

# Child Care Subsidies in Urban and Rural Counties

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## **Introduction**

Obtaining affordable, quality child care is important for low-income families and their children. Research suggests that child care plays an important role in the social and educational development of children and in helping parents work or prepare for work.<sup>1</sup> In 1996, Congress recognized the importance of child care when it enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and created the Child Care and Development Fund (CCDF). CCDF was developed to help low-income parents with different needs and life circumstances secure quality care for their children. Although there has been some exploration on how the program is serving families of various incomes and racial groups, there has been less research on how well CCDF is serving families that live in different geographical areas. This paper aims to contribute to our understanding of CCDF by comparing the characteristics of CCDF children and analyzing CCDF caseload sizes in urban and rural areas.

## **Background on the Child Care and Development Fund**

The Child Care and Development Fund (CCDF) is the nation's largest source of child care assistance for low-income families that work or attend job-preparation activities. The most recent data from the U.S. Department of Health and Human Services (HHS) report that CCDF served about 1.75 million children in an average month in FY 2005 at a cost of almost \$9.4 billion.<sup>2</sup> CCDF is funded through a variety of federal and state funding sources, including transfers from the Temporary Assistance for Needy Families (TANF) program. Although general program guidelines are established by the federal government, states are given considerable flexibility in determining which families are eligible to receive subsidies, the amount of assistance paid to care providers, and the co-payments families contribute out-of-pocket to the cost of care.

States may serve families up to 85 percent of State Median Income (SMI) and children up to age 13, or age 19 for youths with special needs. States also have the option of prioritizing which families receive subsidies when they are unable to serve all eligible applicants and may exempt families with incomes at or below the poverty level from making co-payments. A key feature of CCDF is the opportunity for parents to choose any legally operating provider to care for their children, including faith-based providers and relatives. Some examples of care settings include child care centers, care in the children's own residences, and care in other families' residences.

## **Determining Urban and Rural Status for CCDF Children**

This paper uses the U.S. Department of Health and Human Service's ACF-801 database to document CCDF caseload sizes in urban and rural areas. The ACF-801 data consist of state caseload submissions and provides nationally representative samples of the children and families served, including information on family income and co-payments, demographics, and type of

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<sup>1</sup> Halle Zaslow, Tamara Halle, Lina Guzman, Bridget Lavelle, Julie Dombrowski, Daniel Berry and Ayonda Dent. *Review and Synthesis of Selected Research Reports Submitted to the Child Care Bureau, U.S. Department of Health and Human Services*, (Child Trends: April 2006). Accessed 19 March 2007 at: <http://www.childcareresearch.org/SendPdf?resourceId=8720>.

<sup>2</sup> The \$9.4 billion includes \$1.8 billion appropriated in earlier years, but expended in FY 2005. Department of Health and Human Services, Administration for Children and Families "2005 CCDF Expenditure Data". Accessed 19 March 2007 at: [http://www.acf.dhhs.gov/programs/ccb/data/expenditures/05acf696/fy05\\_overview\\_allyears.htm](http://www.acf.dhhs.gov/programs/ccb/data/expenditures/05acf696/fy05_overview_allyears.htm)

setting including licensure status.<sup>3</sup> Although a majority of states provide records for all of the children and families served with CCDF subsidies, a few states provide representative samples. Many states fund child care subsidies and early education programs through non-CCDF sources and include some of these records with the CCDF cases in their ACF-801 data submissions. States that provide “pooled” submissions indicate the percentage of these funds that are from CCDF, which allows researchers to estimate the number of families and children served specifically through CCDF funding.<sup>4</sup> The expanded sample version of the ACF-801 database contains an average of over 1 million unweighted CCDF children records per month for FY 2004, providing a rich sample size to study small subpopulations. The children represented in the ACF-801 database contain geographical identifiers that allow researchers to observe the demographic and economic characteristics of the counties in which CCDF children reside, including whether they are urban or rural.

While some counties almost entirely consist of either urban or rural areas, many contain a blend of city and countryside land masses and are not easily defined with a two-category identification system. These “mixed” counties pose a challenge for any study of non-urban counties because data are often unavailable for land areas smaller than counties, making it difficult to isolate and compare the economic and demographic differences between some urban and rural areas. To address this challenge, this analysis uses a methodology developed by Andrew Isserman of the University of Illinois, Urbana-Champaign and places each child into one of four types of counties based on the blend of urban and rural areas inside its borders as defined by the Census Bureau. As summarized in **Table 1**, counties that almost entirely consist of either urban or rural areas are designated simply as urban or rural. Counties that are not easily defined as primarily urban or rural are designated as mixed-urban or mixed-rural, depending on their population density. A map showing the four classifications is included at the end of the paper.

