significant proportion of license-exempt center-based care is supported by subsidies. Many of these programs are located in churches and other religious institutions. Other programs may be exempt from regulations because parents are elsewhere on the premises while their children are in the child care arrangement.

Family Child Care Requirements

A basic difference in regulatory requirements among states is in the minimum size of family child care homes subject to the state's overall regulatory requirements. Exhibit 4-17 depicts this difference. In Alabama, Massachusetts, and Washington, virtually all full-time family child care must be regulated, regardless of whether or not the provider receives subsidies. At the opposite end of the spectrum, Louisiana and Ohio impose no requirements on unsubsidized child care providers, unless they care for seven or more children. A state's regulatory requirements may range from self-certification to requirements for training, home inspections, and ongoing monitoring. These regulatory requirements are sometimes then overlaid with the state's subsidy requirements.

Exhibit 4-17: SIZE OF LICENSE-EXEMPT FAMILY CHILD CARE HOMES

The Number of Children Allowed in Family Child Care Before Home is Subject to State Licensing and Regulatory Standards (Not Including Relative Care)
2003

Number of Children	Number of States	States
0	3	Alabama, Massachusetts, Washington
2	3	Michigan, New York, North Carolina
3	3	Illinois*, Texas, Virginia
4	3	New Mexico, Tennessee
5	2	Indiana, New Jersey
6	1	Louisiana**, Ohio***
Children from only 1 family (not including provider's own children)	2	California, Minnesota

* In Illinois, family child care is license-exempt if the provider cares for three or fewer children (including the caregiver's own) or the children from one family (not including the providers' own).

** There are no family child care regulations in Louisiana. Individuals caring for seven or more children must be licensed as a Class A or Class B Child Day Care Center.

*** If all children in care are under two years of age, then the maximum number of children in license-exempt family child care is three.

At a minimum, the Federal CCDF law requires all otherwise unregulated providers who receive subsidies to sign a self-certification that they will comply with minimum health and safety requirements. As noted before, for non-relative family child care, all states must ensure that providers comply with basic standards related to infectious disease prevention, the safety of the premises, and health and safety training for caregivers. At a minimum, states require license-exempt providers to sign a form certifying their compliance with these standards as a condition for receiving subsidies. For this study, we collected additional information on regulation and monitoring that went beyond this basic requirement.

Exhibit 4-18 shows whether or not states had requirements for license-exempt family child care in several areas. When reviewing the exhibit, it is important to remember that the size of the family child care homes that fall within this category varies greatly. There is virtually no license-exempt family child care in Alabama, Massachusetts, and Washington, while such homes can have five or more unrelated children in five other states. It is also important to note that, while we asked if there was a requirement in any of these areas, we did not ask about the scope of the requirement. In one state, license-exempt caregivers must attend a one-time workshop on child development, while in another, more than 20 hours of training per year are required.

Exhibit 4-18: LICENSE-EXEMPT FAMILY CHILD CARE REQUIREMENTS

Whether States Have Requirements Beyond Self-Certification for Child Development Training, Health and Safety Training, or Home Inspections for Legally Operating Care by a Non-Relative, 2003

STATE	Child Development Training	Certification in CPR or Health and Safety Training	Home Inspections	Criminal Records Checks
ALABAMA*	N/A	N/A	N/A	N/A
CALIFORNIA	no	no	no	yes
ILLINOIS	no	no	no	yes
INDIANA	yes	yes	yes	yes
LOUISIANA	yes	yes	yes	yes
MASSACHUSETTS*	N/A	N/A	N/A	N/A
MICHIGAN	no	yes	yes**	yes
MINNESOTA	no	no	no	yes
NEW JERSEY	no	no	yes	no
NEW MEXICO	yes	yes	yes	yes
NEW YORK	no	no	no	no
NORTH CAROLINA	no	yes	yes	yes
OHIO	yes	yes	yes	yes
TENNESSEE	no	no	yes	no
TEXAS	yes	no	no	yes
VIRGINIA	no	no	yes	yes
WASHINGTON	N/A	N/A	N/A	N/A
TOTAL "YES"	***5***	***6***	***9***	***11***

*All family child care operated by a non-relative is regulated by the state

**Inspection required of heating system

Exhibit 4-19: LICENSE-EXEMPT FAMILY CHILD CARE REQUIREMENTS

Whether States Have Requirements Beyond Self-Certification for Child Development Training, Health and Safety Training, or Home Inspections for Legally Operating Care by a Relative in the Relative's Home, 2003

STATE	Child Development Training	Certification in CPR or Health and Safety Training	Home Inspections	Criminal Records Checks
ALABAMA*	no	no	no	no
CALIFORNIA	no	no	no	no
ILLINOIS	no	no	no	yes
INDIANA	no	yes	yes	yes
LOUISIANA	yes	yes	yes	yes
MASSACHUSETTS*	yes	yes	no	no
MICHIGAN	no	no	no	yes
MINNESOTA	no	no	no	yes
NEW JERSEY	no	no	yes	no
NEW MEXICO	yes	yes	yes	no
NEW YORK	no	no	no	no
NORTH CAROLINA	no	no	no	yes
OHIO	no	no	no	no
TENNESSEE	no	no	yes	no
TEXAS	yes	no	no	no
VIRGINIA	no	no	yes	yes
WASHINGTON	no	no	no	yes
TOTAL	***4***	***4***	***6***	***8***

*All family child care operated by a non-relative is regulated by the state

Given these caveats, Exhibit 4-18 shows wide variation among the states. Of the 14 states with license-exempt family child care, only New York does not have requirements beyond requiring child care providers to attest to their compliance with subsidy requirements. Six states require subsidized, license-exempt family child care homes to meet requirements in three of the four areas; the remaining states in the study have requirements in one or two of these areas. Requirements most often were related to home inspections and criminal or child abuse background checks.

Requirements for Child Care by Relatives

Relative and in-home caregivers must also comply with subsidy regulations in the four areas shown in Exhibit 4-18, but in general they were subject to many fewer requirements than small family child care homes. Exhibit 4-19 shows that three states (Alabama, California, and New York) impose none of the four kinds of requirements for relative providers, and eight of the states imposed only one requirement. Eight of the 17 states indicated that they require criminal background and/or child abuse registry checks for relatives as a prerequisite of subsidy receipt.

Requirements for In-Home Child Care

As with all other types of care, states are required to make this form of care available to families that use subsidies, but, as with other types of care, they also need to consider ways to safeguard the health and safety of children who receive this care and to limit instances of fraud and abuse. In-home care is a special challenge for states. In addition to questions about safeguarding quality when care occurs in the child's own home, and ascertaining a reasonable and fair payment rate, in-home care providers are subject to the Fair Labor Standards Act as domestic workers. The implication is that they fall under minimum wage requirements, and that their employers are subject to the social security payroll tax as well as other employer responsibilities.

States in the study took a variety of approaches to the treatment of in-home care and the interpretation of the Fair Labor Standards Act in their policies and practices. Some of the states and counties in the study, including Alabama, North Carolina, and Virginia, have required parents who choose in-home care to agree formally that they will pay the difference between the subsidy rate and the minimum wage, in essence making the cost of in-home care prohibitively high. In other states, such as Ohio and New Mexico, certification of in-home care is legal, but policymakers are concerned about the possible legal implications of subsidizing in-home care and therefore local caseworkers are instructed not to allow it to be used. Other states have not instituted implicit or explicit policies to limit or eliminate its use. The degree to which a state's policies and practices discourage the use of in-home care probably explains the fact that eight of the 16 states that reported data by type of care in 2000 reported either zero or less than 1 percent of subsidized care in non-relative, in-home arrangements.

***

This chapter describes the state rules governing the use of child care subsidies. These rules are likely to have had an impact upon the child care selections made by families that used the subsidies. The next chapter provides information about a local supply of child care and the degree to which subsidies may have created access for low-income families.

Chapter Five: Child Care Subsidies and the Local Supply of Child Care

Cost is one factor that influences parents' selection of care: their choice results from a complex decision-making process that also takes into account their hours and schedules of employment, values, the availability of other family members to share in caregiving tasks, and their children's ages and perceived needs. They select care that is available to them in their local markets, which, in turn, are shaped by the collective values and purchasing power of families in their communities. One goal of child care subsidies is to support families' employment by reducing their work-related expenses and enabling them to secure what would otherwise be unaffordable child care arrangements. It stands to reason that, if enough subsidies go into a community to change families' collective purchasing power, subsidies could influence the amount and characteristics of arrangements available overall.

In order to understand more about the supply of child care and the role of public funding in supporting and increasing regulated child care, we collected local information about supply of care in the 25 study communities in 2000. This chapter draws much of its data from information collected by local child care resource and referral agencies (CCR&Rs).

The chapter begins by describing the distribution of regulated center and family child care homes in the study communities in 2000. It then estimates the proportion of regulated child care available to low-income families, in the absence of a subsidy, and shows the potential effect of subsidies on families' access to care. Finally, by combining information from CCR&Rs and from state subsidy payment systems, the study estimates the proportion of the regulated supply supported by subsidies in each of the study communities.[43]

Summary of Findings

- **In the study communities, most regulated child care slots are in center-based care and education programs.** Although regulated family child care homes outnumber centers in most counties, the difference in capacity in the two types of care more than offsets the smaller number of centers. In three-fifths of the counties, more than 75 percent of the regulated slots are in child care centers.
- **The number of child care slots available for children under the age of 13 from families at all income levels varies widely across the study communities.** At one end of the distribution, seven counties reported 300 or more regulated slots per thousand children under age 13. Five counties report 100 or fewer slots per regulated child.
- **Maximum payment rates for subsidies appeared adequate to pay for large percentages of regulated slots in many of the study communities.** In about two-thirds of the study communities, for both centers and homes, subsidy rates appeared adequate to purchase 75 percent of the care for

[43] This section of the chapter summarizes material from The Supply of Regulated Child Care in 25 Study Communities (Collins et al., January 2005)

infants, preschoolers, and school-age children, assuming providers accept subsidy payments.[44] In a minority of communities, subsidies were adequate to purchase less than half of the regulated child care.

- **In some communities, a significant proportion of the supply of child care in centers, facilities and regulated family child care homes was paid for by child care subsidies.** In five of the 20 communities, children whose care was subsidized accounted for more than 30 percent of the slots in center-based care. Subsidies purchased at least 30 percent of the slots in regulated family child care arrangements in nine of 18 reporting counties.

The Distribution of Regulated Care in the Study Communities

The relative distribution of centers/facilities and regulated family child care homes varied across the study counties. In 16 of the 25 counties, homes outnumbered centers; in nine counties, centers accounted for half or more of regulated programs and, in one county group (Luna, Grant, and Hidalgo counties, New Mexico), centers constituted more than 75 percent of the regulated child care facilities.

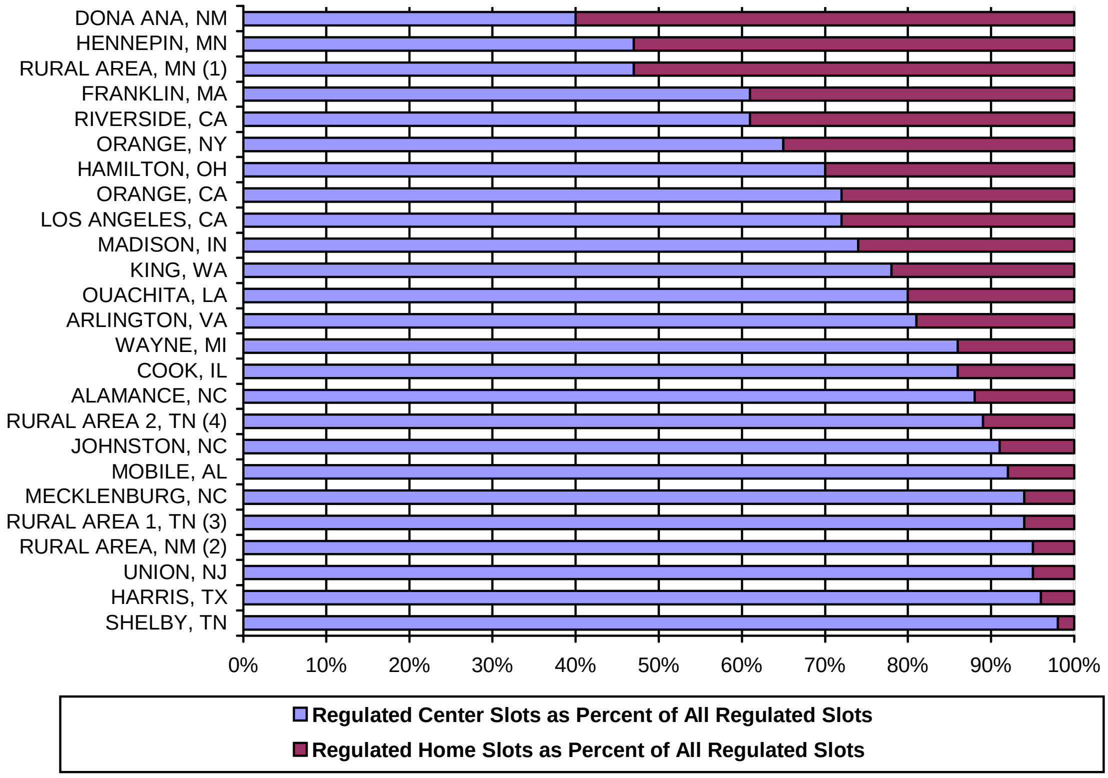
Although there were fewer child care centers than family child care homes in most communities, there were more regulated center slots because centers generally have a much greater capacity. In 22 of the 25 counties, half or more than half of the child care slots were in centers. In 15 counties, more than three-quarters of the slots were in centers (see Exhibit 5-1 and Appendix Table 5-A).

The variation in state regulation of family child care homes accounts, in part, for differences across counties in the number of regulated family child care slots available. For example, family child care slots in homes with three or fewer children might be counted as part of the regulated supply in one county, but not in another where such homes are not required to be licensed.

[44] Communities vary, however, in the proportions of centers and homes that accept subsidized children, regardless of whether their fees are at or below the state payment rate. In addition, state rules related to absenteeism, etc., affect the ultimate amount that providers actually receive for subsidized children. Parental co-payment requirements and additional charges to parents also must be considered when examining payment rates.

Exhibit 5-1: WHERE CHILD CARE IS PROVIDED

Distribution of Regulated Slots Among Regulated Centers and Homes, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee and Marshall Counties.

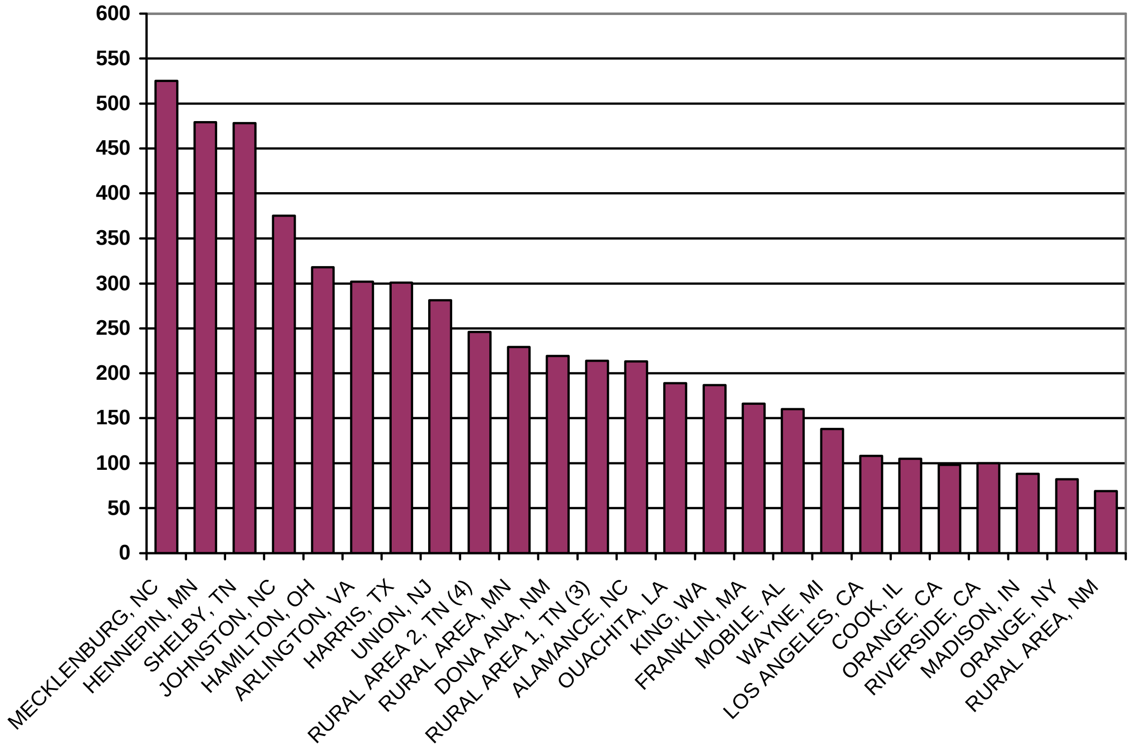
Regulated Slots Per Thousand Children

A second piece of information that is helpful in understanding the patterns of subsidized care in the communities is the extent to which the supply of regulated care is plentiful. One way to compare the regulated supply across counties is to calculate the number of slots per thousand children in each community. This is a useful way to make comparisons, but it is not an assessment of the adequacy of local supply to meet the needs of children in a community. Available supply is a function of a number of factors, including the income level of the community and the collective preferences of the families in the community for certain types of care at certain prices. It is also a function, in part, of the licensing standards in the community. In some communities, virtually all family child care homes are counted as part of the regulated supply, while in others virtually no child care homes are counted.

The study counties varied greatly in the quantity of regulated care available. At the more generous end of the distribution, seven counties reported 300 or more slots in centers/facilities and regulated family child care homes for every thousand children under age 13, or just under one slot for every three children. At the other end of the distribution, five counties reported fewer than 100 slots per thousand children (one slot for every 10 children). The remaining 13 counties report between 100 and 299 slots for every 1,000 children.[45] (See Exhibit 5-2 and Appendix 5-B.)

Exhibit 5-2: SLOTS PER CHILDREN

Number of Regulated Slots Per Thousand Children Ages 0-12, By County, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee, and Marshall Counties.

Subsidies and Increased Access for Low-Income Families

For the low-income families who desire care in the regulated market, subsidies hold the potential to increase access to regulated settings. To help assess the degree to which subsidies did so increase such access, we collected two pieces of information: whether providers reported their willingness to accept subsidies and whether the prices that they listed with CCR&Rs fell below the state's reimbursement rate. The following section summarizes the information they provided. These are certainly not the only factors that contribute to access; others include the parents' co-payment requirements and whether or not a family can locate an open slot of suitable care that is physically accessible. Nor does the information reported to CCR&Rs necessarily reflect providers' real behavior—they may or may not accept a subsidy or the

45 Estimates for 2000 of county populations by age come from UPDATE, a database developed by the firm Claritas. The UPDATE database contains Claritas' current-year and five-year projections for population and household counts, based on the 1980 and 1990 Census Summary Tape File 1 (STF1) and Summary Tape File 3 (STF3). All 1990 data in this database have been adjusted to be consistent with the 100 percent counts from STF1.

reimbursement rate, depending upon the demand for care by parents who would pay their full fees. The two pieces of information do, however, provide some insights in to the extent to which subsidies can increase access to care.

