



RESEARCH REPORT

Balancing Quality Early Education and Parents' Workforce Success

Insights from the Urban Institute's Assessment of the Massachusetts Subsidized Child Care System

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ABOUT THE PROJECT

This report is one of several products prepared as part of the assessment of the Massachusetts state subsidized child care system that is being conducted by the Urban Institute and its subcontractors Koné Consulting and Wellesley College under contract to the Massachusetts Department of Early Education and Care, pursuant to item 1599-0500 of Chapter 38 of the Acts of 2013.

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Executive Summary

Child care subsidies help pay for child care for almost 60,000 children in Massachusetts. Most of these children receive assistance because their low-income parents need help paying for care to work or participate in education or training, though some receive assistance because of other family challenges (such as involvement in the child protective services system, homelessness, or teen parenthood).

This report examines a challenging issue that every state faces: the subsidy system's need to achieve the best balance between providing quality early childhood education and meeting the workforce needs of low-income parents. It is one of a series of reports produced by the Urban Institute and its partners, Koné Consulting and Wellesley College, as part of a legislatively mandated assessment of the Massachusetts state subsidized child care system. The information for this report was gathered from the full set of studies conducted under the assessment; it relies on qualitative interviews and focus groups with approximately 90 individuals across the state, as well as quantitative analysis of survey and administrative data. Our analysis looks across these studies and data sources to identify gaps in the state's efforts to address its goals of providing early childhood education and supporting parents' workforce success.

The question of the appropriate balance between supporting children's development and parents' work is complex; there is no established right answer or best practice. Many respondents who were asked about this topic highlighted gaps that appeared to undercut one or both goals; this report uses the same approach to analyze this issue. The findings are grouped into four areas:

1. Massachusetts Department of Early Education and Care goals and administrative approach,
2. funding levels and allocation of subsidies,
3. the supply of subsidized child care available to families, and
4. meeting the needs of parents with nontraditional workforce patterns.

Where relevant, the report presents these findings in the context of new requirements the state faces under the newly reauthorized Child Care and Development Block Grant. The report concludes with a discussion of four areas that are worth further exploration as the state continues to work to achieve its goals for serving low-income parents and their children.

This report's findings (with those of the other components of the assessment), along with the requirements of the newly reauthorized federal child care program, present Massachusetts with a useful opportunity to assess what it is doing to support children and families. These findings can inform

future steps in the state's ongoing effort to ensure that the subsidy system achieves the right balance between supporting children's healthy development and their parents' ability to support them.

Introduction

Child care subsidies help pay for child care for low-income parents who need child care assistance in order to work or participate in education or training, as well as for parents whose children face certain risk factors. Child care subsidy systems serve two generations by working to meet the development needs of low-income and at-risk children *and* to support the ability of low-income parents to work or obtain education and training.

As part of a legislatively mandated assessment of the Massachusetts subsidized child care system, the state legislature requested an analysis of the subsidy system's balance between providing quality early education and meeting the workforce needs of parents and guardians (see box 1 for a description of the assessment project and its components). Urban Institute researchers, with Urban subcontractors Koné Consulting and Wellesley College, have been responsible for conducting the overall assessment and its research components, and for pulling together this analysis.

This report presents our analysis of this balance, which is based on qualitative and quantitative data and findings from all the studies conducted for the assessment. In presenting the findings, we focus on those related to gaps in the current system that affect either or both of these goals. We take this approach because when we reviewed responses from a diverse set of child care and early education stakeholders across the commonwealth, we found that respondents often answered questions about this balance by describing ways that they felt the system was not adequately addressing either or both of these goals.

The focus of the assessment, as requested by the legislature, was to help identify inefficiencies in the system. As a result, the research team focused on weaknesses that could be addressed. In the process, however, it became clear that the subsidy system in Massachusetts has many strengths. Though these strengths were not the focus of the assessment, some are highlighted in the report summarizing findings around subsidy eligibility policies and practices (Adams and Katz 2015). One strength that is particularly important to highlight here is the strong commitment of EEC's staff and leadership—as well as that of the full range of stakeholders, partners, and subsidy administrators interviewed for this project—to providing the best possible services to children and families. This commitment provides an important foundation for the commonwealth as it works to improve its efforts to support children and their families.

BOX 1

Urban Institute Assessment of the Massachusetts Subsidized Child Care System

This report is one product of a legislatively mandated 18-month assessment of the Massachusetts subsidized child care system conducted by the Urban Institute and its partners, Alicia Koné and Andre Helmstetter of Koné Consulting, Kirsten Smith of Bloom Consulting, and Nancy Marshall of Wellesley College. As requested by the legislature, the assessment focuses on (1) identifying ways to improve the efficiency of regional and statewide distribution of state-supported child care, (2) analyzing the child care needs of eligible families with regard to the availability of vouchers or contracted slots in different regions of the commonwealth; and (3) evaluating the balance between providing quality early childhood education and providing workforce support for guardians.

To accomplish these goals, the Urban Institute worked with EEC to execute a multifaceted study that consisted of six interrelated components:

1. an initial planning phase,
2. a review of budgetary policies and practices,
3. a review of subsidy eligibility policies and practices,
4. an assessment of business-process redesign of EEC operations,
5. a review of child care needs of eligible families, and
6. an assessment of balancing quality early education with providing workforce support for guardians.

The budgetary review, the review of subsidy eligibility policies, and the review of child care needs resulted in published reports. See appendix A for more details about these reports.

Background

The child care subsidy system in Massachusetts covers some or all child care costs for almost 60,000 children. Most of these children—about 51,000 in 2014—receive assistance because their low-income parents need help paying for child care to work or participate in education or training (including families on public assistance). The remaining children (over 7,000) live in families who need assistance because they are involved with the child welfare system, are homeless, or have teen parents (see appendix B for more details on the subsidy system as designed in Massachusetts) (Isaacs et al. 2015).

Why Look at Balancing Quality Early Education and Parents' Workforce Success?

