

# The Process of Devolution: Perceptions from Local Boards

## A Product of the Study of Child Care Devolution in Texas

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## **List of Acronyms**

CCDBG	Child Care and Development Block Grant
CCPM	Child Care Program Manager
DHS	Texas Department of Human Services
HB	House Bill
HHS	U.S. Department of Health and Human Services
LBB	Legislative Budget Board
LWDA	Local Workforce Development Area
LWDB	Local Workforce Development Board
PRWORA	Personal Responsibility and Work Opportunities Reconciliation Act
TANF	Temporary Assistance for Needy Families
TDPRS	Texas Department of Protective and Regulatory Services
TRS	Texas Rising Star
TWC	Texas Workforce Commission



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## Foreword

This report is one of the final products of the *Devolution of Subsidized Child Care in Texas* research project (2001-2006), addressing one of the key questions underlying this study: What is the process by which changes in the provision of publicly subsidized child care are implemented under the devolved system in place in Texas during the research project years?

### **The Devolution of Subsidized Child Care in Texas Project**

The Ray Marshall Center for the Study of Human Resources and the Center for Social Work Research at The University of Texas at Austin received a grant from the Child Care Bureau of the U.S. Department of Health and Human Services to study the devolution of subsidized child care in Texas.

The time periods chosen for this study included:

- A post-welfare-reform, pre-local-devolution period (September 1997 through August 1999.)
- A transition period (September 1999 through August 2001.)
- And a post-welfare-reform, post-local devolution period (September 2001 through August 2003.)

As a collaborative effort between the two centers, this multi-year research project explored the different processes and models adopted in the 28 local Texas settings into which the state was subdivided. It examined the relationship between child care subsidy management and policies, on the one hand, and the access, supply, usage, costs and quality of subsidized child care services, on the other hand. The study addresses the following four questions:

1. How do local child care policies in Texas vary following the devolution of responsibilities for child care policies to the local workforce boards?
2. What is the process by which changes in the provision of publicly subsidized child care are implemented?

3. Which changes in the availability of child care are statistically associated with policy variations?
4. Which changes in patterns of child care usage are statistically associated with policy variations at the state and local level?

Our interim report (2004) addressed Question 1. This report addresses Question 2. A report published simultaneously with this one (2007) answers Questions 3 and 4 and is entitled *Child Care Subsidy Policies and Program Outcomes: An Econometric Analysis of the Devolution of Subsidized Child Care in Texas*.

### **Published reports**

The following publications have been released since the beginning of the project:

1. *Preliminary Findings from Interviews with Child Care Program Managers: A Product of the Study of Devolution of Subsidized Child Care in Texas* (April 2003).
2. *Texas Child Care Profiles for Local Workforce Development Areas FY 1998 - FY 2001: A Product of the Study of Devolution of Subsidized Child Care in Texas* (April 2003).
3. *The Texas Child Care Subsidy Program After Devolution to the Local Level: A Product of the Study of Child Care Devolution in Texas* (June 2004)

These publications are available on the Ray Marshall Center for the Study of Human Resource's website at <http://www.utexas.edu/research/cshr/>.

## **Introduction**

This document is one part of the final report from a three-year study of the devolution of subsidized child care in Texas. The overall research project, and this report, examine the Texas subsidized child care program from Fiscal Years (FYs) 1998 through 2003, a time period that began two years before policies were devolved to the local level and ended four years after this change in authority. In the course of this project, the research team documented the variations in policies governing subsidized child care in 28 local workforce regions in Texas. The team examined the relationships between subsidized child care management policies, and the supply, usage, and quality of subsidized child care for low-income families. This report on the qualitative aspect of the research project is based on (a) interviews with local staff working at each of the Local Workforce Development Boards (LWDB) and (b) more detailed studies of three cases which draw on the perspectives of multiple local actors. The analysis provides a picture of the complex and multiple factors that board staff and others perceive as affecting their selection and implementation of child care policies in Texas. These factors are portrayed in a conceptual model, illustrating the links among them.

This introduction provides a description of the Texas policy context, an overview of the project's qualitative research design, and an introduction to the literature on which the project was based.

### **The Policy Background**

Texas was one of many states that began its own state-level welfare-reform effort in advance of the 1996 federal legislation. In 1995, the Texas legislature passed its first major welfare reform legislation, House Bill (HB) 1863. Its state legislation was designed to impose time limits and require work or work-preparation activities for the receipts of welfare benefits. It also devolved the management of many functions to the local level. One provision of HB 1863 consolidated a number of workforce programs, including subsidized child care, under the responsibility of a new agency, the Texas Workforce Commission (TWC), and authorized the creation of 28 LWDBs.

The Texas Legislature and TWC both contributed to the formation of the performance criteria under which the local workforce boards must operate. In the case of the child care subsidy program, such performance requirements included the number of children receiving the subsidy, the percentage of child care providers participating in the Texas Rising Star program (the tiered reimbursement program for quality child care), and the number of providers receiving training supported by local boards. However, as indicated in Table 1 below, local boards had the authority to set a number of policies for their localities, including income eligibility guidelines for child care services, attendance standards, maximum reimbursement rates, and parent co-payment rates.

**Table 1: State and Local Policymaking Authority for Child Care**

<b>State Authority*</b>
● Allocate funds among boards;
● Establish local matching funds targets for boards;
● Set performance targets for boards needed to meet performance measures;
● Ensure that board policies comply with state and federal regulations;
● Develop rules, policies and procedures to guide boards' activities;
● License and monitor child care providers (TDPRS)**;
● Manage Child Care Texas provider database (TDPRS).
<b>Local Workforce Boards Authority</b>
● Establish income eligibility for services under federal and state guidelines;
● Set attendance standards;
● Authorize service units (i.e. full-day, part-time);
● Identify eligible providers***;
● Determine extension of eligibility for children with disabilities (ages 13 to 19);
● Establish liability insurance requirements for local providers;
● Set parental co-payment rates;
● Establish maximum provider reimbursement rates;
● Allocate funds between direct care and quality improvement;
● Initiate and manage quality improvement initiatives;
● Set priority groups to receive services (in addition to those required by state law);
● Establish eligibility time limits for parents enrolled in educational programs;
● Set policy for repayment of delinquent fees;
● Establish waiting list procedures.

\* Responsibility of the Texas Workforce Commission unless noted otherwise.

\*\* Texas Department of Protective and Regulatory Services during study period.

\*\*\*Parents may choose care from these providers or may arrange their own care.

Source: Texas Workforce Commission

The process of forming boards and devolving responsibility to them gradual, from certification, adherence to specific goals for the child care subsidy program, transfer of the responsibility for the child care contract to the actual development and implementation of local policies. Boards were certified one-by-one for such responsibility as they were approved by the new state agency. As these boards formed and were certified by the Texas Workforce Commission to administer programs, they assumed responsibility for the management of many workforce development programs in their geographical areas of the state.

In spite of the devolution to the board level, all LWDBs had to adhere to the following three goals in their management of the subsidized child care program:

- Expand the availability of full-day child care in order to support participation in employment, training, and educational activities by low-income parents.
- Support and increase the quality of child care in Texas.
- Maximize opportunities to draw down unmatched federal funds for child care services.

TWC began devolving responsibility for the management of existing agreements with child care contractors to LWDBs in September 1997. Beginning in September 1999, the local boards assumed responsibility for defining specific local goals and setting selected policies for the provision of subsidized child care. All 28 boards began setting some child care policies by January 2000.

Over the first four years since assuming this policy-making authority, boards varied from each other in their implementation of the income eligibility ceilings for working parents, the co-payments required of parents, and the reimbursement rates for the most common types of care. Boards also differed considerably in how flexible they perceived the TWC directives to be and in how responsive their child care programs could be to specific conditions in their local areas. Boards' perceptions about flexibility they could exercise (and the autonomy they experienced) appears to be related to the two other issues, funding and quality of care, described in detail in this report.

### *Funding*

Under devolution, the funding available to boards, as well as the restrictions on the nature and amount of expenditures had a considerable effect on the policy decisions the boards made. In the early years of this study, the substantial increases in child care funding meant that more funds were available to local boards. On the other hand, changes in welfare policy and in performance criteria put greater demands on this funding over time, primarily through increasing the number of children to be served. Although funding for child care has tripled in Texas since 1996, Texas has never had sufficient funding to meet all of its demand for subsidized child care. Boards continue to deal with the tension between the increasing funds and the even more quickly increasing number of children to be served. The increasing proportion of funding that requires matching funds, coupled with the increasing demand for local boards to provide that match, accentuated funding pressures.

Over the study period both the total dollars of matchable funds re-allocated among boards and the number of boards losing funds due to an inability to locally raise these funds have decreased as boards have become better at securing local matching funds through agreements with other agencies and organizations. However, boards continued to vary considerably in their experience with obtaining these matching funds: large boards in economically active areas reported considerably less trouble in obtaining matching funds than did boards in smaller, more impoverished, and economically limited areas. Boards serving impoverished rural areas felt that the formula for determining fund allotment put them at a disadvantage, since they were expected to secure additional funds in a more impoverished and less varied economic environment.