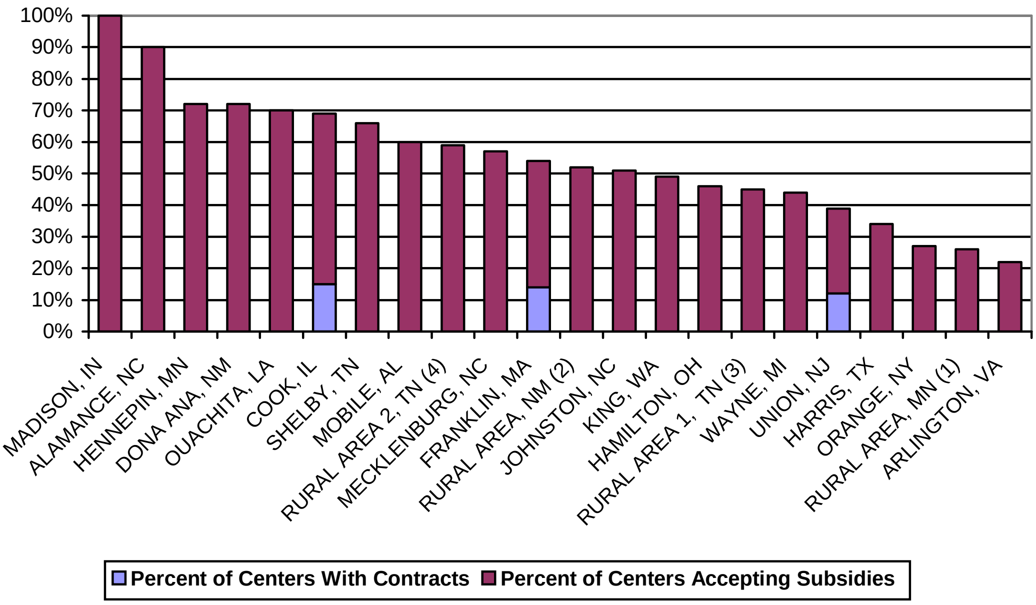
Centers and Regulated Family Child Care Accepting Subsidies

The proportion of centers that reported being willing to accept subsidies varied widely among the communities in the study. In 12 of 22 counties that reported data, 50 percent or more of all centers accepted children whose care was paid through public subsidy. In Madison County, Indiana, and Alamance County, North Carolina, 75 percent or more indicated their willingness to accept subsidy payments. By contrast, in Arlington County, Virginia, less than 25 percent of centers agreed to accept subsidized children.[46] (See Exhibit 5-3.)

Across the board, a higher proportion of regulated family child care homes reported willingness to accept subsidies. In 16 of the 20 counties that reported data, more than half of family child care homes reported a willingness to accept subsidies. (See Exhibit 5-4 and Appendix Table 5-C.)

Exhibit 5-3: CHILD CARE CENTERS ACCEPTING SUBSIDIES

Percent of Centers Accepting Subsidies and/or Holding Contracts For Subsidized Care, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee and Marshall Counties. Data not available for Los Angeles, Orange, and Riverside, CA; Doña Ana, NM.

46 The exhibits show separately the proportion of centers in Cook, Frankline, and Union Counties that have contracts with their states to serve a specified number of subsidized children.

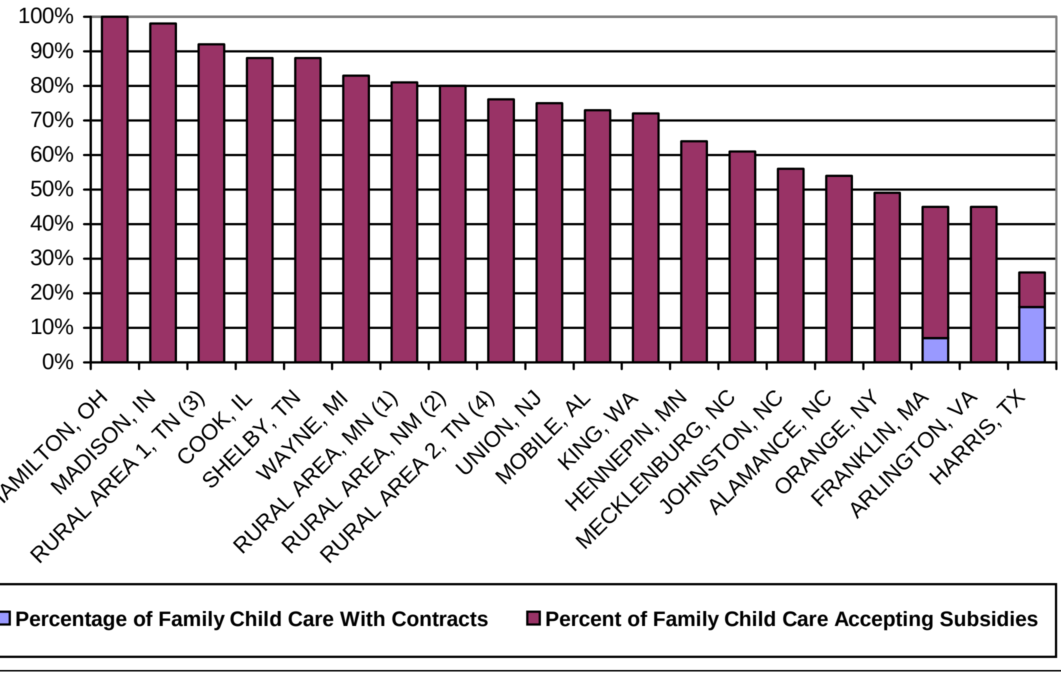
Adequacy of the State Rate

In addition to describing the proportions of centers and regulated family child care homes willing to accept subsidies, we assessed their potential availability to low-income families by estimating the proportions that charged rates no higher than those paid by state subsidy systems for full-time care for 12-month-old, 4-year-old, and 7-year-old children.[47]

In many of the study communities, subsidy rates for centers were adequate to purchase most center care for all ages. As Exhibit 5-5 shows, in 16 of 23 counties, 75 percent or more of the centers and facilities charged less than the full-day rate for infants and toddlers; in 12 counties, a similar proportion of facilities charged less than the full-day rate for preschoolers; and in 15 counties, 75 percent charged below the state rate for school-age children. (It is important to remember, when interpreting these data, that states' rules about payments for children's absences and holidays may mean that providers receive less for subsidized children than they do for those unsubsidized.) (Also see Appendix Table 5-C.)

Exhibit 5-4: REGULATED FAMILY CHILD CARE ACCEPTING SUBSIDIES

Percent of Regulated Family Child Care and Group Homes Accepting Subsidies and/or Holding Contracts For Subsidized Care, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee, and Marshall Counties. Data not available for Los Angeles, Orange, and Riverside, CA, nor for Doña Ana, NM. Ouchita, Lousiana is not included because the state does not have regulated family child care.

47 Again, as noted in a prior footnote, many—but not all—providers typically make rate information available to CCR&Rs. The percentages in this section are of those center and home providers that did so. Note that this is not a full-scale market rate study, but rather a crude calculation, using available data.

Subsidies make regulated family child care more accessible to low-income families as well. In 16 of the 23 counties, at least 75 percent of family child care homes charged fees equal to or below the state rate for infants, and, in 14 of the counties, at least 75 percent of homes charged at or below the state reimbursement rate for preschool- and school-age children. (Exhibit 5-6 and Appendix Table 5-D.)

Exhibit 5-5: NUMBER OF COUNTIES WHERE 75 PERCENT OR MORE CENTERS ACCEPT THE STATE RATE

Number of 23 Reporting Counties Where at Least 75 Percent of Centers and Facilities that Report Fees at or Below the Full-Day Payment Rate for Care, 2000

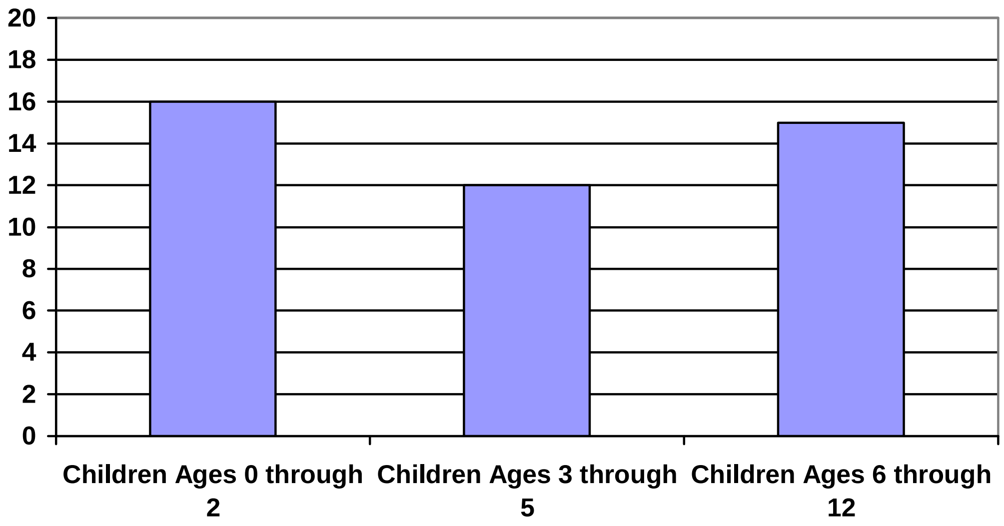
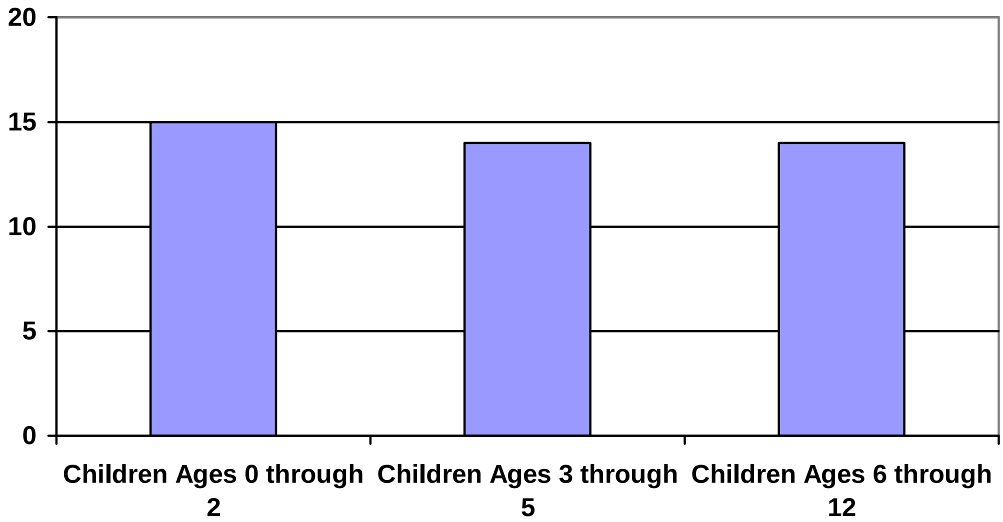


Exhibit 5-6: NUMBER OF COUNTIES WHERE 75 PERCENT OR MORE REGULATED FAMILY CHILD CARE ACCEPT THE STATE RATE

Number of 23 Reporting Counties Where at Least 75 Percent of Regulated Family Child Care Homes that Report Fees at or Below the Full-Day Payment Rate for Care, 2000



Proportions of Regulated Child Care Supported by Subsidies

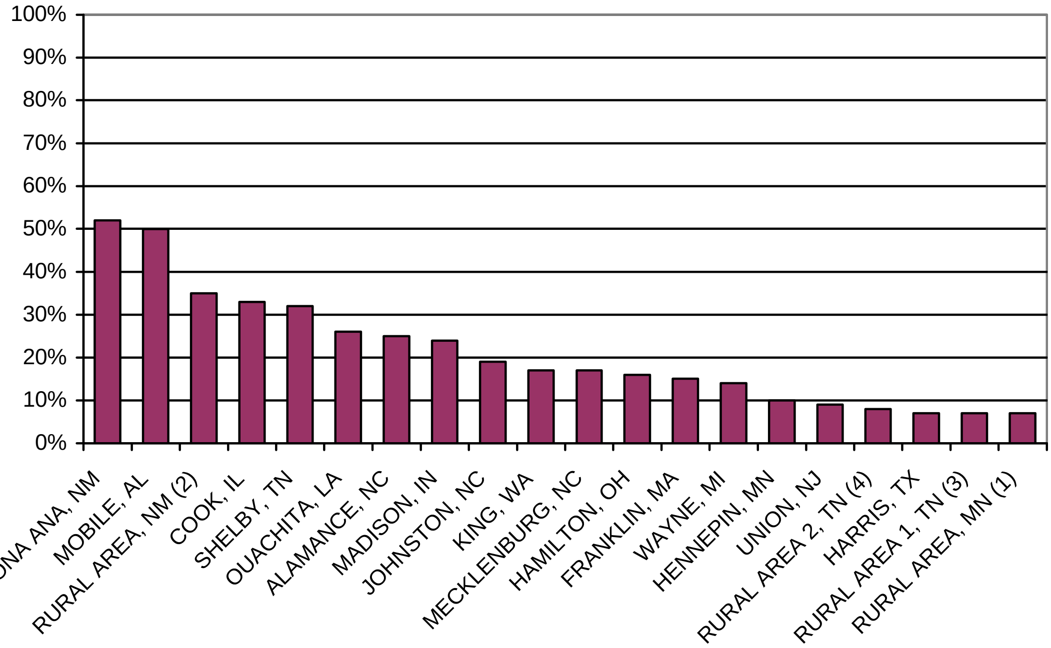
For the 20 counties for which information on types of subsidized arrangements was obtainable, we can compare the number of subsidized arrangements with the overall estimates of regulated supply described in the earlier section. We found that subsidies supported, at least partially, a substantial number of slots or regulated child care.[48] Among these counties, the proportion of children in center care that were subsidized ranged from less than 10 percent in five counties to 30 percent or more in five counties (see Exhibit 5-7).[49]

48 Many parents receiving subsidies are required to contribute a copayment to cover some of the cost of care.

49 Note that center slots and subsidized arrangements are not completely comparable. It is possible to have one child care slot that provides two part-time paid arrangements. We assume here that most of the subsidized arrangements use the entire schedule that the slot is available.

Exhibit 5-7: SUBSIDIZED SLOTS IN CENTER CARE

Subsidized Arrangements in Centers/Facilities, as Percent of All Slots in Centers/Facilities, by County, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee, and Marshall Counties. Data not available for Los Angeles, Orange, and Riverside, CA; Orange, NY; and Arlington, VA.

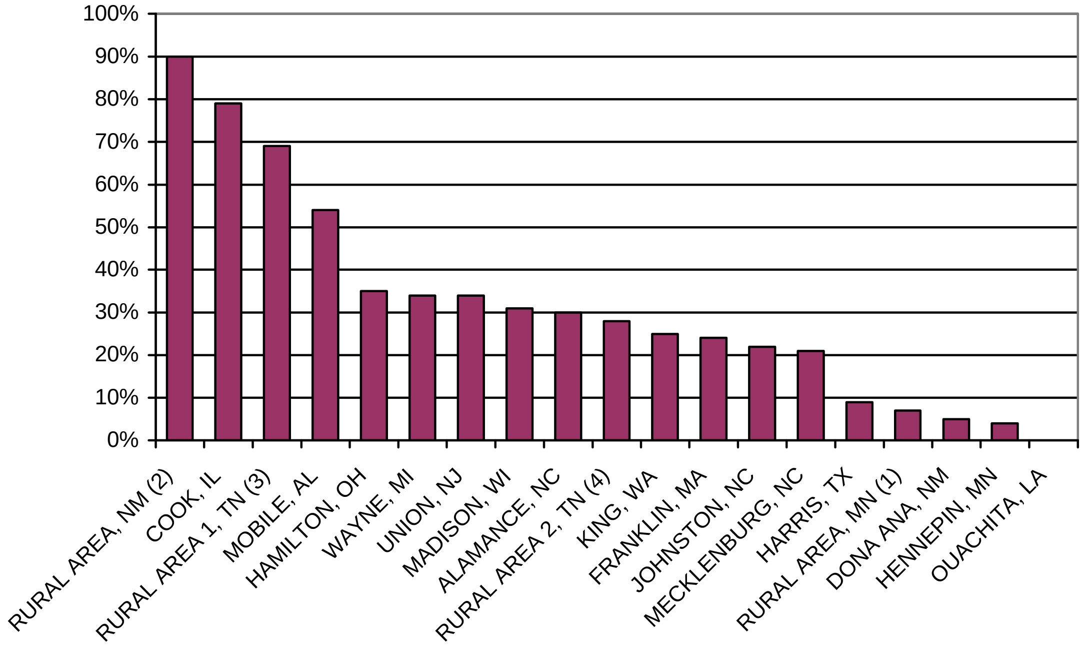
In many of the study communities, subsidies paid for the care of a higher proportion of children in regulated family child care homes than in centers. In nine of 18 counties, subsidized children in family child care constituted at least 30 percent or more of all children in regulated family child care. In four counties they constituted less than 10 percent (see Exhibit 5-8).

When determining the significance of the level of support described here, is important to recognize that public funding is likely to pay for a much more substantial amount of the supply in specific areas within the study counties. First, we are reporting the proportion of arrangements that were subsidized at the county level. This figure includes relatively high-income neighborhoods, where fewer children are likely to be subsidized, as well as low-income neighborhoods, where one would expect there to be many more subsidized children. Second, child care subsidies are just one type of public funding for early childhood care; during the late 1990s, Head Start and state-supported pre-kindergarten also underwent tremendous growth.[50]

[50] The full report on the supply of regulated care in the study communities also estimates the percentage of supply supported by Head Start and pre-kindergarten funds.

Exhibit 5-8: SUBSIDIZED SLOTS IN REGULATED FAMILY CHILD CARE

Subsidized Arrangements in Regulated Family Child Care, as Percent of All Slots in Regulated Family Child Care, by County, 2000



Notes: (1) The rural area includes Itasca, Pennington, and Koochiching Counties. (2) The rural area includes Dona Ana, Grant, and Hidalgo Counties. (3) The rural area includes Fayette, Hardeman, Haywood, Lake, and Lauderdale Counties. (4) The rural area includes Bedford, Coffee and Marshall Counties. Data not available for Los Angeles, Orange, and Riverside, CA; Orange, NY; and Arlington, VA. Inconsistent data from Oachita, LA, and Shelby, TN.

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The study has documented the unprecedented increase in child care funding and its stabilization in the period of 1997-2002. These changes were reflected by the amount and nature of care subsidized in the study communities. The next chapter highlights the major findings from this report and their implications.

Chapter Six: Summary of Findings and Their Implications

The state and community substudy relied on state information on child care expenditures data from 1997 to 2001; state child care subsidy use data from 1997 to 2002; and key informant interviews over the period from 1999 through 2002. Together they provide a comprehensive picture of the late 1990s and early 2000s. These years represent a unique period for Federal and state child care subsidy policy. The period began with unprecedented growth in state subsidy programs: after many years of level funding, states had the opportunity to expand their programs rapidly between 1997 and 1999, using funds made available by PRWORA. New flexibility that the law provided, coupled with expanded funding, gave states the opportunity to extend the subsidy program to many more families, as well as to increase the value of the subsidy. The beginning of the period was characterized by new pressures on administrative systems, as states needed to spend the influx of new resources quickly and as they responded to the increased visibility of child care subsidies that came with the additional dollars.

Starting in 2000, states faced a very different set of concerns. Confronted with state deficits and level Federal spending, most of the states in the study focused on consolidating the gains that had been made in previous years, and achieving costs savings in ways that did not jeopardize the integrity of the systems they had put into place when funding was more plentiful. During that period growth slowed or stopped, and, in a few of the states, the number of children who received subsidies decreased slightly from previous years.

This chapter summarizes the information from prior chapters and discusses some of the implications of those findings:

- **Despite the contraction in funding that characterized the second half of the study period, the average spending by states in the study more than doubled between 1997 and 2001.** Although at the end of the study period some states had made substantial cuts, on the whole funding for subsidies was much more generous in 2001 than it was in 1997.
- **Throughout the study period, most of the states made liberal use of the Federal TANF Block grant as a source of child care funds.** At its peak in 2000, TANF funding accounted for 20 percent or more of child care expenditures in 15 of the 17 states, and 40 percent or more in six states.
- **States served many, many more children with subsidies in 2002 than they did in 1997**. **In most of the states in the study, the number of children who received subsidies increased by 75 percent or more; in five of the 14 states that could provide information for both 1997 and 2001, the subsidy caseload more than doubled**. In 10 of those 14 states, at least 25 percent of families estimated to be eligible under state rules were supported by subsidies. The great infusion of subsidy funds in the study communities during this time period meant that a substantial portion of the regulated supply was paid for through the subsidy system, even though in some states subsidies also supported considerable amounts of unregulated care.
- **In addition to increases in the numbers of children served by subsidies, there were significant increases in efforts to improve the quality of child care purchased, as evidenced by the average amount of subsidies spent per child served, as well as the proportion of the**

CCDF set aside for quality-improvement activities. In 10 of the 13 states that provided sufficient data, the amount of subsidy per child served increased between 1997 and 2001. In that same period, the adjusted amount of quality spending doubled or more than doubled in 13 of the 16 states reporting sufficient data.