As noted earlier, the child care system has twin goals of meeting child developmental needs and supporting parents in obtaining work, education, or training, and therefore has a dual-generation focus. In Massachusetts, as in other states, the funding available for these services is inadequate for fully achieving both of these goals (ASPE 2012). For example, analysis under another component of the assessment found that in 2014 an estimated 60 percent of the eligible families who would likely apply for services received subsidies (Isaacs et al. 2015). This means that there are not enough resources to provide high-quality care and early education for all children who need it because of their parents' work and training schedules or because of difficulties related to involvement with the child welfare system, homelessness, or teen parenthood. Consequently, decisionmakers face difficult choices about how to allocate scarce resources. Their decisions have implications for the child care system's ability to achieve both of these goals.

While often framed as opposing goals, supporting child development and parental work are not in conflict from the perspective of parents and children. Parents need stable, high-quality care that supports their ability to work while helping their children develop. Similarly, children need stable, high-quality care that supports their parents' ability to work and provide for their families. They are also not in conflict from the perspective of child care providers, who work to meet both sets of needs with the resources they have. The sense that these goals are not in conflict was shared by the stakeholders and policymakers we spoke with across Massachusetts, who felt strongly that both goals were essential.

However, while these goals are both important and are mutually supportive in many ways, they are not synonymous. When faced with scarce resources, decisionmakers must choose what to prioritize and

how to make tradeoffs. There are ways to set policy and allocate funds that can support both goals, support one goal more than the other, or undercut one or both of the goals. This brief is designed to pull together lessons learned from other components of the assessment to provide insights into the current system in Massachusetts and gaps or challenges that may affect the commonwealth's ability to achieve either or both of these goals.

Assessing the effectiveness of the current system's efforts to meet these goals and identifying gaps and areas of possible concern can be important and useful steps for state policymakers for several reasons. First, it is useful to recognize that Massachusetts is not alone in struggling with this issue. The question of the balance between quality care and workforce supports for parents is being hotly debated across the country at the federal, state, and local levels. The issue is complex, with numerous facets, and there is no established right answer or national best practice to rely on.

Part of the reason for this complexity is that the federal law that provides and governs child care funding, the Child Care and Development Block Grant (sometimes referred to as the Child Care and Development Fund, or CCDF) is a block grant, which gives states significant discretion within federal parameters. This means that each state has always worked to find its own balance between these sometimes complementary and sometimes competing goals—a balance that reflects its vision and priorities. In Massachusetts, this debate helped spur the reorganization of the administrative structure for child care, which led to the creation of EEC in 2005. The information provided in this analysis can help shine a light on the realities of the current system to inform the debate that continues today.

Second, it can often be difficult for those working within systems to see how the systems function as a whole. Policy decisions are made incrementally over many years, in response to particular federal directives, changing state or local context, and changing priorities. For example, after the passage of the 1996 federal welfare reform law, the focus of federal child care subsidy policy was primarily on supporting work, with significantly less focus on child development (Adams and Rohacek 2002). The pendulum has recently swung in the opposite direction, with a greater focus (on the federal level and in many states) on ensuring that subsidy policies support child development. These approaches have become codified in policy and practice and in the culture of organizations administering the programs, with each set of new policies and priorities simply added to the existing system. As a result, any subsidy system reflects an amalgam of priorities and practices from different points in time, which may or may not be consistent with current policy priorities and vision.

Finally, the CCDF program has just been reauthorized with some significant changes that states must address. While it is still a block grant that gives states significant discretion in many areas, it

contains new requirements that will require states to revisit a number of their policies and practices. In particular, the new legislation requires a stronger focus on health and safety, quality of care, family-friendly policies, and policies affecting providers.¹ These issues will have to be examined in Massachusetts and other states as they work to implement the new requirements.

All these issues suggest that this is an important time for policymakers and stakeholders in Massachusetts to take a careful look at the system and consider what can be learned about the strengths and weaknesses of the system in meeting its goals of supporting child development and supporting parents' workforce engagement. It is our hope that the information this report provides will inform that discussion.

Research Approach

Our interviews with stakeholders across the state generated descriptions of ways that respondents felt the system was not adequately addressing either or both of its goals of providing early education and providing workforce supports. This report thus takes a similar approach and examines data from across the assessment to help identify gaps in the system that affect either or both of these goals.

We pulled together insights from each component of the assessment to examine this issue. As described in box 1 and appendix B, the earlier components included a planning phase, a review of subsidy eligibility policies and practices, a review of budgetary policies and practices, an assessment of current business practices and service delivery, and a review of the needs of eligible families. These components involved three kinds of activities:

- The review of family needs involved extensive analysis of data around supply of and demand for subsidized child care. This analysis estimates child care needs for the three largest programs. It uses a microsimulation model relying on American Community Survey data, analyzes subsidy and licensing data to better understand the supply of subsidized child care in each region, and compares needs and supply to identify child care gaps by both region and age.
- Several components relied on qualitative data collection (interviews and focus groups) with approximately 90 individuals across the state, including EEC staff and advisory board members, staff from other state agencies and the legislature, contracted child care providers, child care resource and referral (CCRR) agency program directors, directors of nonprofit advocacy organizations, and other experts in the early childhood arena.

- The business-process reengineering component of the study involved intensive meetings with a subset of EEC staff and key stakeholders. Department leadership participated in early meetings to set the parameters of the analysis and EEC management, along with one child care provider and one CCRR agency representative, were involved in the detailed business-process work.

We reviewed information from all these sources to capture insights that are relevant to the legislature’s interest in exploring the balance between quality early education and supporting the workforce needs of parents and guardians, and, in particular, to identify gaps in the current approach.

There are two important caveats about these analyses. First, these projects and analyses—as requested by the legislature—focus on the Massachusetts child care subsidy system within EEC. There are other important components of the child care and early education systems that we did not examine, including the following:

- The assessment did not focus on related initiatives undertaken by EEC—such as those focusing directly on supporting licensing or quality of care—though we discuss those efforts when respondents mention how they affect the subsidy system.
- We did not collect information about the quality of the child care system or of the care available to children. Instead, we focused specifically on the extent to which the child care subsidy system was effectively meeting its objectives of supporting each of these goals.
- While our research scope included children who receive child care through referral by EEC sister agencies (i.e., the Department of Transitional Assistance [DTA], the Department of Housing and Community Development [DCHD], and the Department of Children and Families [DCF]), it was beyond the scope of this project to look at those agencies’ policies and practices that affected the subsidy system.

