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Family Child Care Home Participation in the CACFP—Effects of Reimbursement Tiering

A Report to Congress on the Family Child Care Homes Legislative Changes Study

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Abstract

The introduction of tiered reimbursement rates in 1997 reduced the number of family child care homes participating in the Child and Adult Care Food Program (CACFP) in 1998 and 1999. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandated a tiered reimbursement structure designed to target benefits more narrowly to low-income children and called for a study of its effects on program participation and on meals offered to children. This report presents analyses focusing on how the revised reimbursement structure affected the number of family child care homes participating in the CACFP. By reducing participation incentives for child care homes that were not considered to be low-income ("Tier 2" homes), tiering reduced the total number of participating CACFP homes. Tiering had little or no discernible effect on the number of children participating in the program, the number of CACFP sponsors, or the nationwide number of licensed providers of child care.

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Executive Summary

The introduction of tiered reimbursement rates in 1997 reduced the number of family child care homes participating in the Child and Adult Care Food Program (CACFP) in 1998 and 1999. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandated a tiered reimbursement structure—designed to target benefits more narrowly to low-income children—and called for a study of its effects on program participation and on meals offered to children. This report presents analyses focusing on how the revised reimbursement structure affected the number of family child care homes participating in the CACFP. By reducing participation incentives for child care homes that were not considered to be low-income ("Tier 2" homes), tiering reduced the total number of participating CACFP homes. Tiering had little or no discernible effect on the number of children participating in the program, the number of CACFP sponsors, or the nationwide number of licensed providers of child care.

The CACFP and Tiering

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) mandated certain changes to the CACFP and called for a study of the effects of the changes. Accordingly the U.S. Department of Agriculture (USDA) contracted with Abt Associates Inc. to conduct the *Family Child Care Homes Legislative Changes Study*. This report presents findings pertaining to the participation of family child care homes in CACFP.

The CACFP is a Federal program, administered by USDA, that subsidizes meals and snacks served in participating child care and adult day care facilities. Providers of care are reimbursed at fixed rates for the meals they serve. The PRWORA established a two-tier structure of meal reimbursement rates for family child care homes. Homes that are located in low-income areas or operated by persons with incomes at or below 185 percent of the Federal poverty guidelines are designated as Tier 1. Meal reimbursement rates for Tier 1 homes are comparable to the rates that existed for all CACFP homes before PRWORA. Family child care homes that do not meet the low-income criteria are designated as Tier 2. They have lower reimbursement rates, although they can be reimbursed at Tier 1 rates for any child in their care whose household income is at or below 185 percent of the poverty guideline.

Administrative data maintained by USDA indicate that Tier 2 providers in fiscal year 1999 cared for an average of 5.2 children daily. They served a daily average of 3.8 breakfasts, 4.4 lunches, 0.7 suppers, and 5.5 snacks. Their reimbursements under the new rate structure averaged $177 per month. If they had been reimbursed at Tier 1 rates for all meals, their average monthly reimbursement would have been $326.

Family child care homes can participate in the CACFP only if they are sponsored by a public or private nonprofit sponsoring organization that has entered into an agreement with a State agency to administer the program at the local level. Sponsors are responsible for enrolling homes into the program, monitoring compliance with program requirements, receiving the homes' CACFP reimbursement claims, and distributing the reimbursements. With the tiered structure, sponsors also became responsible for designating homes as Tier 1 or Tier 2 and determining which individual

children in Tier 2 homes are eligible to have their meals reimbursed at Tier 1 rates. Sponsors receive separate reimbursement for administrative costs; PRWORA did not affect the reimbursement system for sponsors.

Number of CACFP Family Child Care Homes

About 175,000 family child care homes participated in the CACFP in fiscal year 1999, the second full fiscal year after the legislative changes took effect. That represented an 8-percent decline from the 1997 level of 190,000 participating homes. In contrast, the number of child care centers participating in CACFP increased during this time period by 11 percent.

The 1997-99 reduction in CACFP homes was concentrated among Tier 2 providers. From the fourth quarter of fiscal year 1997 (the first quarter of tiering) to the corresponding quarter of fiscal year 1999, the number of Tier 2 providers dropped by about 12,500 homes or 18 percent. The number of Tier 1 providers, in contrast, grew by nearly 5 percent during this period. Because the post-tiering decline in CACFP homes was attributable to a reduction in Tier 2 homes, it seems likely that the legislative change was a major reason for the overall decline.

However, the CACFP changes occurred at a time when several aspects of the broader economic and policy environment were changing in ways that could affect the demand for and supply of child care. These factors, which include a strong labor market, rising wages, welfare reform, and the growth of preschool programs in public school systems, must be taken into consideration when examining the recent decline of CACFP homes.

To separate the effects of the legislative change from the effects of other events occurring simultaneously, a time-series/cross-section model of the number of CACFP homes was estimated. The results indicate that, if tiering had not been introduced, the number of CACFP homes would have grown slightly rather than declining in 1998 and 1999. Our best estimate is that the number of CACFP providers in fiscal year 1999 was 14 percent less than it would have been without tiering.

If tiering did reduce the number of participating homes, the effect could have occurred in two ways. Existing CACFP providers could leave the program earlier than they would have done otherwise, or providers who otherwise would have enrolled in the CACFP could decide not to do so. One might expect that the main effect would be to deter potential new enrollees—people who had not already invested the effort to become licensed, find a CACFP sponsor, apply for participation, be trained, and master the CACFP meal planning and paperwork requirements. No direct evidence is available to test this hypothesis, but we do find suggestive indications that some deterrent effect occurred.