- **In the majority of states in the study, most of the arrangements supported by subsidies were in centers. Whether in centers or in family child care homes, most of the subsidized slots in the majority of states were also regulated. These two general statements, however, mask a great deal of variation among the states**. The distribution of types of care purchased by subsidies differed greatly across the study states. Individual state patterns were fairly consistent across the study period, despite concerns at the outset of the study that subsidies would increasingly be used to support unregulated providers.
- **Although there were some important trends in spending and in the choices states made, there were always many exceptions to every statement made in this report.** There were substantial differences across the states in virtually every program dimension. Although the study was able to document this great variation, it was not possible to develop a method to cluster state child care policy decisions in order to classify the states in any meaningful way.

Period of Growth in Funding, Followed by Period of Some Targeted Cuts

The data collection for the state and community substudy took place during a unique period in Federal and state child care subsidy policy. After adjusting the calculation to address state differences in the cost of child care, the study team found that growth in child care expenditures more than doubled between 1997 and 2001. In 1997, after several years of nearly level Federal funding, states had the opportunity to expand subsidies rapidly, both through the funds from the Child Care and Development Fund and by using surplus TANF funds. As a result of this expansion in funding, states were confronted with broader interest in and political pressure related to subsidies. They also had to make a variety of decisions, including: which groups to serve and with what system of priorities, how to streamline delivery systems and make them more efficient; how to expand services rapidly despite state and local administrative constraints; and which parts of the system should be improved first. The first three years of data collection for the study documented these issues and how they were resolved.

The year 2000 was a turning point in many states. Although subsidy spending held steady or grew by slight amounts in the majority of states, in two states spending decreased slightly between 1999 and 2000, and three other states reported decreases between 2000 and 2001.

The study collected expenditure data from 1999 to 2001, information on child care use through 2002, and information on child care policy changes through the spring of 2003. The fiscal picture drawn by this report therefore lags behind the other information gathered by the study team. In 2002 and 2003, many of the states in the study made cuts in some of aspects of their subsidy programs while trying to maintain the core program in terms of basic rates to providers, eligibility guidelines, or parents' co-payments. These measures often included changing rules related to presumptive eligibility or handling of child absences, or eliminating higher rates for special circumstances such as care offered during non-traditional hours. While states may not have changed the basic rates, these other changes often resulted in decreased payment amounts to providers.

Some states, however, resorted to more stringent cuts, particularly in 2002 and 2003. For instance, by the summer of 2003, New Mexico had decreased its eligibility ceiling from 200 percent of the Federal poverty level (FPL) to 100 percent, Washington had cut its eligibility ceiling from 225 percent of FPL to 200 percent, and Ohio had reduced its eligibility ceiling from 185 to 150 percent of FPL. In fact, eligibility ceilings in Illinois, Indiana, Louisiana, and Michigan went down 20 percent or more between 1999 and 2003. Also, over the course of the study period, North Carolina, New Jersey, Minnesota, and Illinois increased co-payment requirements for families.

These cuts in the generosity of subsidies, while painful to many state administrators, were made in a context markedly different than in pre-PWRORA times. The tough decisions about how to deal with reduced funding were made from a base of a much larger amount of Federal funding for child care than had been available in the mid-1990s and before. Cuts were not made across the board, nor did states necessarily reduce the generosity of the program. For instance, during the time period 1999 (a peak year) to 2002, eligibility ceilings went down by 5 percent or more in eight of the states in the study, but they also went up by 5 percent or more in four of the states. And while co-payments for families at 33% of SMI went up by 10 percent or more in four states, co-payment burdens for these families were reduced by 10 percent or more in six states.

Perhaps part of the reason that these cuts felt so painful to many state administrators is the perception that, even at its peak, subsidy funding was insufficient to meet demand. Consistently throughout the study period, the majority of the states in the study were unable to serve all the eligible families that requested subsidies. In 1999, 12 of the states had waiting lists; at the end of the study period, the number grew to 13. In addition to trying to provide subsidies to all eligible families that requested them, many state policymakers described consistent pressures on them throughout the study period, even when there was rapid expansion in funding. These included pressures to make the subsidy more valuable—by making co-payments less burdensome and payments to providers more generous.

If, at its peak, funding was perceived to be insufficient in many of the study states, how much subsidy funding was enough? The study did not attempt to answer this question, nor to estimate how much of the demand for child care was either met or remained unmet in the study states. These are complex questions, which are related to numerous factors. One major factor is the nature of the child care subsidy itself. In each state, the subsidies for parents were different in terms of the maximum price of care for which they would pay, the maximum amounts that parents could earn, the amount that parents at varying income levels were required to contribute, and the rules that providers had to agree to in order to receive subsidies. It stands to reason that a relatively more valuable subsidy, for which relatively more families were eligible, would be more in demand than a relatively less valuable one with more restrictive eligibility. It would therefore be difficult to sum up the answer to the question across the study states, even if the amount of unmet demand (i.e., the number of eligible families who applied for subsidies but were turned away) could be accurately measured.

Sources of Funding for Child Care Subsidies

The TANF block grant was an important part of the story of the unprecedented increase in the amount of subsidies available to low-income families during the study period. The CCDF has not been the only major Federal source of child care support. Starting in 1999, the TANF block grant was a major source of funding for child care in the study states. The use of TANF funding peaked in 2000, when, in 15 of the 17 states in the study, more than 20 percent of their child care expenditures came from their Federal

TANF Block grant; in six of these states, 40 percent of child care expenditures came from the TANF block grant.

While the CCDF and TANF block grants were responsible for the large majority of spending, other sources of child care funding were important for some states. Several of the states in the study—California, Illinois, and Massachusetts, for instance—have a long tradition of spending state dollars on child care subsidies. Throughout the study period, states with a history of spending their own dollars for child care subsidies (above and beyond the amount needed to draw down Federal funds) continued to do so consistently, while those that in the past had not spent more than was necessary to draw down their Federal allotments tended to continue to do that as well.

How much states would spend of their own dollars on child care was an open question when the PWRORA was passed in 1997. There had been some concerns that the act would change states' incentives to invest their own dollars. With more TANF funding available in states in the late 1999s, due to falling TANF caseloads, some of these concerns were amplified because some policymakers and advocates saw TANF as a ready source of funding to replace state dollars spent on child care assistance. However, key informants from many states considered child care a fundamental part of their support to low-income families and, in fact, an extension of welfare reform efforts, in that by providing child care assistance to low-income families they were stabilizing their employment and reducing families' need for direct assistance.

At the peak of the spending, in 2000, key informants described concerns about relying heavily on TANF funds to maintain relatively higher levels of funding for child care subsidies. Even a mild recession, they feared, could result in higher TANF caseloads. This event would be likely to reduce the surplus. States would be faced with the choice of replacing Federal dollars with state dollars to maintain the current high spending levels, or of cutting subsidies for many low-income families.

However, in many states, during the recession that began in 2000, TANF caseloads did not, in fact, climb back to their 1997 levels. And while the expenditure of TANF funds, either directly or transferred into the CCDF, may have decreased substantially in later years, there was no strong indication that this was happening consistently in 2001, the last year for which the study collected financial data. In 2000, 20 percent or more of subsidy expenditures came from TANF in 15 of the 17 of the states; this was still the case in 13 states in 2001. TANF allocations, as a percentage of spending, went down in 10 of the states between 2000 and 2001 but also increased in seven of the states.

Growth in Numbers of Children Served and Amount of Regulated Supply Supported

By every measure, the increased expenditures described above were reflected in the growth of numbers of children served in the study states. In 10 of the 14 states that could provide data for both 1997 and 2002, the number of children receiving subsidies grew by 67 percent or more.

Measurement of numbers served was an important and thorny issue for the research team. Given that both the eligibility rules and the value of the subsidy are different in each state, the team faced the challenge of identifying ways to draw useful comparisons among the states. One could look at the percentage of state-eligible children served in each of the study states, but the denominator in each state is different. Using this measure, it is possible to determine the degree to which each state was meeting its own goals, but a direct comparison of the proportion of similar children the different states served is not possible. In order to do the latter, in the first interim report the team used as a comparison group all families with employed parents, children under age 13, and incomes below 85% of SMI; in this report we used 62% of SMI to develop a denominator to compare states' performance. Both approaches (i.e., comparing numbers served to a number of "state-eligible," and using a comparison group of a number below SMI) have drawbacks if they are to be used to determine the degree to which states' served potentially "eligible" families.

The first drawback is that families' eligibility stems from their need for child care for specific times in the day that single or married parents are working or, in some cases, attending job preparation, education, or training programs. Some parents have arranged their work schedules to coincide with their children's school hours or, in the case of two-parent families, to maximize the amount of time that a parent can be home to care for the child. Therefore, families' earnings levels and information about whether or not parents are employed are insufficient to determine eligibility. Second, if subsidies are valuable enough, it is possible that they could change incentives so that non-working parents could choose to work**.** Therefore, a more valuable subsidy may influence unemployed parentsto become employed, which would move them from the "ineligible" to "eligible" group. The final drawback is the fact that there is still public debate about which families should be eligible for subsidies, and setting the maximum income at any particular level for comparison might indicate a policy viewpoint that this is the accepted level of "need" and the proportion served is the amount of "need" that has been "met."

The use of 62% of SMI to establish a comparison group in this report, however, is meant to enable the reader to compare the experiences of one state with those of another by developing a per capita number served, so the experiences of a state with a relatively small population could be understood when compared with that of a state with a relatively large population. It was chosen because this was the average eligibility ceiling among the states in 2002. And it did serve to illustrate the wide differences among the states. For instance, in 2002, Washington provided subsidies to nearly two and a half times more families under 62% of SMI than did Virginia.

Whichever measure one ultimately chooses to use, it is still clear that the gains it reflects are considerable. In 2002, in 11 of the 14 states, at least 25 percent of the children estimated to be eligible by virtue of income and earnings under state rules received subsidies. In Illinois, 54 percent and, in Michigan, 44 percent of state-eligible children were served. In 2002, in Washington, 32 percent of the families with incomes under 62% of SMI received subsidies compared with 20 percent in 1997; in New Mexico, 24 percent of these families were served in 2002 compared with eight percent in 1997.

What were the effects of subsidies on families' child care and employment decisions? This substudy does not provide any answers to these questions; however, the *Patterns of Child Care Use Report* of this study, which describes the results from a household survey within the 25 study communities, addresses questions related to subsidies and the type of care that families select.

A second set of questions relates to the effects of subsidies on the child care market. The state and community substudy collected data about the regulated supply from CCR&Rs and other organizations in 25 counties in a peak year of 2000. By using the number of the regulated slots, and comparing it with the number of arrangements paid for by subsidies, the research team was able to estimate the proportion of supply supported by subsidies. In eight of the 20 counties that were able to report data on regulated supply and on subsidized arrangements, nearly one-fourth or more of the regulated county-level supply was at least partially supported by subsidies. (Many subsidized families also made co-payments to these providers for the slots.) We would expect that, in low-income neighborhoods within these counties, this proportion would be much higher. To the degree that these 25 counties represent those with moderate or high poverty rates in the country,[51] it appears that the government has become a major purchaser of regulated care in such areas. Although the study documented the growth in subsidies but not the effects of that growth, it seems reasonable to conjecture that subsidies must be responsible for influencing at least some aspects of child care supply in terms of its price, its quantity, and/or aspects of its quality.

Growth in Efforts to Boost the Value of the Subsidy and Improve Quality

At the outset of the study, there were concerns that pressures on states to increase the numbers served by subsidies would cause state policymakers to shortchange concerns about the quality of the services supported. These concerns, however, were not borne out by the experiences of many states.

The CCDF and other subsidy spending could potentially boost quality in two major ways. The first is that policymakers could improve the value of the subsidy in terms of the maximum payment rate to providers and by making other rules more generous, such as paying for child absences, so that more providers would be willing to accept the subsidy. They could also reduce co-payment amounts, making the subsidies more desirable for families, and the prospect of accepting them less risky for providers who are worried about collecting large co-payments from parents. An increased subsidy value would increase the purchasing power of parents as well as increasing the desirability of accepting the subsidy—giving parents the potential to select higher quality options available in their neighborhoods than they would without subsidies, or with subsidies that were less valuable.

The second potential way to improve quality is by providing support directly to providers in ways that are separate from the subsidy payment system, or by providing information to parents to help them become more informed child care consumers. These activities have been well-documented by many reports, including the Substudy's First Interim Report (2000).

During the study period, many of the states in the study did both of these things. The adjusted value of the subsidy per child served increased between 1997 and 2001, in 10 of the 13 states that could report data sufficient data for both time periods; in 8 of these states it went up by 24 percent or more. Funding for quality-improvement and supply-expansion activities also tripled in 11 of the 16 study states reporting data for 1997 and 2001; it increased by nearly fivefold or more in seven of these states.

Increased Access to Regulated Care

At the outset of the study, there was concern that a combination of events—tight labor markets, new pressures on regulated child care caused by families moving from welfare to work, parents preferring to keep subsidy dollars "in the family" by using relatives, and relatively few center-based providers willing to accept subsidies—would mean that subsidies would go to license-exempt providers in unprecedented amounts. However, in nine of the 16 states that reported sufficient data in 2002, over half the subsidized arrangements were in centers, and, in 13 of the 16 states, at least 50 percent of the arrangements were

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51 The study used the sampling frame provided by the National Child Care Study of 1990, but excluded counties with child poverty rates below 14 percent in 1993.

considered regulated by the states. In 11 of these states, 70 percent or more of the subsidized arrangements were considered regulated.

Even though the majority of funding went to regulated sources, did subsidies go to higher proportions of relatives and unregulated non-relatives in 2002 than they did in 1997? Again, the answer is that they did not, in 10 of the 13 states that could report data for both years. The three exceptions were New York, Illinois, and Michigan. Michigan and Illinois experienced a substantial decrease in center-based care and a corresponding increase in relative care over the course of the study period.

These summary statements mask a good deal of variation. For example, in Michigan, 16 percent of subsidized arrangements were in centers, compared with 84 percent of arrangements in North Carolina. In 7 of the 16 states, 1 percent or less of subsidized arrangements occurred in the child's home with a non-relative, while such care accounted for 9 percent or more of the arrangements in four states. It appears that subsidy policy, coupled with local labor and child care markets, all affect the patterns of subsidized care. The interactions of these three factors, however, could not be explored by this substudy.

Variations in Subsidy Policy

A challenge of the report was to describe the changes that occurred in state's subsidy systems over the study time period using summary statements, while not masking the underlying, great variation in nearly every aspect of the subsidy systems that we examined in this study. Each summary statement needed to be accompanied by a multitude of caveats and qualifications. In the process of analysis, our hope was that we could simplify the process of describing states by discerning different patterns and configurations of states' policy decisions that could characterize the states of the study in a few, relatively uncomplicated clusters. However, this goal proved to be impossible given the extent of variation in subsidy take-up rates, subsidy use for different types of care, reimbursement rates, and regulatory and other policies, and the relatively small number of states in our sample. Rather, the study highlights the fact that each state's child care subsidy policies are unique and interact with the state's child care regulatory environment, its other social policies, and local child care and labor markets.

In another report of this study, which describes results from the Community Survey of 2,500 low-income families that use non-parental, out of home care, we were able to identify ways in which the receipt or absence of a subsidy may influence parents' decision-making. However, additional and future research is needed to untangle the effects that subsidy policies have on parents, children, caregivers, and child care and labor markets as a whole.

APPENDIX TABLES

Chapter Two Appendix Tables

Appendix Table 2.A: State's Total Child Care Spending from All Sources by Federal Fisal Year and Percentage Growth in Spending, Federal Fiscal Years 1997-2001

State	FFY 1997 Spending	FFY 1998 Spending	FFY 1999 Spending	FFY 2000 Spending	FFY 2001 Spending	% Change from FFY 1997 to FFY 1998	% Change from FFY 1998 to FFY 1999	% Change from FFY 1999 to FFY 2000	% Change from FFY 2000 to FFY 2001	% Change from FFY 1997 to FFY 2001
ALABAMA	$47,467,868	$77,510,885	$83,726,732	$104,634,628	$99,028,180	63%	8%	25%	-5%	109%
CALIFORNIA	$883,310,610	$1,360,596,407	$2,058,289,737	$2,495,942,112	$2,668,687,687	54%	51%	21%	7%	202%
ILLINOIS	$336,514,389	$367,430,229	$548,359,761	$659,295,107	$639,047,301	9%	49%	20%	-3%	90%
INDIANA	$57,188,771	$138,369,148	$156,332,530	$201,115,308	$223,719,443	142%	13%	29%	11%	291%
LOUISIANA	$28,824,581	$85,186,438	$118,519,737	$134,140,982	$139,371,506	196%	39%	13%	4%	384%
MASSACHUSETTS	$256,269,084	$260,395,802	$300,082,996	$340,325,374	$371,058,007	2%	15%	13%	9%	45%
MICHIGAN	$264,942,691	$444,727,204	$515,743,973	$469,853,103	$505,837,310	68%	16%	-9%	8%	91%
MINNESOTA	$92,757,837	$135,800,507	$182,972,822	$172,745,001	$196,075,339	46%	35%	-6%	14%	111%
NEW JERSEY	$145,099,248	$150,801,672	$187,106,081	$230,463,324	$273,206,109	4%	24%	23%	19%	88%
NEW MEXICO	$22,444,169	$46,098,672	$46,618,194	$54,121,205	$75,171,548	105%	1%	16%	39%	235%
NEW YORK	N/A	N/A	N/A	$711,922,810	$851,204,216	N/A	N/A	N/A	20%	N/A
NORTH CAROLINA	$194,946,558	$253,936,519	$285,590,772	$355,869,399	$399,435,348	30%	12%	25%	12%	105%
OHIO	$197,596,251	$210,957,443	$247,668,821	$448,600,893	$496,763,438	7%	17%	81%	11%	151%
TENNESSEE	$117,932,863	$148,463,668	$172,832,153	$188,581,835	$229,177,009	26%	16%	9%	22%	94%
TEXAS	$210,490,900	$276,615,561	$355,035,633	$360,655,840	$458,190,779	31%	28%	2%	27%	118%
VIRGINIA	$75,666,187	$94,432,589	$134,776,078	$145,495,623	$118,437,850	25%	43%	8%	-19%	57%
WASHINGTON	$111,615,008	$162,439,141	$219,962,134	$253,115,350	$349,241,820	46%	35%	15%	38%	213%

Source: Information provided by study states, drawn from their ACF-696 and ACF-1 96 financial reports to the US Department of Health and Human Services and additional sources.

*FFY1997-1999 data unavailable for New York. The 16-state average excludes spending in New York in FFY2000 and FFY 2001

Revised FFY99 figures are lower for California, New Jersey, Texas, and Virginia and higher for Ohio than stated in the first interim report. Revised FFY2000 figures are lower than stated in the second interim report for Alabama, California, and Minnesota. Revised FFY2000 figures were higher than stated in the second interim report for Indiana, Tennessee, Virginia, and Washington.