Furthermore, staff explained that boards able to reach their match targets earlier in the year experienced more flexibility in funds management and quality initiatives in two ways. First, as they were able to secure agreements for the required match funds early in the process, they were in a good position to request additional funds during the year, funds “de-obligated” from other boards that had failed to reach their matching funds goals. Secondly, they were better able to maintain quality initiatives during periods of state funding restrictions, because they were best equipped to seek additional support in their communities.

### *Quality of care*

In addition to raising funds and serving the requisite number of children, LWDBs have been responsible for increasing the quality of care in their local areas, a responsibility that many boards assumed enthusiastically. However, Texas state policies governing the state's investment in quality child care initiatives have changed considerably over time. During the first two years of this project, TWC maintained primary responsibility for expenditures on quality initiatives. This was followed by the devolution of this responsibility to the local boards and two years in which local areas received funds specifically targeted for quality activities. As mentioned above, performance requirements included the number of child care providers in the Texas Rising Star program and the number receiving training through board-funded programs. During the last two years of this project the state ended the allocation of dedicated quality funds, at the same time increasing the number of children local boards were expected to serve. Boards responded differently to this move away from local quality initiatives. According to staff, their reactions depended in large part on the additional funding they were able to raise and devote to these initiatives, the available staff expertise, as well as services and expertise of their local communities.

### **The Qualitative Research**

Two qualitative research strategies were combined to explore the devolution of subsidized child care in Texas: interviews and case studies. Over the study period, researchers conducted two rounds of telephone interviews with boards' child care staff members to better understand the processes by which the local boards made policy decisions and staff members' perceptions of the issues that boards faced in achieving their child care goals. In addition, the research team conducted site visits to three local areas in order to gain the perspective of other stakeholders -- local organizations and individuals -- involved in developing or implementing local policies for subsidized child care or working in partnership with child care contractors and local boards.

The initial telephone interviews were conducted in the spring and summer of 2002. Follow-up interviews were conducted the following year. Thirty-five staff members of the 28 boards took part in the interviews. The staff who were interviewed were closely involved in the management of the child care program, either as the primary Child Care Program

Manager (CCPM) or in a related capacity. The interviews lasted between half an hour and three hours and were audio-taped with the consent of the participants.

The qualitative interviews allowed researchers to elicit detailed accounts of the policy process and the resulting decisions, as well as the factors perceived to influence both. The interview schedule covered nine main topics: (1) History and background of the child care staff serving the board; (2) Board structure; (3) Program administration and operation (4) Child care management structure; (5) Child care decision-making processes; (6) Child care variables (including eligibility criteria, recertification procedures, waiting list, parental co-payments, reimbursement rates, access to care, outreach efforts, etc.); (7) Child care provision methods; (8) Quality improvement activities; and (9) Funding. Follow-up questions and interviews filled out details not necessarily covered in the initial interview. Accounts of the policy process and outcomes were analyzed for this report to portray the variations among boards and perceived causes for that variation. Some of the interview data was later used in the development of quantitative variables for analysis reported elsewhere. Some provided background for the overall project. Interview transcripts and detailed notes from the site visits were reviewed and coded. These qualitative data, in the context of other research described below, informed the analytical model, presented in the following pages. It illustrates the factors that board staff and others perceived as important to the development of the devolved child care policy and its outcomes.



## **Previous Research on Devolution and Child Care**

The process of devolution from the federal government to state governments, and then to more local regional governments, has been explored in the research literature in terms of its underlying premises, as a process and in terms of the resulting changes. At the same time, a considerable body of research has developed exploring the relationship between access to child care and mother's employment, on the one hand, and child care and outcomes for children, on the other hand.

Amid several other core assumptions, welfare reform was based in part on the assumption that the devolution of policy to more local decision-making groups would lead to increased effectiveness and a better match between policies and local needs. Kelleher and Yackee, for example, indicate that devolution is highly related to the perception of policy effectiveness, the relationship to outcomes is more equivocal. Child care has been a prominent theme in this research on devolution both nationally (Jordan & Meyers, 2004) and in specific states such as North Carolina (Kelleher & Yackee, 2004), Rhode Island (Witte & Queralt, 2003), Florida (Queralt & Witte, 2000), Pennsylvania (Press et al., 2003), and Texas (Lein et al., 2003; Schroeder et al., 2003; Schexnayder et al., 2003; Schexnayder & Schroeder, 2007) among others.

Child care provision remains a key element of workforce and welfare policies, and since the enactment of welfare reform, states have received additional federal funding through the Child Care and Development Block Grant (CCDBG) as well as expenditures made from Temporary Assistance for Needing Families (TANF) funding (Adams & Rohacek, 2002). However, a continuing research effort documents that while public investment in subsidized child care is increasing, it is not meeting the demand as more American low-income families have all parents in the labor force (Ewen, Blank, Hart, & Schulman, 2001). In any case, at the current time, United States' early childhood education programs (including Head Start, Pre-Kindergarten, and the child care voucher program) all together provide subsidized child care and early childhood education to fewer than half the targeted low-income children (Witte & Trowbridge, 2004). This situation continues to prevail even though there is clear evidence of the fact that the availability of child care can have a positive impact on local economies as well as to individual households (Jeffreys &

Davis, 2004), and that child care subsidies remain an effective support to parental employment (Tekin, 2004).

Some researchers argue that governmental expenditures on child care have as much impact on the employment rates of single mothers as do other incentives such as tax benefits (Bainbridge, Meyers, & Waldfogel, 2003). Research findings remain somewhat equivocal on the impact of care subsidies on such more specific employment-related variables as number of hours worked (Berger & Black, 1992; Blau & Tekin, 2002; Connelly & Kimmel, 2001), although some recent effects of subsidy receipt on job acquisition and work duration have been documented (Danziger, Ananat, & Browning, 2004; Lee et al, 2004; Lemke, Witte, Queralt, & Witt, 2003). As might be expected, Han (2004) finds that parents working non-standard hours are less likely to use center-based care.

In a context of scarce resources, the dual role of subsidized child care emerges as a central dilemma. The need to provide workforce supports for low-income parents being moved towards labor market involvement competes with the expenditures necessary for maintaining high quality care with an emphasis on the children's cognitive, social and emotional development (Adams, 2002). Researchers find that the quality of care has a clear relationship to reported parental satisfaction with the care, but the relationship between quality of care and mothers' workforce decisions is less clear (Blau & Robins, 1988; Blau & Tekin, 2002; Brooks, 2002; Burstein, Layzer, & Cahill, 2001). Meanwhile, while high quality of care is clearly related to positive outcomes for children (Glantz & Layzer, 2000), some studies indicate that increasing numbers of young children continue to enter low quality care (Fuller & Kagan, 2000).

The research literature indicates that parental decisions regarding child care options are determined by a large number of policy and environmental factors. A Government Accounting Office study (2002) indicates that families' access to care is limited by the reimbursement rates established by state governments for subsidized care, as well as by the types of care available in the immediate neighborhood (Hirshberg, 2005). Families' selection of care is also related to family structure, parental education, and parental attitudes about gender roles, among others (Huston, Young, & Gennetian, 2002; Joesch & Hiedemann, 2002; Layzer & Goodson, 2004).

Child care is at the center of a complex web of relationships. The child care available, child care policies, family demography, and local economies all relate to household use of child care and the relationships of such use to still other variables. This report draws on past literature on child care subsidy, the previous work described in earlier reports, and our most recent analysis to explore these relationships in greater detail and in all of their complexity.

## **Devolution of Subsidized Child Care: The Analytical Model**

In this section we present and briefly discuss the conceptual picture or model that emerged from the qualitative research. It illustrates many of the complex associations mentioned by staff involved in the devolution of child care policy in Texas, as they emerged in qualitative interviews and observations. This model (at the end of this section) is designed to provide a robust image of the ways in which local child care policy is affected by economic and geographic factors and differential effects of federal and state policies, and how in turn some of these external factors lead to variations in local child care policies.

As represented in the aqua boxes at the left of our model, each of the boards operated in a policy context bounded by both federal and state laws and regulations. At the federal level, Personal Responsibility and Work Opportunity Act (PRWORA) and associated regulations set the stage in terms of a number of variables that affect families' access to services and eligibility for child care, and the funds available to the child care subsidy system. Federal policy also affected the wider policy context within which states and boards operated. These other poverty policies included Earned Income Tax Credit, Food Stamps and Medicaid. All of these may have affected the resources available to families who also required child care.