A survey of former CACFP providers provides direct information on premature CACFP exits, suggesting that tiering did lead some providers to leave the program. Their numbers cannot be estimated precisely, but they appear to account for only a portion of the estimated effect of tiering. This survey contacted persons who were operating homes that participated in the CACFP in January 1997, but were not on the CACFP rolls by January, 1998. The survey indicates that most providers who left the CACFP during that period did so for reasons unrelated to the CACFP reimbursement rates. Nonetheless, some CACFP providers who quit the child care business mentioned tiering as one among their reasons for doing so, and some who left CACFP but continued providing child care cited

reasons related to CACFP reimbursement rates. These two groups combined represent about 11,000 providers nationwide. If tiering was the deciding factor for all of them—if they would have remained active in the CACFP but for tiering—that would account for somewhat more than half of the estimated tiering-related reduction of 18,000 homes in 1998. It seems more likely that many, and perhaps most, of these providers would have left the CACFP even in the absence of tiering, but the available data do not allow a precise estimate.

Average CACFP Attendance in Family Child Care Homes

The implementation of tiering was accompanied by a slight decline in average daily CACFP home attendance, from about 977,000 in 1997 to 960,000 in 1999. CACFP attendance in homes has remained essentially flat since 1995, with the 1997-1999 reduction amounting to just under 2 percent. Thus, the decline in homes did not translate into a substantial decline in attendance.

In contrast to homes, average daily attendance in CACFP centers consistently grew during the 1990s. From 1997 to 1999 it went from 1.4 million to 1.7 million, an increase of 16 percent. Child care centers accounted for 64 percent of CACFP attendance in 1999, up from the 57-61 percent level that existed through most of the 1990s.

Number of CACFP Sponsors of Family Child Care Homes

The number of organizations sponsoring family child care homes in the CACFP also declined, from 1,193 in fiscal year 1997 to 1,151 in fiscal year 1999. This 3.6-percent reduction continued a downward trend that began in fiscal year 1995, well before the passage of PRWORA. Tiering added to the sponsors' administrative responsibilities and, by reducing the number of participating homes, reduced sponsors' average administrative reimbursements. Nonetheless, the data provide no indication that tiering affected the previous trend of sponsor participation in the CACFP.

Number of Licensed Family Child Care Homes

According to annual surveys carried out by The Children's Foundation, the national number of licensed family child care homes grew between 1997 and 1999. (The term "licensed," as used here, also includes providers who are certified, registered, or otherwise approved by a State agency.) States reported a total of 296,000 homes in the summer of 1999. This increase of 3.9 percent from 1997 reversed a slight downward trend that existed during 1995-97.

Because only licensed or approved child care homes can participate in the CACFP, the program has been seen as a force promoting licensure. This raised the hypothesis that reducing the reimbursement rates would lead to lower licensure rates. The national trend does not support this hypothesis, as the number of licensed homes increased in the period when the CACFP changes were introduced. Nonetheless, some individual States experienced reductions in the number of licensed providers following the implementation of tiering in 1997, and officials in some of those States felt that the CACFP changes contributed to the reduction. Thus the lower CACFP reimbursements may have affected the number of licensed providers in some locations, although there is no evidence that such an effect was large or pervasive.

Family Child Care Home Participation in the CACFP: Effects of Reimbursement Tiering

Introduction

The Child and Adult Care Food Program (CACFP) is a Federal program that subsidizes meals and snacks in participating child care and adult day care facilities. It is administered by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA). Under CACFP, care providers receive a fixed reimbursement per meal served, with different reimbursement rates for different types of meals, such as breakfasts and lunches.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) changed the meal reimbursement structure for family child care homes. The law established two tiers of reimbursement rates, with higher rates applying to homes in low-income areas or operated by low-income persons. The intent of these changes to the CACFP was to target program benefits mainly to low-income children.

The law also called for a study of how the CACFP changes affected the family child care homes, their sponsoring organizations, and the families of children cared for by the participating providers. The resulting *Family Child Care Homes Legislative Changes Study*, of which this report is a part, was carried out by Abt Associates Inc. under contract to the U.S. Department of Agriculture, Economic Research Service.

This report uses administrative data to address the question of how the revised reimbursement structure affected the numbers of family child care homes, sponsors, and children participating in the CACFP. Any change in the number of participating homes might lead to changes in the number of children participating in the CACFP or the number of organizations that participate by sponsoring family child care homes. Finally, because the CACFP may act as an incentive for family child care homes to become licensed or certified, the report examines changes in the total number of licensed family child care providers.

This report updates and extends material presented in the 1999 interim report, *Family Child Care Homes and the CACFP: Participation After Reimbursement Tiering* (Hamilton *et al.*, 1999). The present analysis includes data for 2 full years after the introduction of tiering (the interim report had

only 1 post-tiering year) and a more extensive statistical analysis of the effect of tiering on the number of participating homes.

Child and Adult Care Food Program

The CACFP is a Federal program that subsidizes healthful meals and snacks for children and adults in day care facilities. CACFP reimburses child care providers at set rates for meals served and, in some cases, provides them with USDA commodity food. The program operates in nonresidential day care facilities including child care centers, after-school-hours child care centers, family and group child care homes, and some adult day care centers.[1] In fiscal year 1999, the child care component of the program served an average of 2.5 million children daily at an annual cost of $1.6 billion. Thirty-seven percent of these children were served through child care homes and 63 percent through centers. CACFP is administered at the Federal level by the USDA Food and Nutrition Service (FNS). State agencies generally oversee the program at the local level; in the case of Virginia, FNS' Mid-Atlantic Regional Office serves this function.

From its inception, the goal of the CACFP has been to support the provision of nutritious meals to low-income children in child care. When the program was first established by Congress in 1968 under Section 17 of the National School Lunch Act (42 U.S.C. 1766), participation was limited to center-based child care in areas where poor economic conditions existed. In 1976, homes became eligible to participate provided that they meet State licensing requirements where these are imposed, or obtain approval from a State or local agency. In addition, homes must be sponsored by a public or private nonprofit organization that assumes responsibility for ensuring compliance with Federal and State regulations and that acts as a conduit for meal reimbursements.