Appendix Table 2.B.1: Adjusted FFY01 Total Spending Per Estimated Eligible Children

State	Total FFY97 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY97 Spending	Estimated Eligible Children	Federal Rules Adj. Total FFY97 Spending Per Estimated Eligible Children
ALABAMA	$47,467,868	$6.92	0.896	$52,955,483	212,036	$249.75
CALIFORNIA	$883,310,610	$9.99	1.294	$682,598,389	1,614,569	$422.77
ILLINOIS	$336,514,389	$8.59	1.113	$302,432,024	540,838	$559.19
INDIANA	$57,188,771	$8.59	1.113	$51,396,660	217,381	$236.44
LOUISIANA	$28,824,581	$6.12	0.793	$36,360,419	200,060	$181.75
MASSACHUSETTS	$256,269,084	$8.59	1.113	$230,314,008	260,334	$884.69
MICHIGAN	$264,942,691	$8.59	1.113	$238,109,147	406,033	$586.43
MINNESOTA	$92,757,837	$7.84	1.016	$91,338,074	163,049	$560.19
NEW JERSEY	$145,099,248	$8.46	1.096	$132,407,352	321,875	$411.36
NEW MEXICO	$22,444,169	$7.20	0.933	$24,065,137	96,405	$249.62
NEW YORK	N/A	$8.46	1.096	N/A	626,443	N/A
NORTH CAROLINA	$194,946,558	$6.89	0.892	$218,430,686	325,803	$670.44
OHIO	$197,596,251	$8.59	1.113	$177,583,592	411,998	$431.03
TENNESSEE	$117,932,863	$6.92	0.896	$131,566,720	222,664	$590.88
TEXAS	$210,490,900	$6.12	0.793	$265,521,201	891,998	$297.67
VIRGINIA	$75,666,187	$6.89	0.892	$84,781,272	231,197	$366.71
WASHINGTON	$111,615,008	$9.99	1.294	$86,253,039	207,889	$414.90
median:	$131,516,056	$8.46	$1.10	$131,987,036	260,334	$418.84

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCIi = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1997 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

(2) The estimated number of potentially-eligible children under federal eligibility criteria provides a common benchmark across the states that is unaffected by state policy. These are children in families earning 62 percent or less of the State Median Income and with parents working or in other activities which confer potential eligibility. The estimated number of federally-eligible children is the result of a simulation model estimate conducted by the Urban Institute using data on income, employment, and disability status from the combine March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. Of course, in no state do all potentially federally-eligible children receive subsidies. Previously discussed in chapters three and seven of interim report 1.

Appendix Table 2.B.2: Adjusted FFY01 Total Spending Per Estimated Eligible Children

State	Total FFY98 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY98 Spending	Estimated Eligible Children	Federal Rules Adj. Total FFY98 Spending Per Estimated Eligible Children
ALABAMA	$77,510,885	$6.92	0.896	$86,471,681	212,036	$407.82
CALIFORNIA	$1,360,596,407	$9.99	1.294	$1,051,431,858	1,614,569	$651.22
ILLINOIS	$367,430,229	$8.59	1.113	$330,216,690	540,838	$610.56
INDIANA	$138,369,148	$8.59	1.113	$124,355,043	217,381	$572.06
LOUISIANA	$85,186,438	$6.12	0.793	$107,457,402	200,060	$537.13
MASSACHUSETTS	$260,395,802	$8.59	1.113	$234,022,770	260,334	$898.93
MICHIGAN	$444,727,204	$8.59	1.113	$399,684,984	406,033	$984.37
MINNESOTA	$135,800,507	$7.84	1.016	$133,721,928	163,049	$820.13
NEW JERSEY	$150,801,672	$8.46	1.096	$137,610,982	321,875	$427.53
NEW MEXICO	$46,098,672	$7.20	0.933	$49,428,021	96,405	$512.71
NEW YORK	N/A	$8.46	1.096	N/A	626,443	N/A
NORTH CAROLINA	$253,936,519	$6.89	0.892	$284,526,840	325,803	$873.31
OHIO	$210,957,443	$8.59	1.113	$189,591,555	411,998	$460.18
TENNESSEE	$148,463,668	$6.92	0.896	$165,627,098	222,664	$743.84
TEXAS	$276,615,561	$6.12	0.793	$348,933,355	891,998	$391.18
VIRGINIA	$94,432,589	$6.89	0.892	$105,808,358	231,197	$457.65
WASHINGTON	$162,439,141	$9.99	1.294	$125,528,545	207,889	$603.82
median:	$156,620,407	$8.46	1.096	$151,619,040	260,334	$587.94

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: $CCCli = W_i/W_n$, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1997 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

(2) The estimated number of potentially-eligible children under federal eligibility criteria provides a common benchmark across the states that is unaffected by state policy. These are children in families earning 62 percent or less of the State Median Income and with parents working or in other activities which confer potential eligibility. The estimated number of federally-eligible children is the result of a simulation model estimate conducted by the Urban Institute using data on income, employment, and disability status from the combine March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. Of course, in no state do all potentially federally-eligible children receive subsidies. Previously discussed in chapters three and seven of interim report 1.

Appendix Table 2.B.3: Adjusted FFY01 Total Spending Per Estimated Eligible Children

State	Total FFY99 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY99 Spending	Estimated Eligible Children	Federal Rules Adj. Total FFY99 Spending Per Estimated Eligible Children
ALABAMA	$83,726,732	$6.65	0.804	$104,123,319	212,036	$491.06
CALIFORNIA	$2,058,289,737	$9.13	1.104	$1,864,409,214	1,614,569	$1,154.74
ILLINOIS	$548,359,761	$9.25	1.119	$490,263,267	540,838	$906.49
INDIANA	$156,332,530	$9.25	1.119	$139,769,732	217,381	$642.97
LOUISIANA	$118,519,737	$5.85	0.707	$167,548,415	200,060	$837.49
MASSACHUSETTS	$300,082,996	$8.97	1.085	$276,665,148	260,334	$1,062.73
MICHIGAN	$515,743,973	$9.25	1.119	$461,102,990	406,033	$1,135.63
MINNESOTA	$182,972,822	$8.20	0.992	$184,534,785	163,049	$1,131.77
NEW JERSEY	$187,106,081	$9.05	1.094	$170,979,811	321,875	$531.20
NEW MEXICO	$46,618,194	$7.29	0.881	$52,885,112	96,405	$548.57
NEW YORK	N/A	$9.05	1.094	N/A	626,443	N/A
NORTH CAROLINA	$285,590,772	$7.16	0.866	$329,865,319	325,803	$1,012.47
OHIO	$247,668,821	$9.25	1.119	$221,429,313	411,998	$537.45
TENNESSEE	$172,832,153	$6.65	0.804	$214,935,625	222,664	$965.29
TEXAS	$355,035,633	$5.85	0.707	$501,905,074	891,998	$562.68
VIRGINIA	$134,776,078	$7.16	0.866	$155,670,135	231,197	$673.32
WASHINGTON	$219,962,134	$9.13	1.104	$199,242,809	207,889	$958.41
median:	$203,534,108	$8.97	$1.08	$207,089,217	260,334	$871.99

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCli = Wi/Wn, where Wi = average wage rate for child care workers in Region i, and Wn = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1999 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

(2) The estimated number of potentially-eligible children under federal eligibility criteria provides a common benchmark across the states that is unaffected by state policy. These are children in families earning 62 percent or less of the State Median Income and with parents working or in other activities which confer potential eligibility. The estimated number of federally-eligible children is the result of a simulation model estimate conducted by the Urban Institute using data on income, employment, and disability status from the combine March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. Of course, in no state do all potentially federally-eligible children receive subsidies. Previously discussed in chapters three and seven of interim report 1.

Appendix Table 2.B.4: Adjusted FFY01 Total Spending Per Estimated Eligible Children

State	Total FFY00 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY00 Spending	Estimated Eligible Children	Federal Rules Adj. Total FFY00 Spending Per Estimated Eligible Child
ALABAMA	$104,634,628	$6.65	0.804	$130,124,568	212,036	$613.69
CALIFORNIA	$2,495,942,112	$9.13	1.104	$2,260,836,940	1,614,569	$1,400.27
ILLINOIS	$659,295,107	$9.25	1.119	$589,445,463	540,838	$1,089.87
INDIANA	$201,115,308	$9.25	1.119	$179,807,956	217,381	$827.16
LOUISIANA	$134,140,982	$5.85	0.707	$189,631,781	200,060	$947.88
MASSACHUSETTS	$340,325,374	$8.97	1.085	$313,767,095	260,334	$1,205.25
MICHIGAN	$469,853,103	$9.25	1.119	$420,074,072	406,033	$1,034.58
MINNESOTA	$172,745,001	$8.20	0.992	$174,219,653	163,049	$1,068.51
NEW JERSEY	$230,463,324	$9.05	1.094	$210,600,187	321,875	$654.29
NEW MEXICO	$54,121,205	$7.29	0.881	$61,396,758	96,405	$636.86
NEW YORK	$711,922,810	$9.05	1.094	$650,563,717	626,443	$1,038.50
NORTH CAROLINA	$355,869,399	$7.16	0.866	$411,039,097	325,803	$1,261.62
OHIO	$448,600,893	$9.25	1.119	$401,073,447	411,998	$973.48
TENNESSEE	$188,581,835	$6.65	0.804	$234,522,071	222,664	$1,053.26
TEXAS	$360,655,840	$5.85	0.707	$509,850,222	891,998	$571.58
VIRGINIA	$145,495,623	$7.16	0.866	$168,051,509	231,197	$726.88
WASHINGTON	$253,115,350	$9.13	1.104	$229,273,159	207,889	$1,102.86
median:	$253,115,350	$8.97	$1.08	$234,522,071	260,334	$1,034.58

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCli = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1999 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

(2) The estimated number of potentially-eligible children under federal eligibility criteria provides a common benchmark across the states that is unaffected by state policy. These are children in families earning 62 percent or less of the State Median Income and with parents working or in other activities which confer potential eligibility. The estimated number of federally-eligible children is the result of a simulation model estimate conducted by the Urban Institute using data on income, employment, and disability status from the combine March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. Of course, in no state do all potentially federally-eligible children receive subsidies. Previously discussed in chapters three and seven of interim report 1.

Appendix Table 2.B.5: Adjusted FFY01 Total Spending Per Estimated Eligible Children

State	Total FFY01 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY01 Spending	Estimated Eligible Children	Federal Rules Adj. Total FFY01 Spending Per Estimated Eligible Children
ALABAMA	$99,028,180	$6.72	0.754	$131,300,757	212,036	$619.24
CALIFORNIA	$2,668,687,687	$9.25	1.038	$2,570,595,383	1,614,569	$1,592.12
ILLINOIS	$639,047,301	$10.48	1.176	$543,312,161	540,838	$1,004.57
INDIANA	$223,719,443	$10.48	1.176	$190,204,221	217,381	$874.98
LOUISIANA	$139,371,506	$6.27	0.704	$198,054,245	200,060	$989.98
MASSACHUSETTS	$371,058,007	$9.22	1.035	$358,582,087	260,334	$1,377.39
MICHIGAN	$505,837,310	$10.48	1.176	$430,058,247	406,033	$1,059.17
MINNESOTA	$196,075,339	$10.77	1.209	$162,212,746	163,049	$994.87
NEW JERSEY	$273,206,109	$9.75	1.094	$249,668,352	321,875	$775.67
NEW MEXICO	$75,171,548	$9.59	1.076	$69,841,344	96,405	$724.46
NEW YORK	$851,204,216	$9.75	1.094	$777,869,699	626,443	$1,241.72
NORTH CAROLINA	$399,435,348	$7.95	0.892	$447,669,050	325,803	$1,374.05
OHIO	$496,763,438	$10.48	1.176	$422,343,725	411,998	$1,025.11
TENNESSEE	$229,177,009	$6.72	0.754	$303,864,159	222,664	$1,364.68
TEXAS	$458,190,779	$6.27	0.704	$651,113,212	891,998	$729.95
VIRGINIA	$118,437,850	$7.95	0.892	$132,739,779	231,197	$574.14
WASHINGTON	$349,241,820	$9.25	1.038	$336,404,823	207,889	$1,618.19
median:	$349,241,820	$9.25	$1.04	$336,404,823	260,334	$1,004.57

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCli = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 2001 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

(2) The estimated number of potentially-eligible children under federal eligibility criteria provides a common benchmark across the states that is unaffected by state policy. These are children in families earning 62 percent or less of the State Median Income and with parents working or in other activities which confer potential eligibility. The estimated number of federally-eligible children is the result of a simulation model estimate conducted by the Urban Institute using data on income, employment, and disability status from the combine March 2000, March 2001, and March 2002 Current Population Surveys, which cover calendar years 1999-2001. Of course, in no state do all potentially federally-eligible children receive subsidies. Previously discussed in chapters three and seven of interim report 1.

Appendix Table 6-C.1: Adjusted FFY97 Total Spending Per Child Served

State	Total FFY97 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY97 Spending	Children Served	Total FFY97 Adjusted Spending Per Children Served
ALABAMA	$47,467,868	$6.92	0.896	$52,955,483	21,875	$2,421
CALIFORNIA	$883,310,610	$9.99	1.294	$682,598,389	N/A	N/A
ILLINOIS	$336,514,389	$8.59	1.113	$302,432,024	98,777	$3,062
INDIANA	$57,188,771	$8.59	1.113	$51,396,660	18,000	$2,855
LOUISIANA	$28,824,581	$6.12	0.793	$36,360,419	15,475	$2,350
MASSACHUSETTS	$256,269,084	$8.59	1.113	$230,314,008	51,804	$4,446
MICHIGAN	$264,942,691	$8.59	1.113	$238,109,147	71,312	$3,339
MINNESOTA	$92,757,837	$7.84	1.016	$91,338,074	24,485	$3,730
NEW JERSEY	$145,099,248	$8.46	1.096	$132,407,352	N/A	N/A
NEW MEXICO	$22,444,169	$7.20	0.933	$24,065,137	7,950	$3,027
NEW YORK	N/A	$8.46	1.096	N/A	81,001	N/A
NORTH CAROLINA	$194,946,558	$6.89	0.892	$218,430,686	72,532	$3,012
OHIO	$197,596,251	$8.59	1.113	$177,583,592	60,053	$2,957
TENNESSEE	$117,932,863	$6.92	0.896	$131,566,720	51,608	$2,549
TEXAS	$210,490,900	$6.12	0.793	$265,521,201	41,721	$6,364
VIRGINIA	$75,666,187	$6.89	0.892	$84,781,272	N/A	N/A
WASHINGTON	$111,615,008	$9.99	1.294	$86,253,039	42,070	$2,050
MEDIAN						$3,012

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCli = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1997 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

Appendix Table 2-C.7: Adjusted FFY00 Total Spending Per Child Served

State	Total FFY98 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY98 Spending	Children Served	Total FFY98 Adjusted Spending Per Children Served
ALABAMA	$77,510,885	$6.92	0.896	$86,471,681	28,731	$3,010
CALIFORNIA	$1,360,596,407	$9.99	1.294	$1,051,431,858	N/A	N/A
ILLINOIS	$367,430,229	$8.59	1.113	$330,216,690	119,888	$2,754
INDIANA	$138,369,148	$8.59	1.113	$124,355,043	29,311	$4,243
LOUISIANA	$85,186,438	$6.12	0.793	$107,457,402	28,574	$3,761
MASSACHUSETTS	$260,395,802	$8.59	1.113	$234,022,770	46,209	$5,064
MICHIGAN	$444,727,204	$8.59	1.113	$399,684,984	102,336	$3,906
MINNESOTA	$135,800,507	$7.84	1.016	$133,721,928	32,721	$4,087
NEW JERSEY	$150,801,672	$8.46	1.096	$137,610,982	N/A	N/A
NEW MEXICO	$46,098,672	$7.20	0.933	$49,428,021	14,876	$3,323
NEW YORK	N/A	$8.46	1.096	N/A	119,978	N/A
NORTH CAROLINA	$253,936,519	$6.89	0.892	$284,526,840	86,061	$3,306
OHIO	$210,957,443	$8.59	1.113	$189,591,555	63,225	$2,999
TENNESSEE	$148,463,668	$6.92	0.896	$165,627,098	55,213	$3,000
TEXAS	$276,615,561	$6.12	0.793	$348,933,355	76,957	$4,534
VIRGINIA	$94,432,589	$6.89	0.892	$105,808,358	N/A	N/A
WASHINGTON	$162,439,141	$9.99	1.294	$125,528,545	51,520	$2,437
MEDIAN						$3,323

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCIi = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1997 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

Appendix Table 2-C.8: Adjusted FFY00 Total Spending Per Child Served

State	Total FFY99 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY99 Spending	Children Served	Total FFY99 Adjusted Spending Per Children Served
ALABAMA	$83,726,732	$6.65	0.804	$104,123,319	32,910	$3,164
CALIFORNIA	$2,058,289,737	$9.13	1.104	$1,864,409,214	N/A	N/A
ILLINOIS	$548,359,761	$9.25	1.119	$490,263,267	167,951	$2,919
INDIANA	$156,332,530	$9.25	1.119	$139,769,732	37,828	$3,695
LOUISIANA	$118,519,737	$5.85	0.707	$167,548,415	41,902	$3,999
MASSACHUSETTS	$300,082,996	$8.97	1.085	$276,665,148	69,308	$3,992
MICHIGAN	$515,743,973	$9.25	1.119	$461,102,990	118,045	$3,906
MINNESOTA	$182,972,822	$8.20	0.992	$184,534,785	35,565	$5,189
NEW JERSEY	$187,106,081	$9.05	1.094	$170,979,811	34,086	$5,016
NEW MEXICO	$46,618,194	$7.29	0.881	$52,885,112	18,563	$2,849
NEW YORK	N/A	$9.05	1.094	N/A	151,848	N/A
NORTH CAROLINA	$285,590,772	$7.16	0.866	$329,865,319	92,921	$3,550
OHIO	$247,668,821	$9.25	1.119	$221,429,313	66,114	$3,349
TENNESSEE	$172,832,153	$6.65	0.804	$214,935,625	56,159	$3,827
TEXAS	$355,035,633	$5.85	0.707	$501,905,074	109,963	$4,564
VIRGINIA	$134,776,078	$7.16	0.866	$155,670,135	N/A	N/A
WASHINGTON	$219,962,134	$9.13	1.104	$199,242,809	57,966	$3,437
MEDIAN						$ 3,761

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCIi = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1999 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

Appendix Table 2-C.9: Adjusted FFY00 Total Spending Per Child Served

State	Total FFY00 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY00 Spending	Children Served	Total FFY00 Adjusted Spending Per Children Served
ALABAMA	$104,634,628	$6.65	0.804	$130,124,568	31,590	$4,119
CALIFORNIA	$2,495,942,112	$9.13	1.104	$2,260,836,940	N/A	N/A
ILLINOIS	$659,295,107	$9.25	1.119	$589,445,463	185,698	$3,174
INDIANA	$201,115,308	$9.25	1.119	$179,807,956	42,960	$4,185
LOUISIANA	$134,140,982	$5.85	0.707	$189,631,781	43,391	$4,370
MASSACHUSETTS	$340,325,374	$8.97	1.085	$313,767,095	73,895	$4,246
MICHIGAN	$469,853,103	$9.25	1.119	$420,074,072	124,489	$3,374
MINNESOTA	$172,745,001	$8.20	0.992	$174,219,653	35,851	$4,860
NEW JERSEY	$230,463,324	$9.05	1.094	$210,600,187	50,752	$4,150
NEW MEXICO	$54,121,205	$7.29	0.881	$61,396,758	19,108	$3,213
NEW YORK	$711,922,810	$9.05	1.094	$650,563,717	199,474	$3,261
NORTH CAROLINA	$355,869,399	$7.16	0.866	$411,039,097	99,724	$4,122
OHIO	$448,600,893	$9.25	1.119	$401,073,447	75,851	$5,288
TENNESSEE	$188,581,835	$6.65	0.804	$234,522,071	54,593	$4,296
TEXAS	$360,655,840	$5.85	0.707	$509,850,222	111,547	$4,571
VIRGINIA	$145,495,623	$7.16	0.866	$168,051,509	23,948	$7,017
WASHINGTON	$253,115,350	$9.13	1.104	$229,273,159	68,653	$3,340
MEDIAN						$4,168

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCIi = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 1999 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally.