**Table 1: Using the Isserman Urban-Rural Density<sup>5</sup> Classification to Define Counties Based on their Blend of Urban and Rural Areas**

County Type	Description
Urban	Meets all three of these requirements: (1) Density is at least 500 people per square mile (2) 90 percent of population lives in urban areas (3) Population in urbanized areas is at least 50,000 or 90 percent of the county’s population
Mixed-Urban	Does not meet definition for urban or rural, and has a population density of at least 320 people per square mile
Mixed-Rural	Does not meet definition for urban or rural, and has a population density less than 320 people per square mile
Rural	Meets both of these requirements: (1) Population density is less than 500 people per square mile (2) 90 percent of population lives in rural areas or the county has no urban area with a population of 10,000 or more

<sup>3</sup> For more information on the ACF-801 data, see <http://www.acf.dhhs.gov/programs/ccb/report/index.htm>.

<sup>4</sup> About 20 percent of the children in the ACF-801 data were funded through non-CCDF sources. Some examples of non-CCDF sources include Title XX, state programs, and TANF funding not officially transferred to CCDF.

<sup>5</sup> Andrew Isserman, “In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy.” *International Regional Science Review*, 28, 4: 465-499 (October 2005).

In order to provide additional detail about the counties in the urban and rural categories, **Table 2** and **Figure 1** show additional subdivisions for the urban and rural counties. For **Table 2** and **Figure 1**, urban counties are bifurcated by whether the urban counties are located in large metropolitan areas with populations of at least 1 million people, and rural counties are subdivided by whether or not they have a town of at least 2,500 residents within their borders.<sup>6</sup> The remaining tables and figures use the more simplified format.

Before continuing, it should be noted that there is not a consensus among researchers as to which classification system is ideal for studying the urban-rural makeup of counties. The Isserman Urban-Rural Density classification system is used here because it appears to differentiate better than other systems the distinction between counties that are clearly urban or rural, and counties that are less homogeneous. In addition, the Urban-Rural Density classification appears to capture and isolate rural areas better than other systems. However, other classification systems are also valid when put into the proper context. For example, the Metropolitan/Non-Metropolitan coding system developed by the Office of Management and Budget (OMB) and expanded by the U.S. Department of Agriculture is often used because it emphasizes not only the counties' population cores, but also their commuting patterns and proximity to urban areas/clusters outside of their borders. Many of the tabulations in this paper have been reproduced by the author using these other classifications systems to accommodate researchers that prefer these other classifications. These data can be accessed at: <http://aspe.hhs.gov/hsp/07/cc-subsidies/more-tables.xls>

### **CCDF Caseloads and Child Populations**

The county-identification codes from the ACF-801 administrative data can be used to estimate the number of CCDF children living in the four types of urban and rural counties.<sup>7</sup> By themselves, differences in caseload sizes are difficult to interpret since urban areas contain a much larger share of the nation's population, and thus are likely to contain a larger share of the nation's CCDF children than rural areas. One way to put the caseload sizes into perspective is to compare the caseload sizes to the number of children living in those counties. Although these population comparisons cannot estimate the number of children that are eligible for assistance or "need" child care subsidies, they do provide useful figures for comparison, if interpreted appropriately.<sup>8</sup> Since about 90 percent of CCDF children were below age 10 in FY 2004, this paper presents the population sizes of children ages 0 to 9 (all incomes) for comparison purposes.<sup>9</sup>

The ACF-801 data show that CCDF served substantial numbers of children in both urban and rural counties in FY 2004. As shown in **Table 2**, CCDF served 823,000 children in urban

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<sup>6</sup> The urban and rural counties were subdivided based on the corresponding Urban Influence Codes from the U.S. Department of Agriculture's Economic Research Service. Rural counties designated with Urban Influence Codes 7, 10, and 12 were classified as "Rural, no Town 2,500+" for this paper, while the remaining rural counties were classified as "Rural, w/ Town 2,500+". Urban Influence codes 1 and 2 were used to subdivide the counties designated as "urban" by the Urban-Rural Density codes.

<sup>7</sup> Two adjustments were made to align the Urban-Rural Density codes with the ACF-801 data. Bloomfield, CO was a county added after Census 2000 and was coded as urban by the author for tabulations involving data collected after 2000. Clifton Forge City was merged with Allegheny, VA, a rural county.

