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An Investigation into the Impact of Revised Eligibility Requirements for the Child Care Assistance Program in Rhode Island

Executive Summary

January 2009

Background and Rationale

In September 2007, more than 1,500 children statewide were disqualified from receiving child care subsidies through Rhode Island's Child Care Assistance Program (CCAP) because their families no longer met income eligibility guidelines. The change resulted from passage of the 2007-2008 state budget in which income eligibility was reduced from 225% of the federal poverty level to 180%.

To fully understand the impact of these cuts statewide,¹ Ready to Learn Providence (R2LP) conducted in-depth interviews of 366 licensed center-based and home-based providers who served families affected by the cuts. R2LP also surveyed 95 families who had lost all or part of their child-care subsidies. R2LP staff and AmeriCorps members conducted these surveys, in both English and Spanish, between February and June 2008.

While primarily unfunded,² this study was a priority for R2LP because the CCAP changes directly affected the constituency that R2LP had been working with since its beginning in 2003. With more than \$10 million invested in existing early childhood programs and family child-care homes since its inception, R2LP clearly had a major stake in the consequences of the subsidy cuts on providers, children, and families.

R2LP experienced the impact of the cuts almost immediately in two of its professional development programs funded through the U.S. Department of Education. R2LP's Early Reading First (ERF) program, a three-year program that got underway in May 2006, operated in 12 classrooms at four child-care centers in Providence and initially served 230 children. By the fall of 2007, just after the revised eligibility requirements took effect, enrollment in these classrooms had dropped by 40%. Center directors at ERF partner sites cited the subsidy cuts as the primary reason for declining enrollments.

R2LP faced a similar experience with its Early Childhood Educator Professional Development initiative, a program designed to provide intensive professional development for early childhood educators in center-based, Head Start, and family child-care settings. Total participation decreased by 26% between August 2007 and April 2008, with more than 34 teachers from center-based classrooms and 50 home-based providers withdrawing from the program.

Losses of this magnitude put R2LP's federal funding at risk, but, more importantly, threatened to undermine the thousands of hours of professional development and millions of dollars already invested by R2LP in the early care and education system in Providence.

¹ For purposes of this study, R2LP developed three strata of analysis – Providence, six other communities where child care subsidy use was highest, and the rest of Rhode Island. The six other communities include Central Falls, Cranston, East Providence, Pawtucket, Warwick, and Woonsocket.

² A small grant from the National Neighborhoods Indicator Partnership at the Urban Institute and Annie E. Casey Foundation helped to defray some costs associated with the survey.

Key Findings

Provider Survey

R2LP surveyed a representative sample of child-care providers across the state, enabling it to generalize effects to the full population of providers (see *Summary of Methodology* on page 4 for more details).

Survey results indicate that the impacts of the child-care subsidy cuts have been deep and widespread throughout Rhode Island, not only in the urban core communities. Although the severity of the cuts varied by impact type and geography, estimates of population proportions reveal that, overall, 74% of all licensed center-based providers in Rhode Island and 43% of all licensed home-based providers served families affected by the child care subsidy cuts.

Moreover,

- 53% of licensed child-care centers and 37% of home-based settings experienced an “extreme” or “major” impact from the cuts
- Roughly 25% of all licensed providers statewide experienced a decline in program quality (22% of centers and 26% of homes)
- Approximately 15% of all licensed providers laid off employees (16% of centers and 12% of homes)
- 37% of centers reduced staff working hours (14% of homes)
- 18% of centers and 17% of homes cut back on services to children and families
- 18% of centers imposed new fees on families in response to the loss of revenue (9% of homes)
- 53% of centers’ financial viability has been compromised as a result of the cuts (35% of homes)
- 13% of centers and 28% of homes statewide might close as a result of the cuts resulting in the potential loss of nearly 1,800 licensed child-care slots statewide.

These 1,800 slots at risk are evenly distributed across the study’s three strata, meaning that Providence, the six other urban areas, and the rest of Rhode Island all face the potential of losing approximately 600 slots, respectively. This begs the obvious question of who will care for children while parents work and otherwise provide for their families.

