

# The Role of Local Child Care Policies in Child Care Facility Turnover

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# Research Study

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- Part of multi-year study:  
*“The Study of Child Care Devolution in Texas”*
- Conducted by:  
Ray Marshall Center  
and Center for Social Work Research  
University of Texas at Austin
- Funding provided by  
HHS Child Care Bureau and OPRE:
- Publications from this study are posted at:  
<http://www.utexas.edu/research/cshr/pubs/pubs.php?section=child>

# Research Questions

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- Which combinations of child care subsidy policies did local areas adopt after devolution from the state to the local level?
- Which local policy choices were associated with
  - longer child care subsidy duration
  - longer employment duration for families receiving subsidies
  - *less turnover among facilities providing care*

# Research Methods

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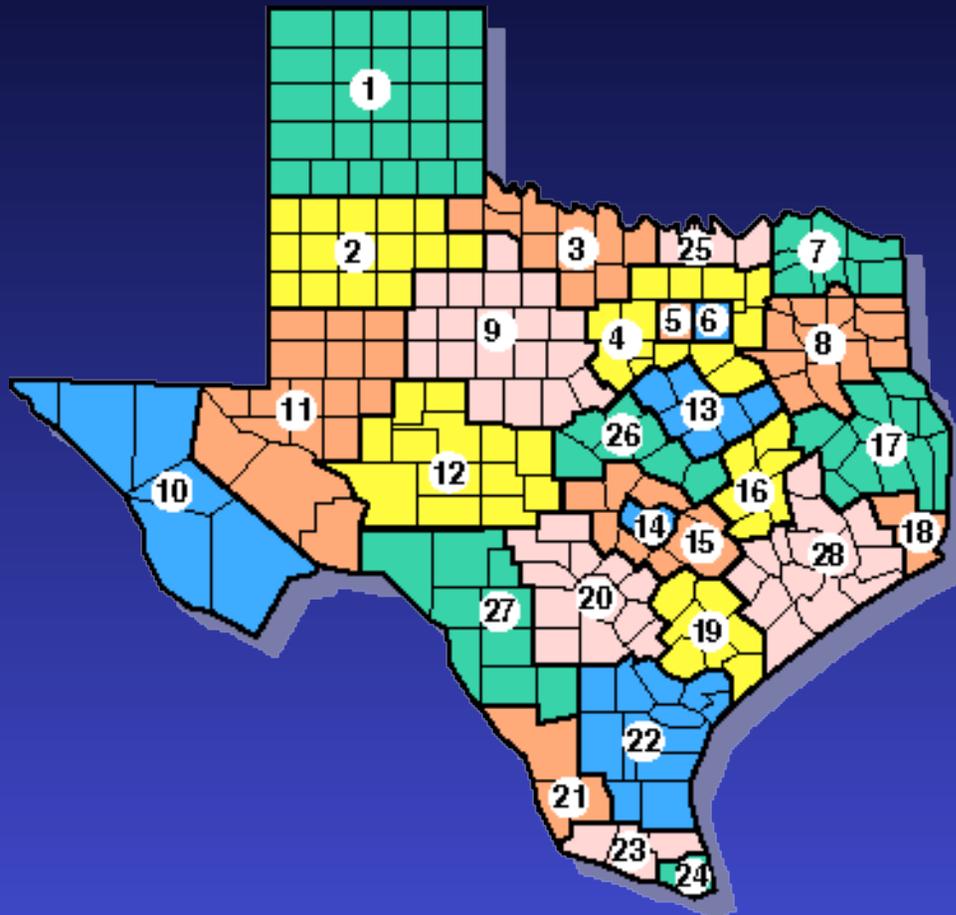
- Descriptive statistics
  - Characteristics of local workforce areas
  - Number and capacity of facilities
  - Facility survival rates over time
- Cluster analysis to determine variation in local policy choices following devolution
- Cox proportional hazards regression models with time-varying covariates
  - Probability of facility failing to renew registration

# Available Data

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- Statewide longitudinal data for 6-year period (1997-2003)
  - Child care subsidy participation, demographics and payment
  - Local funding allocations
  - Licensing and registration data for formal child care providers
- Local subsidy policies, 1999-2003
- Contextual economic and community variables

