

# Stability of Subsidy Use in Oregon

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Funded by Office of Planning, Research and Evaluation (OPRE) and Oregon Child Care Division

## Did subsidy policies and practices affect reasons for exiting?

### Data

The data come from a telephone survey of 580 subsidy parents with 926 children under the age of 13. The study captured both current and former subsidy users to explore why parents exit the subsidy program and what parents do for child care after exiting. A four-month gap between the benefit month from which we pulled the sample (December 2009) and when the interviews took place (May 2010), ensured that some parents would have left the subsidy program by the time of the interview. Of the 580 telephone survey participants, 461 indicated they were currently receiving a child care subsidy from DHS at the time of their interview, 118 were not receiving a subsidy and 1 elected not to answer the question. The results presented below are in reference to the 118 subsidy leavers.

### Findings From Subsidy Leavers

- **The primary reason for no longer receiving a subsidy was job loss (41.7%),** followed by short-term leave from employment (11.8%) such as maternity leave, short-term disability, or dental surgery. Eight percent quit working in order to complete schooling.
- **Income changes accounted for another large group of reasons for leaving subsidy.** Approximately eight percent lost eligibility because their earnings increased their household income above the income eligibility limit. A small group lost eligibility because of marriage (3.4%) or receipt of other income such as child support (2.4%) made them over income.
- **Provider changes accounted for 10.9% of exits.** For example, a couple of children moved into a free child care program and in other cases providers retired or moved.

Why did you stop receiving a subsidy or state assistance for child care? (N=115)	%
Job loss	41.7
Short-term leave from employment	11.8
Provider change	10.9
Earnings increased my household income beyond the income eligibility limit	8.7
Lost eligibility because parents are only going to school	7.9
Program related	5.2
Getting married increased household income beyond the income eligibility limit	3.4
Child related	2.9
Other income such as receiving child support increased household income beyond the income eligibility limit	2.4
Missed recertification	2.0
Decided didn't want or need help from government	2.0
No longer eligible because they are self-employed	0.9
Provider will not work with the subsidy program	0.5

## How does subsidy policy affect the stability of child care and type of care used?

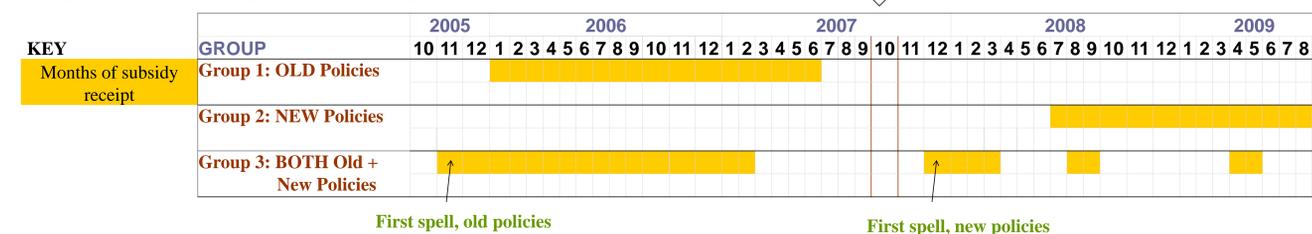
### Description of Study and Data

A dramatic change in the generosity of Oregon child care subsidy policy in October 2007 (see table to the right) provided an opportunity to study the impact of subsidy policy on parent behavior using a quasi-experimental design and a pre-post comparison. We focus on two key decisions: the decision of whether or not to continue to participate in the subsidy program and the selection of the type of care to use. The data source is based on administrative data on over 40,000 parents who entered the subsidy program between October 2005 and September 2009. We divided participating parents into three distinct groups based on when they entered the subsidy program:

- Group 1: OLD Policies – those who entered only under the old subsidy policies
- Group 2: NEW Policies – those who entered only under the new subsidy policies
- Group 3: BOTH Policies – those who entered new spells of subsidy receipt under both the old and new sets of policies. We looked at this group at two points in time:
  - Their first spell under the old policies,
  - Their first spell under the new policies.