The responses of individual boards to federal policies and regulations were also affected by a number of requirements from the state government. State policies tended to constrain boards even more narrowly than did federal regulations. Through allocation formulas, state government limited the resources available to individual boards, and through performance measures, as well as other policies, it constrained the manner in which such resources were expended. In some cases, such as a state freeze of child care maximum reimbursement rates in the year prior to the end of our study period, the state retracted some degree of autonomy earlier granted to boards. Furthermore, just as the federal government affects impoverished families through many policies in addition to those directly concerned with child care, so too did the state. Throughout the period of this study, the state of Texas actively modified state welfare policies governing the TANF program, first through a waiver from PRWORA that operated during most of the study period, then with additional changes to exemptions from TANF's work participation requirements for families with very young

children, as well as changes to time limits, sanctions and the geographic coverage of Texas' TANF workforce preparation program (known as Choices). Because priority for the limited subsidized child care funds in Texas goes to TANF Choices participants, all of these TANF policy changes had to be considered in developing our analytical model.

While federal and state policies supply a shared context for all boards, each board actually operated in a distinctive context. The board context is formed by the demography of the population for which the board is responsible, more specifically patterns of use of poverty supports, the number and types of counties over which it has control, and the local economy. There are considerable differences among boards regarding each of these dimensions (e.g., the largest board area, Gulf Coast, encompasses a 15-county area including the city of Houston and a child population larger than 35 states in the U.S.) In contrast, some of the smallest areas cover a large geographic area but are sparsely populated while a few others are comprised of a single urban county surrounded by a different area made up of its suburban counties. Federal and state allocation formulas take into account for some variables affecting boards and their areas but not others. The application of federal and state regulations and the possibilities for change and variation are in large part dependent on Texas Workforce Commission regulations. As indicated in the model, much of the policy constraint on boards is clarified through communications from TWC, the state agency with responsibility for oversight of workforce board activities.

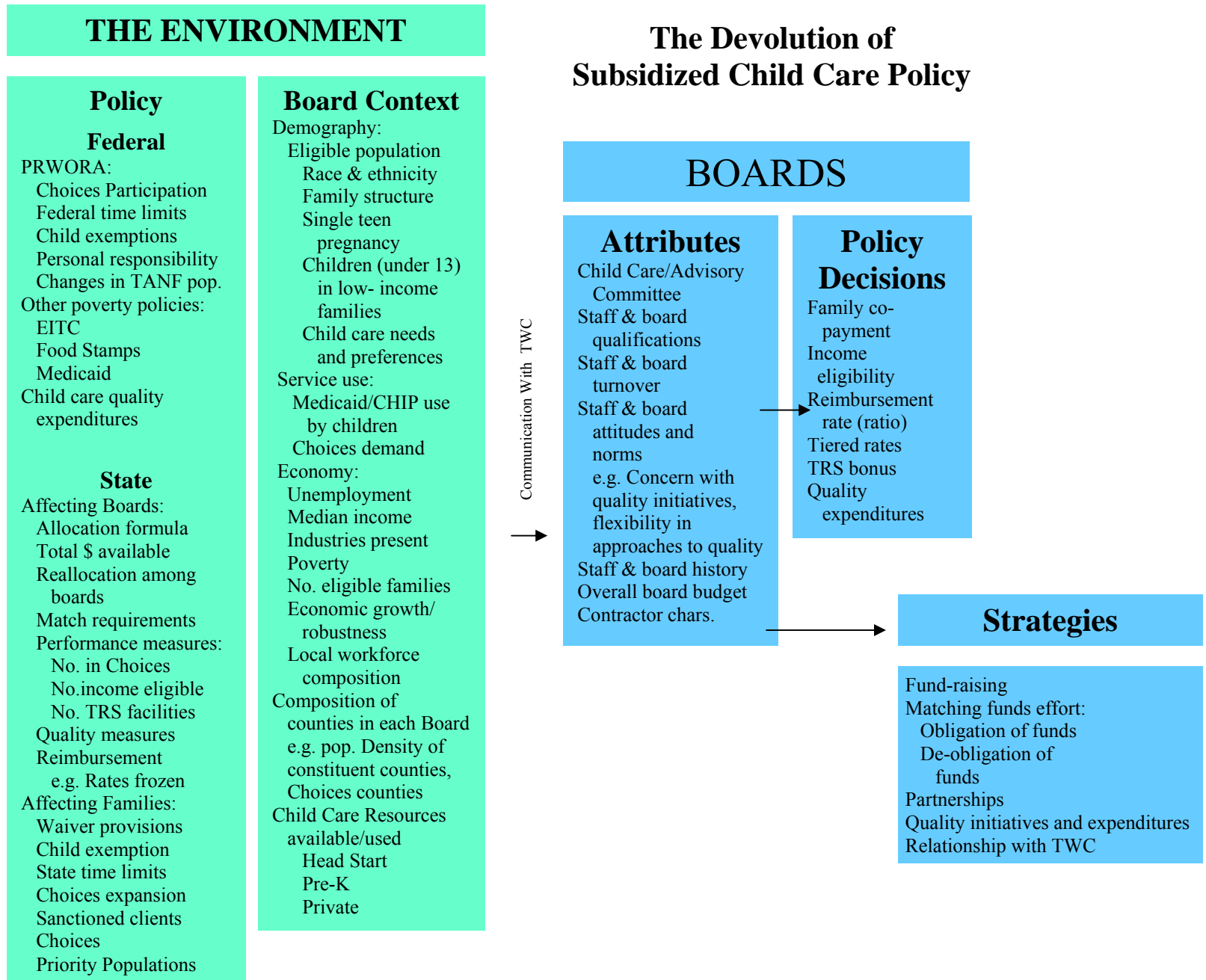
Boards varied in a number of ways that are associated with the policy decisions they make. The organization of boards and the staff that implemented its initiatives varied on a number of measures, including the structure of the required child care committee, the qualifications of staff and board members, and their attitudes toward a range of issues connected with child care. Partly as a result of these attributes, as well as the broader context in which they operate, boards emerged with somewhat different strategies for fund-raising, particularly in seeking matching funds during their first years of existence. They also varied in the community partners they attracted to their efforts, and in their commitment and ability to undertake quality initiatives.

Because of the different contexts in which they developed, boards varied in decisions in key areas that in turn affected the family economic outcomes and provider outcomes that

are the focus of our larger project. Such policy areas where boards have implemented diverse decisions are family co-payments, income eligibility criteria, the rate of reimbursement to child care providers, financial rewards for entering the Texas Rising Star program, and the nature of expenditures on quality initiatives. While the range of decisions is certainly curtailed by policy and environmental factors, there are considerable variations among boards, as well as different histories of these policies over time.

There follow three sections, each discussing in detail an aspect of one of the three themes introduced in the introduction. These sections illustrate the multi-faceted ways in which devolution occurred and the detail and complexity behind the issues outlined graphically in the model.

**Figure 1: Variability in the Devolution of Subsidized Child Care Policy**



### **Three Themes**

In the course of the interviews, and in the context of our literature review, each of the factors portrayed in the conceptual model above emerged as an influence on the ways in which child care policy was developed and implemented in a specific locale. However, three specific issues were particularly central in the views of the child care managers we interviewed: their autonomy vis-à-vis the state, funding related matters and quality of child care. These three themes are first introduced and then discussed more fully as illustrations both of the ways in which complex factors influence child care policy and outcomes, and of the variations among boards.

Autonomy: Local entities, while operating with some autonomy in a devolved system, must meet the requirements of the state agency providing both funds and oversight. That state agency is, in turn, responsible to the federal agency from which it receives both funds and oversight. While the devolution of social policy to local workforce boards was designed to increase local autonomy in designing solutions to problems, this autonomy can be limited at both the federal and state level. Furthermore, the demands of federal and state government changed from year to year, requiring considerable flexibility on the part of local agencies trying to respond to them.

Matching Funds: Second, local agencies representing geographic areas with widely different constraints may face a considerable range of problems in responding to the dual demands of local child care needs, on the one hand, and state and federal requirements, on the other hand. Local areas with fewer resources and higher proportions of children in poverty may face considerable difficulty in meeting federal and state requirements while providing adequate care for children in need. Other areas with either more resources or a smaller population requiring service may feel less constrained.

Child Care Quality: Third, local entities wrestle with the implications of two different motives for subsidized child care. Child care policies are implemented in the context of tension between two roles generally assigned to child care. First, child care is often implemented as an educational and school preparatory system for young children,



particularly young impoverished children. However, it is also considered a service for employed parents who need supervision and care for their children during working hours. These two emphases may demand different qualities or aspects of child care, one more oriented toward the cognitive and social development of children, and the other more motivated toward the needs of parents as employees. The Texas devolution of child care policy occurred in the context of the transfer of child care policy from a human resources agency to one oriented towards workplace issues. Over the period of our research, state government requirements concerning local quality initiatives changed, and we see here the impact of that change on local boards.