<sup>8</sup> The population sizes were tabulated by the author using the Census Bureau's Intercensal estimates for July 2004.

<sup>9</sup> Comparisons with populations considered poor under the federal definition of poverty are attached in the spreadsheet document.

counties, 239,000 children in mixed-urban counties, 542,000 children in mixed-rural counties, and 133,000 children in rural counties. In general, the distribution of CCDF children aligns to the distribution of children in each type of county.<sup>10</sup> For example, rural counties contained about 9 percent of the nation’s children ages 0 to 9 in 2004 and about 8 percent of CCDF children. Urban counties contained about 46 percent of the nation’s children ages 0 to 9 and 47 percent of CCDF children.

**Table 2: Number and National Percentage of Children by County Type, 2004**

	CCDF Children		All Children Ages 0 to 9	
	# (1,000s)	% U.S. Total	# (1,000s)	% U.S. Total
<b>U.S. Total</b>				
Total	1,737	100%	39,675	100%
<b>Urban</b>				
In Small Metro	89	5%	1,813	5%
In Large Metro	734	42%	16,363	41%
Total	823	47%	18,177	46%
<b>Mixed-Urban</b>				
Total	239	14%	5,903	15%
<b>Mixed-Rural</b>				
Total	542	31%	12,131	31%
<b>Rural</b>				
No Town 2,500+	18	1%	472	1%
W/ Town 2,500+	114	7%	2,992	8%
Total	133	8%	3,464	9%

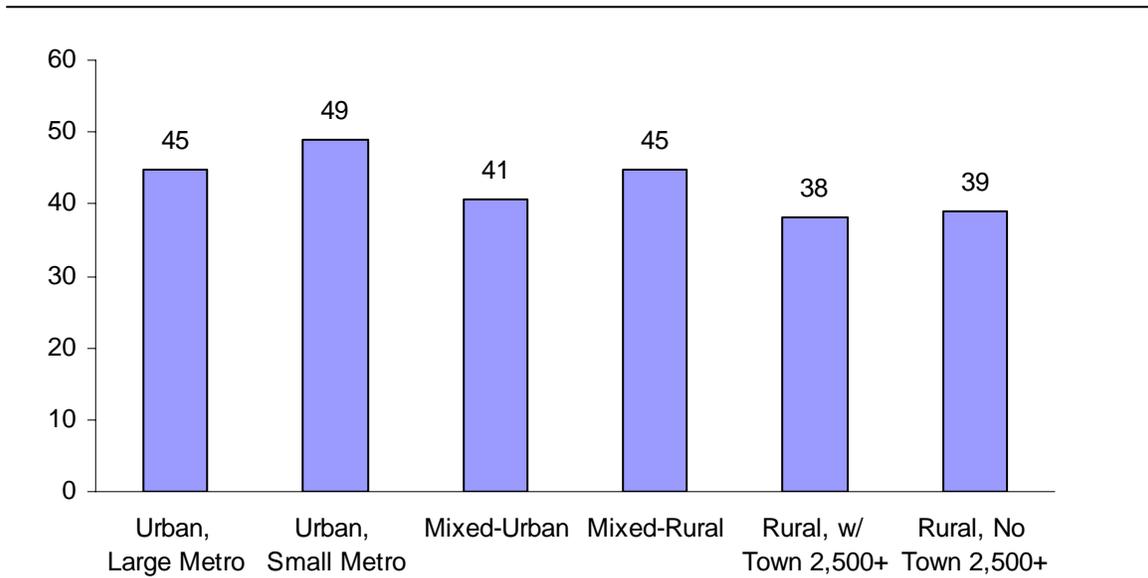
Source: Author’s tabulations from ACF-801<sup>11</sup>, FY 2004; and U.S. Census Bureau’s Population Estimates Program

<sup>10</sup> This analysis included families receiving subsidies in the fifty states as well as the District of Columbia. Subsidies from other U.S. territories were not included.

<sup>11</sup> County identification data was missing for 1,059 CCDF children and 758 CCDF family records in the ACF-801 data for FY 2004. These records were excluded from the analysis.