State	Total FFY01 Spending	Cost Per Hour (1)	Cost Index (1)	Adjusted FFY01 Spending	Children Served	Total FFY01 Adjsuted Spending Per Children Served
ALABAMA	$99,028,180	$6.72	0.754	$131,300,757	34,935	$3,758
CALIFORNIA	$2,668,687,687	$9.25	1.038	$2,570,595,383	N/A	N/A
ILLINOIS	$639,047,301	$10.48	1.176	$543,312,161	195,156	$2,784
INDIANA	$223,719,443	$10.48	1.176	$190,204,221	52,510	$3,622
LOUISIANA	$139,371,506	$6.27	0.704	$198,054,245	39,002	$5,078
MASSACHUSETTS	$371,058,007	$9.22	1.035	$358,582,087	73,464	$4,881
MICHIGAN	$505,837,310	$10.48	1.176	$430,058,247	123,946	$3,470
MINNESOTA	$196,075,339	$10.77	1.209	$162,212,746	34,957	$4,640
NEW JERSEY	$273,206,109	$9.75	1.094	$249,668,352	45,435	$5,495
NEW MEXICO	$75,171,548	$9.59	1.076	$69,841,344	24,043	$2,905
NEW YORK	$851,204,216	$9.75	1.094	$777,869,699	196,786	$3,953
NORTH CAROLINA	$399,435,348	$7.95	0.892	$447,669,050	103,319	$4,333
OHIO	$496,763,438	$10.48	1.176	$422,343,725	79,806	$5,292
TENNESSEE	$229,177,009	$6.72	0.754	$303,864,159	59,874	$5,075
TEXAS	$458,190,779	$6.27	0.704	$651,113,212	121,632	$5,353
VIRGINIA	$118,437,850	$7.95	0.892	$132,739,779	25,289	$5,249
WASHINGTON	$349,241,820	$9.25	1.038	$336,404,823	74,318	$4,527
MEDIAN						$4,583

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources.

(1) Expenditures were adjusted using a child care cost index based on the relative average hourly wage rate for a child care worker. The Child Care Cost Index is defined as: CCCIi = W_i/W_n, where W_i = average wage rate for child care workers in Region i, and W_n = national average hourly wage rate for child care workers. Adjusted child care expenditures in State i actual child care expenditures in State i is located in Region i. Average hourly wage rates for child care workers were obtained from r based on the 2001 Census Bureau's National Compensation Survey. Wages are estimated for 9 Census regions, nationally

Appendix Table 2-D.1 Amounts and Percentages of Total Annual Child Care Spending From Federal and State Dedicated Sources, by Fiscal Year

State	Dedicated Federal Amount	Dedicated Federal Percent	Dedicated State Amount	Dedicated State Percent	Dedicated Federal + State Amount	Dedicated Federal + State Percent
ALABAMA 1997	$35,663,704	75%	$9,500,122	20%	$45,163,826	95%
ALABAMA 1998	$53,576,764	69%	$14,437,782	19%	$68,014,546	88%
ALABAMA 1999	$47,231,835	56%	$13,306,936	16%	$60,538,771	72%
ALABAMA 2000	$48,490,484	46%	$12,188,051	12%	$60,678,535	58%
ALABAMA 2001	$63,995,742	65%	$10,582,487	11%	$74,578,229	75%
CALIFORNIA 1997	$199,145,305	23%	$189,110,071	21%	$388,255,376	44%
CALIFORNIA 1998	$373,955,826	27%	$192,720,736	14%	$566,676,562	42%
CALIFORNIA 1999	$417,495,626	20%	$203,674,425	10%	$621,170,051	30%
CALIFORNIA 2000	$425,454,006	17%	$225,977,221	9%	$651,431,227	26%
CALIFORNIA 2001	$345,655,822	13%	$251,954,307	9%	$597,610,129	22%
ILLINOIS 1997	$128,246,253	38%	$92,635,041	28%	$220,881,294	66%
ILLINOIS 1998	$133,402,070	36%	$95,625,441	26%	$229,027,511	62%
ILLINOIS 1999	$137,643,730	25%	$108,588,682	20%	$246,232,412	45%
ILLINOIS 2000	$153,762,202	23%	$109,663,206	17%	$263,425,408	40%
ILLINOIS 2001	$192,318,718	30%	$118,003,595	18%	$310,322,313	49%
INDIANA 1997	$32,860,983	57%	$24,327,688	43%	$57,188,671	100%
INDIANA 1998	$69,712,258	50%	$26,617,888	19%	$96,330,146	70%
INDIANA 1999	$54,647,273	35%	$28,074,264	18%	$82,721,537	53%
INDIANA 2000	$41,561,297	21%	$30,589,583	15%	$72,150,880	36%
INDIANA 2001	$56,643,845	25%	$32,976,530	15%	$89,620,375	40%
LOUISIANA 1997	$23,155,846	80%	$5,668,735	20%	$28,824,581	100%
LOUISIANA 1998	$73,777,036	87%	$11,317,603	13%	$85,094,639	100%
LOUISIANA 1999	$69,798,817	59%	$10,434,065	9%	$80,232,882	68%
LOUISIANA 2000	$53,925,268	40%	$13,083,271	10%	$67,008,539	50%
LOUISIANA 2001	$71,053,813	51%	$8,263,583	6%	$79,317,396	57%
MASSACHUSETTS 1997	$71,860,993	28%	$60,349,957	24%	$132,210,950	52%
MASSACHUSETTS 1998	$75,782,234	29%	$62,620,313	24%	$138,402,547	53%
MASSACHUSETTS 1999	$74,002,830	25%	$64,007,915	21%	$138,010,745	46%
MASSACHUSETTS 2000	$68,498,562	20%	$67,923,447	20%	$136,422,009	40%
MASSACHUSETTS 2001	$92,248,037	25%	$71,366,421	19%	$163,614,458	44%
MICHIGAN 1997	$86,425,164	33%	$44,267,627	17%	$130,692,791	49%
MICHIGAN 1998	$95,209,655	21%	$51,560,882	12%	$146,770,537	33%
MICHIGAN 1999	$59,889,104	12%	$38,590,863	7%	$98,479,967	19%
MICHIGAN 2000	$60,655,570	13%	$24,411,364	5%	$85,066,934	18%
MICHIGAN 2001	$122,056,421	24%	$55,192,936	11%	$177,249,357	35%
MINNESOTA 1997	$46,016,582	50%	$30,529,359	33%	$76,545,941	83%
MINNESOTA 1998	$60,315,177	44%	$33,320,198	25%	$93,635,375	69%
MINNESOTA 1999	$53,161,740	29%	$35,178,472	19%	$88,340,212	48%
MINNESOTA 2000	$36,787,966	21%	$38,586,048	22%	$75,374,014	44%
MINNESOTA 2001	$67,463,131	34%	$43,221,875	22%	$110,685,006	56%
NEW JERSEY 1997	$68,318,248	47%	$51,120,679	35%	$119,438,927	82%
NEW JERSEY 1998	$56,001,934	37%	$40,828,261	27%	$96,840, 195	64%
NEW JERSEY 1999	$72,517,564	39%	$53,778,505	29%	$126,296,069	67%
NEW JERSEY 2000	$45,199,444	20%	$37,963,597	16%	$83,163,042	36%

Appendix Table 2-D.1 Amounts and Percentages of Total Annual Child Care Spending From Federal and State Dedicated Sources, by Fiscal Year

NEW JERSEY 2001	$109,196,280	40%	$76,347,254	28%	$185,543,534	68%
NEW MEXICO 1997	$14,097,126	63%	$4,932,351	22%	$19,029,477	85%
NEW MEXICO 1998	$23,813,592	52%	$5,181,600	11%	$28,995,192	63%
NEW MEXICO 1999	$24,363,965	52%	$5,356,083	11%	$29,720,048	64%
NEW MEXICO 2000	$27,459,988	51%	$5,860,104	11%	$33,320,092	62%
NEW MEXICO 2001	$36,735,164	49%	$6,190,469	8%	$42,925,633	57%
NEW YORK 1997						
NEW YORK 1998						
NEW YORK 1999						
NEW YORK 2000	$243,326,710	34%	$176,771,880	25%	$420,098,590	59%
NEW YORK 2001	$267,147,800	31%	$188,125,708	22%	$455,273,508	53%
NORTH CAROLINA 1997	$96,844,100	50%	$48,313,314	25%	$145,157,414	74%
NORTH CAROLINA 1998	$134,164,680	53%	$51,077,172	20%	$185,241,852	73%
NORTH CAROLINA 1999	$110,698,813	39%	$72,097,139	25%	$182,795,952	64%
NORTH CAROLINA 2000	$136,577,968	38%	$57,049,690	16%	$193,627,658	54%
NORTH CAROLINA 2001	$144,650,103	36%	$60,360,647	15%	$205,010,750	51%
OHIO 1997	$126,523,795	64%	$64,774,075	33%	$191,297,870	97%
OHIO 1998	$128,797,090	61%	$69,971,063	33%	$198,768,153	94%
OHIO 1999	$129,886,287	52%	$71,962,896	29%	$201,849,183	81%
OHIO 2000	$194,593,605	43%	$88,058,954	20%	$282,652,559	63%
OHIO 2001	$182,945,221	37%	$82,310,799	17%	$265,256,020	53%
TENNESSEE 1997	$69,401,713	59%	$25,798,899	22%	$95,200,612	81%
TENNESSEE 1998	$90,680,141	61%	$28,181,398	19%	$118,107,017	80%
TENNESSEE 1999	$72,189,588	42%	$29,353,215	17%	$101,542,803	59%
TENNESSEE 2000	$82,010,001	43%	$31,683,658	17%	$113,693,659	60%
TENNESSEE 2001	$98,771,060	43%	$33,421,188	15%	$132,192,248	58%
TEXAS 1997	$131,120,077	62%	$62,491,750	30%	$193,611,827	92%
TEXAS 1998	$201,034,698	73%	$61,440,578	22%	$262,457,276	95%
TEXAS 1999	$229,909,019	65%	$80,219,996	23%	$310,129,015	87%
TEXAS 2000	$227,219,794	63%	$93,042,235	26%	$320,262,029	89%
TEXAS 2001	$346,667,687	76%	$92,504,816	20%	$439,172,503	96%
VIRGINIA 1997	$49,239,336	65%	$26,426,851	35%	$75,666,187	100%
VIRGINIA 1998	$56,516,374	60%	$37,916,215	40%	$94,432,589	100%
VIRGINIA 1999	$63,925,694	47%	$43,782,490	32%	$107,708,184	80%
VIRGINIA 2000	$71,129,335	49%	$46,661,379	32%	$117,790,714	81%
VIRGINIA 2001	$79,140,179	67%	$39,157,427	33%	$118,297,606	100%
WASHINGTON 1997	$56,942,322	51%	$52,462,832	47%	$109,405,154	98%
WASHINGTON 1998	$75,313,136	46%	$54,634,743	34%	$129,947,879	80%
WASHINGTON 1999	$77,335,517	35%	$56,276,060	26%	$133,611,577	61%
WASHINGTON 2000	$85,916,082	34%	$60,844,476	24%	$146,760,558	58%
WASHINGTON 2001	$103,740,547	30%	$65,780,544	19%	$169,521,091	49%

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1997-1999 data not provided by New York.

Revised FFY99 figures are lower for California, New Jersey, Texas, and Virginia and higher for Ohio than stated in the first interim report. Revised FFY2000 figures are lower than stated in the second interim report for Alabama, California, and Minnesota. Revised FFY2000 figures were higher than stated in the second interim report for Indiana, Tennessee, Virginia, and Washington.

Appendix Table 2-D.2: Amounts and Percentages of Total Annual Child Care Spending from Federal and State Optional Sources, by Federal Fiscal Year

State	Optional Federal Amount	Optional Federal Percent	Optional State Amount	Optional State Percent	Optional Federal + State Amount	Optional Federal + State Percent
ALABAMA 1997	$2,222,766	5%	$81,276	0%	$2,304,042	5%
ALABAMA 1998	$7,699,187	10%	$1,797,152	2%	$9,496,339	12%
ALABAMA 1999	$21,982,734	26%	$1,205,227	1%	$23,187,961	28%
ALABAMA 2000	$43,477,055	42%	$479,038	0%	$43,956,093	42%
ALABAMA 2001	$24,449,951	25%	$0	0%	$24,449,951	25%
CALIFORNIA 1997	$0	0%	$495,055,234	56%	$495,055,234	56%
CALIFORNIA 1998	$46,586,808	3%	$747,333,037	55%	$793,919,845	58%
CALIFORNIA 1999	$517,998,710	25%	$919,120,976	45%	$1,437,119,686	70%
CALIFORNIA 2000	$912,844,699	37%	$931,666,186	37%	$1,844,510,885	74%
CALIFORNIA 2001	$941,198,171	35%	$1,129,879,387	42%	$2,071,077,558	78%
ILLINOIS 1997	$22,931,675	7%	$92,701,420	28%	$115,636,095	34%
ILLINOIS 1998	$32,967,700	9%	$105,435,018	29%	$138,402,718	38%
ILLINOIS 1999	$185,111,015	34%	$125,480,999	23%	$310,592,014	**57%**
ILLINOIS 2000	$187,699,683	28%	$208,170,016	32%	$395,869,699	60%
ILLINOIS 2001	$146,202,112	23%	$182,522,876	29%	$328,724,988	51%
INDIANA 1997	$0	0%	$100	0%	$100	0%
INDIANA 1998	$42,039,000	30%	$2	0%	$42,039,002	30%
INDIANA 1999	$73,610,993	47%	$0	0%	$73,610,993	47%
INDIANA 2000	$128,940,350	64%	$24,078	0%	$128,964,428	64%
INDIANA 2001	$133,210,266	60%	$888,802	0%	$134,099,068	60%
LOUISIANA 1997	$0	0%	$0	0%	$0	0%
LOUISIANA 1998	$64,284	0%	$27,515	0%	$91,799	0%
LOUISIANA 1999	$39,163,069	33%	$0	0%	$39,163,069	33%
LOUISIANA 2000	$67,132,443	50%	$0	0%	$67,132,443	50%
LOUISIANA 2001	$54,473,172	39%	$5,580,938	4%	$60,054,110	43%
MASSACHUSETTS 1997	$121,757,027	48%	$2,301,107	1%	$124,058,134	48%
MASSACHUSETTS 1998	$87,345,359	34%	$34,647,896	13%	$121,993,255	47%
MASSACHUSETTS 1999	$152,510,340	51%	$9,561,911	3%	$162,072,251	54%
MASSACHUSETTS 2000	$200,719,736	59%	$3,183,629	1%	$203,903,365	60%
MASSACHUSETTS 2001	$205,997,654	56%	$1,445,895	0%	$207,443,549	56%
MICHIGAN 1997	$107,634,585	41%	$26,615,315	10%	$134,249,900	51%
MICHIGAN 1998	$244,952,838	55%	$53,003,829	12%	$297,956,667	67%
MICHIGAN 1999	$317,271,471	62%	$99,992,535	19%	$417,264,006	81%
MICHIGAN 2000	$167,144,509	36%	$217,641,661	46%	$384,786,169	82%
MICHIGAN 2001	$187,443,011	37%	$141,144,942	28%	$328,587,953	65%
MINNESOTA 1997	$0	0%	$16,211,896	12%	$16,211,896	17%
MINNESOTA 1998	$0	0%	$42,165,132	31%	$42,165,132	31%
MINNESOTA 1999	$58,291,957	32%	$36,340,653	20%	$94,632,610	52%
MINNESOTA 2000	$37,572,956	22%	$59,798,031	35%	$97,370,987	56%
MINNESOTA 2001	$34,042,657	17%	$51,347,676	26%	$85,390,333	44%
NEW JERSEY 1997	$12,300,000	8%	$13,360,321	9%	$25,660,321	18%
NEW JERSEY 1998	$53,961,477	36%	$0	0%	$53,961,477	36%
NEW JERSEY 1999	$56,110,451	30%	$4,699,561	3%	$60,810,012	33%
NEW JERSEY 2000	$141,325,228	61%	$5,975,054	3%	$147,300,282	64%
NEW JERSEY 2001	$48,180,071	18%	$39,482,504	14%	$87,662,575	32%

Appendix Table 2-D.2: Amounts and Percentages of Total Annual Child Care Spending from Federal and State Optional Sources, by Federal Fiscal Year

NEW MEXICO 1997	$0	0%	$3,414,692	15%	$3,414,692	15%
NEW MEXICO 1998	$13,304,750	29%	$3,798,730	8%	$17,103,480	37%
NEW MEXICO 1999	$13,688,365	29%	$3,209,781	7%	$16,898,146	36%
NEW MEXICO 2000	$19,842,197	37%	$958,916	2%	$20,801,113	38%
NEW MEXICO 2001	$31,485,941	42%	$759,974	1%	$32,245,915	43%
NEW YORK 1997						
NEW YORK 1998						
NEW YORK 1999						
NEW YORK 2000	$265,474,854	37%	$26,349,366	4%	$291,824,220	41%
NEW YORK 2001	$395,930,708	47%	$0	0%	$395,930,708	47%
NORTH CAROLINA 1997	$15,061,669	8%	$34,727,475	18%	$49,789,144	26%
NORTH CAROLINA 1998	$22,259,615	9%	$46,435,052	18%	$68,694,667	27%
NORTH CAROLINA 1999	$85,672,752	30%	$17,122,068	6%	$119,622,726	42%
NORTH CAROLINA 2000	$92,200,969	26%	$70,040,772	20%	$162,241,741	46%
NORTH CAROLINA 2001	$110,725,575	28%	$83,699,023	21%	$194,424,598	49%
OHIO 1997	$1,548,594	1%	$4,749,787	2%	$6,298,381	3%
OHIO 1998	$1,429,031	1%	$10,760,259	5%	$12,189,290	6%
OHIO 1999	$41,720,752	17%	$4,098,886	2%	$45,819,638	19%
OHIO 2000	$165,891,099	37%	$57,235	0%	$165,948,334	37%
OHIO 2001	$214,396,430	43%	$17,110,988	3%	$231,507,418	47%
TENNESSEE 1997	$22,732,251	19%	$0	0%	$22,732,251	19%
TENNESSEE 1998	$29,602, 129	20%	$0	0%	$29,602,129	20%
TENNESSEE 1999	$71,289,350	41%	$0	0%	$71,289,350	41%
TENNESSEE 2000	$73,490,276	39%	$1,397,900	1%	$74,888,176	40%
TENNESSEE 2001	$94,928, 183	41%	$2,056,578	1%	$96,984,761	42%
TEXAS 1997	$16,879,073	8%	$0	0%	$16,879,073	8%
TEXAS 1998	$14,140,285	5%	$0	0%	$14,140,285	5%
TEXAS 1999	$44,906,618	13%	$0	0%	$44,906,618	13%
TEXAS 2000	$38,292, 192	11%	$5	0%	$38,292,197	11%
TEXAS 2001	$19,018,276	4%	$0	0%	$19,018,276	4%
VIRGINIA 1997	$0	0%	$0	0%	$0	0%
VIRGINIA 1998	$0	0%	$0	0%	$0	0%
VIRGINIA 1999	$27,067,894	20%	$0	0%	$27,067,894	20%
VIRGINIA 2000	$27,704,905	19%	$4	0%	$27,704,909	19%
VIRGINIA 2001	$140,244	0%	$0	0%	$140,244	0%
WASHINGTON 1997	$528,211	0%	$1,681,643	2%	$2,209,854	2%
WASHINGTON 1998	$32,309,089	20%	$182,173	0%	$32,491,262	20%
WASHINGTON 1999	$86,350,557	39%	$0	0%	$86,350,557	39%
WASHINGTON 2000	$104,606,291	41%	$1,748,501	1%	$106,354,792	42%
WASHINGTON 2001	$177,778,721	51%	$1,942,008	1%	$179,720,729	51%

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1997-1999 data not provided by New York.

Revised FFY99 figures are lower for California, New Jersey, Texas, and Virginia and higher for Ohio than stated in the first interim report. Revised FFY2000 figures are lower than stated in the second interim report for Alabama, California, and Minnesota. Revised FFY2000 figures were higher than stated in the second interim report for Indiana, Tennessee, Virginia, and Washington.