# Local Workforce Development Areas



- |     |                  |     |                         |
|-----|------------------|-----|-------------------------|
| 1.  | Panhandle        | 19. | Golden Crescent         |
| 2.  | South Plains     | 20. | Alamo                   |
| 3.  | North Texas      | 21. | South Texas             |
| 4.  | North Central    | 22. | Coastal Bend            |
| 5.  | Tarrant County   | 23. | Lower Rio Grande Valley |
| 6.  | Dallas           | 24. | Cameron County          |
| 7.  | North East       | 25. | Texoma                  |
| 8.  | East Texas       | 26. | Central Texas           |
| 9.  | West Central     | 27. | Middle Rio Grande       |
| 10. | Upper Rio Grande | 28. | Gulf Coast              |
| 11. | Permian Basin    |     |                         |
| 12. | Concho Valley    |     |                         |
| 13. | Heart of Texas   |     |                         |
| 14. | Capital Area     |     |                         |
| 15. | Rural Capital    |     |                         |
| 16. | Brazos Valley    |     |                         |
| 17. | Deep East Texas  |     |                         |
| 18. | South East Texas |     |                         |

# Characteristics of Texas Workforce Boards and Areas

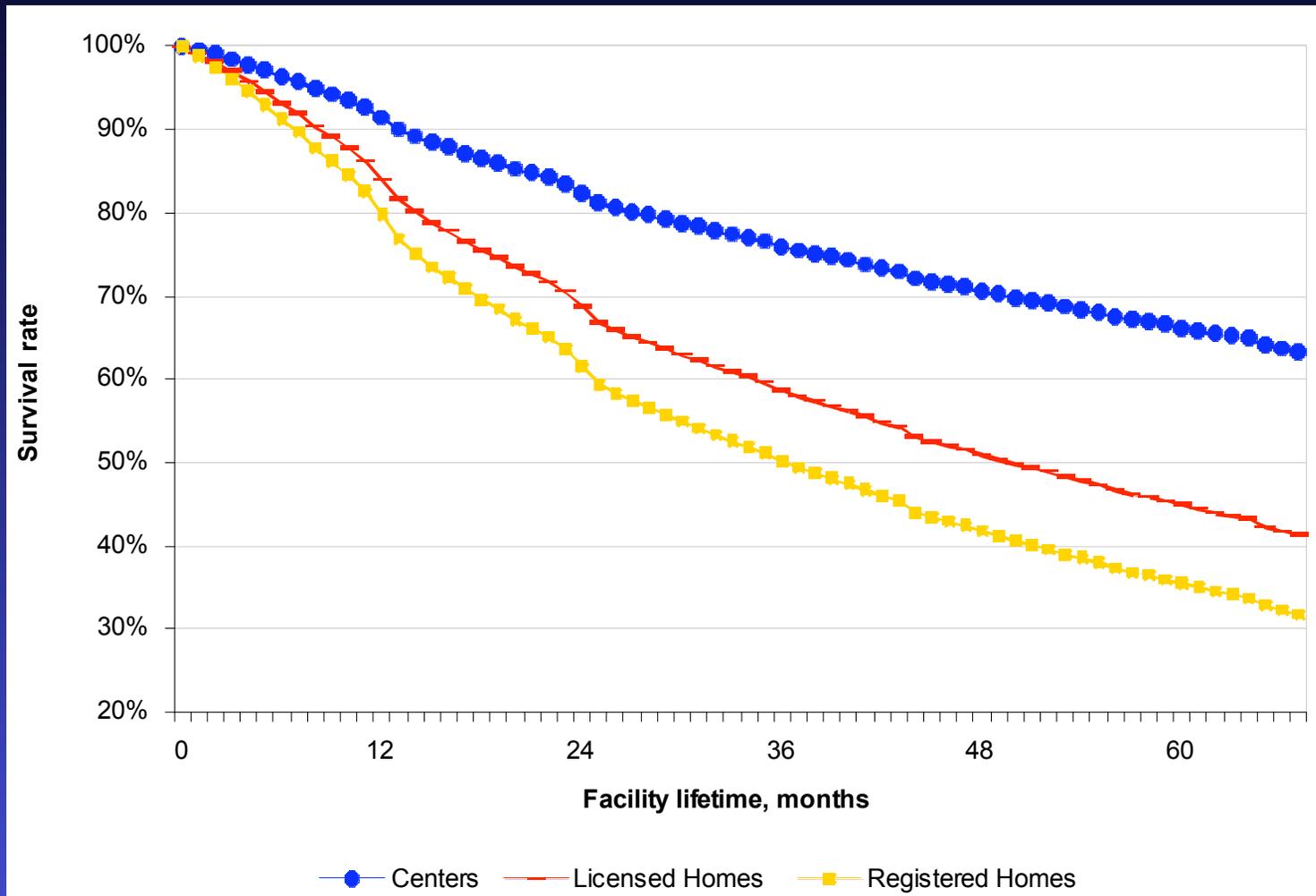
N=28	Largest (Gulf Coast)	Smallest (Concho Valley)
Child Population	1,401,948	38,549
Funding for Subsidies (FYs 2002 & 2003)	\$184 million	\$6.1 million
Total children receiving subsidies (FYs 2002 & 2003)	49,676	2,649