Another way to examine these differences is to construct ratios of the number of CCDF children per 1,000 children ages 0 to 9 (all incomes). These ratios show that urban counties, on average, received about 7 more CCDF subsidies per 1,000 children ages 0 to 9 than rural counties (data not shown). However, when comparing rural counties with each other, the counties with towns of at least 2,500 residents had a slightly smaller number of CCDF children per 1,000 children ages 0 to 9 than in the other rural counties (see **Figure 1**). In addition, urban counties incorporated into small metropolitan areas had a larger number of CCDF children per 1,000 children ages 0 to 9 than urban counties within large metropolitan areas of at least 1 million people.<sup>12</sup>

**Figure 1: Number of CCDF Children per 1,000 Children Ages 0 to 9, Average Monthly FY 2004**



Source: Author’s tabulations from ACF-801, FY 2004; and U.S. Census Bureau’s Population Estimates Program

**Average Number of Hours in Care per Week**

The county identifiers on the ACF-801 records allow comparisons between the CCDF caseload characteristics of urban and rural counties in FY 2004. When compared to the other three types of counties, rural counties had the greatest percentage of CCDF children in care for less than 10 hours per week and the smallest percentage of CCDF children in care for at least 40 hours per week (see **Table 3**). As shown in **Figure 2**, CCDF children in rural counties were, on average, in care for fewer hours than CCDF children in mixed-rural, mixed-urban, and urban counties. On average, children living in mixed-urban counties were in care more hours per week than children in rural, mixed-rural, and urban counties.

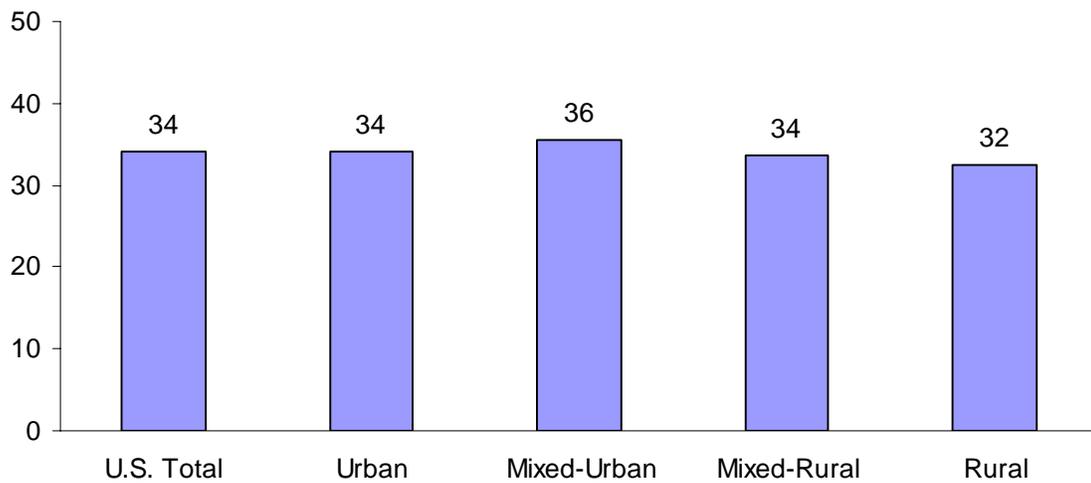
<sup>12</sup> In order to avoid confusion with excessive tabulations and county classification systems, some interesting differences are not presented in the body of the paper, but are shown in the attached spreadsheets. For example, counties designated as micropolitan by the Office of Management and Budget have more CCDF children per 1,000 children ages 0 to 9 than both metropolitan and non-core areas.

**Table 3: Percentage Distribution of CCDF Children by Average Number of Hours in Care per Week by County Type, Average Monthly FY 2004**

	1 to 9	10 to 19	20 to 29	30 to 39	40+
U.S. Total	6	14	18	22	41
Urban	4	14	18	24	40
Mixed-Urban	6	12	18	20	44
Mixed-Rural	7	14	18	19	41
Rural	10	15	17	20	38