Home-based providers experienced many of the same impacts on their programs as center-based providers but with the added stress of living in the same space as their business. Moreover, if licensing data are an indication, we can be certain the impact on home-based providers were immediate and far-reaching. DCYF licensing data reveal that the number of home-based providers in Rhode Island declined by 30% between October 2007 and June 2008, from 1,337 to 936. Declines were evenly distributed by survey strata, with Providence experiencing a 31% decline, the six other urban areas declining by 30%, and the rest of Rhode Island declining 28%.

A separate analysis by R2LP in August 2008 found that 46 home-based providers statewide lost their residence to foreclosure between December 2007 and May 2008. Ninety-one percent (91%) of these 46 providers lived in Providence. Twenty-eight (28) of the 46 home-based providers were the homeowners who lost both their income and their residence. With the fifth highest rate of foreclosures in the country, Rhode Island homeowners are experiencing a serious challenge to their financial security. For home-based child-care providers, the loss of child-care subsidies as a stabilizing factor could not have occurred at a more critical time.

Family Survey

R2LP also surveyed 95 families who lost part or all of their child-care subsidies. While this is a relatively large sample, it is neither large enough nor generated in the same way as the provider sample to be able to generalize to the full population. Still, the responses of those who were interviewed reveal the profound impact the cuts have had on the well-being of families and their children.

Of those who participated in the family survey, the vast majority (77%) lost the entire subsidy and no longer received any state support for child care. In response to the loss, whether partial or full, families reduced their use of full-time and after-school child care in both center-based and home-based settings. Respondents indicated that they were staying at home with their children or relying on paid and unpaid family members, friends, or neighbors to help deliver part-time care.

Additionally,

- 87% of respondents remained employed after the cuts took effect. Half of this employed group (51%) had changed their work hours since the cuts went into effect and 22% obtained an additional job to help cover child-care expenses.
- 67% of families reported that they were having difficulty meeting important living expenses, such as food, heat, rent or mortgage payments.
- 73% reported that the stress in their home had increased since the cuts took effect.

“It’s been devastating,” said one mother. “I quit my job – and I had a good job as a paralegal in a law firm. But child care was going to cost me so much money that it just didn’t make sense to keep working. I would have only paid for child care and had nothing left to pay anything else.”

Said another: “The impact of the child-care subsidy cuts is not only on children and their families but also on the child-care providers, landlords. The impact has a ripple effect on the economy in general; it impacts everything.”

While R2LP believes the information gathered from participating families is suggestive of what happened to the families of the estimated 1,500 children who lost their child-care subsidy, it cannot extrapolate results of the study to all families and children in Rhode Island who were directly impacted by the cuts. Coupled with real evidence from providers of declining enrollments, many questions remain:

- What has happened to the estimated 1,500 children who lost subsidies?
- Of the children no longer receiving subsidies, how many are receiving unregulated and unlicensed care?
- How many children are in substandard settings or even potentially dangerous situations?
- What are the long-term implications for the state if thousands of children enter kindergarten without a solid foundation in an early childhood setting had they continued to receive a child-care subsidy?

Summary of Methodology

Provider Survey

To conduct the study, R2LP recruited and surveyed a proportionate stratified random sample of licensed center- and home-based providers according to geographic location. The goal was to obtain a rigorous and representative sample to enable us to generalize effects to the full population of providers in Rhode Island.

The sampling frame of providers was identified via RI Department of Children, Youth, and Families (DCYF) licensing databases. A total of 482 child-care providers (159 center-based and 323 home-based) were randomly selected to participate in the survey (representing 37% of all licensed child care centers and 24% of all licensed child care homes). Selection of providers was determined by child-care subsidy use across Rhode Island's 39 cities and towns. Final geographic strata were (1) Providence, (2) six other urban areas (Central Falls, Cranston, East Providence, Pawtucket, Warwick, Woonsocket), and (3) the rest of Rhode Island (32 remaining communities).

Response rates among child-care providers were strong with an overall response rate of 76%, or 366 providers who participated in the survey. Response rates were particularly high among center-based providers and, by strata, ranged from 89% to 96%. Response rates were lower, though also still strong, among home-based providers (63% to 73%, respectively, by strata).

