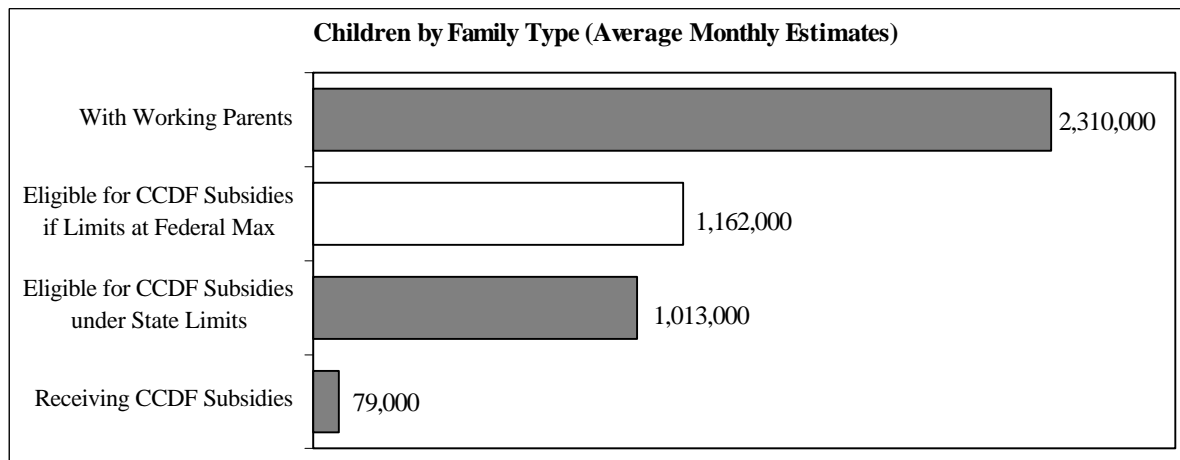


Child Care in Texas: A Short Report on Subsidies, Affordability and Supply

This report summarizes recent child care information for the state of Texas. The first section provides new information on child care subsidies, based on eligibility estimates generated by the Urban Institute and state administrative data reported to the U.S. Department of Health and Human Services (HHS). The second two parts, on affordability and supply, draw on state and local data collected by the Urban Institute during the summer of 1999 under contract with HHS. A companion document to the national report entitled “Access to Child Care for Low-Income Working Families,” the Texas report is one in a series of nine state reports.

I. Child Care Subsidies

Figure 1. Child Care and Development Fund (CCDF) Eligibility and Receipt in Texas

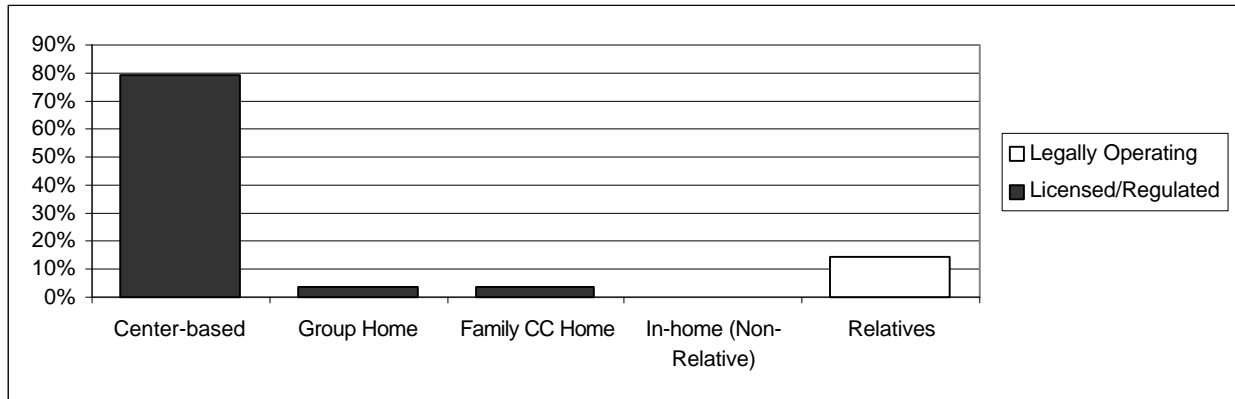


Sources: Urban Institute simulations and state administrative data reported to the Child Care Bureau.

