

# Subsidy Enrollments among Accredited Child Care Providers in Maryland

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Prepared for the Division of Early Childhood Development  
Maryland State Department of Education



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## Background

As a result of the legislative budget hearings for MSDE's Division of Early Childhood Development (DECD), the General Assembly required the submission of a report to the budget committees on Increased Reimbursement Rates for the Child Care Subsidy Program:

The committees, concerned with the number of accredited child care providers participating in the subsidy program across the State, request the Maryland State Department of Education (MSDE) to submit a report on the number of accredited providers available since the subsidy rate increase went into effect in November 2007. The report should also include the number of children enrolled in programs run by accredited and non-accredited providers.<sup>1</sup>

MSDE contracted with Towson University to use two existing databases—the Child Care Automated Tracking System (CCATS) and the Early Childhood Accreditation Project database—to investigate this subject. The CCATS database includes a wide range of information about child care providers in the State and enrollments both in the Child Care Subsidy Program and in licensed care generally. Such data as family income, family size, type of care provided, and subsidy and co-pay amounts are all present, and can be merged with the records of accredited providers.

## Data

The Early Childhood Accreditation Project database includes information about all early childhood programs, including child care, which obtained either state or national program accreditation. Program accreditation reflects standards of high quality, considered superior to the state's licensing standards, enhancing the chances for children to gain the skills, behaviors and aptitudes necessary to matriculate into kindergarten successfully. Since low-income children are participating in the Child Care Subsidy Program, educational policy embraces enrollment in accredited early care programs as a way to mitigate the achievement gap observed in grades K through 12.

As of June of 2008, the database of accredited childcare providers totaled 691, of which 114 providers had duplicate accreditation, leaving 577 unduplicated records. This includes those providers accredited by one or more of the following organizations: the National Association for the Education of Young Children (NAEYC), the Maryland State Department of Education, National Early Childhood Program Accreditation (NECPA), Middle State Accreditation, the American Montessori Society (AMI) and AMI International, the US Department of Defense, the National AfterSchool Association and the National Association of Family Child Care. A total of 446 of these providers (80%) were found in CCATS. Those not in CCATS—a large number of school programs and some military providers—did not take subsidy children by definition, since they could

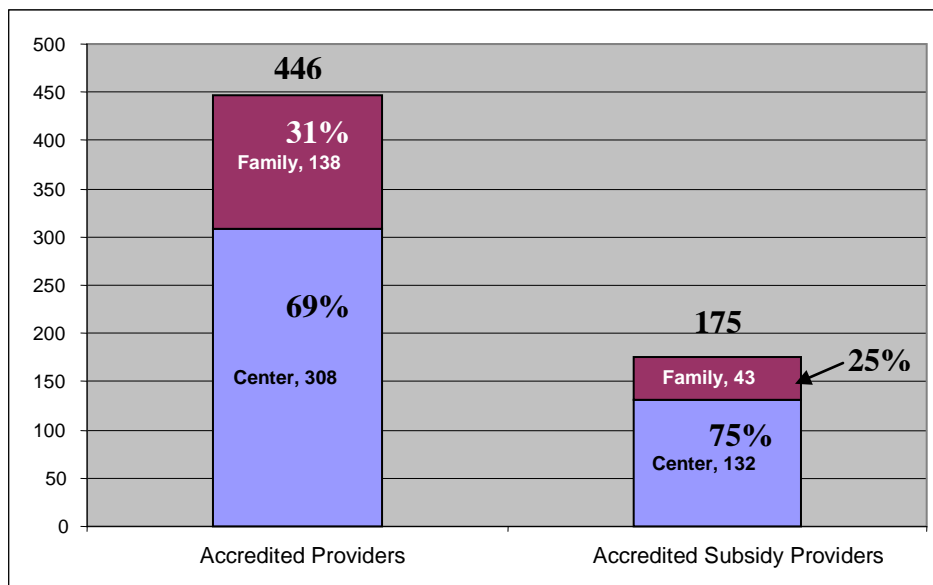
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<sup>1</sup> DLS Recommended Actions: R00A99, Report on accredited child care providers.

not have been reimbursed. Statewide, there were 54 more accredited providers in CCATS this year than last, an increase of 13.8%.