A possibly under-represented group among survey respondents was Spanish-speaking home-based providers who comprised 77% of all licensed home-based providers in Providence at the time of the study. A total of 54 home-based providers in Providence selected for study participation could not be contacted (due to disconnected phone numbers or a failure to be reached after eight attempts). Further, of the 188 licensed homes in Providence randomly selected to participate in the study, 144 providers spoke Spanish, according to DCYF data. Yet only 113 interviews were conducted in Spanish. The most likely reason that Spanish-speaking home-care providers could not be interviewed is that they were no longer operating home child-care businesses. DCYF requires that providers have a working home phone number before receiving certification. Thus, if the phones were disconnected the provider was no longer operating a state-certified child-care business.

Family Survey

R2LP also surveyed 95 families who lost all or some of their child care subsidy. R2LP reached these families with the help of providers that completed the survey, a long and difficult process that relied on the goodwill of participating providers. These providers agreed to send a passive consent letter to families they served who they knew to have lost the subsidy. More than 250 names were received from providers, the majority of whom resided in Cranston, East Providence, Pawtucket, and Providence. These did not necessarily represent the families most affected by the cuts; rather they represented the locations of families served by cooperating child-care providers.

This represents a relatively large but unrepresentative sample of families. Ideally R2LP would have been able to conduct a random sample of families who lost their child care subsidies. However, without the cooperation of the RI Department of Human Services to help identify the full cohort of families affected, this was impossible. While the participation rates of families was lower than we had originally hoped, and lower than the participation and response rates of providers, we were still able to generate a wealth of information about the range of impacts of the subsidy cuts on families and children.

Conclusion and Next Steps

The reduction in eligibility for child-care subsidies occurred during a very difficult budget year when the state was facing a \$243 million budget shortfall. Additional changes to early care and education in this same budget year included increased child care co-payments of 1% of family income for all families earning more than 100% FPL, complete loss of school-age child care subsidies for children ages 13 to 15, and a restructuring of the rate paid to providers of before- and after-school care for children ages 6 to 12 that reduced payments to providers.

In June 2008, facing a \$450 million deficit, the Governor and the General Assembly implemented more draconian legislative changes affecting low- and middle-income families statewide. The Comprehensive Child Care Services program, created in 1998 to provide “Head-Start”-like services to low-income families, was eliminated. The Assembly also cut state funding for 270 Head Start slots throughout Rhode Island.³ Health insurance assistance for child-care providers caring for state subsidized children was also eliminated, including RIte Care for home-based providers and an \$85 monthly payment per employee for center providers to purchase private insurance.

Fortunately, eligibility for child care subsidies was not reduced below 180% in 2008 and the budget included a much-needed market rate adjustment for providers who serve children receiving subsidies. This was accompanied by an appropriation of \$1.1 million.

In 2002, Rhode Island’s child care subsidy system was considered to be “one of the highest quality and most innovative programs in the country” (Witte & Queralt, 2002, p. 5). No longer can we consider this to be true. State budget shortfalls and concomitant changes in social services, including but not limited to changes in eligibility criteria for child care subsidies, have created a climate in which ensuring all children in Rhode Island have access to high-quality early learning experiences has become more difficult to achieve. As economic conditions decline, policymakers and residents of Rhode Island will ultimately have to decide how important high-quality early childhood education and child-care services are to the state’s future and commit the necessary resources, regardless of budgetary constraints, to bring the existing infrastructure to desired levels.

This report describes a survey study of child-care providers and families impacted by the child-care subsidy cuts. R2LP staff, in collaboration with community partners, plan to use results from this study to formulate a detailed set of recommendations for policymakers in Rhode Island. Availability of these recommendations will be forthcoming. Additionally, depending on available resources, R2LP staff may repeat the study design one or more years from now to examine the impact of changes to the child-care subsidy system in the state from a longitudinal perspective. R2LP believes it is important to continue supplementing any macro-economic analyses of changes to the child-care subsidy system in Rhode Island with the voices of the actual child-care providers and families affected by the changes.

References

Witte, A.D., & Queralt, M. (2002). *Evaluation of Rhode Island’s Starting Right program: May 1996 – April 2001*. Wellesley, MA: Wellesley College, Department of Economics and National Bureau of Economic Research.

³ In September 2008, the Governor’s Office and the RI Department of Human Services added \$200,000 to State funding for Head Start which restored 26 slots for Head Start services in Providence.