Initially, reimbursement rates for meals and snacks served in homes, like those served in centers, were based on a means test of the family incomes of individual children. Three meal reimbursement categories—free, reduced price, and full price—corresponded to family incomes of 125 percent or less of the applicable Federal poverty guideline for households of a given size, 125 to 195 percent of the poverty guideline, and more than 195 percent of the poverty guideline.[2] Providers complained that the means test was overly burdensome and too invasive for their relationship with the few families for whom they each provided child care. In addition, sponsors claimed that meal reimbursements were insufficient to cover their administrative costs and allow for adequate reimbursement to the homes.[3] As a consequence, very few homes participated in the program—fewer than 12,000 by December 1978.

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1 As of July 1999, the CACFP also provides reimbursements for meals and snacks served to eligible children in homeless shelters. Eligibility for the child care portion of the CACFP is limited to children age 12 and under. Exception is made for children of migrant workers and children with disabilities who may participate under certain circumstances through ages 15 and 18, respectively.

2 Operationally, income eligibility levels are based on the poverty guidelines issued by the Department of Health and Human Services. Although the last category is called full price, meals still receive a small subsidy.

3 Meal reimbursements generated by participating homes were paid directly to the sponsoring agency. The sponsor was permitted to deduct administrative costs before passing the remaining reimbursement on to providers.

The 1978 Child Nutrition Amendments (P.L. 95-627) incorporated wide-ranging changes to the program with the purpose of expanding participation, particularly among family child care homes. Most significantly, the 1978 Amendments eliminated the means test for family child care homes. The three-level reimbursement structure was replaced with a single reimbursement rate for all participants, at a level slightly below the free-meal reimbursement rate in child care centers. In addition, the Amendments separated the reimbursement of sponsors' administrative costs from the meal reimbursement for family child care homes.[4]

The 1978 Amendments provided financial incentives for homes serving middle-income children to participate in CACFP and for sponsoring agencies to recruit such homes for the program. Following the implementation of these amendments in May 1980, the family child care component of the program grew tremendously. In June 1980, 17,000 homes participated in CACFP; by March 1981, this number had grown to 43,000. In March 1980, program administrative data showed that most of the children that were served in participating homes were from low-income families; only 32 percent of these children were from families with incomes above 195 percent of the poverty guideline. By January 1982, however, most of the children served in participating homes were from middle-income families; 62 percent of the children in participating homes were from families with incomes above 195 percent of the poverty guideline (Glantz *et al.*, 1983). The family child care component of the program has continued to grow steadily. In 1995, over 190,000 homes were participating in the program and more than 75 percent of the children served in these homes were from families with incomes above 185 percent of the poverty guideline (Glantz *et al.*, 1996).[5]

Legislative Changes Implemented in 1997

In PRWORA, the Congress acted to re-focus the family child care component of the CACFP on low-income children. The Act created a two-tier reimbursement structure for the family child care component of the program, which took effect July 1, 1997. The rates for July 1998 through June 1999, when most data collection for the study occurred, are shown in Exhibit 1.

Exhibit 1
Meal Reimbursement Rates by Tier, July 1998-June 1999

Meal	Tier 1 Rate	Tier 2 Rate	Difference between Tier 2 and Tier 1	
			Amount	Percentage
Breakfast	$0.90	$0.34	$-0.56	-62.2
Lunch/Supper	1.65	1.00	-0.65	-39.4
Supplement (snack)	0.49	0.13	-0.36	-73.5

Note: Reimbursements are higher in Alaska and Hawaii

[4] Other changes included the establishment of alternative procedures for approving homes and the provision of startup and expansion funds for family child care sponsors.

[5] The 1978 legislation also changed the cutoff levels for free and reduced-price meals in child care centers to 130 percent and 185 percent of the poverty line, respectively.

Under the new reimbursement structure, family child care homes designated as Tier 1 have reimbursement rates that are similar to the rates that existed for all family child care homes before PRWORA. Homes located in low-income areas and those in which the provider's own income is at or below 185 percent of the poverty guideline qualify as Tier 1. A low-income area is defined operationally as either a census block group in which at least half of the children live in families with incomes at or below 185 percent of the poverty guideline, or an elementary school attendance area in which at least half of the enrolled children are eligible for free or reduced-price school meals.

All other homes are reimbursed at substantially lower rates. This latter group of homes, referred to as Tier 2 homes, includes those that are neither located in a low-income area nor operated by a low-income provider. Tier 2 homes can receive the higher Tier 1 reimbursement rates for meals served to children from families with incomes at or below 185 percent of the poverty guideline, but the individual child's eligibility must be determined by the home's sponsor. If the provider chooses not to request the sponsor to determine the eligibility of each child for Tier 1 reimbursement, or if low-income parents choose not to provide income information and the sponsor does not have other doumcentation that their child is eligible for Tier 1 reimbursed meals, a low-income child's meals are reimbursed at the Tier 2 rates.

Tier 2 providers in fiscal year 1999 received CACFP reimbursements that were, on average, 54 percent of the amount that they would have received if they had been classified as Tier 1. The actual reimbursement to a provider depends on the number and types of meals served and, in Tier 2 homes, the number of children qualifying for the higher reimbursement rate. In fiscal year 1999, Tier 2 homes received CACFP meal reimbursements averaging $177 per month.[6] Had they been reimbursed at the Tier 1 rates for those same meals, their reimbursements would have averaged $326 per month.[7]

Changes for Sponsors of Family Child Care Homes

Family child care homes can participate in the CACFP only if they are sponsored by a public or private nonprofit sponsoring agency that has entered into a agreement with a State agency to administer the program at the local level. Sponsors are responsible for determining that homes meet the CACFP eligibility criteria, providing training and other support, and monitoring the homes to make sure that they comply with applicable Federal and State regulations. Sponsors receive and verify the homes' claims for CACFP reimbursement, forward the claims to their State's CACFP office for payment, receive the reimbursements from the State office, and distribute the meal reimbursements to the homes. Sponsor reimbursements for administrative costs are the lesser of actual administrative costs; budgeted costs approved by the State CACFP office; a payment schedule

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[6] This estimate is based on the annual total number of meal reimbursements of each type multiplied by the applicable reimbursement rate, divided by the total number of participating family child care homes. As noted previously, Tier 2 homes could receive the higher reimbursement rate for meals served to low-income children, and about 11 percent of all meals reimbursed for Tier 2 providers were reimbursed at the Tier 1 rate in 1999. The figures shown are based on the reported mix of Tier 1 and Tier 2 reimbursements in Tier 2 homes.