## **Local Workforce Boards' Autonomy**

The boards operated in a context formed by governmental policies developed at the federal and state levels, the available local resources, and their own relationship with the Texas Workforce Commission. As relatively new policy-setting bodies, they also entered into a process of learning, negotiating, and responding to state and federal requirements. The attitudes and strategies developed by boards are embedded in and formed in reaction to these contexts. In this section we draw from the interviews to describe the range of contexts as experienced and described by board staff, the resources available to them (although that is addressed more fully in other sections), and the impact, as perceived by board staff, that these contexts have on families and their child care, boards themselves, and their approaches as they developed over time. We begin with discussion of board staff members' accounts of the early years of learning and development as boards, followed by an examination of the policy and program framework under which the boards work, the resources available to them, and their relationship with the state agency responsible for their oversight.

### **The Emerging Local Child Care Program and Structure**

Board staff members reported difficulties in the first years (1998-1999), as boards felt forced to push forward on responsibilities for child care before they were completely ready. This was true even in the context of some variation in when boards were certified initially (between April, 1996 and October, 1997) and when they assumed responsibility for the child care program (September, 1997 to January, 2000). The timetable for boards to take on child care responsibilities was overseen by TWC, within the parameters allowed by the enabling legislation HB 1863. While some of the boards were reasonably well-equipped, some board staff members reported that back in 1998 and 1999, they were not necessarily ready to acquire responsibility for the child care program. They were “young” organizations.

... but we did not feel like we were ready because at that time the boards were employment services. I mean [we had] all the employment programs, and child care was just this big confusing thing over to the side. And no one knew anything about it.

Thus, one challenge was the prior concentration on employment-related programs, with little attention to child care at all. One staff person felt early on she had to “sell” the

voluntary board on the importance of the child care program. A number of staff members explained that they had to engage the board in a careful education process regarding child care as voluntary board members were not nearly as familiar with child care issues as they were with labor force concerns. The first challenge was to increase the knowledge base for the entire board.

The child care program was seen as complex. It brought with it a considerable regulatory structure, particularly for the management of associated funds. In some cases, staff reported an easier administrative transition into responsibility for the child care program because they or someone else involved had worked on this program at TWC or DHS prior to devolution, and already knew a good deal both about the program and the local communities. Even in these cases, funds management for the quite large child care component, along with the rules concerning fund allocations, use, and performance targets, were difficult to grasp at the beginning.

Due to the significant challenges boards faced in shouldering responsibility for the child care program, some board staff commented that it felt like no changes were made in the first six to eight months after the board assumed responsibility. Indeed, for quite a while some boards felt that they did not understand the system well enough to risk any changes. Most boards experienced what more than one respondent referred to as a “steep learning curve.” However, most boards came to terms with many of these challenges during their first year and reported that, after that first year, they began setting their own locally based policies. They still had a great deal to accomplish in their first years.

### ***Board Composition***

To some extent HB 1863, as enforced by TWC, determined the composition of the voluntary board, which had to include 51 percent business representatives, as well as representatives of child care, education, and other non-profits sectors. In some cases changes in the voluntary board structure and composition of the child care committee appeared to accompany shifts in policy emphasis and policy-making structure. For instance, one board ceased having a child care committee when the focus of child care efforts changed from a dual emphasis on work support and improved child care quality to a more unilateral support

of the workforce. One board changed from a child care committee to a “Youth Partnership Committee” which brought in additional expertise from the community. A third board reorganized its committee structure to allow for an “integration of services” which included the laying down of the child care committee. Partly as a result of these changes, with fewer dedicated committees, the staff could make more policy decisions.

There’s been a lot less I should say, kind of hands on decision making from the board. Which I feel was a positive thing. And I think that was part of the intent, to kind of get the staff back to making decisions on different things instead of having to take every issue to the board.

These changes often reflected the move in emphasis to overwhelmingly workforce service rather than a more joint emphasis on workforce services and child care quality. Some boards tried to ensure that child care was tightly integrated into their other workforce readiness programs. However, a more efficient or more integrated system did not always work. One board that went to an “integrated program rather than a silo program” had changed directions again at the time of our second interview, returning to a more program-based approach, but without re-instituting a child care committee. Among the different boards, child care was under the care of a range of committees with different names and emphases, including a customer service committee, a welfare to work committee, a policy and planning committee, a services committee, and an educational committee.

The level of difficulty associated with boards’ child care activities varied over time. One staff member commented that the child care committee, like others, worked particularly hard the first year after the boards gained control of child care program, but, at least in some cases, the work became easier to manage over time. Furthermore, TWC allowed less room for innovation so the child care committee made somewhat fewer decisions. However, other staff commented on the role of the child care committee in making difficult choices related to numbers of children served and program criteria. In some cases the child care committee only met on an as-needed basis rather than regularly.

Some boards set up a child care advisory committee, in addition to whichever committee was overseeing child care decisions. These advisory committees brought together a range of community representatives from child care organizations, with a particular emphasis on the inclusion of child care providers. However, the Advisory Committees

operated on quite a different basis from the board committees; it may recommend policies, comment on proposed policies, evaluate the criteria set forward by TWC, and provide the board with insight into community needs. However, it cannot set policy. One staff member commented:

They simply serve as a frontline group that can come to the committee at their behest and say their opinion on how a policy might impact them. But they do not serve any official function. They are not part of the board or anything like that. They are simply an advisory group that the committee can ask for opinions or solicit advice from if they feel they need to.

The advisory committees may allow increased representation of child care interests in discussion of child care issues. Boards have included on the advisory committees representatives from the higher education community, businesses, child care facilities, each of the counties in the area, non-profit organizations, family and child services organizations and parent groups. Advisory committees also vary in whether or not they are organized and staffed by the boards or by the contractors. Throughout the period we interviewed between 16 and 18 of the boards appeared to have such a committee. Where there was not an advisory committee, boards reported that their own child care committee acted in that regard to solicit and present outside opinions. These boards used other means to interact with the public including the required public forums. At least a few boards commented that there was less room for community input, as TWC put more restrictions and requirements on the child care program. On the other hand, boards continued to solicit community response; several staff commented that board meetings and committee meetings were open to the public, as required.

### ***Child Care Staff***

While a few of the child care board staff come from diverse educational and occupational backgrounds, most had significant background and experience in child care. As mentioned earlier, some had worked for TWC, for TDHS or for the child care licensing bureau. Some had experience with the child care contractor or as a provider. Child care staff also had higher education backgrounds, many with degrees in psychology, social work, or human development. At the time of our first interview, after most boards took on child care

responsibilities, the child care staff member had been stable for an average of 40 months across the 28 boards, indicating relatively low turnover for this position.

The staff held a range of responsibilities for the child care program, including:

- Coordination of work involving the child care committee, if any, and with the child care advisory committee (if present).
- Key liaison for the board in communications and work with TWC.
- Key liaison between the board and the child care contractor(s) and monitoring of contractor activities.
- Key liaison with child care contacts in the community.
- A representative for the board, at the state-wide network of child care program managers/coordinators.
- Participation in raising money for match funding agreements.
- Creation of policy drafts.

By the time of our second interviews, board staff reported that some of the hard-learned knowledge and hard-earned autonomy they had gained was being taken from them by increasingly stringent performance requirements and in particular the changing emphasis away from any local autonomy in the pursuit of quality initiatives. However, particularly during the period of this project, board members undertook a range of policy activities and decisions related to child care

### ***Child Care Contract Arrangements***

Under TWC's direction, boards organized a competitive bidding process to secure a child care contractor as they assumed control of the child care activities, or after the expiration of the contract existing when the boards took over the program. Since then, there has been a change of contractor in only about 30% of the boards. In some cases additional contractors were added, particularly if boards divided responsibility for direct care and quality care initiatives.

Board staff talked of close collaboration with both the child care contractor and with other partners in the area. However some staff reported an erosion in their relationship with

contractors as difficulties developed in meeting the performance measures, meeting other contractual goals, or meeting contractor needs for technical assistance.

### **Policies and Program Framework**

While many of these state policies set for individual boards (See Figure 1) reflected federal mandates, the board staff reported that TWC both interpreted federal requirements and developed its own policies for compliance which were then communicated to the individual boards. These TWC actions included policies related to the following areas:

- The allocation formulas, by which the state agency assigned funds to individual board areas.
- Performance measures, providing specific targets to the boards for the number of children to be served each month, and, until after our last interview, on aspects of quality programs (proportion of providers in the Texas Rising Star program and number of providers trained).
- Ways to settle disagreements over policy specifics and enforcement by the state.
- Overall vision for the program, including its primary purpose and supporting agenda.

Most board child care staff saw their boards constrained by these policies and reacting to changes in the state policies over time.