Second, the information used for this paper is a blend of data from the different assessment components, each of which has strengths and weaknesses (we recommend that interested readers look at each component report for more information on the research approach used by each project). In particular, as noted above, some of the data reported here were gathered through interviews, focus groups, and workshops with a range of stakeholders across the state. This information reflects the opinions of respondents and stakeholders; it was beyond the scope of the research to independently observe or confirm what we were told. While this is indeed a limitation, we tried to address this concern by speaking with a wide range of individuals to capture different perspectives on the issues. We suggest that the information in this report that was derived from the qualitative portions of the study be

considered as highlighting issues that are worth further investigation, rather than as definitive statements of fact.

Structure of This Report

The rest of this report presents insights we captured from the assessment concerning the balance between meeting needs for early education and workforce support. These insights are organized into the following topics:

- EEC goals and administrative approach,
- funding levels and allocation of subsidies,
- the supply of subsidized child care available to families, and
- meeting the needs of parents with nontraditional workforce patterns.

The report concludes with suggested next steps for EEC and the commonwealth.

Key Findings

EEC Goals and Administrative Approach

The first set of insights concerning the balance between providing quality early education and meeting the workforce needs of parents focuses on the goals, vision, and administrative approach of EEC itself. The vision and leadership of EEC, and how it implements its vision, are core to every aspect of the subsidized child care system. Our project found three areas that are relevant to these goals.

One observation is that EEC's stated goals and mission, as evidenced in public documents and interviews with stakeholders and leadership, predominantly focus on children's early education needs, with less explicit focus on the important role that the agency plays in supporting low-income parents' ability to work or participate in education or training. For example, the EEC mission statement reads, "the Massachusetts Department of Early Education and Care provides the foundation that supports all children in their development as lifelong learners and contributing members of the community, and supports families in their essential work as parents and caregivers."² During the initial phases of business-process reengineering, many participants highlighted EEC's role in supporting the education of children; fewer discussed its role in supporting work, education, and training for parents.

On the other hand, when asked about EEC's balance between providing quality early education and supporting the workforce needs of parents in the subsidy system, many stakeholders suggested that the overarching focus of the Massachusetts subsidy system was to support work, and that it did not sufficiently support children's educational needs. The most commonly reported example of this concern was related to children losing eligibility for subsidies because of changes in their parents' work status (a reality that is not true of educational programs, which do not require parent workforce participation). It is important to recognize that this policy is common across states. It is related to past federal eligibility guidance for the CCDF program, as well as to the challenge of ensuring that scarce funds are used to support parents who need child care to work. The recently reauthorized CCDF, however, makes it clear that states should serve children for a year, even if their parents' work circumstances change during that time (states can terminate subsidies if a parent loses employment, but only after three months of job search).³ The reauthorization presents Massachusetts with an opportunity to reexamine this issue. It does not, however, remove the financial pressure that has led Massachusetts (and many other states)

to limit the extent to which subsidies go to families not actively engaged in work, education, or training, in the interest of serving those on the waiting list who need subsidies to stay employed.

Finally, the internal EEC administrative structures that set policy for and administer the subsidy funds are somewhat diffuse across the agency and—as is likely true in many states—seem to be largely separate from the internal administrative components that are involved in quality initiatives (i.e., the quality rating and improvement system [QRIS] and the licensing unit). Though a number of the concerns described throughout this report could be affected by this division, the data gathered for the assessment highlight a few particular complications, including the following:

- The allocation of responsibilities for the subsidy and quality components of EEC appears to create some challenges for coordination. Specifically, administrative responsibility for and oversight of subsidy policies and practices are spread across different internal departments (though responsibility for subsidy policy is primarily located in the legal unit), while responsibility for and oversight of quality initiatives such as the QRIS are located in the policy, research and evaluation unit, and responsibility for and oversight of licensing are located in the office of regional operations, support, and engagement.
- Some stakeholders suggested that stronger connections between EEC’s licensing and subsidy activities would result in more oversight and support for providers.
- Stakeholders also discussed their concerns regarding the adverse effect that QRIS implementation may have on the supply of child care providers willing to serve children receiving subsidies, as a result of anticipated higher standards and increased administrative burden without sufficient reimbursement (this concern is discussed later in this report). This concern suggests that EEC may need to carefully consider the interplay between the QRIS and the needs of the subsidy system, and to ensure that QRIS strategies support the goals of both systems. This is a challenge that all states face as they work to use quality rating and improvement systems to support improvements in quality, while ensuring that the systems don’t limit the supply of providers or reduce access for families who need care to work.

Some of these issues are already being examined by EEC as part of the business-process reengineering component of the assessment. They point to the importance of continuing to examine EEC’s vision, implementation, and administrative structure, as well as the extent to which these elements may inadvertently contribute to each of the gaps identified below. Addressing these issues could support efforts to close the gaps.

Funding Levels and Allocation of Subsidies

Across the assessment interviews and data analysis, it was clear that the most important factor shaping the subsidy system's balance between quality early education and workforce support is the extent to which subsidies are available to families. Neither goal is achievable without access to subsidies, and inadequate funding requires policymakers to make difficult tradeoffs.

One research component of the assessment examines the extent to which the child care system meets families' needs by assessing the need for subsidies, the supply of subsidies, and gaps between the two (Isaacs et al. 2015). Some of the study's key findings regarding the allocation of subsidies across the state and the adequacy of funding to meet eligible families' needs include the following:

- In 2014, there were an estimated 35,000 unserved children in the state who were eligible for income-eligible or DTA subsidies and whose parents would be likely to apply if those subsidies were available; these were in addition to the 51,000 children already receiving such subsidies.⁴
- Each region had more eligible children and likely applicants than available subsidies, but gaps were largest in the Central region (relative to its size) and the Northeast region (in absolute numbers).
- While there are gaps for each age group, the largest appear to be for infants and toddlers: only an estimated 38 percent of eligible infants and toddlers whose parents are likely to apply are actually served. The study estimates that there are nearly 15,800 unserved infants and toddlers whose parents are eligible and would likely apply.⁵
- As is discussed in more depth below, another major gap appears to exist for children who have parents working during nontraditional hours. Forty-two percent (72,000) of the 171,000 children eligible for income-eligible or DTA subsidies have parents who work during nontraditional hours.
- There also appear to be particular challenges associated with ensuring that subsidized care is available for families whose children need care because they are in the protective services system. Respondents highlighted the challenges of relying primarily on contracted child care slots that may not be located in communities or areas where children need services, as well as the challenge of predicting where needs for DCF care may arise.⁶

More insights from this study are included in subsequent sections, and the full report provides in-depth information on all these issues.