Turning to the whole population of subsidy children, June of 2008's population was 25,553, served in that month by 6,329 childcare providers. In the same period, 175 accredited providers had at least one subsidized child enrolled, an improvement over last year's 151. Seventy-five percent of these providers were centers and 25% families, a ratio slightly more skewed towards centers than the average of all accredited providers. (See the graphic below).

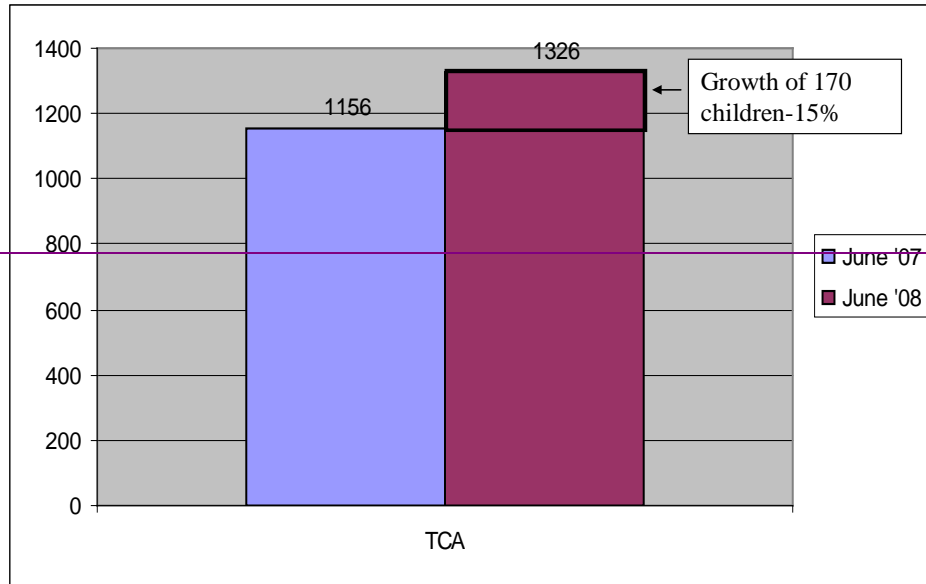
**Total Numbers of Accredited Providers and Accredited Subsidy Providers in CCATS, June 2008**



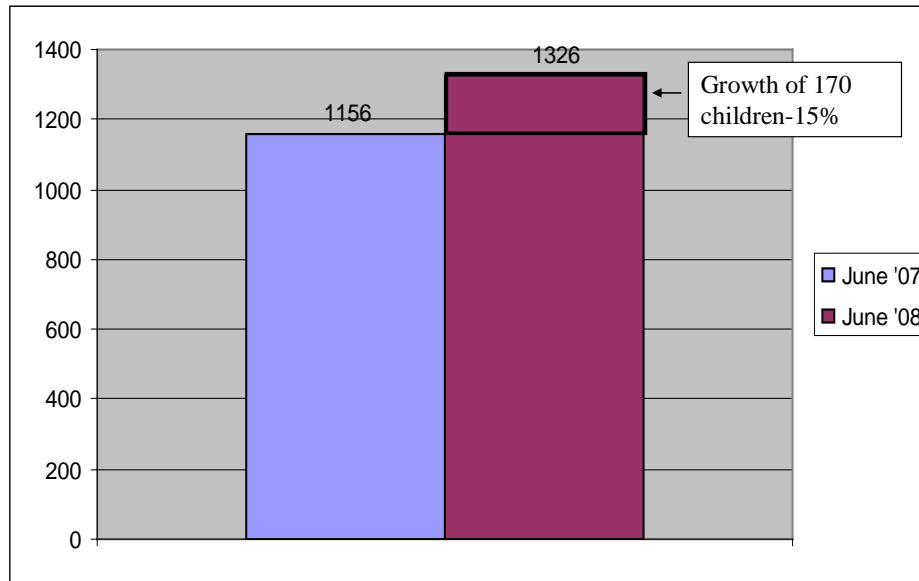
Source for this and all graphics is the joined set of accredited child care providers taking subsidized children, unless otherwise noted.