- ❑ **2,310,000** children under age 13 (or under age 19 if disabled) live in families where the family head (and spouse if present) is working or is in an education or training program, as shown in Figure 1. Children across all family income levels are included in this estimate. Most of these children (**2,187,000**) are under age 13 and living with working parents.¹
- ❑ **1,013,000** of these children, and 613,000 families, are estimated to meet the Texas income guidelines for child care assistance under the Child Care and Development Fund (CCDF) October 1997 state plan. The eligibility estimate would be even higher – **1,162,000** children – if Texas raised income eligibility limits to 85 percent of State Median Income, the maximum level allowed under Federal law.²
 - To be eligible under Texas’ October 1997 state plan, a family of 3 had to have income below **\$27,480**, or **75** percent of State Median Income.
 - Nearly all eligible children (89 percent) live in families with annual income below 200 percent of the Federal poverty threshold and more than one-third (37 percent) are living in poverty. About 8 percent live in families that report receiving cash welfare.
 - Most (920,000) eligible children are under age 13 with working parents; the remaining children have parents in education/training programs or are disabled youth under 19.

- **79,000** children in Texas received child care subsidies funded by CCDF in an average month in 1998. This estimate suggests that 8 percent of the eligible population under state limits (and 7 percent of children who would be eligible under the Federal maximum limits) were served with CCDF funds.³
 - In Texas, most (79 percent) of the child care settings receiving funds from CCDF in 1998 were center-based settings, as shown in Figure 2. The remaining settings include relative care (14 percent), care in group homes (3 percent), and family child care homes (3 percent).⁴

Figure 2. Child Care Settings Subsidized by CCDF in Texas



Source: State administrative data for April-September 1998 reported to the Child Care Bureau.

- The Child Care and Development Fund (CCDF) is the major source of Federal funding allocated to states to subsidize the child care expenses of low- and moderate-income families so they can work, or attend education or training programs. Using CCDF dollars along with state funds, Texas has designed its own child care program within broad parameters specified under federal law. CCDF-funded subsidies, and the number of children that the state reported were served with these subsidies, are highlighted in this report because CCDF is a primary source of funding in most states. Also, CCDF administrative data is the most comparable source of child care data across states. It should be noted, however, that Texas may, like many other states, also use other funding sources to provide child care subsidies.
- Currently the state of Texas has **waiting lists** for government subsidies. The waiting lists are regional and maintained by contractors who administer the child care program. Generally, children in low-income families not receiving welfare are the children most likely to be on the waiting list.⁵ In addition, staff from both the Texas Workforce Commission, the state child care agency, and the Texas Association of Child Care Resource and Referral Agencies believe that there are eligible families that do not apply for subsidies.
 - As of September 1999, for example, the number of children on the waiting lists was 2,411 in Bexar County (San Antonio); 7,409 in Harris County (Houston); and 2,793 children in Dallas County (Dallas).

II. Affordability⁶

- ❑ Prices for child care vary considerably, by such factors as geographic area, type of provider and age of child. Figure 3 shows the average monthly prices for child care in Texas. Given that these are average prices, it is clear that many families pay more or less than this amount.
- ❑ Centers in Texas charge an average of **\$316** per month for preschool care and **\$360** per month for infant care, as shown in Figure 3. This means that a family with \$15,000 in income and one preschool child in an average-priced center would spend about one-quarter (25 percent) of its total monthly income on child care expenses. Average-priced infant care would represent an even higher share (29 percent) of monthly income for a family earning \$15,000.
- ❑ Family child care homes in Texas charge an average of **\$303** per month for preschool children and **\$325** per month for infants. This means that a family with \$15,000 in income and one child in an average-priced family child care home would spend 24 percent of its monthly income on care for a preschool child or 26 percent of income for an infant.
- ❑ Families who receive child care subsidies usually pay much smaller monthly **co-payments** rather than the full market rate. Such co-payments are established under a sliding fee schedule, and are based on family size, income and the number of children in care.
 - For example, a family with \$15,000 in income and one preschooler or infant in an average-priced center in Texas would be charged a monthly co-payment of \$117, or 9.4 percent of monthly income, as shown in Figure 3.
 - In Texas, parents receiving cash assistance through TANF or SSI are exempt from paying a co-payment.⁷
 - State policy in Texas prohibits child care providers from charging subsidized families more than the co-payment amount.