These findings suggest that the core challenge Massachusetts faces is that funds are not adequate for achieving program goals. This challenge is shared by many states. In addition, these findings suggest that there are service gaps in Massachusetts across particular geographical areas, age groups, and need categories.

The Supply of Subsidized Child Care Available to Families

Families' ability to find contracted slots and high-quality providers that accept subsidies is another core factor in the extent to which the current system provides early education for children and meets the workforce needs of parents. Families' inability to find a provider can undercut both of these goals. The report by Isaacs and colleagues suggests that there may be issues with the supply of child care providers within the subsidy system. In some cases supply problems reflect a scarcity of providers in certain communities—either any providers, or providers willing to accept subsidies—and in some cases they are the result of geographical gaps in the distribution of subsidies for some populations:

- Respondents reported that, in some communities, some providers limited the number of subsidies they accepted and others did not want or need to accept any subsidies. These gaps were found overall, as well as within regions. Some respondents reported that some areas within regions had no subsidized care available. These included, for example, towns in Western Massachusetts, areas of Cape Cod and the islands, and wealthier suburbs throughout the state, especially in Greater Boston.
- Respondents discussed gaps in the supply of care for particular types of children and families, such as infants and toddlers, families with nontraditional work hours, children with special needs, children whose parents do not speak English or who are immigrants, seasonal workers, and families involved with DCF (DCF contracted slots are not necessarily available where children are located).
- Finally, though this was not discussed in depth in the assessment of families' needs, we heard about instances of providers being unable to fill available slots. The reasons for this are unclear and likely vary, but they could include shifts in demand within a community and discrepancies between demand and the specifications of a given contracted slot (e.g., age or special population designation). EEC is looking into these issues and taking steps to address this concern. Any further assessment of supply issues should examine the reasons behind underuse.

While more work needs to be done to better understand the complex issues shaping these patterns, our review of findings across the assessment suggests several factors that may warrant further investigation:

- **Subsidy reimbursement rates, payment policies, and administrative burden:** Respondents attributed some of the supply gaps to factors that reduce provider incentives to participate in the subsidy system. Such factors include low reimbursement rates and the administrative burden associated with participating in the subsidy system. The National Women’s Law Center, for example, estimates that in 2013 the reimbursement rate for a 4-year-old in center-based care in Boston was 39 percent below the level recommended by the federal government. The rate for a 1-year-old was 31 percent below the amount recommended (Schulman and Blank 2014).⁷ Respondents suggested that in addition to making service of subsidized children less appealing, the current rate levels make it challenging for providers to provide the high-quality care that the state would like children to receive.

This highlights the essential (but often overlooked) role that subsidy payments and payment policies play in providing the core funding providers need to deliver quality care (Adams, Rohacek, and Snyder 2008). The companion review of family needs by Isaacs and colleagues suggests, for example, that there are providers whose operating budgets are heavily reliant on subsidies. Subsidy payments and policies are likely to have a major effect on the quality of care such providers can offer. As EEC develops strategies for meeting its vision of providing quality care, the department may want to explicitly explore the role current subsidy payment levels and payment policies play in shaping the quality and supply of care available to families who receive subsidies.⁸

- **Concerns about potential impact of other early childhood initiatives:** Respondents raised concerns about potential financial and administrative burdens associated with the new quality rating and improvement system, as well as the changing nature of the market in some areas as a result of expansions in public prekindergarten services. Many child care providers rely on a business model that includes 4-year-olds, who are less expensive to serve than younger children (because more children are allowed per teacher). This model allows providers to keep their prices lower for all children in their programs, particularly infants and toddlers. The potential move of 4-year-olds to prekindergarten can disrupt this model. These findings suggest that EEC may want to consider the effect of the QRIS and state prekindergarten initiatives on the supply of subsidized child care and work to better integrate its goals across initiatives.

- **Strategies related to the blended funding (contract and voucher) approach:** Gaps in supply suggest that EEC may want to use this opportunity to consider the focus and goals of the mixed funding system (i.e., combination of contracts and voucher) currently in place. While there is little information on how contracts work in the relatively few states that use them,⁹ they are often seen as useful in supporting two related goals: increasing supply of care where markets cannot sustain the necessary supply, and supporting a higher quality of care than would otherwise be available. Contracts can support higher quality of care by linking higher payments to higher quality standards (though many experts would caution that the differential payment must be sufficient to cover the higher quality of care demanded).

One question worth exploring is the role of EEC contracts, as currently implemented, in affecting either or both of these goals. For example, while there are additional services tied to EEC contracts for families with special needs (such as families referred by DCF, families who are homeless, or families with teen parents), such standards are not required for contracted slots under the Massachusetts Income Eligible Child Care program that serves families needing care to support employment, education, or training. Further, Isaacs and colleagues' analysis of families' needs suggests that there are geographic areas where the supply of care may be inadequate. In addition, respondents said that contracted DCF slots are not always located where children need care, so heavy reliance on contracts to meet the needs of children involved with DCF presents challenges. This issue should be considered as part of any assessment of the blended funding approach. All these issues suggest that it may be useful to look at whether there are ways to strengthen the current approach to contracts in support of EEC's goals.

The new CCDF legislation provides the state with further motivation to look at a number of these issues. For example, the legislation

- directs states to develop strategies for increasing the supply and quality of services for children in underserved areas, infants and toddlers, children with disabilities, and children in care during nontraditional hours, and points toward contracts and alternative reimbursement approaches as important strategies for consideration;¹⁰
- increases funding for the “infant/toddler quality set-aside,” which creates an opportunity to expand the supply and quality of infant and toddler care; and
- directs states to ensure that their provider payment policies reflect good market practices “so as to provide stability of funding and encourage more child care providers to serve children who receive assistance.”¹¹

This guidance, along with the information provided by the assessment studies, provides the state with an opportunity to consider how payment policies and practices and the blended funding approach can support its goals. In light of inadequate funding for the program, addressing these issues without additional funds will require restrictions or cuts in other areas.