Subsidy children in the care of these accredited providers totaled 1,326, a 15% increase over last year. The average of 7.6 children per accredited provider this year was just slightly below last year's 7.7 children. Those 1,326 children comprise 5.2% of the total population of subsidy children, again an increase from the 4.5% found in last year's study.

## Growth of Subsidy Children at Accredited Providers, June 2007 vs. June 2008



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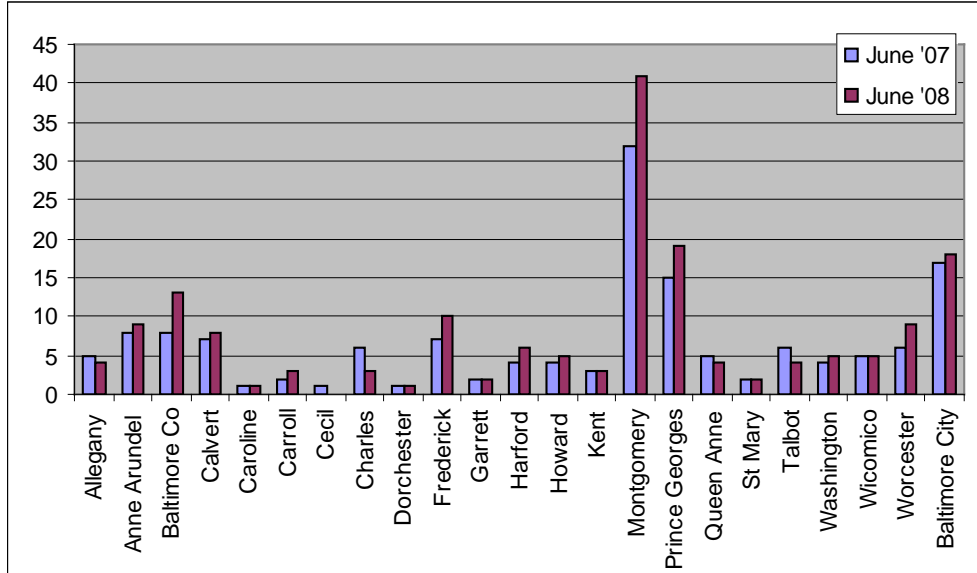
The geographical distribution of accredited subsidy providers and the comparison of distributions June '07 vs. June '08 show that

- Montgomery and Prince George's Counties, the state leaders in accredited subsidy providers last year, saw significant growth. Of the 24 new accredited providers with enrolled subsidy children, Montgomery County added 9 and Prince George's County 4. Anne Arundel, Calvert, Howard and Frederick Counties together added another 5, but Charles lost 3, meaning that the growth of these DC-oriented suburban counties totaled 16, and accounted for two-thirds of the growth in such providers statewide. The enrollment of children receiving subsidy decreased by 15% however, which means that there are fewer subsidy children enrolled at the accredited programs compared to last year.
- In the Baltimore area, Baltimore City added 1 provider, Baltimore County 5, Harford 2 and Carroll 1, for a total increase of 9. Enrollment changed only 1%.
- A few rural counties, including Worcester and Washington, added accredited subsidy providers, while Allegany, Cecil, Queen Anne's and Talbot Counties dropped one or more. The net result was a loss of one accredited subsidy provider in rural counties of the state. Enrollment of subsidy children actually increased by 100, however, a 31% increase, with St. Mary's, Washington and Worcester leading the way.

The graphics below portray these changes, with 2007 on the left and 2008 on the right.