### ***Allocation Formulas***

Overall board staff varied in their perception of the fairness of the allocation formulas that allotted funds to each board. Boards with relatively small populations but high proportions of poverty found the formulas particularly hard on their areas, and explained that not only did they not receive enough funding to adequately serve all of those in need, a condition reported by many boards, but that the allocation placed children in their area at greater risk than in other areas of not receiving care. This was one area where most boards noted that there was little time or room for discussion and negotiation of either the allocation or the performance criteria. However, as we will see in this report boards' responses to perceived shortages varied considerably.

### ***Performance Measures***

Though half the board staff interviewed either did not mention the performance measures or found measures achievable, almost half of the boards expressed difficulties specifically with the process by which performance measures were assigned. These board staff felt they had somewhat contentious relationships with TWC and often felt relatively powerless, as exemplified by one board staff member.

I think that one of the areas that I feel more restricted in is that there's no negotiation with TWC in terms of our performance measures. I think that is an area where there is no flexibility. You know, it is assigned that 'here are your numbers' and you know. (...) This year, one of the issues that has come up time and time again, we've had conversations with TWC and the Workforce Leadership of Texas (...) until now they really have not been very flexible or... You know, 'Here, this is it.' You just have to deal with it. It doesn't really matter whether you can or you can't.

While there was a state-mandated process for developing performance measures, and boards supplied information and comment to TWC, in the end local boards had to respond to the measures demanded by TWC.

### ***Arbitration***

While several boards felt they had frequent and easy exchanges with TWC staff, a number of boards discussed their wish to have more input to the state agency at the policy development stage and more exchange on the potential impacts of policies. They felt that TWC policies were frequently arbitrary, and that (although there was a 30-day public comment period before rules become effective) there was little opportunity to seek redress or review of these state policies.

### ***Overall Priorities***

As we discuss in considerably more detail in the following section on quality initiatives, there was near unanimous comment among board child care staff on the problem of increasingly using child care subsidy as a support for the workforce while neglecting quality service for children. Board staff saw TWC as increasingly focused on numbers of children provided with care. In this area, board staff also felt that the agency had shown considerable inconsistency, encouraging the development of programs and policies aimed at



increasing the prominence of the Texas Rising Star program among other quality initiatives for several years, and then, as our project ended, planning to rescind both allocations of funding and performance requirements for quality initiatives.

Two other quality-related issues also caused problems. Some board staff were in disagreement with the emphasis TWC put on parental choice, which allowed parents to choose non-licensed or registered child care. They felt that when parents chose informal care, the quality of care was likely to be lowered. Several board staff mentioned problems that arose when parents selected care providers in order to help that provider get income rather than acquire the best possible child care.

Staff from several boards expressed some concern, indeed aggravation, over termination policies requested by TWC. Their boards wanted children to experience continuity of care as one measure of improved quality and found it contrary to their plans that TWC expected, at least at one point, that some children might be terminated. Furthermore, when at least one board not only prepared such a policy but acted on it, they were threatened with sanction by TWC. According to at least one board staff member, TWC apparently wanted the policy available but did not expect it to be implemented. This sequence of events created confusion among several boards.

## **Resources**

Board staff's descriptions of their board's activities highlighted specific contextual issues, particularly the size of the population they served, the intensity of the poverty in their area, and the resources available to them in undertaking their activities. Boards developed policies related to these external demands and resources. Resources included not only funds available through TWC, but financial and other resources available through local businesses and organizations. External demands included but were not limited to the number of children needing care; they also refer to issues connected with population density, the level of area poverty, and the needs children present.

## **Relationships with the Texas Workforce Commission**

Interviews with approximately half the board child care managers elicited commentary concerning the limitations facing the boards caused by the restrictions inherent in the state agency's regulations. Almost half the board staff interviewed discussed the limits placed by TWC on the independence of the boards, and in the most recent interviews most boards commented on their reduced autonomy relative to TWC. Several interviews included comments on the state agency's inconsistency both in terms of general approach to child care policies and in terms of specific management policies. Several boards described a lack of support and reciprocity as the board tried to meet TWC's demands. In some cases, the state did not explicitly place restrictions on boards, but state requirements were sufficiently demanding that there were few resources left for other initiatives.

Some of this discussion related to what some Board staff described as the "one-size-fits-all" approach that TWC took in setting goals and policies. This issue was discussed by child care staff working in both large and small boards. Small boards, in particular, felt penalized in the balance between resources and services they had to provide without the economies of scale or the additional and more varied resources available to larger boards in more economically diverse areas. Staff from at least one large board commented on the lack of recognition for the extraordinary demands facing them. Over time however, staff with some of the smaller boards felt that TWC has become more reasonable in recognizing the unique pressures that smaller boards face. One staff member explained:

More recently, small boards, and we are a small board, it appears that TWC might be looking at the needs that we have which are different than some of the bigger areas. So that has been helpful but it has taken a while for them to understand that we are different because we are smaller and our resources are fewer. Usually our staffs are much smaller than the others and we have to wear many hats.

Not only did staff find the state regulatory system demanding, but they also experienced difficulties in communicating with the state agency. While board staff reported some improvements in this area, they also felt that frequent staff changes and reorganization at the state agency have led to a lack of contact, lack of continuity, and variations in the interpretations of program rules. In part for this reason, some board staff found TWC to be inconsistent, changing its position on policies and program requirements. In particular,

boards mentioned changes in the rules for match funding (see section on funding regarding this issue) and relatively late notice of performance targets. The results of all this were mixed from a board perspective: a recent TWC ruling making it possible to seek new types of matching funds was welcomed by many board staff as they considered that it made their life much easier. A minority of the boards report positive experiences with TWC. For example, the state agency asks advice from experienced staff at some boards and was helpful in the development of new policy for another board. Several board staff report generally good communication, “It’s not them and us, it’s ‘we’re doing this together’.”

Two areas which are particularly complex and interesting as examples of the ways in which many factors come into play, were the diverse ways in which boards dealt with their search for match funding and their work on quality in child care.

## **Match Funding: Strategies and Variation**

A central child care-related effort for each board was fundraising. Each board was responsible for raising a certain proportion of its budget as match funding. TWC determined the target for each board. Boards acquired matching funds from regional organizations who: (1) donated funds; (2) provided other goods and services as match (“in kind”); or (3) contracted to allow the workforce board to “certify” part of the expenditures already assigned to child care services within their organization. TWC also had to approve agreements. Performance requirements were attached to match funding.

In those situations where a board did not reach its target, TWC “de-obligated” the funds available to that board. Over time, boards varied in their ability to reach their targets for acquiring matching funds, and the targets themselves changed. In general, boards’ capacity to reach their targets increased over time, but boards also experienced increasingly demanding performance targets. Once a board had reached its target, it could request from TWC additional funds in response to additional matches to be raised during the year. This re-obligation of funds not matched by other areas was approved during the year. However, boards then also faced increases in their performance targets. Some board staff explained that changes in targets relatively late in the year were harder to reach. A number of board staff expressed concern over their ability to meet future matching requirements should their partners who provide match funding themselves face funding cuts.

Board staff members commented that the details of the rules, the performance targets, and the ways in which matching funds could be accrued over time all varied year by year. Some board staff found these changes inconsistent and difficult to interpret, especially to their partners involved at the local level. Some boards decided not to apply for re-obligated funds mid-year funding due to the complications involved. Other boards lost their eligibility for those funds if they were under “sanction” by TWC for not meeting a requirement.

In later interviews, respondents discussed their more recent success in acquiring match funds. Reasons included assistance from TWC in building board capacity for fundraising. The state agency offered both technical assistance and suggestions of sources for partners and future funding. It also broadened the scope of match fund arrangements that it would approve.

However, technical assistance and regulatory changes notwithstanding, board staff also dealt with different contexts for fund-raising. Boards varied considerably in their overall capacity, and the areas they served varied greatly in population size, poverty rate, and overall economic resources. Some respondents talked about the impact of plant closings, for instance, on the overall viability of fund-raising efforts, and, more specifically, on the difficulties in locating partners who can provide match funding.

More specifically, board staff commented extensively on the requirement for matches – a requirement which one staff person at least claimed to have doubled over time. Some respondents indicated that TWC should have more responsibilities for locating funding. One commented that the “state is now saying that it is our responsibility as local workforce to go out into our community and find money to pay for these services for our community (...) but it is difficult.” Several respondents commented that partner organizations were more interested in quality initiatives than in workplace supports.

While a majority of the respondents discussed difficulties with acquiring the match now and in the future, almost a third of the boards were pleased with their eventual success in spite of seeing an increase in the pressures on them and predicting continuing demand for matching funds. Others expected to form productive new partnerships to increase match funding opportunities.