Meeting the Needs of Parents with Nontraditional Workforce Patterns

Across the assessment components, a number of issues emerged around gaps in the current subsidized child care system's ability to meet the needs of the many low-income parents whose workforce efforts do not fit the traditional 9-to-5 work model. In particular, it appears that the current system may have gaps in serving parents who work nontraditional hours, parents whose needs change over time (e.g., those with fluctuating job schedules or multiple jobs), parents who are in education and training, and parents who are self-employed.

- **Parents working nontraditional work schedules:** There appears to be a mismatch between the demands of the low-wage job market—which increasingly requires work outside the traditional 8 a.m. to 5 p.m. time frame—and the licensed child care market that mostly provides care during traditional work hours. For example, a recent EEC-funded study surveyed centers and family child care homes and found that effectively no programs were open after 6:15 or 6:30 p.m. or on weekends (Brodsky and Mills 2014, 12–14). As a result, parents working on evenings and weekends are likely to rely on unlicensed caregivers such as friends and relatives. While finding child care is a challenge for all families working nontraditional hours, it is a particular challenge for families seeking subsidies because Massachusetts is one of a small number of states that provides relatively little funding to pay for legally unlicensed care (i.e., care by friends and relatives).¹² Thus, parents working nontraditional hours in Massachusetts must often seek care outside the subsidized child care system.

The study of families' needs that Isaacs and colleagues conducted as part of the assessment provides further evidence of the importance of this issue for low-income families. Specifically, it found that 72,000 (or 42 percent) of the 171,000 children eligible for income-eligible or DTA subsidies in Massachusetts have parents who work during nontraditional hours.¹³ The challenges faced by families needing subsidized child care during nontraditional hours were

mentioned by a number of the experts interviewed for the assessment. These challenges are examined in more depth in the report about families' needs.

- **Parents whose needs fluctuate either rapidly (such as those with fluctuating work schedules or multiple jobs) or over time:** Another challenge related to meeting the workforce needs of guardians is the extent to which the current subsidy system is able to adjust to families' changing needs. In particular, research shows that low-income families can face significant instability (Adams and Rohacek 2002), including fluctuating work schedules (Ben-Ishai, Matthews, and Levin-Epstein 2014), multiple jobs, and other family dynamics.

Such fluctuations are challenging for the Massachusetts subsidy system for a few reasons:

- » Fluctuating work schedules that may move above and below the authorization levels for full-time and part-time care (20 hours) can create challenges for subsidy administrators and parents.
 - » Subsidized providers are likely to vary in the extent to which they can accommodate such fluctuations, and it is not clear how flexible the system is in allowing parents to change providers if a provider is unable to accommodate their changing needs. This appears to be particularly problematic for the almost 40 percent of parents whose children are in contracted slots, as they cannot easily leave their providers (i.e., they have to find a provider with an open contracted slot) and cannot switch to vouchers without going back on the waiting list.
 - » The limited use of subsidies for legally unlicensed care may limit the options available to parents facing fluctuating circumstances. Such options may be the only ones that are flexible enough to serve families with these changing needs (particularly if parents' work hours are outside traditional schedules).
- **Parents who are in education and training programs:** Some respondents discussed the challenges that parents needing child care for education and training could face in accessing child care subsidies. Again, there were a few issues that emerged:
 - » Eligibility and authorization policies do not always reflect the complex and diverse schedules of education and training services (see Adams et al. 2014). For example, respondents noted that some education and training programs (including the Salter School) use a schedule of intensive minicourses that doesn't align with the traditional full-time semester structure used for eligibility determination.

- » The diverse and changing schedules of parents in education and training (Adams et al., forthcoming) create the same challenges as fluctuating work schedules.
- » Recent studies suggest that about half of all low-income parents in education and training nationwide are working (Eyster, Callan, and Adams 2014). Such parents may need care during nontraditional hours to meet the combined schedules of both activities.

These findings suggest that many parents involved in education and training may face the same limits as parents with fluctuating and nontraditional work hours.

- **Parents who are self-employed:** One of the challenges raised in the assessment’s review of eligibility policy is the difficulty that self-employed parents face in documenting their incomes to prove eligibility (as well as corresponding challenges faced by entities overseeing subsidy eligibility). Respondents suggested that the requirements are so onerous that they create barriers to self-employed parents’ participation in subsidized child care, and also create significant administrative burden for local subsidy administrators.

These findings suggest that Massachusetts’s subsidy system is not effectively supporting a significant proportion of the low-wage workforce, including the more than 40 percent of eligible children whose parents work nontraditional hours.

It is important to recognize that Massachusetts is not alone in facing these challenges, as states across the country are struggling to meet the needs of families for whom the child care market does not function well. This is, no doubt, why issues facing families with nontraditional work patterns have been identified as an important priority on the national level. For example, the new CCDF legislation highlights the supply of care for these families as an area of concern, and the president has just proposed the creation of an innovation fund to identify creative strategies for meeting the needs of these families.¹⁴ As a strategy to better meet the needs of parents with irregular work patterns, the new CCDF legislation also directs states to take irregular fluctuations of parents’ earnings into account during their initial eligibility assessment and redetermination.

There are two ways in which Massachusetts’s approach to subsidies appears to create particular challenges for families with nontraditional needs. The first is the role of less formal unregulated care in the subsidy system. This is a challenge that the commonwealth shares with other states that are working to ensure that subsidy funds go toward quality care. Quality is more easily identified and monitored in formal group settings, such as child care centers and family child care homes, than in unregulated care. However, Massachusetts is one of the few states that provide very few vouchers for the less formal child care settings that provide care during nontraditional hours. This reality, when

juxtaposed with the estimated number of eligible families with nontraditional work schedules, suggests that the subsidy system could do more to ensure that care options are available to these families.