Figure 3. Child Care Prices and Co-Payments for a Hypothetical Texas Family of Three Earning \$15,000 with One Child in Care

	WITHOUT SUBSIDY		WITH SUBSIDY	
	Average Monthly Prices (Full Time Care)	% of Income (Family Income of \$15,000 Annually)	Monthly Co-Payments* (If receive subsidy)	% of Income* (Family Income of \$15,000 Annually)
INFANT (1 year)				
Center-based	\$360	28.8%	\$117	9.4%
Family child care home	\$325	26.0%	\$117	9.4%
PRESCCHOOLER (4 years)				
Center-based	\$316	25.3%	\$117	9.4%
Family child care home	\$303	24.3%	\$117	9.4%

* The average prices and co-payment rates shown in the table were effective in July 1999. The co-payment scale changed on September 1, 1999 when Local Workforce Development Boards were given authority to set the co-payment policies for their respective geographic areas.

Source: Price data collected by the Urban Institute from the Texas Association of Child Care Resource and Referral Agencies, summer 1999. Co-payment data collected by the Urban Institute from the Texas Workforce Commission, summer 1999.

III. Gaps in Child Care Supply⁸

- Not all providers in Texas accept children who receive subsidies. Among child care providers in the Texas Association of Child Care Resource and Referral Agencies' database only 52 percent of centers and 7 percent of group homes accept subsidies.
 - According to the state plan for 1997-1999, maximum reimbursement rates in Texas are set at the 75th percentile of the local market rate. Providers may be unwilling to accept subsidized children, or may limit their enrollment, when the state reimbursement rates are lower than their prices. If there were a differential between a provider's price and the state maximum reimbursement rate, Texas would not allow the provider to charge subsidized parents for that differential.

- Staff from the Texas Association of Child Care Resource and Referral Agencies report shortages in the supply of infant/toddler care, care during odd hours, and care for children who are ill or have special needs. Specifically:
 - There is a shortage of care for **infants and toddlers** in most of the major metropolitan areas in Texas. Waiting lists for infant care exceed 2 years in some areas.
 - Throughout Texas there are shortages in **odd hour care**, even as more employers shift to using non-traditional work hours. In Bexar County (San Antonio), for example, only 4 centers (less than 1 percent) provide extended-hour care.
 - Most areas in Texas have little or no available **care for sick children**. For example, none of the centers in Bexar County (San Antonio) provide care to sick children and only a few family child care homes provide care for children with minor illnesses.
 - Parents of **children with special needs** in Texas have difficulty locating child care. In Bexar County (San Antonio), for example, only 1 percent of centers accept children with special needs.

Sources

¹ Estimate based on microsimulations using the Urban Institute's TRIM3 model, guidelines in the state's 1997-99 CCDF state plan, and three years of Current Population Survey data (calendar years 1995-97).

² *Ibid.*

³ Estimates based on state administrative data reported to the Child Care Bureau and adjusted to reflect children funded through CCDF only. 1998 figures based on April-September 1998.

⁴ *Ibid.*

⁵ Waiting list data were obtained and compiled by the Urban Institute from the Texas Association of Child Care Resource and Referral Agencies, summer 1999.

⁶ Unless noted otherwise, information in this section was obtained and compiled by the Urban Institute from the Texas Association of Child Care Resource and Referral Agencies, summer 1999.

⁷ Information about co-payment exclusions is from the Texas October 1997 state plan filed with the U.S. Department of Health and Human Services.

⁸ Information in this section was obtained and compiled by the Urban Institute from the Texas Association of Child Care Resource and Referral Agencies, summer 1999.