Source: Author's tabulations from ACF-801, FY 2004

**Figure 2: Average Hours in Care per Week for CCDF Children by County Type, Average Monthly FY 2004**

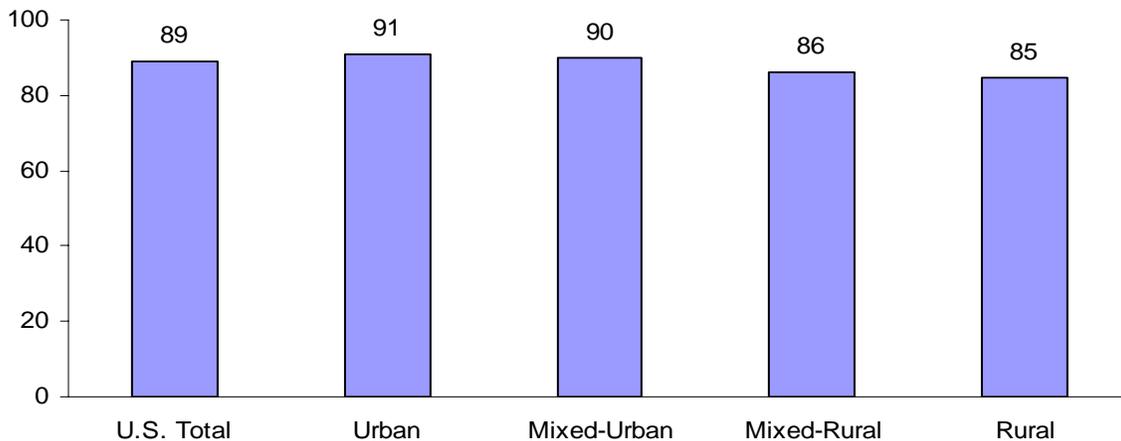


Source: Author's tabulations from ACF-801, FY 2004

### CCDF Children in Families Headed by Single Parents

A majority of CCDF children were in families headed by single parents<sup>13</sup> in all four Urban-Rural Density categories in FY 2004 (see **Figure 3**). However, these percentages were smaller for CCDF children living in rural and mixed rural counties (85 and 86 percent respectively) than the percentages in mixed-urban and urban counties (90 and 91 percent respectively).

**Figure 3: Percentage of CCDF Children Living in Families Headed by Single Parents, Average Monthly Percentage FY 2004**



Source: Author's tabulations from ACF-801, FY 2004

### Child Care Settings

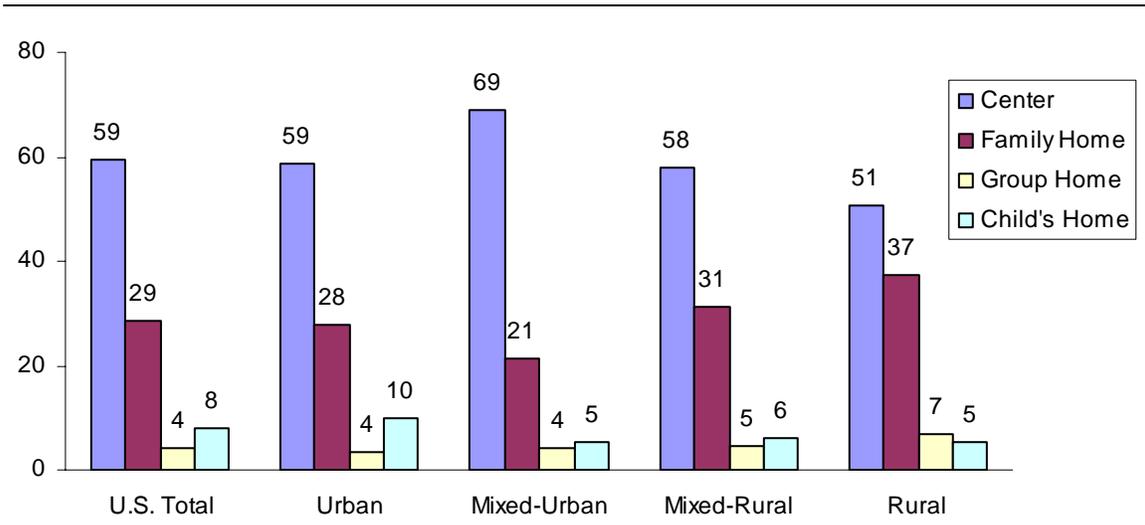
The child care settings of CCDF children living in the four Urban-Rural Density categories are presented in **Figure 4**.<sup>14</sup> In all four categories, center-based care in nonresidential facilities was the most prevalent care arrangement for CCDF children, serving over half of the CCDF population. Substantial numbers of CCDF children also received care from family home child care providers, which includes arrangements where care is provided by single individuals in private residences other than in the children's own homes. No more than 14 percent of CCDF children received care in either the children's own homes or in group homes where care is provided by two or more caretakers in other families' private residences.

While nearly 9 in 10 children relied on center and family home care in FY 2004, there were differences between families living in the four types of Urban-Rural Density categories. In general, families in rural counties were less likely to use center-based care and more likely to use family-based care than CCDF children living in the other three types of counties. In contrast, children living in mixed-urban counties were the most likely to use center-based care and the least likely to use family home care.