This is of particular concern because in addition to being a significant, growing segment of the low-wage labor market that subsidies are designed to support—at least two out of five of those eligible for care in Massachusetts—these families may in fact be the ones who most need the stability and support of the child care subsidy system to meet child development and work support goals. These parents may be less securely established in the workforce and their children may be facing extra developmental challenges because of family instability (Adams and Dubay 2014; Sandstrom and Huerta 2013). It is also worth exploring whether this approach is fully consistent with the parental-choice requirements of the CCDF legislation, which did not change under reauthorization.¹⁵

The second policy thread that the state may want to investigate further is how the blended contract and voucher funding system in Massachusetts works for families facing nontraditional work demands. Contracts play an essential role in the subsidized child care system. However, our analysis suggests that the design of the contracted system makes it difficult to accommodate changes in parents' needs or demands for care. Any parent may experience such changes, but those with nontraditional work patterns are the most likely to be affected. Therefore, it is worth exploring whether the current approach to contracted care slots creates challenges for families whose child care needs and preferences change (whether because of work patterns or life circumstances, or because they no longer want to continue with their provider), and—if it does—whether there are ways to make the contracted system more flexible and responsive to meet these families' needs.

Conclusions and Implications

The subsidized child care system in Massachusetts faces the same challenges as child care subsidy systems across the country. The broader child care market does not effectively function to provide a supply of affordable, high-quality care, and therefore does not meet the system’s dual goals of supporting children’s development and parents’ needs to work or gain job skills. Further, while the market is ineffective for many families, service gaps appear to be particularly problematic for lower-income families with nontraditional work patterns, for some particular groups of children (infants and toddlers and children with unusual needs), and in some geographic areas. Massachusetts, like other states, must work to address these gaps with inadequate subsidy funds while trying to meet both the child development and workforce support needs of low-income families. This reality presents the state with a daunting task that requires difficult tradeoffs and decisions.

The components of the assessment of the Massachusetts subsidized child care system—including this review of gaps around balancing families’ need for child care that meets the dual goals of child development and workforce support—provide policymakers and stakeholders with information on some of the challenges this effort faces. The findings of this review suggest that there are four areas that are worth additional attention:

1. **Strengthen the overall EEC vision, and the EEC vision for the subsidy program, to more explicitly focus on both goals—supporting child development and supporting workforce needs of parents and guardians.** Massachusetts, as well as other states, is working to develop a clear dual-generation vision to inform its implementation of the subsidy system and to ensure that this vision is an integral part of broader efforts to support quality in early childhood services. To address some of the gaps identified in this review, the commonwealth may want to consider the following steps:
 - » Examine the vision, goals, and administrative structure of EEC to ensure that they reflect a coherent focus on both of these goals—in the department as a whole, and within its subsidy components—to ensure that the goals are connected and approached in a mutually reinforcing manner.
 - » Ensure that both goals are given priority within the subsidy system and that related efforts (such as QRIS implementation) are conceptualized in a way that supports them (or does not undermine them).

- » Consider the interrelated nature of all early childhood initiatives and how other initiatives may affect these goals (including, for example, prekindergarten expansion, QRIS implementation, and subsidy policies and practices), and work to ensure that the vision for these initiatives supports both goals.

2. **Consider whether there are ways to strengthen core elements of the subsidy program to support child development goals while continuing to support access to care.** The findings above suggest that aspects of the subsidy system could be strengthened to better support quality of care.

Some of the issues to examine here include the following:

- » Examine whether subsidy payment levels, policies, and practices are affecting providers' willingness to serve children in the subsidy system or ability to provide quality care, and take steps to address problems that are identified. Consider the role of subsidy payment policies in providing the financial foundation that the provider community needs to meet the system's quality goals.
- » Assess whether there are ways to strengthen the blended funding model to strategically use contracts to address gaps in supply and quality. In considering these adjustments, the commonwealth may want to carefully consider the goals of the contracted system—for example, is the purpose of contracts to address gaps in quality, or to ensure that children with particular needs receive services of a higher quality than the market supports? The state might also consider ways the strengths and weaknesses of vouchers and contracts could complement each other—for example, the state could consider whether a blended funding model could be used to better serve special populations (such as families involved with DCF who live in a community with no contracted DCF slots).

However, changes to the contracted system should be considered with caution, as contract funding appears to be part of the core funding and financial infrastructure of a number of child care programs. Therefore, adjustments must be made cautiously so as to not disrupt such providers' ability to serve children and families, and to avoid inadvertently reducing the supply of care.

- » Look at the potential interaction between the QRIS and the subsidy program, since respondents felt that the QRIS was already affecting the subsidized child care market. Examine how the QRIS can be used to support the availability of high-quality options for families in the subsidy system, and whether steps can be taken to ensure that it doesn't contribute further to gaps in the supply.

3. **Consider ways the core subsidy program could better meet the needs of the significant portion of low-wage workers whose workforce patterns do not align with the services provided by the more formal child care market of centers and family child care homes.** Some issues that the state may want to examine include the following:

- » Are there ways to meet the child development needs and workforce needs of these families? For example, both goals could be addressed by supporting children’s access to a high-quality program during traditional work hours, while also paying for unlicensed options during evenings and weekends. The Office of Child Care has made it clear that states do not have to limit their payments to the hours that parents are engaged in work activities, and EEC recently revised regulations to reflect this policy. This change effectively addresses part of the issue, as it allows parents working nontraditional hours to use subsidies in formal settings that operate during traditional hours. However, it still does not address these parents’ need for care during nontraditional hours—a need that is likely to be primarily filled by less formal caregivers such as friends and relatives. More proactively providing subsidies for such settings is likely to raise concerns around the use of public funds for care that may be of a lower quality. Most states, however, pay for legally unlicensed care, and some states report that a significant proportion of their vouchers (more than 40 percent) go to this form of care.¹⁶ Furthermore, under reauthorization, states are now required to have stronger health and safety protections for such care. Massachusetts could explore the approaches other states use to ensure that unlicensed providers meet basic health and safety requirements.
- » What steps can be taken to help families whose child care needs change frequently? Massachusetts may want to consider ways of ensuring that its eligibility policies and payment approaches are flexible and can accommodate labor market realities. This topic also suggests that expanding funding for legally unlicensed care might help supplement formal, higher-quality options. The state may also want to examine whether parents who need to adjust their child care schedules and providers are able to do so easily. Finally, the state could consider whether there are ways to make it easier for families with contracts slots to keep their subsidies (and hopefully their slots) even if they have changing needs. In all these situations, the state could examine whether there are there ways to make the system more flexible while continuing to support the quality and stability of families’ options.