Appendix Table 2-E: Amounts and Percentages of Total Annual Spending from Optional Federal Sources, by Federal Fiscal Year

			Optional Federal Funding Sources											
State	Optional Federal Amount	Optional Federal Percent of Total Annual Spending	TANF Transfer Amount (1)	TANF Transfer Percent (1)	TANF Direct Assistance Amount (2)	TANF Direct Assistance Percent (2)	TANF Direct Non-Assistance Amount (3)	TANF Direct Non-Assistance Percent (3)	Title XX/ SSBG Amount	Title XX/ SSBG Percent	Title IVE Amount	Title IVE Percent	Other Federal Amount (4)	Other Federal Percent (4)
ALABAMA 1997	$2,222,766	5%	$0	0%	N/A*	0%	$0	0%	$2,222,766	**5%**	$0	0%	$0	0%
ALABAMA 1998	$7,699,187	10%	$0	0%	N/A*	0%	$7,199,187	9%	$500,000	1%	$0	0%	$0	0%
ALABAMA 1999	$21,982,734	26%	$10,000,000	12%	N/A*	0%	$7,547,145	9%	$500,010	1%	$0	0%	$3,935,579	5%
ALABAMA 2000	$43,477,055	42%	$42,942,313	41%	$0	0%	$0	0%	$534,742	1%	$0	0%	$0	0%
ALABAMA 2001	$24,449,951	25%	$23,949,951	24%	$0	0%	$0	0%	$500,000	1%	$0	0%	$0	0%
CALIFORNIA 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
CALIFORNIA 1998	$46,586,808	3%	$0	0%	N/A*	0%	$46,586,808	3%	$0	0%	$0	0%	$0	0%
CALIFORNIA 1999	$517,998,710	25%	$175,729,406	9%	N/A*	0%	$159,269,304	8%	$183,000,000	9%	$0	0%	$0	0%
CALIFORNIA 2000	$912,844,699	37%	$407,867,766	16%	$127,476,882	5%	$377,500,051	15%	$0	0%	$0	0%	$0	0%
CALIFORNIA 2001	$941,198,171	35%	$387,534,181	15%	$217,454,800	8%	$316,209,190	12%	$20,000,000	1%	$0	0%	$0	0%
ILLINOIS 1997	$22,931,675	7%	$0	0%	N/A*	0%	$0	0%	$15,864,175	**5%**	$7,067,500	2%	$0	0%
ILLINOIS 1998	$32,967,700	9%	$0	0%	N/A*	0%	$0	0%	$25,600,000	7%	$7,367,100	2%	$0	0%
ILLINOIS 1999	$185,111,015	34%	$117,011,392	21%	N/A*	0%	$35,208,023	6%	$25,600,000	5%	$7,291,600	1%	$0	0%
ILLINOIS 2000	$187,699,683	28%	$125,325,778	19%	$0	0%	$23,033,967	3%	$24,800,000	4%	$14,539,938	2%	$0	0%
ILLINOIS 2001	$146,202,112	23%	$30,087,522	5%	$0	0%	$102,455,190	16%	$1,200,000	0%	$12,459,400	2%	$0	0%
INDIANA 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
INDIANA 1998	$42,039,000	30%	$42,039,000	30%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
INDIANA 1999	$73,610,993	47%	$56,039,000	36%	N/A*	0%	$15,678,155	10%	$0	0%	$0	0%	$1,893,838	1%
INDIANA 2000	$128,940,350	64%	$17,812,555	9%	$20,168,902	10%	$90,936,975	45%	$0	0%	$0	0%	$21,918	0%
INDIANA 2001	$133,210,266	60%	$85,045,780	38%	$15,740,751	7%	$32,401,723	14%	$0	0%	$0	0%	$22,012	0%
LOUISIANA 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
LOUISIANA 1998	$64,284	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$64,284	0%
LOUISIANA 1999	$39,163,069	33%	$38,286,855	32%	$876,214	0%	$0	0%	$0	0%	$0	0%	$0	0%
LOUISIANA 2000	$67,132,443	50%	$67,132,443	50%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
LOUISIANA 2001	$54,473,172	39%	$54,272,190	39%	$200,982	0%	$0	0%	$0	0%	$0	0%	$0	0%
MASSACHUSETTS 1997	$121,757,027	48%	$108,164,411	42%	N/A*	0%	$0	0%	$13,592,616	**5%**	$0	0%	$0	0%
MASSACHUSETTS 1998	$87,345,359	34%	$79,253,383	30%	N/A*	0%	$7,110,224	3%	$981,752	0%	$0	0%	$0	0%
MASSACHUSETTS 1999	$152,510,340	51%	$104,495,063	35%	N/A*	0%	$45,220,293	15%	$310,993	0%	$932,815	0%	$0	0%
MASSACHUSETTS 2000	$200,719,736	59%	$91,874,224	27%	$8,075,270	2%	$99,622,178	29%	$1,148,064	0%	$0	0%	$0	0%
MASSACHUSETTS 2001	$205,997,654	56%	$91,874,224	25%	$5,513,631	1%	$108,070,989	29%	$538,810	0%	$0	0%	$0	0%
MICHIGAN 1997	$107,634,585	41%	$25,959,286	10%	N/A*	0%	$11,537,068	4%	$70,138,231	**26%**	$0	0%	$0	0%
MICHIGAN 1998	$244,952,838	55%	$149,464,937	34%	N/A*	0%	$81,753,323	18%	$11,411,685	3%	$2,322,893	1%	$0	0%
MICHIGAN 1999	$317,271,471	62%	$96,052,255	19%	N/A*	0%	$211,176,065	41%	$7,011,394	1%	$2,971,932	1%	$59,825	0%
MICHIGAN 2000	$167,144,509	36%	$9,363,210	2%	$0	0%	$151,240,151	32%	$3,584,585	1%	$2,956,562	1%	$0	0%
MICHIGAN 2001	$187,443,011	37%	$14,678,240	3%	$11,477,492	2%	$153,707,605	30%	$4,180,585	1%	$3,399,089	1%	$0	0%
MINNESOTA 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
MINNESOTA 1998	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
MINNESOTA 1999	$58,291,957	32%	$57,491,000	31%	N/A*	0%	$0	0%	$0	0%	$0	0%	$800,957	0%
MINNESOTA 2000	$37,572,956	22%	$37,572,956	22%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
MINNESOTA 2001	$34,042,657	17%	$34,042,657	17%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
NEW JERSEY 1997	$12,300,000	8%	$0	0%	N/A*	0%	$0	0%	$12,300,000	**8%**	$0	0%	$0	0%
NEW JERSEY 1998	$53,961,477	36%	$16,349,985	11%	N/A*	0%	$15,055,493	10%	$22,556,000	15%	$0	0%	$0	0%
NEW JERSEY 1999	$56,110,451	30%	$38,069,164	20%	$18,041,287	10%	$0	0%	$0	0%	$0	0%	$0	0%
NEW JERSEY 2000	$141,325,228	61%	$135,907,459	59%	$5,317,769	2%	$0	0%	$100,000	0%	$0	0%	$0	0%
NEW JERSEY 2001	$48,180,071	18%	$48,080,071	18%	$0	0%	$0	0%	$100,000	0%	$0	0%	$0	0%
NEW MEXICO 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%

Appendix Table 2-E: Amounts and Percentages of Total Annual Spending from Optional Federal Sources, by Federal Fiscal Year

			Optional Federal Funding Sources											
State	Optional Federal Amount	Optional Federal Percent of Total Annual Spending	TANF Transfer Amount (1)	TANF Transfer Percent (1)	TANF Direct Assistance Amount (2)	TANF Direct Assistance Percent (2)	TANF Direct Non-Assistance Amount (3)	TANF Direct Non-Assistance Percent (3)	Title XX/ SSBG Amount	Title XX/ SSBG Percent	Title IVE Amount	Title IVE Percent	Other Federal Amount (4)	Other Federal Percent (4)
NEW MEXICO 1998	$13,304,750	29%	$13,304,750	29%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
NEW MEXICO 1999	$13,688,365	29%	$13,688,365	29%	N/A*	0%	$0	0%	$0	0%	$0	0%	$0	0%
NEW MEXICO 2000	$19,842,197	37%	$19,528,227	36%	$0	0%	$0	0%	$0	0%	$313,970	1%	$0	0%
NEW MEXICO 2001	$31,485,941	42%	$31,215,087	42%	$0	0%	$0	0%	$0	0%	$270,854	0%	$0	0%
NEW YORK 1997														
NEW YORK 1998														
NEW YORK 1999														
NEW YORK 2000	$265,474,854	37%	$188,000,000	26%	$0	0%	$0	0%	$77,474,854	**10.88%**	$0	0%	$0	0%
NEW YORK 2001	$395,930,708	47%	$329,648,192	39%	$0	0%	$0	0%	$66,282,516	7.79%	$0	0%	$0	0%
NORTH CAROLINA 1997	$15,061,669	8%	$0	0%	N/A*	0%	$0	0%	$15,061,669	7.73%	$0	0%	$0	0%
NORTH CAROLINA 1998	$22,259,615	9%	$11,699,518	5%	N/A*	0%	$0	0%	$9,447,051	3.72%	$1,113,046	0%	$0	0%
NORTH CAROLINA 1999	$85,672,752	30%	$80,753,855	28%	N/A*	0%	$1,089,066	0%	$804,789	0.28%	$637,048	0%	$2,387,995	1%
NORTH CAROLINA 2000 (5)	$92,200,969	26%	$64,086,044	18%	$0	0%	$15,407,652	4%	$12,707,273	3.57%	$0	0%	$0	0%
NORTH CAROLINA 2001	$110,725,575	28%	$73,944,784	19%	$0	0%	$33,622,862	8%	$3,015,087	0.75%	$0	0%	$142,842	0%
OHIO 1997	$1,548,594	1%	$0	0%	N/A*	0%	$0	0%	$1,548,594	0.78%	$0	0%	$0	0%
OHIO 1998	$1,429,031	1%	$0	0%	N/A*	0%	$0	0%	$1,429,031	0.74%	$0	0%	$0	0%
OHIO 1999	$41,720,752	17%	$0	0%	N/A*	0%	$29,416,442	12%	$6,934,373	2.80%	$0	0%	$5,369,937	2%
OHIO 2000	$165,891,099	37%	$77,453,492	17%	N/A*	0%	$79,007,962	18%	$9,372,410	2.09%	$0	0%	$57,235	0%
OHIO 2001	$214,396,430	43%	$136,654,269	28%	N/A*	0%	$68,745,213	14%	$8,962,030	1.80%	$0	0%	$34,918	0%
TENNESSEE 1997	$22,732,251	19%	$12,673,948	11%	N/A*	0%	$0	0%	$10,058,303	8.53%	$0	0%	$0	0%
TENNESSEE 1998	$29,602,129	20%	$18,557,015	13%	N/A*	0%	$0	0%	$11,045,031	7.44%	$0	0%	$0	0%
TENNESSEE 1999	$71,289,350	41%	$51,811,123	30%	N/A*	0%	$4,674,342	3%	$13,028,375	7.54%	$0	0%	$1,775,510	1%
TENNESSEE 2000	$73,490,276	39%	$50,402,091	27%	$7,601,975	4%	$7,058,560	4%	$8,427,650	4.47%	$0	0%	$0	0%
TENNESSEE 2001	$94,928,183	41%	$66,293,517	29%	$12,021,731	5%	$2,710,307	1%	$13,902,628	6.07%	$0	0%	$0	0%
TEXAS 1997	$16,879,073	8%	$0	0%	N/A*	0%	$0	0%	$16,758,179	7.96%	$0	0%	$120,894	0%
TEXAS 1998	$14,140,285	5%	$12,183,631	4%	N/A*	0%	$0	0%	$1,896,936	0.69%	$0	0%	$59,718	0%
TEXAS 1999	$44,906,618	13%	$42,921,937	12%	N/A*	0%	$0	0%	$1,922,359	0.54%	$0	0%	$62,322	0%
TEXAS 2000	$38,292,192	11%	$38,292,192	11%	$0	0%	$0	0%	$2,000,000	1.06%	$0	0%	$101,614	0%
TEXAS 2001	$19,018,276	4%	$19,018,276	4%	$0	0%	$0	0%	$0	0.00%	$0	0%	$0	0%
VIRGINIA 1997	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%	$0	0%
VIRGINIA 1998	$0	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%	$0	0%
VIRGINIA 1999	$27,067,894	20%	$27,067,894	20%	N/A*	0%	$0	0%	$0	0.00%	$0	0%	$0	0%
VIRGINIA 2000	$27,704,905	19%	$27,699,905	19%	$0	0%	$5,000	0%	$0	0.00%	$0	0%	$0	0%
VIRGINIA 2001	$140,244	0%	$0	0%	$0	0%	$140,244	0%	$0	0.00%	$0	0%	$0	0%
WASHINGTON 1997	$528,211	0%	$0	0%	N/A*	0%	$0	0%	$528,211	0.47%	$0	0%	$0	0%
WASHINGTON 1998	$32,309,089	20%	$28,973,879	18%	N/A*	0%	$0	0%	$3,335,210	2.05%	$0	0%	$0	0%
WASHINGTON 1999	$86,350,557	39%	$82,850,557	38%	N/A*	0%	$0	0%	$3,500,000	1.59%	$0	0%	$0	0%
WASHINGTON 2000	$104,606,291	41%	$97,471,407	39%	$0	0%	$4,118,983	2%	$561,939	0.22%	$1,561,139	1%	$892,823	0%
WASHINGTON 2001	$177,778,721	51%	$86,738,000	25%	$0	0%	$87,429,121	25%	$622,111	0.18%	$1,479,559	0%	$1,509,930	0%

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1 997-1999 data is unavailable from New York.

(1) TANF transfer amount is the amount spent each year from transferred TANF funds; they are not the amounts transferred. States have one year after transfer to obligate transferred TANF funds, and another year to spend them.

(2) For Indiana, Massachusetts, Ohio and Washington, 1999 amounts differ from those posted on the website of the Administration for Children and Families of the US Department of Health and Human Services (www.acf.dhhs.gov/programs/ofs/data) as of May 5, 2000.

(3) States were not asked to report TANF direct non-assistance amount for 1999 and 1998 hence this information is not available

(4) Other Federal Amount includes the following state specific catergories: Indiana: Food Stamps; North Carolina: Head Start Collaboration; Ohio: Food Stamps E&T Dependent Care; Washington: Title IVB; & Texas: Food Stamps E&T

(5) In North Carolina, $10,971,241 of the FFY00 SSBG funding was from a TANF transfer.

Revised FFY99 figures are lower for California, New Jersey, Texas, and Virginia and higher for Ohio than stated in the first interim report. Revised FFY2000 figures are lower than stated in the second interim report for Alabama, California, and Minnesota. Revised N/A*
Disitinctions between Direct and Non-Direct TANF Assistance not made in 1997 to 1999 data requests

Appendix 2-F: Amounts and Percentages of Total Annual Spending from Optional State Sources, by Federal Fiscal Year

State	Total Optional State Amount	Total Optional State Percent	Optional State Funding Sources: Add'l TANF MOE Asst/ TANF Child Care Amount	Add'l TANF MOE Asst/ TANF Child Care Percent	Add'l TANF MOE Non-Asst/ TANF Child Care Amount	Add'l TANF MOE Non-Asst/ TANF Child Care Percent	Separate State Programs MOE Asst. Amount (1)	Separate State Programs MOE Asst. Percent	Separate State Programs MOE Non-Asst. Amount (1)	Separate State Programs MOE Non-Asst. Percent	Other General Revenue Amount	Other General Revenue Percent	Child Protective Services Amount	Child Protective Services Percent
ALABAMA 1997	$81,276	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$81,276	0%	$0	0%
ALABAMA 1998	$1,797,152	2%	$0	0%	$0	0%	N/A	0%	N/A	0%	$1,797,152	2%	$0	0%
ALABAMA 1999	$1,205,227	1%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$1,205,227	1%	$0	0%
ALABAMA 2000	$479,038	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$479,038	0%
ALABAMA 2001	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
CALIFORNIA 1997	$495,055,234	56%	$0	0%	$1,446,934	0%	N/A	0%	N/A	0%	$439,608,300	56%	$0	0%
CALIFORNIA 1998	$747,333,037	55%	$31,729,054	2%	$159,553,594	12%	N/A	0%	N/A	0%	$556,050,389	41%	$0	0%
CALIFORNIA 1999	$919,120,976	45%	N/A*	0%	$497,932	0%	N/A*	0%	$154,156,341	7%	$764,466,703	37%	$0	0%
CALIFORNIA 2000	$931,666,186	37%	$207,048	0%	$175,191,051	7%	$4,412,689	0%	$5,866,290	0%	$745,989,108	30%	$0	0%
CALIFORNIA 2001	$1,129,879,387	42%	$389,573	0%	$177,301,162	7%	$7,211,101	0%	$12,702,571	0%	$932,274,980	35%	$0	0%
ILLINOIS 1997	$92,701,420	28%	$25,000,000	7%	$0	0%	N/A	0%	N/A	0%	$15,356,820	5%	$52,344,600	16%
ILLINOIS 1998	$105,435,018	29%	$63,731,439	17%	$0	0%	N/A	0%	N/A	0%	$8,049,379	2%	$33,654,200	9%
ILLINOIS 1999	$125,480,999	23%	N/A*	0%	$81,779,334	15%	N/A*	0%	$0	0%	$0	0%	$35,237,000	6%
ILLINOIS 2000	$208,170,016	32%	$0	0%	$182,365,399	28%	$0	0%	$0	0%	$0	0%	$25,804,617	4%
ILLINOIS 2001	$182,522,876	29%	$0	0%	$156,608,859	25%	$0	0%	$0	0%	$0	0%	$25,914,017	4%
INDIANA 1997	$100	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$0	0%	$0	0%
INDIANA 1998	$2	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$0	0%	$0	0%
INDIANA 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%
INDIANA 2000	$24,078	0%	$0	0%	$0	0%	$0	0%	$2,160	0%	$21,918	0%	$0	0%
INDIANA 2001	$888,802	0%	$0	0%	$0	0%	$157,236	0%	$709,554	0%	$22,012	0%	$0	0%
LOUISIANA 1997	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$0	0%	$0	0%
LOUISIANA 1998	$27,515	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$27,515	0%	$0	0%
LOUISIANA 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0%	$0	0%
LOUISIANA 2000	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%
LOUISIANA 2001	$5,580,938	4%	$3,451,017	2%	$2,129,921	2%	$0	0%	$0	0%	$0	0%	$0	0%
MASSACHUSETTS 1997	$2,301,107	1%	$0	0%	$0	0%	N/A	0%	N/A	0%	$2,301,107	1%	$0	0%
MASSACHUSETTS 1998	$34,647,896	13%	$1,679,201	1%	$0	0%	N/A	0%	N/A	0%	$29,270,800	11%	$3,697,895	1%
MASSACHUSETTS 1999	$9,561,911	3%	N/A*	0%	$2,715,232	1%	N/A*	0%	$0	0%	$6,846,679	2%	$0	0%
MASSACHUSETTS 2000	$3,183,629	1%	$0	0%	$0	0%	$0	0%	$0	0%	$1,541,806	0%	$1,641,823	0%
MASSACHUSETTS 2001	$1,445,895	0%	$0	0%	$0	0%	$0	0%	$0	0%	$1,445,895	0%	$0	0%
MICHIGAN 1997	$26,615,315	10%	$26,615,315	10%	$0	0%	N/A	0%	N/A	0%	$0			
MICHIGAN 1998	$53,003,829	12%	$50,991,399	11%	$0	0%	N/A	0%	N/A	0%	$2,012,430	0%	$0	0%
MICHIGAN 1999	$99,992,535	19%	N/A*	0%	$97,327,267	19%	N/A*	0%	$0	0%	$2,665,268	1%	$0	0%
MICHIGAN 2000	$217,641,661	46%	$0	0%	$215,228,828	46%	$0	0%	$0	0%	$2,412,833	1%	$0	0%
MICHIGAN 2001	$141,144,942	28%	$0	0%	$138,493,677	27%	$0	0%	$0	0%	$2,651,265	1%	$0	0%
MINNESOTA 1997	$16,211,896	17%	$0	0%	$0	0%	N/A	0%	N/A	0%	$16,211,896	17%	$0	0%
MINNESOTA 1998	$42,165,132	31%	$0	0%	$0	0%	N/A	0%	N/A	0%	$42,165,132	31%	$0	0%
MINNESOTA 1999	$36,340,653	20%	N/A*	0%	$30,691,034	17%	N/A*	0%	$0	0%	$5,649,619	3%	$0	0%
MINNESOTA 2000	$59,798,031	35%	$0	0%	$42,254,689	24%	$0	0%	$0	0%	$17,543,342	10%	$0	0%
MINNESOTA 2001	$51,347,676	26%	$0	0%	$45,852,119	23%	$0	0%	$0	0%	$5,495,557	3%	$0	0%
NEW JERSEY 1997	$13,360,321	9%	$0	0%	$0	0%	N/A	0%	N/A	0%	$13,360,321	9%	$0	0%
NEW JERSEY 1998	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	0%	$0	0%	$0	0%
NEW JERSEY 1999	$4,699,561	3%	N/A	0%	$0	0%	N/A	0%	$0	0%	$4,699,561	3%	$0	0%
NEW JERSEY 2000	$5,975,054	3%	$0	0%	$0	0%	$0	0%	$0	0%	$5,975,054	3%	$0	0%
NEW JERSEY 2001	$39,482,504	14%	$0	0%	$25,952,331	9%	$0	0%	$0	0%	$13,530,173	5%	$0	0%
NEW MEXICO 1997	$3,414,692	15%	$0	0%	$0	0%	N/A	0%	N/A	0%	$2,740,563	12%	$674,129	3%
NEW MEXICO 1998	$3,798,730	8%	$0	0%	$0	0%	N/A	0%	N/A	0%	$2,859,151	6%	$938,796	2%