<sup>13</sup> A single parent is defined as a parent/adult who is legally/financially responsible for and living with a child where there is no other adult legally/financially responsible for the child in that eligible family.

<sup>14</sup> For more details on how the ACF-801 data defines child care settings see, Federal Register / Vol. 63, No. 142/ Friday, July 24, 1998, pages 39982-39983. Available at: <http://www.acf.dhhs.gov/programs/ccb/law/finalrul/index.htm>

**Figure 4: Percentage of CCDF Children in Various Child Care Settings by County Type, Average Monthly FY 2004**

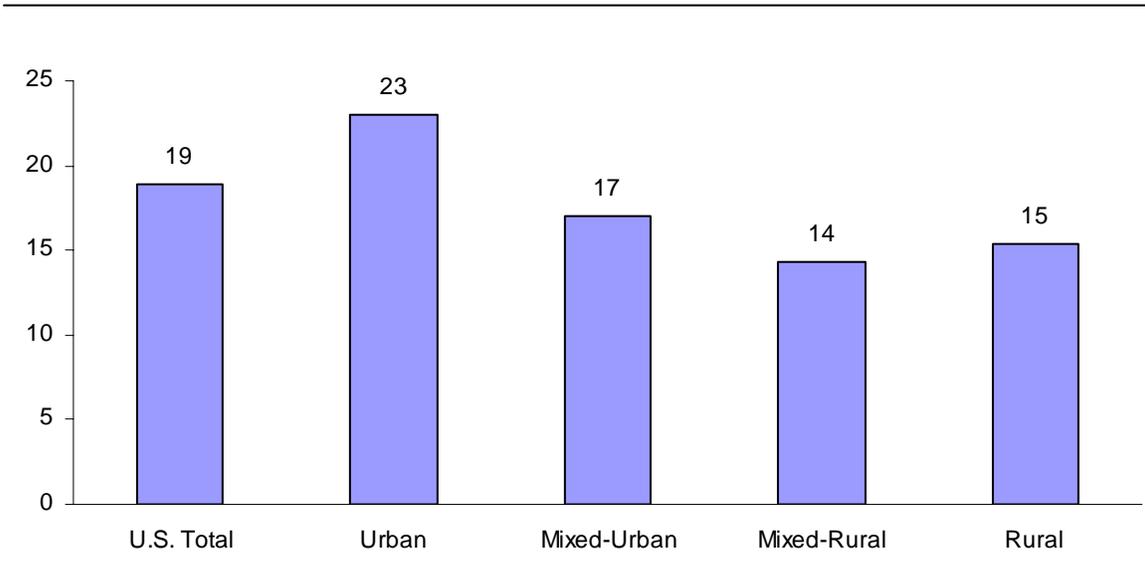


Source: Author's tabulations from ACF-801, FY 2004

**TANF Participation**

The percentage of CCDF families that received TANF assistance in rural and mixed-rural counties was lower than in mixed-urban and urban counties in FY 2004 (see **Figure 5**). However, no more than a quarter of CCDF families in any of the four categories received TANF and CCDF subsidies at the same time.