[7] Although CACFP attendance is reported in terms of average daily attendance, meal reimbursements are reported in terms of meals per month. The calculations shown here assume that homes operate for an average of 22 care days per month.

based on the number of homes sponsored; or 30 percent of the sum of meal reimbursements and administrative payments. The third of these factors—the payment schedule based on the number of homes sponsored—is established nationally and shown in Exhibit 2.

The legislative changes did not affect the reimbursement levels in the national administrative payment schedule, but did add new responsibilities. Sponsors were given primary responsibility for classifying providers as Tier 1 or Tier 2. In addition, for Tier 2 homes seeking reimbursement at the Tier 1 level for individual children, sponsors administer the income test. Parents send their income verification forms directly to the sponsor, who then makes the determination of whether the income is at or below 185 percent of the poverty guideline. Providers are notified of the number of children approved for the higher reimbursement rates, but not the names of the children approved.

Exhibit 2
Administrative Payment Schedule for Family Child Care Home Sponsors, July 1998-June 1999

Number of Homes	Monthly Rate per Home
Initial 50 (homes 1-50)	$76
Next 150 (homes 51-200)	58
Next 800 (homes 201-1,000)	45
All additional (homes 1,001 & over)	40

Data Sources

The analyses presented in subsequent chapters use data from three main sources: (1) CACFP administrative data systems maintained by USDA; (2) annual surveys carried out by the Children's Foundation (CF) on licensed child care providers; and (3) demographic and economic data provided by the Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics. This chapter describes these sources of data.

USDA Administrative Data

Data on CACFP participation levels are captured on a standard reporting form, Form FCS-44. The State agency responsible for overseeing the CACFP files the form monthly, although some types of information are reported only quarterly or semi-annually. All of the data items used in the present analysis are reported quarterly.

Three types of information on CACFP participation are captured in the form: (1) the number of sponsors active in the program; (2) the number of active providers; and (3) the average daily number of children receiving CACFP meals from those providers. Parallel information is reported on child care centers and child care homes.

Beginning in the third quarter of fiscal year 1997, as the new CACFP regulations were implemented, counts are reported separately for Tier 1 and three types of Tier 2 providers. The Tier 2 classifications are based on how many of the meals the provider serves are reimbursed at the higher Tier 1 rate (for children whose family incomes are at or below 185 percent of the poverty line). Tier 2 providers serving only meals reimbursed at the higher rate are "Tier 2 high;" those for whom all meals are reimbursed at the lower rate are "Tier 2 low;" and those receiving reimbursement at both rates are "Tier 2 mixed."

The analysis uses CACFP participation data from fiscal year 1989 through 1999. Throughout this period, the administrative data series is complete and appears generally accurate. The 1997 revisions to the reporting form to separate out the tiers engendered some confusion and inaccuracies. Because accurate data for 1997-1998 are critical for the present analysis, USDA asked each State to review all of their 1997 and 1998 quarterly entries. About three-fourths of the States submitted some corrections, usually minor ones. In addition, some remaining inconsistencies in both sponsor and tier-level data required manual adjustments for a few States.

USDA also asked States to verify some of the 1999 entries that appeared questionable. Again, most of the States responded and submitted corrections, most of which were minor.

State Licensing Data

Data on the number of licensed family child care homes came principally from The Children's Foundation, a national organization that performs education, advocacy, and research on child care and related issues. Since the late 1970s, The Children's Foundation (CF) has released annual *Family Child Care Licensing Studies*, which report the results of an annual survey of State child care

regulatory agencies. The survey, which is conducted every summer, collects data on the number of family child care homes and tracks State regulatory policies. The analysis uses data on the number of licensed child care homes from the last 11 available CF studies, 1989 to 1999.

Although the child care licensing data are considered reasonably accurate, they have limitations that are important to bear in mind. Licensure data reflect the number of licensed homes only, not the total number of family child care homes. No time series data exist on the total number of family child care homes, which would include licensed homes, unlicensed homes that are exempt from State regulation, and unlicensed homes that are not exempt but operate "underground," without complying with State licensing requirements. It is known, however, that the ratio of licensed homes to the total number of homes differs from State to State. This results from the cross-state differences in child care regulations, as some States regulate most types and sizes of homes and others leave most homes exempt from regulation. Finally, States' child care regulations change periodically, making time trends somewhat difficult to interpret even for an individual State.

Because of the importance of accuracy for the analysis of the 1997-1998 period, Abt Associates carried out supplementary research to verify the CF data and to learn the reasons for any large changes reported during the period. Child care regulatory offices were contacted in each of the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. Two methods were used: telephone and written verification requests.

Telephone verifications were conducted with 13 States in which the CF data showed large (greater than 10 percent) increases or decreases in regulated homes from 1997 to 1998. Another three States were telephone verified because they had the greatest number of homes and their yearly fluctuations could affect national totals. Fifteen of the 16 States completed telephone verifications (one did not respond), which took place in December 1998 and January 1999.

Verification requests were mailed to the remaining 37 States. The State regulatory officials were asked to: (1) confirm the CF data on the number of homes for 1997 and 1998; and (2) discuss possible reasons for the changes in number of homes from 1997 to 1998. Of those States, 26 (70 percent) responded to confirm the data, and 13 offered reasons for changes between 1997 and 1998.

Some States did make modifications to the CF licensing data. Most of the changes were minor, reflecting data that had not been available at the time of the CF survey or, in a few cases, adjustments after clarifications of exactly what information was requested.

In addition to family child care homes studies, CF conducts a similar annual study on child care centers, titled *Child Care Center Licensing Studies.* The methodology used by CF in collecting State-level center licensing data is similar to that for the family child care homes, with the exception of the timing of data collection, which generally occurs early each year (January - February). The analysis uses data on the number of licensed child care centers by State from eight CF studies: 1991 and 1993-1999. The study was not conducted in 1992.