### **Board Strategies to Obtain Match Funding**

Boards strategies for acquiring match funding included the development of long-term partnerships with stable entities (such as city governments, colleges and Universities, school district, the United Way, and churches). Some staff specifically mentioned work with municipal governments, school districts and local colleges because these organizations could certify funds as a match that they were already spending on child care, a strategy allowed by TWC at the time of the second interview with board staff. Respondents mentioned that it was easier to work on a few large contracts with larger organizations than with numerous small contracts with smaller, less stable organizations. Once organizations, particularly large agencies, understood how the process worked, they were often willing to continue year after year: “usually what we have found (here) is that usually once people say okay and they do it, they come back. It’s [about] understanding the process. Once they understand the process,

then they traditionally tend to come back and partner.” On the other hand, work with smaller organizations might require a lot of time and work to acquire limited donations that might not be renewed. Furthermore, donors might want to have some control over how the money is spent, and negotiations with multiple small donors could be difficult.

As mentioned before, some boards were able to go well above their required target for match funds and receive additional funds through the re-obligation process. For example, one board went several times over their initial match target in recent years. These boards tended to represent urban areas with more economic diversity, as well as areas with a commitment to child care and early childhood education. “See, because I feel like we’re lucky because our city and county does support child care to a big degree and so we always get a whole lot more than our fair share of the local match, of the federal share of money cause we’re able to come up with the local match.”

Particularly boards in larger and more diverse regions found recent rule changes concerning match funding very helpful. These boards looked forward to certifying funds from private entities and reaching their match target through new kinds of partnerships with organizations such as the United Way, an agency with a long-standing interest in child welfare issues. These matches were less time-consuming to organize and expanded the pool of possible partners. However, staff from smaller boards also found the new TWC regulations a welcome opening for new match possibilities.

Some board staff members, however saw additional troubling issues arising in the future. Those boards depending on just a few partners, particularly publicly funded partners such as school districts, might find that as schools’ funding becomes more constrained, school districts were cutting on the programs that could be certified as a match for the workforce board, “They’re under some major potential budget cuts, if not elimination... I don’t know where we’re going to get the money then...” Furthermore, in more impoverished areas, organizations that could provide matching funds, given the nature of their activities, might already receive federal funding themselves, making the match ineligible.

All boards spent considerable time and energy dealing with match-funding, fund-raising, and the allocation of funds. The interaction between funding and programming was particularly visible as boards addressed child care quality improvement initiatives.

## **Child Care Quality Improvement Initiatives**

Local workforce boards faced a policy context characterized by what staff members perceived as a change of direction regarding activities supporting quality improvement for the child care delivered in their area. First, boards were asked to spend up to four percent of their total expenditures on quality initiatives. Furthermore, one of the performance measures included work to increase and then maintain the proportion of facilities in the statewide Texas Rising Star program for quality child care. More recently this requirement was lifted, and performance measures were imposed that left many boards with considerably fewer resources for quality initiatives. The state then took on the responsibility for the four percent expenditure on quality, using expenditures of the Texas Department of Protective and Regulatory Services (TDPRS) office for this purpose. This left boards struggling to provide at least some part of the programming they had developed when they had access to more consistent funding.

### **The Shifting Focus on Quality**

During our interviews, board staff members spoke at length and with enthusiastic intensity about quality improvement initiatives related to child care. Since state policy on the use of funds for quality changed between Interview waves 1 and 2, the staff discussed in detail changes in their expenditures and policies on quality initiatives. For several years, boards had been expected to spend four percent of their budget on programs to improve the quality of child care programming per federal requirement. Two major performance measures were attached to this funding. Boards were required to work towards a goal of increasing proportions of their network providers to be recognized as Texas Rising Star facilities and such facilities received a higher reimbursement rate, up to 5%, for the services they provide. In addition, boards were required to make sure that training was provided to a targeted number of providers.

Many board staff in Year 1 commented with enthusiasm on the importance of the quality activities they had initiated and on the improvement in child care quality that resulted from such practices. The staff reported general agreement at that time among board members on child care quality. However, by Year 2 with the change in policy there was a

greater range of opinions about the issue which led child care managers to describe complex repercussions. Some staff reported themselves in unity with their board and concerned with new TWC directives about child care quality. Others reported dissention among board members about the role of the board in undertaking quality initiatives, and some staff felt in disagreement with the direction the board was taking.

The staff of many boards commented that their flexibility was reduced as the “performance measures are increasing more rapidly than the dollars.” Most programs, particularly in areas without strong partners and financial resources, found their quality initiatives declining.

We just don't have much money anymore, and it's really kind of sad. A lot of our programs that took years to build up are now being dismantled. (...) It is, and you're going to hear the same story all across the state.

Staff interviewed expressed serious concerns over the implications of such a policy shift. With the movement away from board investment in quality, they feared that the community, child care providers, and partner organizations might not be so willing to participate actively in quality improvement activities.

If you have people at the top that's running the organization who other people feel, you know, have children's interest at heart then everybody will join the bandwagon.

Furthermore, some board members consider the quality of care part of their mission.

They [board members] are adamant about (...) that if we can train the children, get them into good child care at an early age, during those formative years zero to three years that we're less likely to be serving [through] one of our other grants in the future.

Staff involved with child care reported a range of attitudes among board members as they wrestled with issues of child care quality investments and boards are arriving at different solutions. They divided into four groups according to their perceptions of the situation regarding quality initiatives.

At one end, some boards felt that they have made creative use of match funding, and of grants from other sources to continue considerable work on quality. This group felt they were persisting in innovative activities, with strong community support, outreach into rural areas, and a continuing TRS system.



A second group of boards see their work in quality as continuing in a more limited fashion, with an active, but reduced, program. They saw “big constraints and reduction in activities” but still carried through with a commitment to continue at least some quality-related activities.

A third group of boards felt there were major problems with continuation of all their quality activities. They feel extremely restrained, and talked about the great reductions they had experienced and the limitations to their programming.

Finally, staff with a fourth group of boards explained that their quality program had been nearly eliminated. “So all we can do is zero in quality.” “Our board had to cut our quality program because of money.”

### **Quality improvement activities**

Boards also varied in what was included among quality initiatives. The activities below were each mentioned by at least one board at the Year 2 period.

#### ***Training:***

- Training in health and safety was still offered.
- While there was a diminution in training opportunities for TRS providers some boards were finding ways to keep up an ongoing training effort.

#### ***Incentives:***

- Some boards offered awards for excellence.
- Some boards provided incentives, although many thought they would soon be unable to do so.

#### ***Technical assistance and mentoring:***

- Some boards were continuing to provide a reduced level of technical assistance.
- Some boards were continuing some aspects of such assistance as mentor programs.
- Some boards were continuing with a reduced level of curriculum enrichment.

***Toys and equipments:***

- Some boards still offered toys, equipment, and computer programs.

***Mandatory bonuses for centers in Texas Rising Star Program***

Some boards were providing bonuses.

Issues of expenditures on quality and the future of quality initiatives remained salient in discussions among board members and in reports from board staff.

## Case Studies

While most of the information in the analysis so far emerged from interviews with board child care managers, the research team also undertook three site visits to board areas with very different populations, geographic placement and resources. These three cases were selected to maximize differences in demographic and economic characteristics, size of the board, and the communities they serve. The case studies illuminate some important similarities and differences among boards reflected in the conceptual model that has evolved with this project. The degree to which there are additional potential sources of funding in the region, the necessity of serving a large component of rural recipients, the relationship of board policies to constraints in the legislation and imposed by TWC, and concerns about the tension between creating quality child care, on the one hand, and serving as many children as possible, on the other hand, all are delineated in considerable detail in the case study data. In the brief descriptions below, we highlight those issues which board members, board staff, and other stakeholders in the subsidized child care system told us were of considerable importance in the formation of the child care policies in their area. These issues are reflected as well in the model.

All three case studies emphasize the importance of the economic and geographic setting for board experiences, policies, and outcomes. Respondents in all three case studies talked about the specific economic and area constraints and assets that formed the dynamics for board policy-setting. Board 1 faced an area sufficiently impoverished that there were few community institutions and organizations not themselves already receiving federal funds. Furthermore, they served a highly dispersed, rural population, for many of whom English was a second language. Board 2, with its huge poverty population, was also home to a range of industries, as well as to foundations and charitable organizations. Board 3 served a combination of small cities and rural communities, starting board activities in the late 1990s with an already existing shortage of child care facilities.

In all three boards areas interviewees talked about debates, both internally and externally in the community, over the board's responsibilities for and expenditures on quality. There was considerable concern over a state policy that had first not only encouraged, but required expenditures on quality, and then had removed such requirements

from the local boards, giving priority to meeting the units of care requirement. Many board members and stakeholders in all three areas still took considerable pride in the efforts and successes related to child care quality in their areas. They were dismayed as they saw these efforts having to be reduced and foresaw a diminished quality in the care that could be provided. While two of the boards appeared to be united in an effort to continue quality efforts in some ways, one board experienced active debate among board members about the degree to which child care quality should be a priority or even a responsibility for the organization.