**Figure 5: Percentage of CCDF Families that Received TANF Assistance by Type of County, Average Monthly FY 2004**

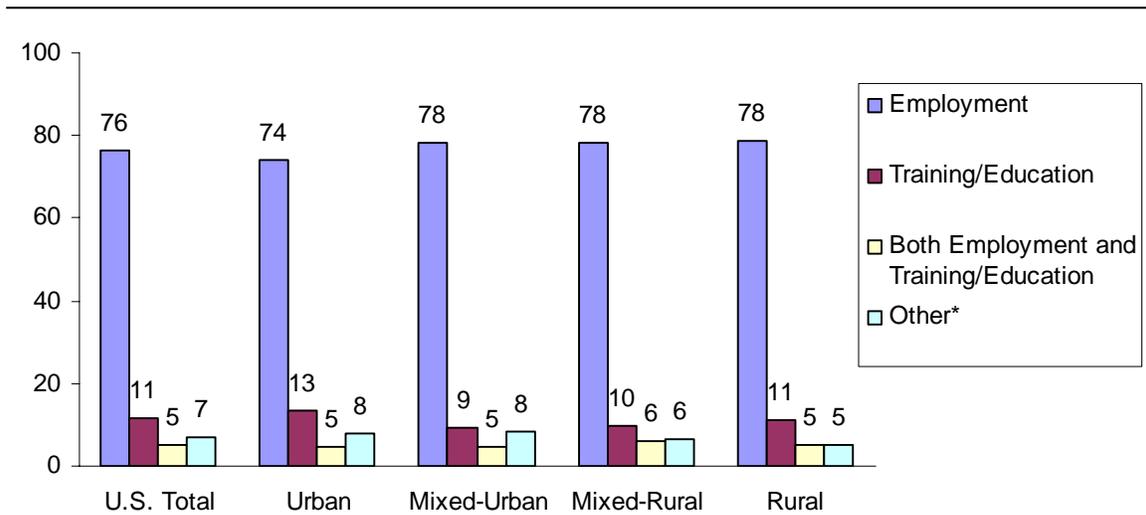


Source: Author's tabulations from ACF-801, FY 2004

## Reason for Receiving Subsidized Care

In FY 2004, a majority of all CCDF families received subsidies to enable the parent(s) to work (see **Figure 6**). Of the other reasons for receiving CCDF subsidies, families in urban areas were somewhat more likely to receive subsidies to enable parents to attend job-training and education classes. Across all four categories, no more than 8 percent of CCDF families received subsidies for reasons other than employment and education/training.

**Figure 6: Reasons Families Received CCDF Subsidies by County Type, Average Monthly Percentage FY 2004**



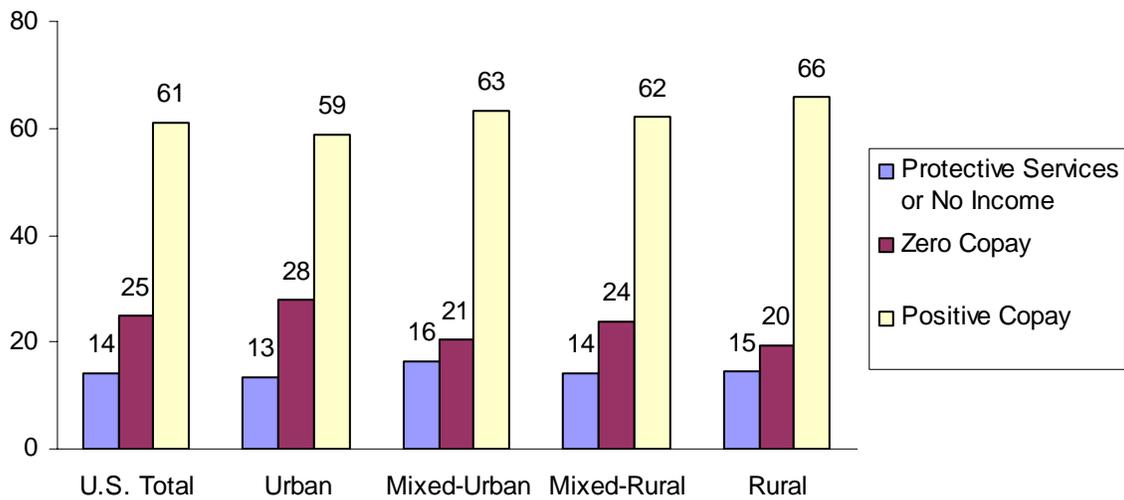
Source: Author's tabulations from ACF-801, FY 2004

\* Many of these families had children in protective services

## Co-Payments

In FY 2004, a majority of families receiving CCDF subsidies in all four types of counties contributed to the cost of child care by making co-payments. As shown in **Figure 7**, of the families with positive incomes and no children in protective services, those living in rural counties were more likely to make co-payments than were families living in urban counties.

**Figure 7: Percentage of CCDF Families Making Copayments by County Type, Average Monthly FY 2004**



Source: Author's tabulations from ACF-801, FY 2004

### Conclusion

The major finding of this paper is that CCDF served substantial numbers of families and their children in both urban and rural areas of the country in FY 2004. While this paper was not designed to determine whether or not families in rural areas are able to access CCDF subsidies as easily as families in urban areas, the analysis found that caseload sizes in urban and rural counties approximately matched the distribution of children ages 0 to 9 in those areas, although rural counties were slightly less represented. In addition to overall subsidy use, the paper also compared characteristics of subsidy recipients in different county types. While the caseload characteristics of CCDF recipients across county types were somewhat similar, there remained some key differences.