Demographic and Economic Data

Three economic and demographic data sources were used in the participation model in the next section, representing factors that could affect the demand for or supply of family child care. Each data source was collected at a State level for the years 1989-1999. In cases where 1989 data were not available, values were estimated through the use of time trend models. The items and sources used in the main model are described below.

- Population, estimated by the U.S. Census Bureau and released as State Population Estimates. Each year's data is as of July 1.

- Unemployment rates, estimated by the U.S. Department of Labor's Bureau of Labor Statistics and released as Local Area Unemployment Statistics (seasonally adjusted). Averages of monthly values were calculated for annual data.

- Retail wages per worker, estimated by the U.S. Department of Commerce, Bureau of Economic Analysis and released as part of the Regional Economic Information System.

Tiering's Effect on the Number of CACFP Homes

Reimbursement tiering altered the incentives for family child care homes to participate in the CACFP. For those who would qualify as Tier 1, the participation incentive was essentially unchanged. For potential Tier 2 homes, however, the participation incentive was cut approximately in half. One would therefore expect a smaller proportion of these potential Tier 2 homes to participate in the CACFP after reimbursement tiering took effect in July 1997, other things being equal.

This section reviews the changes from 1997 to 1999 in the number of family child care homes and centers participating in the CACFP. It places the 1997-1999 changes in the context of the 11-year trend from 1989 to 1999 to see whether the recent changes represent a specific effect of the legislation, sharp changes in economic or demographic factors, or a continuation of longer term trends.

The new CACFP meal reimbursement structure was accompanied by a decline in the number of participating family child care homes. The analysis indicates that tiering was responsible for this decline and that, had tiering not been introduced, the number of CACFP homes would probably have increased.

Number of Participating Family Child Care Providers

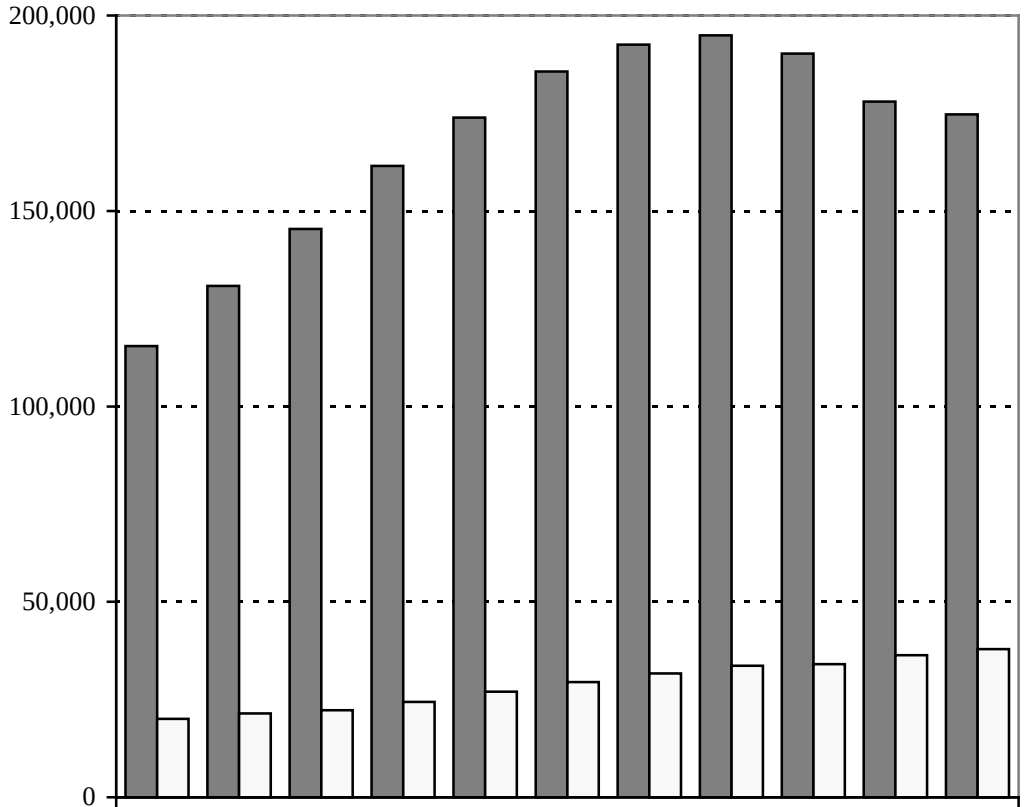
The number of participating CACFP providers grew strongly during the early 1990s (Exhibit 3).[8] The growth rate then slowed, and the number of participating providers peaked in 1996 at about 195,000. The subsequent 3 years saw declines to about 190,000 providers in 1997, 178,000 in 1998, and 175,000 in 1999. About 15,000 fewer family child care homes participated in the CACFP in 1999 than in 1997, a decline of 8.1 percent.

It is interesting to contrast the pattern for CACFP homes with the number of child care centers participating in CACFP. The number of CACFP centers consistently increased during the 1990s, growing more rapidly (in percentage terms) than the number of homes in each year from 1992 onward. And while the number of homes shrank by 8 percent from 1997 to 1999, the number of centers increased 11 percent in the same period. Clearly, whatever forces led to the decline in the number of CACFP homes did not prevent growth in the number of CACFP centers.

The 1997-99 reduction in CACFP family child care homes appears to be concentrated among Tier 2 providers—the lower reimbursement group. Tier status has been recorded only since tiering took effect, so we do not know what percentage of providers would have been Tier 1 or Tier 2 before July 1997. During the post-tiering period, however, it is clearly the Tier 2 group whose numbers have declined. From the fourth quarter of fiscal year 1997 to the corresponding quarter in 1999, the overall number of CACFP homes dropped by almost 7,200. That net decline resulted from a substantial reduction in the number of Tier 2 homes (12,500 homes), which was partially offset by a smaller

[8] All years are Federal fiscal years unless otherwise indicated. See Appendix B-1 for patterns by State.