In the smaller board areas, many of the people we interviewed commented on ways in which the population they served affected both the kinds of services they could offer, the ways in which families could access services, and of the effect services on families' decisions. Staff were concerned about the implications of the different priorities set by TWC, which they felt left families in their areas, given the nature of the economy, and the difficulties in finding services apart from those supported by TWC, vulnerable to a fast return to TANF when they had outrun their eligibility.

While this qualitative work concentrated on the process by which Boards discussed, formulated, and implemented policies, these case studies also explore Board perceptions of the results of policy shifts. In the more extended discussions that formed the case studies, Board staff and others commented on the implications of child care policy for families, children, and providers. These themes are more fully developed and explored in the quantitative analysis presented in other project reports (Schexnayder et al, 2004; Schexnayder & Schroeder, 2007.)

## **Board 1 Case Study**

On our trip to the Board 1 area, we interviewed three people, including the Child Care Program Manager for the board, the board's financial supervisor for the child care program, and the program coordinator for the direct care contractor. Other comments and perspectives came from people introduced to us during the day. This was a relatively short site visit, lasting only one day.

In describing the environment within which they work, the respondents highlighted several important aspects of the area, issues they felt had a major effect on their ability to provide child care to those needing it. They serve a number of counties in Texas/Mexico border area. This area is impoverished; over half of the population is Hispanic; and it includes heavily rural areas. The largest metropolitan area had a population of fewer than 15,000 in 2000. One respondent pointed out that a major issue in serving the population is the difficulty in verifying people's employment status and income, since so many workers are in the informal job market and are paid in cash.

The board was looking forward, from its inception, to the possibility of devising services and outreach specifically tailored to the needs of their area. The conversations centered on the strategies developed in response to the demographic and policy arena within which they operated. Because of the geographic distance within the board area, the board invested heavily in setting up satellite offices for low-income families to access services. The need to have these satellite offices also reflected the board's assessment of the life realities facing the population to be served. Welfare recipients and low-wage workers in the area often spoke English as a second language, had little access to computers or FAX machines and often were doing without telephones or cars. (The same issues applied to many of the child care providers.) Many low-wage workers had difficulties traveling to the service offices in person in order to learn about their eligibility, complete necessary applications, and provide documentation necessary for them to gain access to services.

The decentralization designed to respond to client needs was a complicated and expensive effort that required several years to fully implement. Four offices in addition to the main office and additional sites for resource access were established throughout the board

area. These had to be established, staffed, and advertised. The Program Manager commented on several difficulties with this kind of setup, including the fact that many existing staff did not want to commute and work in the relative isolation of the “satellite” offices. The development of these offices included investment in building and renovation, expensive and time-consuming processes. The presence of multiple offices spread over a large territory required a complex computer system to enable a de-centralized staff to communicate with each other and to provide information to far-flung areas.

The board also took its quality activities very seriously. It established scholarships for training based at community colleges, resources in terms of equipment and technical assistance, and a plan for the required reimbursement to facilities in the Texas Rising Star program. Those interviewed expressed considerable pride in their quality-related achievements.

However, the partners we talked with increasingly felt limited in their investments in quality initiatives, their ability to determine reimbursements, and their outreach to different categories of potential clients. At the time of the case study interviews, boards were not required to expend quality money, and were struggling to meet performance measures in terms of the number of children they were expected to serve. Board members and staff wanted to keep some elements of the program: “We were all very committed to trying to hang onto that [quality programming].” Over several years, the board had worked to improve its number of Texas Rising Star providers. The board paid differential rates, for participants in the Texas Rising Star Program and aimed at 39 percent participation in the TRS program as demanded by the performance measures. Having worked toward their TRS participation with a great deal of effort and some pride in their accomplishment, they were seeing the results of this effort erode. They had trouble encouraging centers to maintain their rating, particularly those who experience a temporary drop in level of quality of service they could deliver. Due to the new statewide freeze in reimbursement rates, Board 1, like other boards, was not allowed to increase the reimbursement rates for a facility that had dropped its rating temporarily and then improved.

Furthermore, as a result of funding cuts the level of assessment had changed so that TRS facilities receive less oversight. And there was little to offer them: no equipment, no

material, only over-the-phone technical assistance, and no special provisions for children with disabilities. One person commented, “I can see they [TWC] are trying to do away with quality.”

As performance measures on units of service increased, the board had to prioritize even more than before among the groups of people to serve. At that point almost all funds went to those groups prioritized by the state, i.e. TANF and TANF Choices participants. One respondent commented that families “in the middle” are either not among the priority groups, or not eligible at all: Even so, they could not pay for care themselves. As results lots of families found self-arranged care, used some kind of after-school club for their care, or quit their jobs. In many ways these families were “back where they started.” While one interviewee expressed support for parental choice and recognized the sense of liberation for low-income families to choose care, she said, “I’d hate to think we got to a point where we just had to majorly (sic) advocate relative care because it’s cheaper.”

Another result, as funds tightened, was the number of cut-backs in various parts of the board’s management operations. There was less monitoring of the child care providers and the child care accounts at different offices. The board lowered the part-time reimbursement rate. Board staff members fulfilled multiple functions so that they could get paid by other programs as well as the child care program.

Serving an area that was primarily rural, impoverished, and with a sparse population, Board 1 continued to have difficulties achieving the certification from private agencies needed for matching funds, since the small businesses in the area do not have the resources for such contributions. Large corporations gave their charitable contributions in large cities, and therefore Board 1 did not get many such donations.

Even immediately after devolution, board members, staff, and others realized how tough the push was going to be for the board to assume responsibilities for the child care program. In fact, there was little competition for the child care contract. At the board’s inception the Texas Migrant Council had one year remaining in its contract. At the end of the year, when bidding was opened for a new contract, there was not a lot of interest from other agencies.

Board members and staff also wrestled with other policy implications to what they perceived as the increased oversight by TWC and more stringent accountability. Freezes and cuts in the program had visible impact on the child care market in their area. As fees paid for part-time care went down, and as the board extended its time before sending out remittance checks (giving itself 45 days to pay), facilities left the system. Some providers, they explained, were really dependent on the subsidy system. Some could not cope with the lower rates. “One center opened during a time when the board had a six-month waiting list. When the part-time rates were lowered, the center owner called to explain that she could not stay open.”



## **Board 2 Case Study**

Our trip to the Board 2 area lasted two days and included six interviews. Furthermore, several interviews were attended by more than one respondent. We heard from people with many different ties to the subsidized child care effort. As was true with our other site visits, we also learned from comments offered by people we met more informally at board offices and other related institutions. Even though this was a relatively extended site visit, it is clear that there are further complexities in the Board 2 child care efforts that could not be fully discussed within the constraints of this project. However, we were able to touch on the main themes of concern to the board members and staff, as well as other partners in the subsidized child care system.

Respondents repeatedly reminded us of some of the unusual factors facing their area. It is one of the largest urban areas in Texas, serving a number of counties and a population of millions of people. The area also is home to a large percent of the state's children living in poverty. Furthermore, while it includes a huge urban area, it also extends out to a number of suburban and rural counties that require services. The constraints on serving rural areas are distinct. This visit concentrated on an overview of the policies and strategies at play in this area, however, rather than on any analysis of rural-urban differences in program and policy. Overall, while serving an enormous poverty population, the main metropolitan area is an economically diverse city with a number of different industries. At the board's inception, the area already had an extensive and committed child care community, which continued to be active and involved with the board.

Board 2 saw itself quite self-consciously as different from other boards and with considerable autonomy. This board had a number of resources based on the size and diversity of the city; it had to serve a huge clientele; and it could benefit from economies of scale. In particular, the board felt that it could work efficiently to keep its administrative costs low relative to the number of children served, making for a considerably lower ratio of administrative costs per child served, when compared to many of the other boards. As a large organization, the board was able to recruit a range of staff that brings different expertise to the effort. While recognizing the need for TWC to systematize operations across the

boards, the respondents continued to feel the need for greater autonomy. For example, some rules concerning the processing of financial information were not appropriate, they believed, for an organization of their size and scope.

In spite of the resources available to the community through area foundations, other child-oriented institutions, and a number of active school districts, the area had extensive unmet needs for affordable subsidized child care. While recognizing that this might not be the best indicator, respondents pointed to the lengthy waiting list of children eligible for and in need of services. (At the time of the site visit, the waiting list was thousands of children long.)

Due to both the geographic size of the area it serves, and the diversity of its clientele, Board 2 was responsible for a range of programs and made efforts to decentralize, although respondents indicated that these efforts applied more to the career centers than to the child care program. There were 30 career centers in the region. However, most child care services are still arranged over the telephone. Board 2 also responded to the geographic diversity of its regions by composing a child care advisory committee with provider representatives from all of the counties it served. This group met quarterly, and members provided considerable feedback to the board.