# Texas Formal Child Care Capacity

April 2003

	Number of Facilities	Total Capacity
Licensed Centers	7,419	700,000
Licensed Family Homes	1,530	18,000
Registered Family Homes	7,434	89,000

# Facility Survival Rates by Type



# Stability of Child Care Facilities

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- Centers had the longest duration of all providers
  - 65% still in operation after 5 years
- Registered family homes had shortest duration of all providers
  - only 33% still in operation after 5 years

# Texas Child Care Policy Context

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## Statewide throughout study period (1998-2003):

- TANF Choices recipients have priority for subsidies and are exempt from co-payments
- Child care subsidies are not guaranteed for non-TANF recipients, with waiting lists in some areas

## Statewide before devolution in September 1999:

- Income eligibility limits - lower of 150% of FPL or 85% SMI
- Co-payment - 9% of income for 1 child; 11% for 2 or more
- Reimbursement rates were set at state level but varied based on local market rates

# Policy Choices After Devolution

## Local Workforce Board Policies: Sept 1999- Aug 2003

N > 28 because some boards changed policies more than once during period

Local Board Action	Number of Boards*	Share of Board-Months
Kept baseline policies	5	45%
Increased maximum reimbursement rates (to moderate levels)	12	14%
Increased reimbursement rates and income eligibility ceiling	7	11%
Increased co-payment	8	8%
Increased income eligibility ceilings	5	7%
Increased income eligibility and family co-payments	4	7%
Increased income eligibility limits and reduced family co-payments	3	8%

# Structure of Regressions

## Measuring Facility Turnover

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- Research Sample -
  - All child care facilities registered with the state licensing agency from January 1998 through September 2003
- Dependent variable -
  - Failure to renew registration
- Independent variables -
  - Child care policy clusters
  - Economic and geographic variables
  - Other care options (e.g., Head Start, Pre-K)
  - Factors influencing demand (e.g., teen pregnancy, subsidy saturation)

# Policy Factors Related to Reduced Facility Turnover

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- Increasing maximum reimbursement rate + income eligibility limits
- Increasing maximum reimbursement rates
- Increasing income eligibility ceilings (centers only)
- Increasing income eligibility ceilings + reducing co-payments (family homes only)

# Regression Results for Policy Variables

Probability of facility failing to renew registration

Policy change from baseline	Centers 9,675	Family homes N=18,394
Increased reimbursement rate	.81**	.86**
Increased reimbursement rate and income eligibility limit	.73*	.75**
Increased co-payment	1.07	.96
Increased income eligibility limit	.71*	.95
Increased income eligibility limit and co-payment	.87	1.00
Increased income eligibility limit and reduced co-payment	.80	.83**

# Non-Policy Factors Related to Reduced Facility Turnover

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- Lower unemployment rate
- Medium or large workforce board
- Longer duration as a business
- Subsidy was used for employment purposes
- Presence of Head Start programs (centers)
- Licensing instead of registration (family homes)

# Conclusions

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- Child care centers were found to be more stable businesses than family homes.
  - Licensed homes were more stable than registered homes
- Increasing provider reimbursement rates + income eligibility rates were most strongly linked to more stable facilities, regardless of type.
- Increasing reimbursement rate only also linked to more stable facilities.

# Policy Implications

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- Variation in size, complexity and characteristics of local workforce boards are comparable to the diversity faced by states in selecting combinations of subsidy policies
- Findings are most relevant to states that give priority to TANF families and do not guarantee subsidies to all applicants
- Study fills gap in literature by identifying which policy combinations *within* the subsidy program are associated with more stable providers
- When implemented within a limited funding environment, both of the policies linked to lower facility turnover (increasing eligibility limits and increasing provider reimbursement rates) would also mean that fewer families could be served by subsidies.

# Future Research Needed

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- Why someone starts a child care business
- Relationship between environment for making policy decisions and provider outcomes
- Longer-term effects of freezing reimbursement rates on facility turnover

# For More Information

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All project descriptions and cited publications can be found at: <http://www.utexas.edu/research/cshr/>

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