Exhibit 3
Average Number of Family Child Care Homes and Centers Participating in the CACFP, Fiscal Years 1989 - 1999



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
CACFP homes	115,437	130,795	145,371	161,536	173,905	185,667	192,571	194,897	190,227	177,990	174,735
CACFP centers	20,086	21,432	22,281	24,402	27,014	29,437	31,666	33,627	34,094	36,357	37,901

increase in Tier 1 homes (5,300 homes).[9] And among Tier 2 providers, the decline occurred mainly in the group in which all children's meals are reimbursed at the lower level (Exhibit 4).[10]

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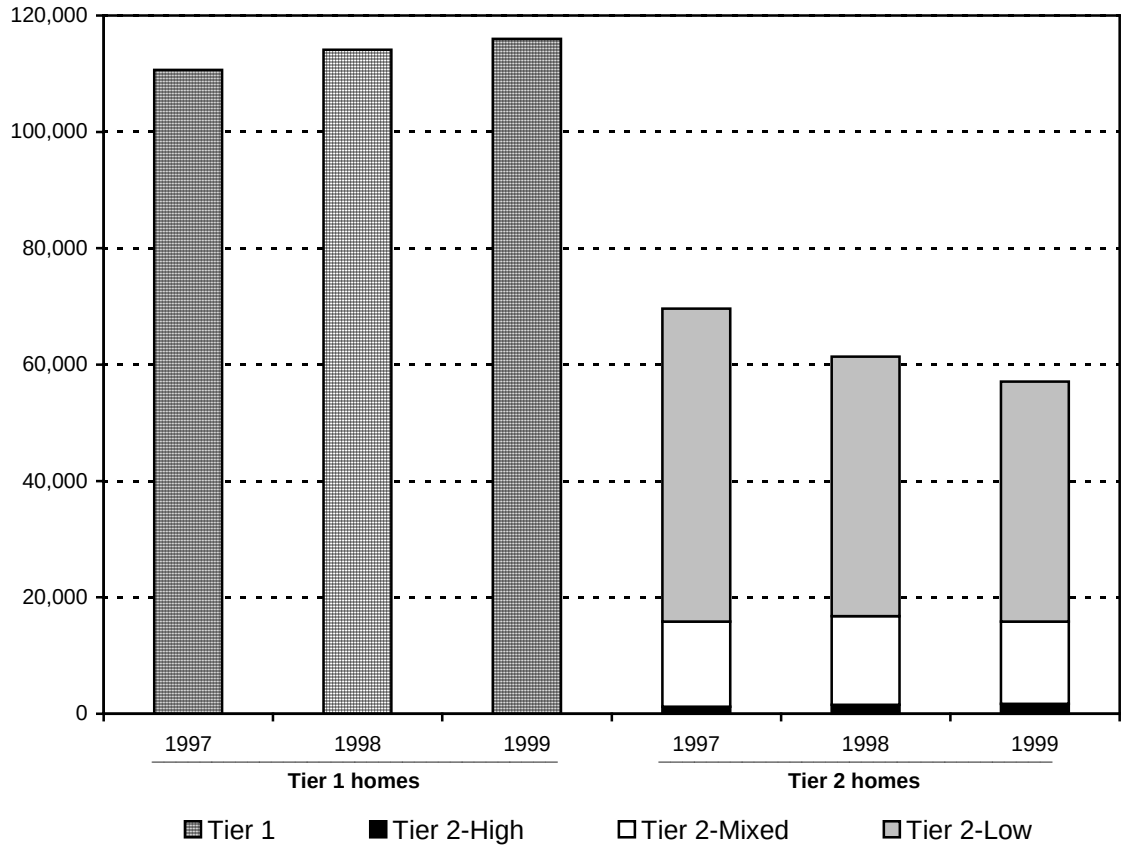
[9] These figures may somewhat overstate the true difference between Tier 1 and Tier 2 patterns. Anecdotal evidence suggests that some providers in a few States were reclassified from Tier 2 to Tier 1 status during the first year of tiering. This appears to have mainly occurred in the first two quarters after tiering was implemented and apparently reflects delayed implementation. Providers were to be classified as Tier 2 until their eligibility for Tier 1 could be assessed. Although tiering appears to have been fully implemented within the first year, the patterns of decline in Tier 2 and growth in Tier 1 homes persisted through the second year of tiering. From the fourth quarter of 1998 to the fourth quarter of 1999, the number of Tier 1 providers grew by almost 1,900 while the number of Tier 2 providers declined by nearly 4,300.

[10] Tier 2 providers may be reimbursed at the higher (Tier 1) rate for meals served to low-income children. Tier 2-High homes are those in which all children's meals are reimbursed at the higher rate. Tier 2-Low homes are those in which all children's meals are reimbursed at the lower rate. Tier 2-Mixed homes are those in which some children's meals are reimbursed at the lower rate and some children's meals are reimbursed at the higher rate.

Exhibit 4
CACFP Child Care Homes by Reimbursement Tier, Fourth Quarters of Fiscal Years 1997-99



Because the significant 1997-99 decline in the number of participating CACFP homes is attributable to a reduction in the number of providers that were most affected by the new reimbursement structure, it seems likely that the legislative change was the primary reason for the overall decline. Tiering altered one aspect of the economics of family child care homes—those homes participating in the CACFP that were now classified as Tier 2 received an average of $149 less in monthly CACFP reimbursements than they would have received at the Tier 1 rates. Unless the providers could raise prices or cut costs, the lower revenue would translate into a lower net income from the business.