4. **Examine strategies to address gaps in supply of child care available to families in the subsidy system.** As noted, there appear to be gaps in the supply of providers in general and in the supply of providers willing to accept subsidies. Particular gaps exist in some geographic regions (and subregions) and for certain types of families: those with infants and toddlers; those whose children have special needs; and those who face challenges related to involvement with DCF, homelessness, or teen parenthood. This review suggests that additional work needs to be done to better understand the causes of these gaps, as well as the best solutions. Some areas worth exploring include subsidy payment policies and practices, the allocation of contracted slots, and the effects of other early childhood initiatives such as the QRIS and prekindergarten expansion. Taking steps to better understand and address these challenges will support the state’s goals of child development and workforce support, and will conform to new federal directives associated with the CCDF reauthorization.

This report provides insights into some of the gaps in Massachusetts’s approach to meeting the dual goals of its subsidized child care system, and provides context to help policymakers understand some of the tradeoffs associated with the current approach and program design. However, inadequate funds require policymakers and decisionmakers in Massachusetts—and in states across the country—to consider where to target the resources they have. As a result, efforts to address the gaps highlighted in this report are likely to require either additional funds or corresponding reductions in other areas. Nonetheless, the passage of the reauthorized CCDF, along with the findings from the full set of studies in this assessment, provides a useful opportunity for the commonwealth to assess ways the subsidy system can better ensure children’s healthy development and parents’ ability to support them.

Appendix A. Project Overview

This report is one product of a legislatively mandated 18-month assessment of the Massachusetts subsidized child care system conducted by the Urban Institute and its partners, Alicia Koné and Andre Helmstetter of Koné Consulting, Kirsten Smith of Bloom Consulting, and Nancy Marshall of Wellesley College. The assessment focuses on (1) identifying ways to improve the regional and statewide efficiency of the distribution of state-supported child care; (2) analyzing the child care needs of eligible families with regard to the availability of child care vouchers or contracted child care slots in different geographic regions of the commonwealth; and (3) evaluating the balance of providing quality early childhood education with providing workforce support for guardians.

To accomplish this goal, the Urban Institute worked with EEC to execute a multifaceted study that consisted of six interrelated components: (1) an initial planning phase, (2) a review of budgetary policies and practices, (3) a review of eligibility policies and practices, (4) an assessment of business-process redesign of EEC operations, (5) a review of child care needs of eligible families, and (6) an assessment of balancing quality early education with providing workforce support for guardians.

The project began with a planning phase that included analyzing more than 40 EEC documents and reports, talking with 15 EEC staff members, and interviewing 15 key stakeholders throughout the state to better understand the current challenges within the subsidized system.

To analyze the budgetary policies and practices, Urban researchers combined an analysis of recent spending and a review of current forecasting models with interviews with EEC staff, external stakeholders, and experts in other states.

For the review of eligibility policies and practices, Urban researchers pulled together insights gathered from interviews and focus groups with approximately 60 experts and stakeholders statewide to identify a number of important issues that, if addressed, could help improve the efficiency and effectiveness of the system.

To review the business processes of the central office, EEC worked with Koné Consulting team members to analyze and improve subsidy business processes related to the provision of technical assistance and the establishment of regulations, policy, and guidance interpreting federal and state law.

Another large component of the assessment was its review of the child care needs of eligible families. The review focused on analyzing child care needs, supply, and gaps across geographic regions

and age groups to examine how well the current system of child care subsidies is meeting the needs of eligible families.

The final component used data from the previous components to generate insights on the question of the balance between providing quality early education and meeting the workforce needs of parents.

At the culmination of each component, Urban produced reports summarizing key lessons and recommendations. Many of these reports have been or will be published on the Urban website to help people in Massachusetts and other states learn more about the challenges inherent in a large state-subsidized child care system and about opportunities to improve efficiency and effectiveness.

Additional reports produced for the assessment are listed below.

- Adams, Gina, and Michael Katz. 2015. *Review of Massachusetts Child Care Subsidy Eligibility Policies and Practices: A Report for the Assessment of the Massachusetts Subsidized Child Care System*. Washington, DC: Urban Institute.
- Isaacs, Julia, and Michael Katz. 2014. *Review of Budgetary Policies and Practices in the Massachusetts Subsidized Child Care System*. Washington, DC: Urban Institute. <http://www.urban.org/publications/2000040.html>.
- Isaacs, Julia, Michael Katz, Sarah Minton, and Molly Michie. 2015. *A Review of the Child Care Needs of Eligible Families in Massachusetts*. Washington, DC: Urban Institute.

Appendix B. Overview of the Massachusetts Subsidized Child Care System

Goal and Children Served

The subsidized child care system in Massachusetts is meant to provide quality care and early education opportunities to children from low-income families throughout the state whose parents are working or meet other service criteria based on their eligibility status (e.g., teen parents, homeless parents, or parents with an open DCF case).

Currently, licensed child care providers serve 58,300 children from birth through age 13 through two types of subsidies: contracts and vouchers (Isaacs et al. 2015). Subsidized providers are reimbursed by EEC for serving children with subsidies; parents are charged a weekly fee which varies by their income. While a large portion of children receive subsidies (over one-quarter of child care slots in the state are filled by children with subsidies), the need for subsidized child care in Massachusetts surpasses the supply, as it does in many states (Isaacs et al. 2015). When there is no available spot for a child, that child remains on the waiting list. Over the past few years, the size and compilation of the waiting list have been points of contention in the state, although EEC has taken many recent measures to clean up the list and improve it.

Financial Component and Eligibility Determination

The subsidized child care system is funded by three main accounts that differ based on the types of families served and the referral agency. The three main funding streams and accounts are (1) DCF Child Care (3000-3050), (2) DTA Related Child Care (3000-4050), and (3) Income Eligible (IE) Child Care (3000-4060).¹⁷ The subsidized system includes partnerships with DCF, DTA, and DHCD, which help determine eligibility. While they are handled differently in terms of eligibility and subsidies, homeless contracts through DHCD and teen parent contracts are part of the Income Eligible funding stream. However, all money for the subsidized system is administered and managed by EEC.