One partner to the Board was a well-established child-care oriented organization sponsored by a business consortium. It works actively with the board to increase public awareness of children's needs and to assist in the management of matching funds, as well as undertake work on quality initiatives. Among their tasks, the organization sought out supports tied to other programs such as the public pre-Kindergarten program and Head Start. Furthermore, respondents recognized the importance of community resources, noting that their area was home to important foundations and sources of funding.

As was the case for many boards our respondents experienced the tension between quality and the number of units served. They were concerned that child care was becoming more narrowly defined as a support for the workforce, and there were fewer resources to ensure that child care was educationally appropriate for young children. One respondent was particularly concerned about the reduction in funding for quality initiatives:

TWC is in the business to get people to work. And, so, they are not as concerned with quality of care. They are concerned about providing a place for that child to go so parents can get into the workforce. (...) I think what, as a community, we need to figure out is at what point is it a detriment to that child to be in an environment that is so low quality that we're spending public dollars to subsidize the very low quality system. (...) We need to figure out how we can take advantage of these early years (...) and not leave a child worse off than they would otherwise be through public intervention.

Another respondent spoke with about the issues connected with quality initiatives.

“[Our efforts to align with TWC] have backfired, because we are so well aligned that we are part of them: we are part of the workforce system. Now, child care has lost all priority or even identity. It's not about child care. It's about financial aid for those workforce clients. It's supportive services, and that's all it is.

For respondents who came to the program from a child care perspective, this perception was deeply disturbing. Furthermore, in spite of their efforts, the investment in some aspects of the quality initiatives declined considerably.

At the time of the site visit, Board 2 had divided its contracted services between two organizations – one contracted to concentrate on quality issues, and the other to concentrate on direct care. There remained some mixed opinions on this division. In any case, however, the resources available for quality initiatives and for support of the TRS program declined.

Both in the start up years, and then as funding tightened relative to need, Centers, as well as other facilities, that responded to the call for quality, were concerned that reimbursement rates had been frozen for some time; they had fewer subsidized children in care; and many of these children only experienced short spells of subsidized care. (One respondent referred to this problem as the “revolving door” phenomenon.) Several respondents explained that some providers commented that they could not afford to provide care for the rates offered by the board.

However, Board 2 was among the minority of boards that expressed less concern about their on-going funding situation. The Board consistently did well, achieving beyond its matching fund requirements and sought opportunities to gain re-obligated funds. On the other hand, by the time of our case study visit, board members and staff were concerned about the continuation of the quality initiatives they had in place, and about what they saw as a decrease in their autonomy. Furthermore, as many other boards reported, local funders

remained more interested in contributing to an improvement in quality than to direct care – seen by many foundations as too similar to individual assistance.

Respondents experienced declining autonomy under recent TWC policy changes. For example, the board discussed restrictions on the vendor networks, including priorities for populations to be served, details of fiscal management, an emphasis on parental choice, and the requirements around liability insurance. Furthermore, there was concern among respondents that TWC has diminished interest in quality, and planned to remove both resources and requirements for the Texas Rising Star program. Unlike many other boards, Board 2 felt that it had access to resources that would allow it to continue some substantial work in quality. It is this access to resources that in part fueled its continuing sense of some autonomy in the face of tightened state requirements.

### **Board 3 Case Study**

The visit to the Board 3 area occurred over two days, during which we completed six interviews, several of which included more than one respondent. We learned a great deal about activities and the attitudes of its different members towards the goals and decisions of the board. We also had a chance to visit the offices and facilities of several of the partners.

Respondents discussed some of the issues facing the current board given its setting. While the multi-county region included a small city (population under 120,000 in the year 2000), much of its population was rural. Furthermore, according to several respondents, there had been a long-standing shortage of child care in the area. The rural distances that families had to travel to reach scarce services made it difficult even for eligible families to access child care.

The board had always incorporated individuals with a range of opinions on child care. One board member explained that in the early days the board did not really feel ready to take on the management of the subsidized child care program. They thought it was a huge “liability” and didn’t necessarily fit well with the rest of the board’s responsibilities. They were reluctant to follow TWC’s directive in those the early days, but eventually it became clear that they were going to assume responsibility for the management of the child care program.

Members of the board clearly represented a range of positions on the role of child care in the board’s mission and roster of activities. There had been ongoing discussion among members concerning the board’s oversight and involvement in child care. At the time of our interviews, the board had recently reorganized, so that the child care committee was folded into a committee on customer service that included a wide range of responsibilities. More than one respondent felt that the board had re-structured in a way that minimized its concentration on child care. As a result, as one respondent commented, recent staff-proposed policy changes in child care had not been getting the kind of scrutiny they once did. For instance, the board approved stopping reimbursement to providers if parents failed to make their co-payments, and stopping reimbursement for providers who would not provide infant

care. Policy initiatives such as that related to co-payments put providers in the position of “policing” parents.

The debate over the role of child care took place in a policy context where this board, like other boards, saw itself working with less autonomy than in the recent past. There was considerable frustration over the management of re-obligated funds, and the overall application of performance measures. This board had been threatened with sanction by TWC for failure to meet goals. At least one board member experienced a considerable problem with the shifting goals at mid-year as funds were de-obligated and re-obligated.

A lot of people feel that there is a real mythology about it, because you may have control, but you have control in a very narrow window of things, so you really don't have control. Doing something really creative and outside the box is really difficult and (...) usually impossible to do in terms of making programmatic decisions. So local control is seen as kind of an illusion by the board.

Like other boards this board felt pleased with their early progress on quality initiatives – having reached a level of over 50% TRS providers. However, board members mentioned that the program might well begin to erode as fewer resources were available for providing assistance and rewarding the participation in quality initiatives. Much of the region's subsidized child care was provided in centers, since many home providers really did not want to become part of the network of vendors. One board member explained that home child care providers might argue, “I don't want the government coming to look at my house and telling me what I'm going to do.” This lack of home providers was a contributing factor to the ongoing problems the board had in serving remote rural areas where the only accessible care might well be home-based care.

Staff with the child care contractor who had been involved in the process for a number of years commented on the confusion that was evident when the board first took over the responsibility for the child care program. Many board members had little, if any, experience with subsidized child care, or with more general child care concerns. They did not understand why low-income families could not afford child care; the implications of the child care shortage in the area; or the implications of the child care subsidy eligibility criteria: There was a lot of poverty, among people who were not on TANF, because many very impoverished families would not apply. One board member compared their board to

others: [Another board] get “beau coups” of money and I don’t know (...) maybe in a rural area like ours people learn to survive on very little and there may be a bit of pride in staying off TANF. They learn to survive without TANF, but there were very few jobs.”

Respondents, concerned as they were with child care, reported on-going difficulties understanding state policies and receiving accurate technical assistance from state agencies.

The state has the leeway to set a lot of these policies (...) just in general Texas’ policies right now, which we’ve had layers on top of layers on top of layers of policy are far more [prescriptive] than the federal law. (...) The leaders are very hard-nosed about if they [parents] are not participating with DHS, why should we give them child care? They don’t stop and think that a parent couldn’t take time off for the appointment because she had just started this job.

Some board members had been active in the development in the area of non traditional hours of care. There was particular concern that some areas of economic growth – two prisons are among local employers – required workers on different shifts. Concerns about quality arose in a number of contexts. One respondent was particularly concerned about how to make training available to providers when the board has a considerably reduced budget for such activities. One effort is to make use of technology to get training out to places where professional trainers will not be traveling.

Balancing among the different demands, the limitations posed by state policy and the needs of parents in their highly impoverished rural area caused considerable difficulties. One large charitable organization confirmed that there was simply not enough child care in town. This group also explained that the state rules were more designed for large urban regions and had all kinds of ramifications for their relatively rural group.

## Conclusion

Overall, Local Workforce Development Boards represented a range of responses to the policy environments created by federal legislation and then devolved by the state agency to 28 local Texas Boards. Board staff felt they wrestled with the requirements imposed from the state, including allocations, performance standards (including changing standards for investment in quality), and requirements for matching funds. Their ability to provide child care was also affected by other poverty policies, including the granting of waivers to TANF families, sanctions against them, and state priorities among populations of impoverished families with children.

The boards operating in this policy environment varied in their structure, including staffing and organization. They had different management strategies and different contracting arrangements. They were different in their characterization of their relationships with the managing state agency. The prominence of child care in the board's administrative structure varied.

At least as important to their experiences in managing child care, were the demography and other factors related to the area they serve. Board child care staff indicated that their responses to this policy environment were related not just to the natures of the policies and regulations themselves, but to a range of other environmental factors, including the size and diversity of the poverty population they served, the degree to which they were rural or urban, the condition of the child care market, and the kinds of jobs to which parents had access.

In response to these different contexts, boards responded with a range of programs and strategies. They varied in the degree to which they experienced autonomy in decision-making. As the case studies indicate, they perceived child care policies exercising a significant effect on the degree to which parents had access to child care and the outcomes for children themselves, in terms of the quality of care available.



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