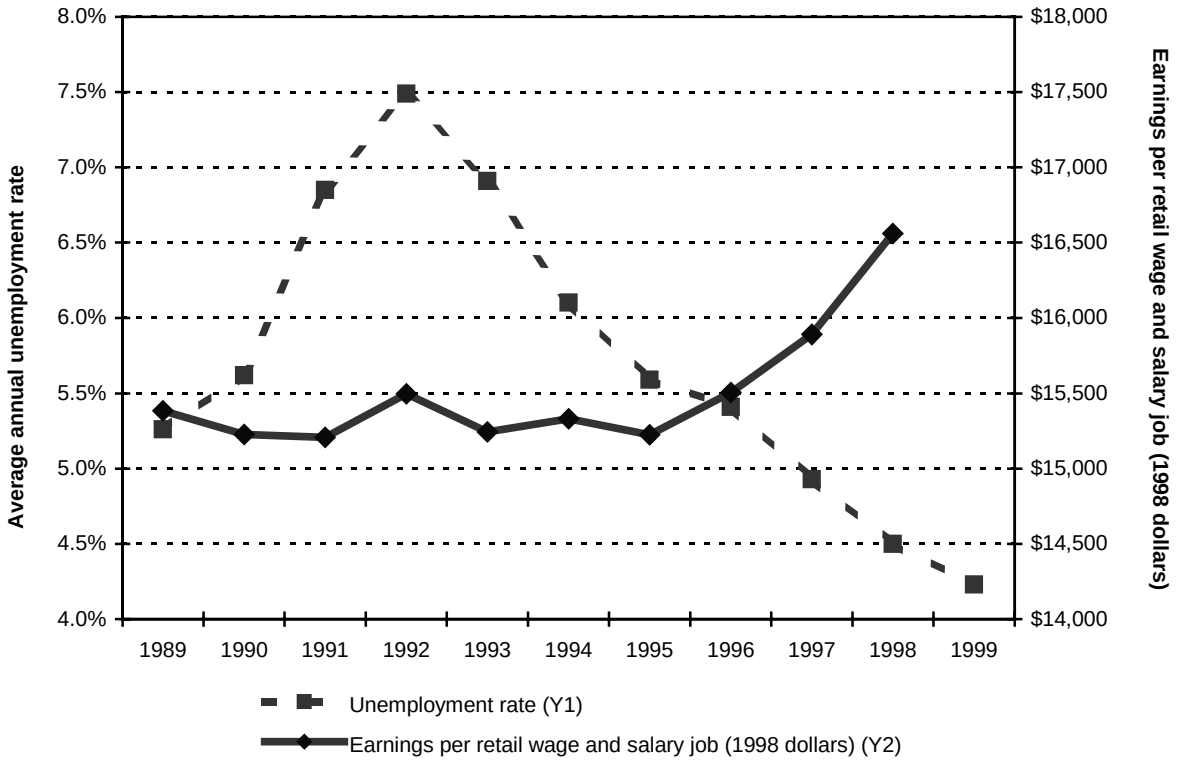
With less potential income from the business, economic theory indicates that the supply of participating providers should decline—in this case, existing family child care providers would leave the business or fewer new providers would enter. If no other forces were changing the economic environment of child care, one would expect a time trend to show a drop in the number of CACFP family home care providers after July 1997, when the new rates took effect.

The overall participation patterns are consistent with the hypothesis that lower reimbursement rates caused lower CACFP participation by Tier 2 providers. However, the CACFP changes occurred at a time when several aspects of the broader economic and policy environment were changing in ways that could also affect the demand for and supply of child care. These factors—which include a strong

labor market, welfare reform, and the growth of preschool programs in public school systems—must be considered in interpreting the decline in CACFP homes.

The economic environment in which the CACFP changes took place featured strong and growing employment opportunities. Female labor force participation grew throughout the decade (U.S. BLS, 2000).[11] The national unemployment rate was extraordinarily low, averaging just 4.2 percent in 1999, down from 4.5 percent in 1998, 4.9 percent in 1997, and 7.5 percent in 1992 (Exhibit 5).[12] Wages began to rise in the late 1990s.[13] For example, the retail sector saw real earnings per wage and salary job increase from 1995 to 1998 (the last year that data are available) after being essentially

Exhibit 5
Average Annual Unemployment Rates and Earnings per Retail Wage and Salary Job,* 1989-99



* Wage data not available for 1999.

[11] The female civilian labor force participation rate climbed from 57.4 percent in 1989 to 59.3 percent in 1996 and 60.0 percent in 1999.

[12] Annual rates estimated as the simple average of the 12 monthly unemployment rates.

[13] Real average hourly earnings, which declined slightly from 1989 to 1993 and remained at that level through 1996, rebounded from 1997 to 1999. Annual rates estimated as the simple average of the 12 monthly rates. This series does not distinguish wages by gender.

stagnant from 1990 to 1995.[14] Retail sector wages provide an interesting backdrop, since the retail sector is where many family child care workers might be employed if they left or never entered the child care business.

These positive economic trends have two potential implications for family child care homes. First, more women working should mean greater demand for child care, including both a greater need and more ability to pay for care. Second, rising wages combined with low unemployment could offer a broader array of alternative employment opportunities to people who are currently or might become family child care providers.

Another critical element of the recent child care environment has been the welfare reform and child care provisions of the PRWORA. The Act fundamentally reshaped the nation's system of cash assistance to low-income families, replacing Aid to Families with Dependent Children (AFDC) with the new Temporary Assistance to Needy Families (TANF) program. Many aspects of this legislation were expected to make recipients more likely to seek employment while on welfare and more likely to leave welfare quickly. Moving welfare recipients into employment would be expected to increase the demand for child care.

On the funding side of the equation, the PRWORA reauthorized and expanded the child care block grant by merging several funding streams into the Child Care Development Fund (CCDF). Total CCDF funding potentially represented a substantial increase—estimated at 27 percent by the Congressional Budget Office (CBO, 1996)—over the child care funding in the prior programs. The CCDF also gives States considerably more flexibility in the administration of child care subsidies, especially flexibility to serve the nonwelfare, working poor population. Nonetheless, States' allocation of the funding is expected to remain heavily targeted toward current or recent welfare families (Long *et al.*, 1998). Thus, the child care provisions of PRWORA would be expected to lead to greater demand for child care among low-income families, and especially families that are receiving or have recently received welfare.