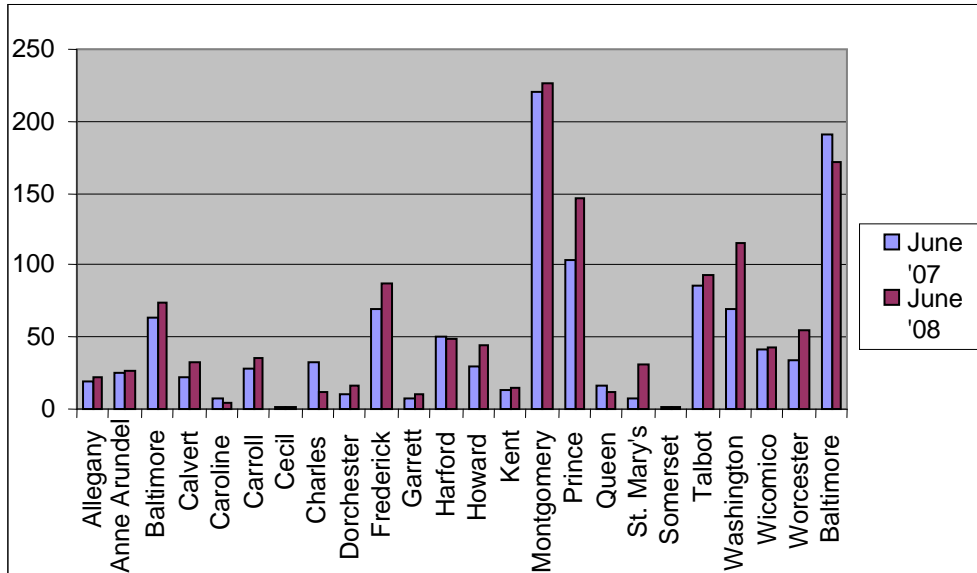
## Accredited Subsidy Providers by County,

June 07 vs June 08



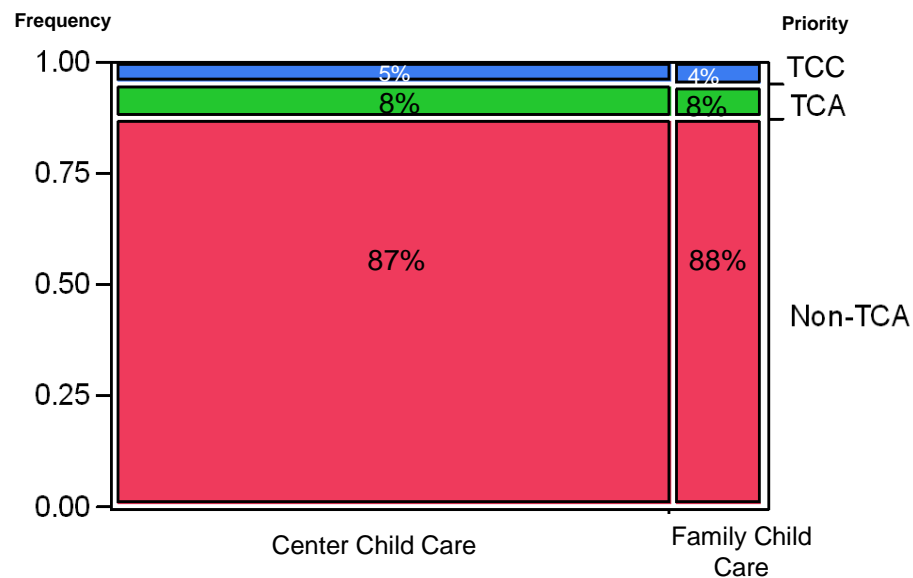
## Subsidy Children at Accredited Providers by County,

June 07 vs June 08



Children receiving subsidies and enrolled in accredited providers are primarily in the “Non-TCA” subsidy program, also known as the “working poor”— families with an employed adult, often single parents, with an annual income at or below \$29,990 per year for a family of three (170% of the poverty level). Ninety-two percent of subsidy children in accredited centers answer this description, as does the same proportion of those in accredited family homes, as shown by the combination of the Non-TCA and TCC\* categories on the chart below. The remaining 8% of center and family provider children are in families that receive cash welfare, in Maryland’s Temporary Cash Assistance (TCA) program. In contrast, of the whole population of subsidy children (not shown), 17% receive TCA. This shows that families which choose accredited providers are somewhat ~~more comfortable~~ less impoverished than those which do not.