Appendix 2-F: Amounts and Percentages of Total Annual Spending from Optional State Sources, by Federal Fiscal Year

State	Total Optional State Amount	Total Optional State Percent	Optional State Funding Sources: Add'l TANF MOE Asst/ TANF Child Care Amount	Add'l TANF MOE Asst/ TANF Child Care Percent	Add'l TANF MOE Non-Asst/ TANF Child Child Care Amount	Add'l TANF MOE Non-Asst/ TANF Child Care Percent	Separate State Programs MOE Asst. Amount (1)	Separate State Programs MOE Asst. Percent	Separate State Programs MOE Non-Asst. Amount (1)	Separate State Programs MOE Non-Asst. Percent	Other General Revenue Amount (2)	Other General Revenue Percent	Child Protective Services Amount	Child Protective Services Percent
NEW MEXICO 1999	$3,209,781	7%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$2,006,317	4%	$1,203,464	3%
NEW MEXICO 2000	$958,916	2%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$958,916	2%
NEW MEXICO 2001	$759,974	1%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$759,974	1%
NEW YORK 1997	$0												$0	0%
NEW YORK 1998	$0												$0	0%
NEW YORK 1999	$0												$0	0%
NEW YORK 2000	$26,349,366	4%	$26,349,366	4%	$0	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
NEW YORK 2001	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
NORTH CAROLINA 1997	$34,727,475	18%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$34,727,475	17.81%	$0	0%
NORTH CAROLINA	$46,435,052	18%	$2,562,901	1%	$0	0%	N/A	0%	N/A	N/A	$43,872,151	17.28%	$0	0%
NORTH CAROLINA 1999	$17,122,068	6%	N/A*	0%	$3,012,840	1%	N/A*	0%	$0	0%	$14,109,228	4.94%	$0	0%
NORTH CAROLINA 2000	$70,040,772	20%	$0	0%	$27,469,459	8%	$0	0%	$0	0%	$42,571,313	11.96%	$0	0%
NORTH CAROLINA 2001	$83,699,023	21%	$0	0%	$38,503,582	10%	$0	0%	$0	0%	$45,195,441	11.31%	$0	0%
OHIO 1997	$4,749,787	2%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$4,749,787	2%
OHIO 1998	$10,760,259	5%	$6,446,668	3%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$4,313,591	2%
OHIO 1999	$4,098,886	2%	N/A*	0%	$4,031,611	2%	N/A*	0%	$0	0%	$67,275	0.03%	$0	0%
OHIO 2000	$57,235	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$57,235	0.01%	$0	0%
OHIO 2001	$17,110,988	3%	$0	0%	$17,076,070	3%	$0	0%	$0	0%	$34,918	0.01%	$0	0%
TENNESSEE 1997	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
TENNESSEE 1998	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
TENNESSEE 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%
TENNESSEE 2000	$1,397,900	1%	$1,307,429	1%	$77,305	0%	$12,431	0%	$735	0%	$0	0.00%	$0	0%
TENNESSEE 2001	$2,056,578	1%	$1,155,153	1%	$799,751	0%	$88,542	0%	$13,132	0%	$0	0.00%	$0	0%
TEXAS 1997	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
TEXAS 1998	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
TEXAS 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%
TEXAS 2000	$5	0%	$0	0%	$5	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
TEXAS 2001	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
VIRGINIA 1997	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
VIRGINIA 1998	$0	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$0	0.00%	$0	0%
VIRGINIA 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%
VIRGINIA 2000	$4	0%	$0	0%	$4	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
VIRGINIA 2001	$0	0%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0.00%	$0	0%
WASHINGTON 1997	$1,681,643	2%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$1,681,643	1.51%	$0	0%
WASHINGTON 1998	$182,173	0%	$0	0%	$0	0%	N/A	0%	N/A	N/A	$182,173	0.11%	$0	0%
WASHINGTON 1999	$0	0%	N/A*	0%	$0	0%	N/A*	0%	$0	0%	$0	0.00%	$0	0%
WASHINGTON 2000	$1,748,501	1%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0.00%	$1,748,501	1%
WASHINGTON 2001	$1,942,008	1%	$0	0%	$0	0%	$0	0%	$0	0%	$0	0.00%	$1,942,008	1%

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1997-1999 data is unavailable from New York.

(1) States were not asked to report separate state programs TANF MOE assistance and separate state programs TANF MOE non-assistance

(2) Other General Revenue Amount includes the following state specific catergories: Indiana: Food Stamps, Massachuesetts : Title IVE Match, North Carolina: TEACH, WAGES and Smart Start Subsidies, Ohio: Food Stamps E&T Dependent Care, and New Jersey: Pre-K Expenditures not eligible as TANF MOE

(3) In North Carolina Child Care for Proctetive Services is included within the Other General Revenue Amount total.

Appendix 2-G: Quality Spending by Federal Fiscal Year and Percentage Growth in Quality Spending, Federal Fiscal Years 1997-2001

	Change in Quality Activities Spending from FFY 1997 to FFY 2001	FFY 1997 Quality Spending	FFY 1998 Quality Spending	FFY 1999 Quality Spending	FFY 2000 Quality Spending	FFY 2001 Quality Spending
CALIFORNIA	876.63%	$11,233,788	$34,059,804	$47,003,572	$34,203,248	$109,713,092
MICHIGAN	839.36%	$3,436,906	$8,340,342	$18,305,175	$17,448,340	$32,285,087
NEW MEXICO	728.00%	$639,806	$991,411	$1,620,121	$3,938,189	$5,297,584
INDIANA	703.87%	$1,548,773	$7,219,440	$10,795,303	$12,795,432	$12,450,182
WASHINGTON	660.25%	$2,979,557	$8,017,845	$7,606,094	$13,380,545	$22,651,935
LOUISIANA	643.10%	$1,170,900	$3,141,621	$7,455,352	$7,156,362	$8,700,950
VIRGINIA	490.45%	$2,157,537	$2,843,018	$7,879,963	$12,356,477	$12,739,247
TENNESSEE	271.66%	$4,941,199	$4,838,791	$9,236,850	$14,879,071	$18,364,551
ILLINOIS	247.03%	$7,778,798	$19,506,448	$19,302,519	$30,039,578	$26,994,947
NORTH CAROLINA	233.67%	$7,251,476	$7,743,019	$9,929,731	$15,189,194	$24,195,678
ALABAMA	207.09%	$3,029,450	$3,295,560	$4,107,973	$7,584,318	$9,303,036
OHIO	149.97%	$7,259,862	$10,234,687	$11,234,569	$34,787,686	$18,147,470
MASSACHUSETTS	125.08%	$11,069,151	$9,201,194	$13,201,368	$22,138,082	$24,914,376
TEXAS	94.84%	$10,497,220	$9,351,434	$14,523,716	$28,575,966	$20,452,613
NEW JERSEY	49.42%	$7,851,611	$3,427,307	$12,561,078	$13,281,481	$11,732,217
MINNESOTA	10.31%	$7,402,751	$12,404,455	$8,139,104	$7,583,491	$8,165,964
median	259.35%	$6,096,338	$7,880,432	$10,362,517	$14,129,808	$18,256,011

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1997-1999 and FFY2001 data unavailable from New York.

Revised FFY99 figures are lower for Texas and higher for New Jersey and Virginia than stated in the first interim report. Revised FFY 2000 figures are lower for Texas and Washington; and higher in Ohio than stated in the second interim report.

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Appendix Table 2-H: Quality Spending as Percentage of Total Spending, by Federal Fiscal Year

	FFY 1997 Quality Spending	Percent of Total	FFY 1998 Quality Spending	Percent of Total	FFY 1999 Quality Spending	Percent of Total	FFY 2000 Quality Spending	Percent of Total	FFY 2001 Quality Spending	Percent of Total
ALABAMA	$3,029,450	6.38%	$3,295,560	4.25%	$4,107,973	4.91%	$7,584,318	7.25%	$9,303,036	9.39%
CALIFORNIA	$11,233,788	1.27%	$34,059,804	2.50%	$47,003,572	2.28%	$34,203,248	1.37%	$109,713,092	4.11%
ILLINOIS	$7,778,798	2.31%	$19,506,448	5.31%	$19,302,519	3.52%	$30,039,578	4.56%	$26,994,947	4.22%
INDIANA	$1,548,773	2.71%	$7,219,440	5.22%	$10,795,303	6.91%	$12,795,432	6.36%	$12,450,182	5.57%
LOUISIANA	$1,170,900	4.06%	$3,141,621	3.69%	$7,455,352	6.29%	$7,156,362	5.33%	$8,700,950	6.24%
MASSACHUSETTS	$11,069,151	4.32%	$9,201,194	3.53%	$13,201,368	4.40%	$22,138,082	6.50%	$24,914,376	6.71%
MICHIGAN	$3,436,906	1.30%	$8,340,342	1.88%	$18,305,175	3.55%	$17,448,340	3.71%	$32,285,087	6.38%
MINNESOTA	$7,402,751	7.98%	$12,404,455	9.13%	$8,139,104	4.45%	$7,583,491	4.39%	$8,165,964	4.16%
NEW JERSEY	$7,851,611	5.41%	$3,427,307	2.27%	$12,561,078	6.71%	$13,281,481	5.76%	$11,732,217	4.29%
NEW MEXICO	$639,806	2.85%	$991,411	2.15%	$1,620,121	3.48%	$3,938,189	7.28%	$5,297,584	7.05%
NEW YORK	N/A	N/A	N/A	N/A	N/A	N/A	$44,663,615	6.27%	$32,115,302	3.77%
NORTH CAROLINA	$7,251,476	3.72%	$7,743,019	3.05%	$9,929,731	3.48%	$15,189,194	4.27%	$24,195,678	6.06%
OHIO	$7,259,862	3.67%	$10,234,687	4.85%	$11,234,569	4.54%	$34,787,686	7.75%	$18,147,470	3.65%
TENNESSEE	$4,941,199	4.19%	$4,838,791	3.26%	$9,236,850	5.34%	$14,879,071	7.89%	$18,364,551	8.01%
TEXAS	$10,497,220	4.99%	$9,351,434	3.38%	$14,523,716	4.09%	$28,575,966	7.92%	$20,452,613	4.46%
VIRGINIA	$2,157,537	2.85%	$2,843,081	3.01%	$7,879,963	5.85%	$12,356,477	8.49%	$12,739,247	10.76%
WASHINGTON	$2,979,557	3.72%	$8,017,845	3.38%	$7,606,094	4.45%	$13,380,545	6.32%	$22,651,935	5.81%

Source: Information provided by the study states drawn from their ACF-800, ACF-801 reports to the US Department of Health and Human Services and additional sources. Relevant FFY1 997-1 999 data unavailable from New York.

Revised FFY99 figures are lower for Texas and higher for New Jersey and Virginia than stated in the first interim report. Also, revised total FFY99 spending figures are lowere in California, New Jersey, Texas, and Virginia and higher in Ohio that stated in the first interim report. Revised FFY 2000 figures are lower for Texas and Washington, and higher in Ohio than stated in the second interim report.

Chapter Three Appendix Tables

Appendix 3-A: Child Care Subsidy Usage for April 1997- April 2002

			Apr-97			Apr-98			Apr-99			Apr-00			Apr-01			Apr-02			1997 - 2002	
State	Children with Working Parents Under 62 % SMI**	Children Eligible Under 2001 State Rules	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Enroll-ment	Percent Served Under 62% SMI	Percent Served of State Eligible	Change in Enroll-ment	Percent Change in Enroll-ment
ALABAMA	212,036	155,090	21,875	10%	14%	28,731	14%	19%	32,910	16%	21%	31,590	15%	20%	34,935	16%	23%	39,058	18%	25%	17,183	79%
CALIFORNIA*	1,614,569	1,682,645	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
ILLINOIS	540,838	352,125	98,777	18%	28%	119,888	22%	34%	167,951	31%	48%	185,698	34%	53%	195,156	36%	55%	191,310	35%	54%	92,533	94%
INDIANA	217,381	128,962	18,000	8%	14%	29,311	13%	23%	37,828	17%	29%	42,960	20%	33%	52,510	24%	41%	43,952	20%	34%	25,952	144%
LOUISIANA	200,060	187,341	15,475	8%	8%	28,574	14%	15%	41,902	21%	22%	43,391	22%	23%	39,002	19%	21%	39,690	20%	21%	24,215	156%
MASSACHUSETTS	260,334	190,184	51,804	20%	27%	46,209	18%	24%	69,308	27%	36%	73,895	28%	39%	73,464	28%	39%	73,031	28%	38%	21,227	41%
MICHIGAN	406,033	300,920	71,312	18%	24%	102,336	25%	34%	118,045	29%	39%	124,389	31%	41%	123,946	31%	41%	136,947	34%	46%	65,635	92%
MINNESOTA	163,049	199,098	24,485	15%	12%	32,721	20%	16%	35,565	22%	18%	35,851	22%	18%	34,957	21%	18%	37,812	23%	19%	13,327	54%
NEW JERSEY*	321,875	200,869	NA	NA	NA	NA	NA	NA	34,086	11%	17%	50,752	16%	25%	45,435	14%	23%	45,385	14%	23%	NA	NA
NEW MEXICO	96,405	121,374	7,950	8%	7%	14,876	15%	12%	18,563	19%	15%	19,108	20%	16%	24,043	25%	20%	23,286	24%	19%	15,336	193%
NEW YORK	626,443	595,147	81,001	13%	14%	119,978	19%	20%	151,848	24%	26%	199,474	32%	34%	196,786	31%	33%	186,480	30%	31%	105,479	130%
NORTH CAROLINA	325,803	389,681	72,532	22%	19%	86,061	26%	22%	92,921	29%	24%	99,724	31%	26%	103,319	32%	27%	96,286	30%	25%	23,754	33%
OHIO	411,998	387,036	60,053	15%	16%	63,225	15%	16%	66,114	16%	17%	75,851	18%	20%	79,806	19%	21%	100,118	24%	26%	40,065	67%
TENNESSEE	222,664	141,706	51,608	23%	36%	55,213	25%	39%	56,159	25%	40%	54,593	25%	39%	59,874	27%	42%	60,467	27%	43%	8,859	17%
TEXAS	891,998	674,354	41,721	5%	6%	76,957	9%	11%	109,963	12%	16%	111,547	13%	17%	121,632	14%	18%	129,470	15%	19%	87,749	210%
VIRGINIA* **	231,197	172,204	33,363	14%	19%	39,613	17%	23%	NA	NA	NA	23,948	10%	14%	25,289	11%	15%	27,113	12%	16%	NA	NA
WASHINGTON	207,889	216,571	42,070	20%	19%	51,520	25%	24%	57,966	28%	27%	68,653	33%	32%	74,318	36%	34%	77,453	37%	36%	35,383	84%
MEDIAN				15%	16%		18%	22%		22%	24%		22%	25%		25%	25%		24%	26%		

*Data were unavailable for one or more years.

**Data provided by Virginia for FY1997 through 2000 could not be reproduced at later periods.

Estimate was computed by a simulation model by the Urban Institute using data from the combined March 2000, 2001, and 20002 Current Population Surveys.

Appendix Table 3-B: Child Care Subsidy Usage in the Study Counties, 2000-2002

State	County	2000 Subsidy Usage	2001 Subsidy Usage	2002 Subsidy Usage	2000-2002 Percentage Change, Count Level
ALABAMA	MOBILE	6,641	6,102	7,342	11%
ILLINOIS	COOK	125,124	124,424	127,590	2%
INDIANA	MADISON	801	854	644	-20%
LOUISIANA	OUCHITA	1,875	1,686		NA
MASSACHUSETTS	FRANKLIN	554	393	403	-27%
MICHIGAN	WAYNE	49,544	48,769	52,027	5%
MINNESOTA	HENNEPIN	8,357	9,429	10,443	25%
MINNESOTA	ITASCA, KOOCHICHING, PENNINGTON	496	485	456	-8%
NEW JERSEY	UNION	2,910	2,823	2,865	-2%
NEW MEXICO	DONA ANA	4,280	5,519	5,687	33%
NEW MEXICO	GRANT, HIDALGO, LUNA	695	946	1,041	50%
NEW YORK	ORANGE	NA	NA	1,636	NA
NORTH CAROLINA	ALAMANCE	1,068	997	1,177	10%
NORTH CAROLINA	JOHNSTON	1,426	1,247	1,232	-14%
NORTH CAROLINA	MECKLENBURG	11,060	11,909	11,271	2%
OHIO	HAMILTON	11,019	NA	12,866	17%
TENNESSEE	FAYETTE, HARDEMAN, HAY-WOOD, LAKE, LAUDERDALE	777	NA	774	0%
TENNESSEE	BEDFORD, COFFEE, MARSHALL	536	NA	616	15%
TENNESSEE	SHELBY	31,174	NA	27,343	-12%
TEXAS	HARRIS	16,799	16,401	21,108	26%
VIRGINIA	ARLINGTON	483	388	387	-20%
WASHINGTON	KING	14,138	14,633	14,545	3%