Eligibility Rules	Old Policies: 1997- 09/2007	New Policies: 10/2007 - Forward
Maximum subsidy rates paid to providers	Maximum rate was adequate to purchase about 26% of child care slots statewide in 2006	Increased maximum subsidy rates to 75 <sup>th</sup> percentile for most licensed facilities
Copay amounts paid by parents	Copays were up to 68% of income.	Copays were up to 20% of income.
Income eligibility ceiling per month	150% of federal poverty level	185% of federal poverty level
Frequency of recertification	Voucher clients every 3 months	Voucher clients every 6 months
Program expenditures	2005-2007: \$86,040,873	2007-2009: \$133,953,768

Examples of Family Subsidy Spells For Each Group Described Above



### Findings

- **Generous policies did not bring different parents into the subsidy program.**

Variable	OLD Group N=13,774	NEW Group N=15,996	BOTH Group N=7,546	
	Mean/ Frequency	Mean/ Frequency	Under Old Policy Mean/ Frequency	Under New Policy Mean/ Frequency
Number of children in household	1.85	1.68	1.82	1.96
Number of children with cc subsidy in household	3.03	2.92	3.03	3.16
Age of youngest child (months)	38.1	31.1	23.9	23.9
Age of oldest child (months)	78.0	64.1	88.7	88.7
Single parent households	90.8%	88.3%	92.2%	94.3%
Parent's age (years)	28.3	27.4	26.6	28.2
Monthly household income adjusted to 2009 dollars	\$797.80	\$862.00	\$707.03	\$871.68
% between 150% and 185% of federal poverty level	not eligible	5.20%	not eligible	3.47%
Adjusted income without 150-185% fpl families	not eligible	\$784.60	not eligible	\$823.09
Eligibility group: Job readiness or assessment	35.9%	37.2%	43.4%	34.6%
Parent's education - percent with HS or less	89.6%	89.2%	91.3%	90.7%

- **Generous policies were associated with longer subsidy spells after the policy change for both the NEW group and the BOTH group under the new policy.**

Spell length (months)	OLD Group	NEW Group	BOTH Group	
	First observed spell	First observed spell	First observed spell under OLD Policy	First observed spell under NEW policy
25 <sup>th</sup> percentile	2	3	2	3
Median	4	5	5	6
75 <sup>th</sup> percentile	8	11	10	12

- **Increase in generosity of subsidy policies is associated with an increase in center and regulated non-relative care when comparing families who entered the subsidy program under only the old and new policies.**

- Change to center care is greatest for two-year olds.
- Families are moving into center care and out of unregulated non-relative under the new policies.
- There is a slight increase in relative care for some of the age groups.

Primary Provider	Change Between Entry OLD and Entry NEW						
	Age <12	13-23	24 - 36	36 - 48	48 - 60	60 - 72	0-60
Center	3.2%	4.8%	5.6%	3.9%	4.3%	3.1%	3.6%
Regulated non-rel	-0.1%	-0.8%	0.5%	2.0%	-0.3%	-0.4%	0.2%
Unregulated non-rel	-5.9%	-3.4%	-4.8%	-4.8%	-3.8%	-1.7%	-3.9%
In-home	-1.1%	-1.1%	-0.3%	-0.7%	-0.2%	-0.7%	-0.8%
Relative	3.9%	0.5%	-1.0%	-0.4%	0.1%	-0.3%	0.9%
<b>Center + Regulated</b>	<b>3.1%</b>	<b>4.0%</b>	<b>6.1%</b>	<b>5.9%</b>	<b>4.0%</b>	<b>2.7%</b>	<b>3.8%</b>

- **The increase in generosity had less impact on the parents who had entered the program under both the old and new policies.** Similar to the above results, parents used more center and regulated care under the new policy than under the old policies. But the changes are smaller than those found for parents who only entered the program under the new policies.

- **The increase in the use of centers under the new policies was greater in metropolitan than non-metropolitan areas of Oregon.**