Children Receiving Subsidies enrolled in Accredited Provider Care by Provider Type and Priority, June 2008

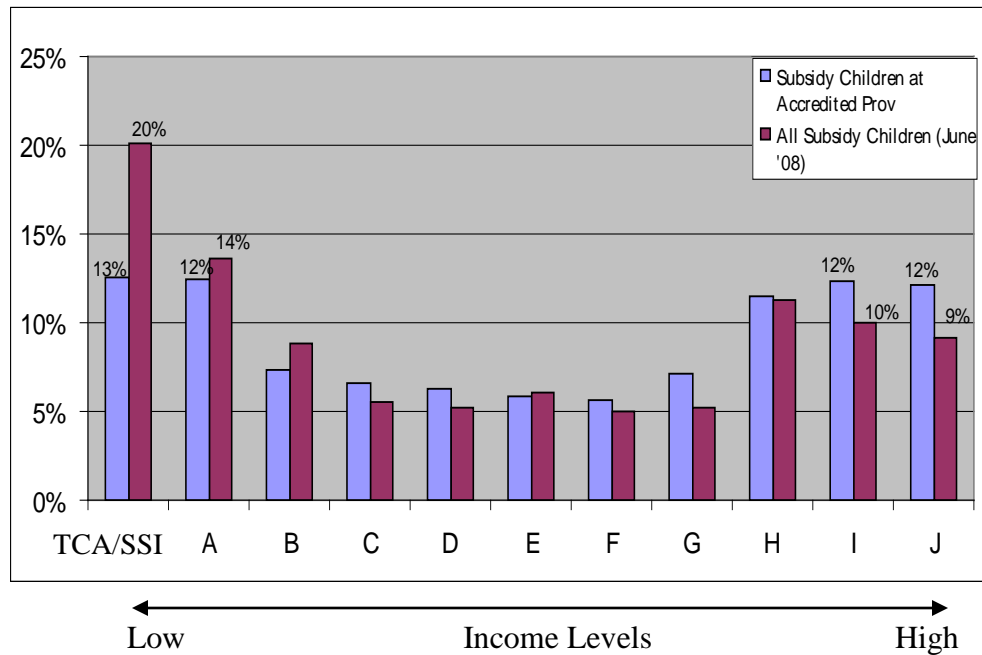


Additional indications of the characteristics of subsidy families using accredited providers come from the incomes recorded in the CCATS subsidy data. As divided into income levels, these vary from the lowest, Level A, where families’ annual gross incomes do not exceed \$10,980 for a family of three, to the highest, Level J, where such incomes lie between \$25,734 and \$29,990. If we compare the families using accredited providers with the average subsidy family, the lowest and highest income levels show clear differences. In the highest income levels, children in accredited programs are more

\* TCC, Transitional Child Care families have been on Temporary Cash Assistance within the last year.

numerous proportionately than subsidy children in programs lacking accreditation; the reverse is true for Level A. Thus, just like last year, there is a clear but modest preference for accredited providers among less impoverished subsidy families. (See the graphic [on the next page below.](#))

**Subsidy Children at Accredited Providers vs All Subsidy Children, by Income Level, June 2008**



### The Effects of the Increase in the Reimbursement Rate

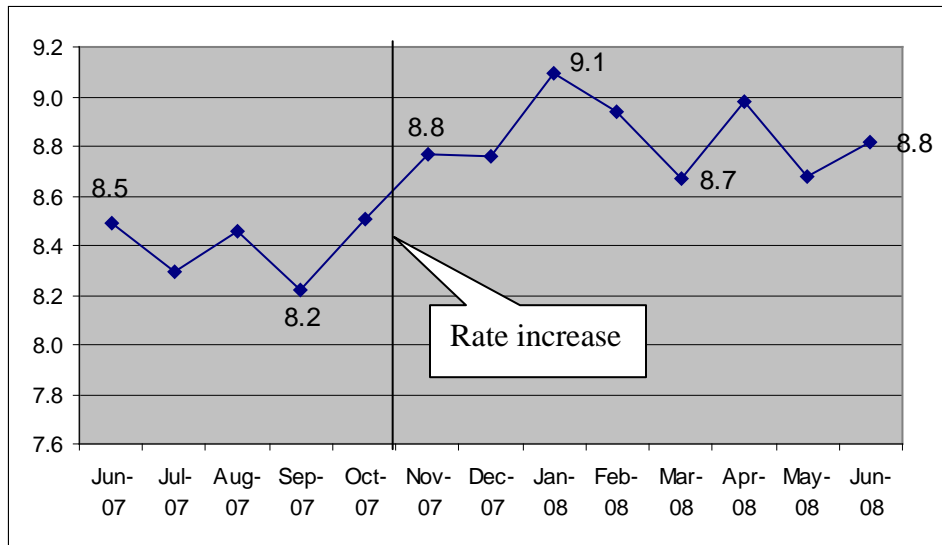
Compared to the results from last year, improvement occurred in numbers of accredited providers as well as the proportion of accredited providers with enrolled subsidy children. Changes in the demographic characteristics of enrolled children have been minimal. But there is some evidence that the increase in the reimbursement rate to the 45<sup>th</sup> percentile of the 2005 rate survey put into effect in October of 2007 increased the enrollment of subsidy children in accredited providers.