Appendix 3-C: Composition of the Child Care Subsidy Caseload by TANF Status

	Year	Receiving TANF	Percent Receiving TANF	Former TANF Receipt	Percent Former TANF Receipt	All Others	Percent All Others	Total Recipients
ALABAMA	**1997**	4,365	20%	2,648	12%	14,862	68%	21,875
	2002	3,189	8%	4,687	12%	31,182	80%	39,058
	% Change	-37%	-144%	44%	-1%	52%	15%	44%
ILLINOIS	**1997**	43,090	44%	17,142	17%	38,545	39%	98,777
	2002	29,713	16%	NA	NA	161,597	84%	191,310
	% Change	-45%	-181%	NA	NA	76%	54%	48%
INDIANA	**1997**	NA	NA	NA	NA	NA	NA	18,000
	2002	NA	NA	NA	NA	NA	NA	52,510
	% Change	NA	NA	NA	NA	NA	NA	
LOUISIANA	**1997**	5,320	34%	NA	NA	10,155	66%	15,475
	2002	4,780	12%	NA	NA	34,910	88%	39,690
	% Change	-11%	-185%	NA	NA	71%	25%	61%
MASSACHUSETTS	**1997**	13,372	26%	10,045	19%	28,387	55%	51,804
	2002	9,295	13%	17,832	24%	45,904	63%	73,031
	% Change	-44%	-103%	44%	21%	38%	13%	29%
MICHIGAN	**1997**	20,544	29%	11,125	16%	39,643	56%	71,312
	2002	NA	NA	NA	NA	NA	NA	136,947
	% Change	NA	NA	NA	NA	NA	NA	48%
MINNESOTA	**1997**	6,695	27%	3,404	14%	14,386	59%	24,485
	2002	13,795	36%	3,621	10%	20,396	54%	37,812
	% Change	51%	25%	6%	-45%	29%	-9%	35%
NEW MEXICO	**1997**	NA	NA	NA	NA	NA	NA	7,950
	2002	5,447	23%	1,026	4%	16,813	72%	23,286
	% Change	NA	NA	NA	NA	NA	NA	66%
NEW YORK	**1997**	45,410	56%	5,921	7%	29,670	37%	81,001
	2002	36,321	19%	NA	NA	150,159	81%	186,480
	% Change	-25%	-188%	NA	NA	80%	55%	57%
NORTH CAROLINA	**1997**	17,671	24%	NA	NA	54,861	76%	72,532
	2002	11,547	12%	NA	NA	84,739	88%	96,286
	% Change	-53%	-103%	NA	NA	35%	14%	25%
OHIO	**1997**	23,841	40%	7,180	12%	29,032	48%	60,053
	2002	16,981	17%	6,113	6%	77,024	77%	100,118
	% Change	-40%	-134%	-17%	-96%	62%	37%	40%
TENESSEE	**1997**	27,464	53%	10,825	21%	13,319	26%	51,608
	2002	34,001	56%	14,524	24%	11,942	20%	60,467
	% Change	19%	5%	25%	13%	-12%	-31%	15%
TEXAS	**1997**	12,256	29%	12,287	29%	17,178	41%	41,721
	2002	33,087	26%	12,227	9%	84,156	65%	129,470
	% Change	63%	-15%	0%	-212%	80%	37%	68%
VIRGINIA	**1997**	24,787	74%	3,757	11%	4,819	14%	33,363
	2002	7,281	27%	3,062	11%	16,770	62%	27,113
	% Change	-240%	-177%	-23%	0%	71%	77%	-23%
WASHINGTON	**1997**	18,435	44%	6,479	15%	17,156	41%	42,070
	2002	14,686	19%	NA	NA	62,767	81%	77,453
	% Change	-26%	-131%	NA	NA	73%	50%	46%

Appendix 3-D: TANF Child Caseload Trends 1997-2002

	Number of Families Receiving TANF, January 1997	Average Number of Children Per TANF Family, 1997 or 1998	Estimate Number of Children in TANF Families, January 1997	Number of TANF Children Receiving Subsidies, April 1997	Percentage of Children in TANF Families Receiving Subsidies in Average Month, 1997	Average Monthly Number of Families Receiving TANF, 2002	Average # of Children Per Family, 2001	Estimate of Number of Children in TANF Families, 2002	Number of TANF Children Receiving Subsidies, April 2002	Percentage of Children in TANF Families Receiving Subsidies in Average Month, 2002	Percentage Change in TANF Caseload, 1997-2002	Percentage Change in Number of TANF Children Receiving Subsidies, 1997-2002
ALABAMA	37,972	2.1	79,741	4,365	5%	18,041	2.6	46,907	3,189	7%	-52%	24%
CALIFORNIA	839,860	1.9	1,595,734	NA	NA	462,328	2	924,656	NA	NA	-45%	NA
ILLINOIS	206,316	2.2	453,895	43,090	9%	48,091	2.3	110,609	29,713	27%	-77%	183%
INDIANA	46,215	1.98	91,506	NA	NA	49,265	2	98,530	NA	NA	7%	NA
LOUISIANA	60,226	2.5	150,565	5,320	4%	23,700	2	47,400	4,780	10%	-61%	185%
MASSACHUSETTS	80,675	1.9	153,283	13,372	9%	47,264	1.7	80,349	9,295	12%	-41%	33%
MICHIGAN	156,077	2	312,154	20,544	7%	74,338	2.1	156,110	NA	NA	-52%	NA
MINNESOTA	54,608	2.1	114,677	6,695	6%	35,859	2.1	75,304	13,795	18%	-34%	214%
NEW JERSEY	102,378	1.9	194,518	NA	NA	41,690	1.9	79,211	7,655	10%	-59%	NA
NEW MEXICO	29,984	2.1	62,966	NA	NA	17,015	2	34,030	5,447	16%	-43%	NA
NEW YORK	393,424	2	786,848	45,410	6%	170,430	2	340,860	36,321	11%	-57%	85%
NORTH CAROLINA	103,300	1.9	196,270	17,671	9%	42,872	1.7	72,882	11,547	16%	-58%	76%
OHIO	92,747	1.9	176,219	23,841	14%	84,031	1.8	151,256	16,981	11%	-9%	-17%
TENNESSEE	74,820	2	149,640	27,464	18%	63,088	2	126,176	34,001	27%	-16%	47%
TEXAS	228,882	1.9	434,876	12,256	3%	129,937	2	259,874	33,087	13%	-43%	352%
VIRGINIA	56,018	1.8	100,832	24,787	25%	30,051	1.7	51,087	7,281	14%	-46%	-42%
WASHINGTON	95,982	1.8	172,768	18,435	11%	54,188	1.9	102,957	14,686	14%	-44%	34%

Appendix Table 3-E Types of Subsidized Child Care

Percent of Children Receiving Subsidies by Type of Child Care April 2002 and April 1997

	2002				1997				CHANGE BETWEEN 1997 AND 2002			
STATE	**Center**	**Family child care**	**Relative**	**In-Home**	**Center**	**Family child care**	**Relative**	**In-Home**	**Center**	**Family child care**	**Relative**	**In-Home**
ALABAMA	79%	14%	7%	0%	74%	17%	10%	0%	7%	-19%	-24%	-30%
ILLINOIS	29%	14%	35%	22%	38%	15%	30%	17%	-25%	-6%	16%	32%
INDIANA	38%	38%	21%	3%	36%	38%	21%	6%	7%	1%	0%	-52%
LOUISIANA	67%	0%	33%	0%	52%	11%	15%	23%	29%	-100%	125%	-100%
MASSACHUSETTS	62%	25%	8%	6%	61%	25%	5%	9%	1%	-3%	65%	-34%
MICHIGAN	16%	18%	51%	15%	23%	28%	36%	13%	-30%	-36%	43%	13%
MINNESOTA	30%	51%	15%	3%	27%	56%	14%	3%	12%	-9%	7%	22%
NEW JERSEY	70%	24%	5%	0%	NA	NA	NA	NA	NA	NA	NA	NA
NEW MEXICO	41%	19%	40%	0%	38%	28%	34%	0%	10%	-33%	17%	-53%
NEW YORK	37%	36%	19%	9%	52%	36%	10%	3%	-29%	1%	93%	186%
NORTH CAROLINA	85%	11%	3%	0%	81%	12%	7%	0%	5%	-4%	-55%	122%
OHIO	61%	39%	0%	0%	65%	35%	0%	0%	-6%	10%	-100%	NA
TENNESSEE	78%	21%	1%	0%	77%	13%	9%	1%	1%	66%	-93%	-87%
TEXAS	79%	7%	15%	0%	NA	NA	NA	NA	NA	NA	NA	NA
VIRGINIA	60%	31%	9%	0%	54%	39%	17%	0%	11%	-21%	-47%	NA
WASHINGTON	41%	26%	23%	10%	45%	25%	19%	11%	-9%	7%	18%	-8%

Chapter Four Appendix Tables

Appendix 4-A : Income Eligibility Limits as a Percentage of State Median Income (SMI) and FOL For Families Not Receiving

State	FY1999 Income Limit	FY 1999 SMI	FY 1999 Income as % of SMI	FY 2002 Income Limit	FY 2002 SMI	FY 2002 Income as % of SMI	FY 2003 Income Limit	Family of 3 FY 2003 SMI	FY2003 Income as % of SMI	Percent Change in Eligibility as % of SMI 1999-2003
ALABAMA	$17,328	$37,698	46%	$19,020	$44,020	43%	$ 19,020	$43,219	44%	-4%
CALIFORNIA[1]	$33,924	$46,382	73%	$35,100	$53,004	66%	$ 38,758	$53,093	73%	0%
ILLINOIS	$24,243	$45,008	54%	$24,243	$55,739	43%	$ 24,243	$57,218	42%	-21%
INDIANA[2]	$25,932	$48,562	53%	$26,480	$49,156	54%	$ 19,380	$52,146	37%	-30%
LOUISIANA	$29,580	$32,518	91%	$23,232	$41,535	56%	$ 24,924	$39,785	63%	-31%
MASSACHUSETTS[3]	$23,172	$54,610	42%	$28,968	$60,219	48%	$ 28,968	$65,541	44%	4%
MICHIGAN[4]	$26,064	$48,318	54%	$26,064	$54,992	47%	$ 23,880	$57,742	41%	-23%
MINNESOTA	$35,410	$50,884	70%	$38,169	$56,009	68%	$ 44,455	$59,265	75%	8%
NEW JERSEY[5]	$27,300	$56,562	48%	$29,260	$63,357	46%	$ 37,550	$65,990	57%	18%
NEW MEXICO[6]	$27,756	$33,628	83%	$28,720	$37,755	76%	$ 30,520	$39,744	77%	-7%
NEW YORK[7]	$28,056	$46,966	60%	$29,260	$50,194	58%	$ 30,520	$54,197	56%	-6%
NORTH CAROLINA[8]	$32,628	$43,504	75%	$38,784	$47,137	82%	$ 34,224	$48,051	71%	-5%
OHIO	$25,680	$46,978	55%	$27,066	$47,239	57%	$ 28,224	$52,291	54%	-1%
TENNESSEE	$22,702	$40,524	56%	$24,324	$43,679	56%	$ 27,672	$46,115	60%	7%
TEXAS[9]	$20,475	$40,326	51%	$21,945	$44,764	49%	$ 22,890	$44,951	51%	0%
VIRGINIA[10]	$25,692	$47,922	54%	$27,066	$54,056	50%	$ 28,236	$57,165	49%	-8%
WASHINGTON	$28,644	$48,234	59%	$32,918	$52,599	63%	$ 30,048	$53,397	56%	-5%

Source: Information regarding income limits supplied by the study states. State Median Incomes supplied by the Census.

[1] In its FY 2002-FY 2003 state plan, California supplied an SMI estimate of $46,800. Its eligibility ceiling is 75% of that SMI estimate.

[2] In its FY 2002-FY 2003 state plan, Indiana supplied an SMI estimate of $46,800. Its eligibility ceiling is 57% of that SMI estimate.

[3] In its FY 2002-FY 2003 state plan, Massachusetts supplied an SMI estimate of $59,626. Its eligibility ceiling is 50% of that SMI estimate.

[4]According to the Michigan state government website.

[5] In its FY 2002-FY 2003 state plan, New Jersey supplied an SMI estimate of $57,939. Its eligibility ceiling is 49% of that SMI estimate.

[6]In New Mexico, the eligibility ceiling is 200% of FPL, the equivalent of 77% of SMI. Since 9/01, the state has only served families below 100 of FPL ($15,260 and 38% of SMI).

[7] In its FY 2002-FY 2003 state plan, New York supplied an SMI estimate of $48,000. Its eligibility ceiling is 61% of that SMI estimate.

[8] In its FY 2002-FY 2003 state plan, North Carolina supplied an SMI estimate of $45,630. Its eligibility ceiling is 85% of that SMI estimate.

[9] TX: Income limits vary by Local Workforce Boards (LWB); the lower upper boundary is 85% of SMI and the lower boundary is 150% of FPL, or 50% of the SMI. The eligibility limit indicated here is for the Gulf Coast Region, inclusive of study site Harris County.

[10] VA: Income eligibility limits vary by county groupings and range from 40 to 49% of SMI. In addition, Arlington County (the study site) was given a waiver to offer subsidies to families up to 70% of SMI.

Appendix Table 4-B: Copayment Buden
Weekly Co-Payment for Non-TANF Families at 33%SMI as a Percentage of Families Income

	1999				2002				1999-2002		
State	Weekly Copay-ment at 33% SMI	Annual Income at 33% SMI	Weekly Income at 33% SMI	Copay-ment as % of Weekly Income	Weekly Copay-ment at 33% SMI	Annual Income at 33% SMI	Weekly Income at 33% SMI	Copay-ment as % of Weekly Income	Change in Co-Payment Amount	Percent Change in Co-Payment	Percent Change in Copay-ment as % of Income
ALABAMA	$30	$13,372	$257	12%	$23	$14,527	$279	8%	-$8	-25%	-31%
CALIFORNIA	$0	$15,306	$294	0%	$0	$17,491	$336	0%	$0	0%	0%
ILLINOIS	$16	$14,853	$286	6%	$44	$18,394	$354	12%	$28	175%	122%
INDIANA	$15	$16,025	$308	5%	$10	$16,221	$312	3%	-$5	-33%	-34%
LOUISIANA	$0	$10,731	$206	0%	$0	$12,875	$248	0%	$0	0%	0%
MASSACHUSETTS	$60	$18,021	$347	17%	$33	$19,872	$382	9%	-$28	-46%	-51%
MICHIGAN (2)	$21	$15,945	$307	7%	$16	$18,147	$349	5%	-$5	-24%	-33%
MINNESOTA	$5	$16,792	$323	2%	$9	$18,483	$355	3%	$4	75%	59%
NEW JERSEY	$36	$18,665	$359	10%	$54	$20,908	$402	13%	$17	48%	32%
NEW MEXICO	$10	$11,097	$213	5%	$12	$12,459	$240	5%	$2	17%	4%
NEW YORK*	$11	$15,499	$298	4%	$9	$16,564	$319	3%	-$2	-18%	-23%
NORTH CAROLINA	$25	$14,356	$276	9%	$30	$15,555	$299	10%	$5	20%	10%
OHIO	$24	$15,503	$298	8%	$20	$15,589	$300	7%	-$4	-15%	-16%
TENNESSEE	$16	$13,373	$257	6%	$16	$14,414	$277	6%	$0	0%	-7%
TEXAS(1)	$28	$13,308	$256	11%	$31	$14,772	$284	11%	$3	10%	-1%
VIRGINIA	$28	$15,814	$304	9%	$31	$17,838	$343	9%	$3	10%	-2%
WASHINGTON*	$20	$15,917	$306	6%	$12	$17,358	$334	3%	-$8	-41%	-46%

Copayments supplied by the states.

State Median Income (SMI) supplied by the Census.

(1) Co-payment levels vary by county. Co-payment provided here is for the study county. It applies to families with two children using subsidies for the first two years. The copayment increases to 12% of income in the third year, 13% in the fourth year, 1

Appendix Table 4-C: Full-Time Center Weekly Rates for 1998-99 and 2002-3 for Full-Time Center Care in Study County with the Highest Reimbursement Rate

		1998/9 Full-Time Center Weekly Rates			2002/3 Full-Time Center Weekly Rates			1999-2003
		Unadjusted Rate	Cost Index	Adjusted Rated	Unadjusted Rate	Cost Index	Adjusted Rate	Percent Change in Rate
AL	MOBILE	$ 74.00	0.896	$ 82.59	$ 82.00	0.754	$ 108.72	32%
CA	ORANGE	$ 141.68	1.294	$ 109.49	$ 139.00	1.038	$ 133.89	22%
IL	COOK	$ 118.75	1.113	$ 106.69	$ 121.70	1.176	$ 103.47	-3%
IN	MADISON	$ 70.00	1.113	$ 62.91	$ 90.00	1.176	$ 76.52	22%
LA	OUCHITA	$ 65.00	0.793	$ 81.99	$ 75.00	0.704	$ 106.58	30%
MA	FRANKLIN	$ 127.50	1.113	$ 114.59	$ 148.75	1.035	$ 143.75	25%
MI	WAYNE(1)	$ 189.00	1.113	$ 169.86	$ 112.50	1.176	$ 95.65	-44%
MN	HENNEPIN	$ 137.00	1.016	$ 134.90	$ 184.00	1.209	$ 152.22	13%
NC	MECKLENBURG	$ 119.75	0.892	$ 134.18	$ 147.25	1.094	$ 134.56	0%
NJ	UNION	$ 108.80	1.096	$ 99.28	$ 121.40	1.076	$ 112.79	14%
NM	DONA ANA(2)	$ 72.40	0.933	$ 77.63	$ 89.26	1.094	$ 81.57	5%
NY	ORANGE	$ 125.00	1.096	$ 114.07	$ 150.00	0.892	$ 168.11	47%
OH	HAMILTON	$ 121.00	1.113	$ 108.75	$ 118.00	1.176	$ 100.32	-8%
TN	SHELBY	$ 72.00	0.896	$ 80.32	$ 90.00	0.754	$ 119.33	49%
TX	HARRIS	$ 86.28	0.793	$ 108.84	$ 95.00	0.704	$ 135.00	24%
VA	ARLINGTON	$ 157.00	0.892	$ 175.91	$ 167.00	0.892	$ 187.17	6%
WA	KING	$ 120.00	1.294	$ 92.73	$ 132.50	1.038	$ 127.63	38%

(1)In 2003, the pay was $2.25 an hour and the typical week was 50 hours. There was no formal full-time rate.

(2)Full time rates are provided on a monthly basis. The monthly rate FOR 2002/3 is $386.48

Chapter Five Appendix Tables

Appendix Table 5-A: Distribution of Licensed/License-Exempt Centers/Facilities and Regulated Family Child Care Homes, 2000

State	County	Total number of licensed centers	Total number of license-exempt centers/facilities	Total centers/facilities	Total number of regulated homes	Total number of centers/facilities and regulated homes	Percentage by type of care: Centers/Facilities	Percentage by type of care: Regulated homes
Alabama	Mobile	102	138	240	163	403	60%	40%
California	Los Angeles	2292	316	2608	5,893	8,501	31%	69%
California	Orange	434	88	522	1,562	2,084	25%	75%
California	Riverside*	291	30	321	1,360	1,681	19%	81%
Illinois	Cook	1032	389	1421	1,837	3,258	44%	56%
Indiana	Madison	10	11	21	44	65	32%	68%
Louisiana	Ouachita	58	6	64	191	255	25%	75%
Massachusetts	Franklin	28	22	50	148	198	25%	75%
Michigan	Wayne	937	NA	937	1,128	2,065	45%	55%
Minnesota	Hennepin	549	33	582	1,962	2,544	23%	77%
Minnesota	Itasca/Koochiching/Pennington	26	12	38	151	189	20%	80%
New Jersey	Union	275	78	353	226	579	61%	39%
New Mexico	Doña Ana	54	14	68	1,092	1,160	6%	94%
New Mexico	Hidalgo/Grant/Luna	15	6	21	5	26	81%	19%
New York	Orange	40	38	78	256	334	23%	77%
North Carolina	Alamance	48	14	62	72	134	46%	54%
North Carolina	Johnston	66	33	99	99	198	50%	50%
North Carolina	Mecklenburg	395	321	716	515	1,231	58%	42%
Ohio	Hamilton	475	47	522	1,878	2,400	22%	78%
Tennessee	Bedford/Coffee/Marshall	68	6	74	51	125	59%	41%
Tennessee	Fayette/Hardeman/Haywood/Lake/Lauderdale	52	10	62	26	88	70%	30%
Tennessee	Shelby	675	10	685	243	928	74%	26%
Texas	Harris	1604	580	2184	1,255	3,439	64%	36%
Virginia	Arlington	28	57	85	338	423	20%	80%
Washington	King	565	315	880	1,442	2,322	38%	62%

Source: Databases of Child Care Resource and Referral (CCR&R) agencies for the study counties, supplemented when necessary by information from other organizations on categories of care not included in CCR&R databases. Different CCR&Rs were aware of different proportions of the license-exempt center supply in their counties.

*Riverside, CA data from March 2001.