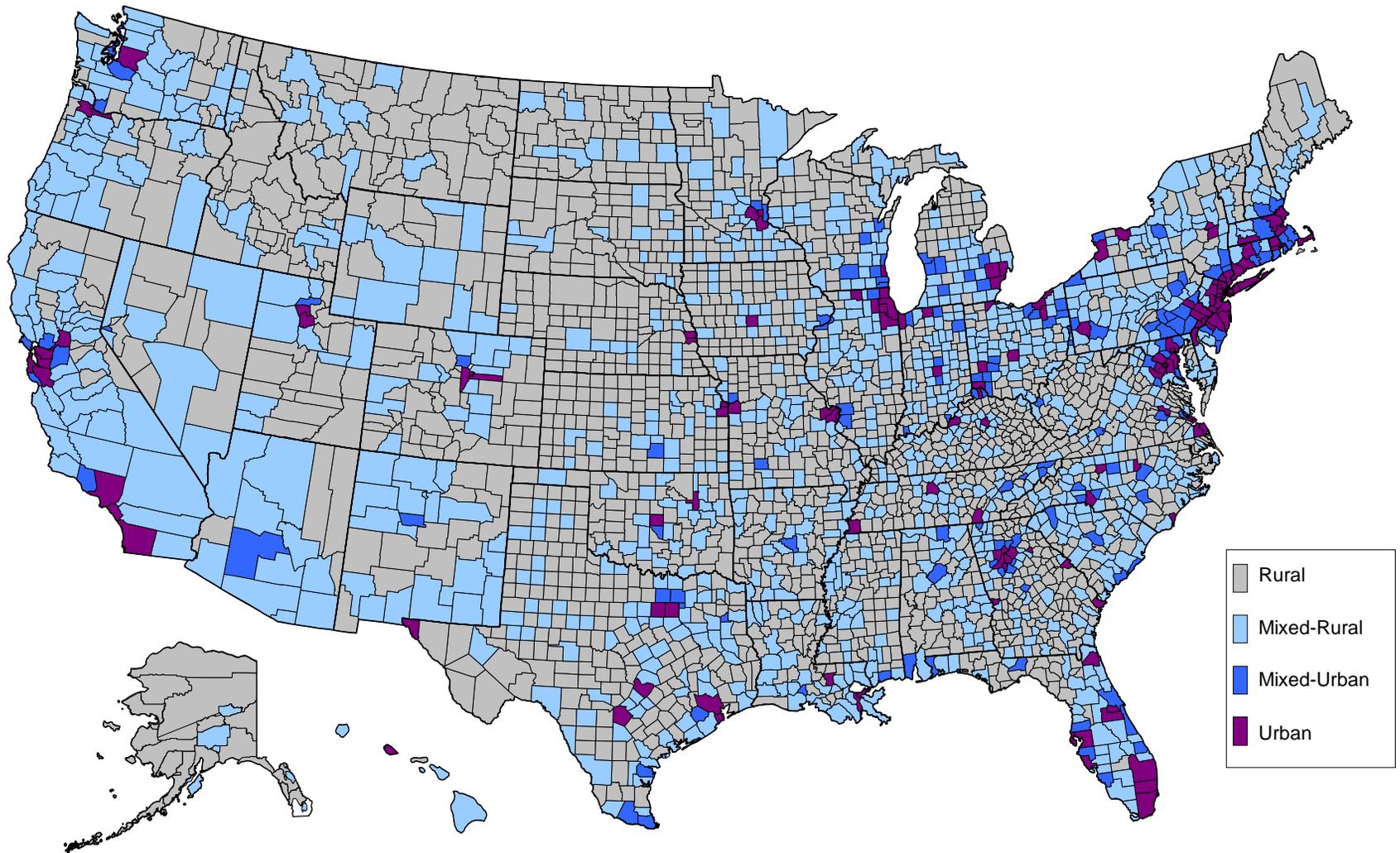
In comparison to CCDF children in urban counties, CCDF children in rural counties:

- were in care for fewer hours per week
- were more likely to be in family care arrangements and less likely to be in center-based arrangements

In comparison to CCDF families in urban counties, CCDF families in rural counties:

- were less likely to be headed by single parents
- were less likely to be receiving assistance from Temporary Assistance for Needy Families (TANF)
- were less likely to be using subsidies because the parents were attending education or training programs
- were more likely to be making out-of-pocket contributions to the cost of care in the form of co-payments

## Four Types of Counties Based on the Isserman Urban-Rural Density Classification



Source: Andrew M. Isserman, "In the National Interest: Defining Rural and Urban Correctly in Research and Public Policy." *International Regional Science Review*, 28, 4: 465-499 (October 2005).