There is, of course, a firm theoretical basis for expecting increases in subsidy enrollments among accredited providers, and increases of the number of providers taking subsidies as reimbursement rates increase. Low rates do not allow low income families to choose high quality providers, such as those which have achieved accredited status. Low rates discourage providers from participating in the program. Thus there is every reason to believe that raising the rates will increase subsidy enrollments and increase the number of participating providers—which is what we have seen in the year to year comparisons presented so far.

What additional detailed evidence would be useful to demonstrate some connection between the rate increase and increases in subsidy enrollments? Timing could indicate such a connection. If increases in subsidy enrollments occurred at the same time as the rate increase, that would be important in demonstrating a link. In fact, there is evidence of an increase in the number of subsidy children per accredited provider at the same time as the rate increase. As the graph below shows, accredited providers increased their average enrollment of subsidy children in November, right after the rate increase went into effect. The change was small: only one half of a child on average per provider per month, roughly 60 children per month for the 120 providers which were present in both June '07 and June '08.<sup>2</sup> Yet the timing and the relative permanence of the change is persuasive, as is the lack of plausible alternative explanations with such coincidental timing.

### Subsidy Children at Matched\* Accredited Providers,

Monthly averages, June '07 through June '08



\* Based on the group of Accredited Providers present both in June '07 and June '08.

Certainly this change is small, but the increase in provider rates in October 2007 was small as well. Statewide, it increased subsidy payments to providers by roughly 4% on average—a change equivalent to \$642 per year per provider. This was important for providers, who normally enjoy only modest profitability, and it served to repair some of the erosion of subsidy income that has occurred since the last rate increase in 2002. And, based on the timing shown above, it may have produced a slight increase in enrollment at accredited providers.

<sup>2</sup> Using the list of providers present in both June of '07 and June of '08 allows us to avoid the danger of newly accredited providers skewing the average.

It is true that previous research on the childcare caseload has shown the employment rate to be the single most important determinant of subsidy enrollment patterns over the period 1999 to 2006.<sup>3</sup> But the economic downturn that was under way in the October to November '07 time period would have had the opposite effect to that observed here. Increasing unemployment does not increase enrollments in the childcare subsidy program, it decreases them. This is true simply because, to enroll in the program, families must include an employed adult. Thus, the increase in enrollments noted above is unlikely to have been a product of the economic slowdown and increasing unemployment rates.

The above analysis is not conclusive, of course, but it is suggestive. As we accumulate data over the next few years, and as we gain better perspective on the effects of the economic downturn/recession going forward, we should have a better fix on the effects of the rate increase. For now, all we can say incontrovertibly is that the rate increase helped repair some of providers' subsidy revenues lost since 2002.

## Summary

- Compared to last year, the Subsidy Program proved more popular among accredited providers, and subsidy children benefited from accredited providers to a greater extent. Statewide, there were 54 more accredited providers this year than last, an increase of 13.8% and there were 170 more subsidy children in care by subsidy providers, a 15% increase.
- Similarly, the demographics of subsidy families and children have changed little from last year. Subsidy families in accredited providers tend to be slightly less impoverished than all subsidy families, and both accredited subsidy providers and the subsidy families using them tend to cluster in the Washington DC suburbs and exurbs.
- We cannot say definitively what the effects of the rate increase have been on child subsidy enrollments. There is some data that suggests that the rate increase had a positive effect on subsidy enrollments among accredited providers.

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<sup>3</sup> John Spears, Managing Child Care Subsidy Program Enrollments, RESI Working Paper no. 27, April 2006. See especially the discussion of the effects of the 2001 recession on enrollments, p. 13. Available from the author.