For the above accounts, eligibility for income-eligible and teen parents is determined by EEC subsidy administrators, which include regional CCRR agencies, contracted providers, and family child care systems. Eligibility for DTA, DCF, and DHCD subsidies is determined by representatives from those agencies who send eligibility determinations to EEC subsidy administrators. Eligibility criteria differ based on the type of account: for DTA, DCF, and DHCD, the criteria are tied directly to participation in or association with a program run by that agency (e.g., families who have open DCF abuse or neglect cases or who have been placed in a DHCD homeless shelter).

Types of Providers, Reimbursement, and Distribution

The majority of children with subsidies receive care at providers that are licensed by EEC. There are three predominant types of licensed providers that accept subsidies: center-based providers, family child care providers that participate in family child care systems, and independent family child care providers that are not linked to a system. Family child care systems are umbrella agencies that handle administrative duties for and provide support (training, technical assistance, referrals, etc.) to providers that are part of the system. The systems are awarded contracts to give to their providers. In addition to those served in licensed settings, a small percentage—less than 2 percent—use vouchers for license-exempt kith-and-kin care in relatives' homes or their own homes. (Caregivers who are relatives must be checked against the Massachusetts Sex Offender Registry; caregivers who are not relatives must pass a background check and provide care in the child's home.)

Subsidy payment rates (the maximum amounts that the state will pay child care providers) vary by provider type (center versus family), children's age, and region. EEC uses six regions across the state: Western, Central, Northeast, Greater Boston, Southeast, and Metro Boston.

Notes

1. For more information about changes in the new legislation, see <http://www.acf.hhs.gov/programs/occ/ccdf-reauthorization> and <http://www.clasp.org/issues/child-care-and-early-education/pages/child-care-and-development-block-grant-act-of-2014>.
2. "Mission Statement," Massachusetts Department of Early Education and Care, 2015, <http://www.mass.gov/edu/government/departments-and-boards/departments-of-early-education-and-care/mission-statement.html>.
3. The federal Office of Child Care's summary of the legislation reports that the new law "establishes a 12-month eligibility re-determination period for CCDF families, regardless of changes in income (as long as income does not exceed the federal threshold of 85% of State median income) or temporary changes in participation in work, training, or education activities." It also states that states are allowed "the option to terminate assistance prior to re-determination if a parent loses employment, however assistance must be continued for at least 3 months to allow for job search" ("Plain Language Summary of Statutory Changes," November 18, 2014, <http://www.acf.hhs.gov/programs/occ/resource/ccdbg-of-2014-plain-language-summary-of-statutory-changes>).
4. Note that this estimate assumes that 50 percent of eligible children and families would apply for subsidies if subsidies were expanded. As discussed in the report by Isaacs and colleagues (2015), the actual take-up of child care subsidies could be higher or lower than 50 percent, and depends in part on the policies and implementation plan for expanded subsidies.
5. This estimate assumes that 65 percent of all eligible infants and toddlers would be placed in subsidized care if funding were expanded; see the report by Isaacs and colleagues (2015) for further information on take-up rates by age, including information on the uncertainty surrounding such estimates.
6. Limited vouchers are available for children referred by DCF, though the vast majority of slots for DCF children are contracted slots. The Massachusetts Department of Early Education and Care reports that, in response to DCF's request, use of vouchers for DCF children has been increasing recently, to help provide care in areas where there are no contracts or in areas where all contract slots are full, or to keep a child at his or her existing provider.
7. The CCDF suggests that states set their maximum reimbursement rates at the 75th percentile. National Women's Law Center data suggest that the rates in Massachusetts are below this recommended ceiling (Schulman and Blank 2014).
8. EEC recently reached out to providers to identify reasons for underuse. This process provided valuable insights into the issue, so a similar approach may be useful for exploring payment levels and policies.
9. According to 2013 data from the federal Office of Child Care, only seven or eight states administer 5 percent or more of their CCDF funds through contracts (other states' definition of "contracts" may not be the same as Massachusetts's). See the Office of Child Care's "FY 2013 Preliminary Data Table 2 – Percent of Children Served by Payment Method," October 8, 2014, <http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-2>.
10. "Plain Language Summary of Statutory Changes," Office of Child Care, US Administration for Children and Families, November 18, 2014, <http://www.acf.hhs.gov/programs/occ/resource/ccdbg-of-2014-plain-language-summary-of-statutory-changes>.
11. Child Care and Development Block Grant Act of 2014, Pub. L. No. 113-189, 128 Stat. 1971 (2014). The Office of Child Care's summary of the legislation states that "states must establish policies that reflect generally accepted payment practices for child care providers, including (to the extent practicable) paying for absence days, and timely reimbursement for child care services." ("Plain Language Summary," see n. 10).
12. "FY 2013 Preliminary Data Table 4 – Average Monthly Percentages of Children Served in Regulated Settings vs. Settings Legally Operation without Regulation," Office of Child Care, US Administration for Children and Families, October 8, 2014, <http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-4>.

In 2013, Massachusetts was one of only six states (plus the District of Columbia) reporting that no funds were used to pay for legally unregulated care. However, in collaboration on Urban Institute research conducted as part of the assessment, the state has provided information demonstrating that less than 2 percent of children are served through license-exempt care.

13. Estimated based on survey data about the usual hours parents worked and the time parents left home for their work commutes (Isaacs et al. 2015).
14. “Helping All Working Families with Young Children Afford Child Care,” White House Office of the Press Secretary, January 21, 2015, <http://www.whitehouse.gov/the-press-office/2015/01/21/fact-sheet-helping-all-working-families-young-children-afford-child-care>.
15. See, for example, Policy Interpretation Question, log no. CCDF-ACF-PIQ-211-01, issued by the Administration for Children and Families, US Department of Health and Human Services, January 5, 2011, http://www.acf.hhs.gov/sites/default/files/occ/piq2011_01.pdf.
16. Office of Child Care, “FY 2013 Preliminary Data Table 4” (see n. 12).
17. While these are the three largest accounts, an account focused on waitlist remediation has served as an additional funding stream since 2013.

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