Another development that may be altering the child care landscape is the growth of preschool education programs. Although the purpose of these programs is educational rather than custodial, they have the effect of removing the need for child care while children are attending preschool. No national statistics are available to indicate the number of children in preschool each year, but it is clear that many new programs have been adopted during the 1990s, including universal programs for 4-year olds in Georgia and New York (Long *et al.*, 1998; Knitzer and Page, 1998). Other things being equal, the growth of such programs could reduce the demand for child care.

Finally, although the discussion above has considered child care in general, CACFP family child care homes represent only one segment of the child care industry. Two other segments of note are child

[14] Wages in the retail sector were calculated by USDA's Economic Research Service using the following data from the U.S. Department of Commerce's Bureau of Economic Analysis: SA07—wage and salary disbursements by industry by state, 1969-98, and SA27—full-time and part-time wage and salary employment by industry by state, 1969-98. Earlier years' wages were adjusted to 1998 dollars using the chain-type price index for personal consumption expenditures.

care centers and unlicensed family child care providers.[15] Some of the general trends might affect these different segments in different ways. For example, increased earnings levels might shift demand from the family child care homes toward child care centers, which tend to have higher prices. The new CCDF funding, which is not restricted to licensed providers, might disproportionately go to the sector of unlicensed providers.

In short, the child care landscape in 1997-1999 was quite dynamic, subject to influence from contradictory national trends and varying State-level policies. Low unemployment, welfare reform, and CCDF funding could be expected to increase the demand for child care. Growing preschool programs could be expected to reduce the demand for child care, while the favorable labor market might reduce the supply of family child care homes.

Multivariate Analysis of CACFP Home Participation: Data and Methodology

To separate the effects of the legislative changes from the effects of other events occurring simultaneously, a time-series/cross-section model of the number of CACFP homes was estimated. The sample, methodology, and results of the model are described below. The analysis concludes that the introduction of tiering in 1997 was responsible for the decline in CACFP homes that occurred in 1998 and 1999.

The sample. The sample consisted of the 50 States plus the District of Columbia. Data were available over an 11-year time period, 1989-1999. Because lagged values for some variables were used, the model was estimated on 10 years of data. Scattered missing data items were imputed by use of time trend models.

Estimation approach. The first step in the analysis was to model the number of CACFP homes in 1989-97, the period before tiering, as a function of economic factors and State child care licensing policies.[16] The second step was to use the model to predict the number of CACFP homes that would have been expected in each State in 1998 and 1999, given the States' economic conditions and licensing policies in those years. The difference between the predicted and actual numbers of CACFP homes in 1998 and 1999 represents the effect of tiering combined with the effect of any other factors not captured in the model. An ancillary analysis provided evidence that this difference could indeed be attributed to tiering. The information from the model was then used to estimate for each State the number of homes that would be predicted in the absence of tiering. This process is described in more detail below.

Many variations of this approach were explored. For example, the model of CACFP participation was estimated through 1999 with tiering explicitly included as an explanatory variable—either as an

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[15] Only providers who are licensed, certified, registered, or otherwise approved by the state can participate in the CACFP.

[16] For this analysis, years were defined to run from July 1 to June 30, which means that tiering began in the first quarter of the analysis year 1998. It is possible that some anticipatory effect of tiering occurred in 1997, between the passage of PRWORA and the implementation of tiering.

indicator, or varying across States according to the anticipated effect (e.g., proportional to the number of children living in low-income areas or in low-income households as of 1990, proportional to State per-capita income in 1997, and so on). Many explanatory variables were also considered in order to obtain the best possible estimate of the number of homes absent tiering.

The results of almost all of the alternative approaches were quite consistent with the results presented here, namely that the entire decline in CACFP homes between 1997 and 1999 was attributable to tiering. One variation that led to markedly *greater* estimated effects of tiering—that is, to predictions that absent tiering, the number of CACFP homes would have increased considerably between 1997 and 1999 rather than stayed about the same—were models that allowed tiering to have some effects in 1997. We do not believe, however, that the model presented here significantly underestimates tiering's impacts on provider participation.

Modeling the number of homes, 1989-97. The time-series/cross-section nature of the data and the dynamic nature of the adjustment process meant that ordinary least squares regression was not appropriate. It was assumed that:

- Each year, the number of homes in a State adjusts some fraction of the difference between the previous year's value and the equilibrium value implied by the explanatory variables. This fraction corresponds to the complement of the coefficient on the lagged dependent variable (λ);
- States have fixed effects;
- Years have random effects; and
- The error term is autocorrelated, with a common value of the autocorrelation parameter (ρ) across all the States.

Thus the basic model is

$$H_{i,t} = \mu + \lambda H_{i,t-1} + \Sigma_k \beta_k X_{k\,i,t} + g_t + \delta_i + u_{i,t},$$
$$u_{i,t} = \rho u_{i,t-1} + e_{i,t}$$

where $H_{i,t}$ is the number of CACFP homes in State *i* in year *t* (normalized by population; see below);
$X_{k\,i,t}$ is the value of the k^{th} explanatory variable in State *i* in year *t*;
g_t is the random year effect for year *t*;
δ_i is the fixed State effect for State *i*;
$u_{i,t}$ is the (autocorrelated) residual; and
$e_{i,t}$ is a noncorrelated residual.

The model was estimated in two stages. First, a mixed random- and fixed-effects model was used to estimate the first-stage residuals and hence ρ. Then the dependent variable and each of the independent variables were transformed to remove the effects of autocorrelation, using the formula

$$z^*_{i,t} = z_{i,t} - r\, z_{i,t-1} \text{ for } t > 1$$
$$= z_{i,t} (1 - r^2)^{1/2} \text{ for } t = 1$$

where $z_{i,t}$ is the value of the variable for State *i* in year *t*, and *r* is the estimate of ρ. Finally, the same mixed random- and fixed-effects model was re-run on the transformed data.

The dependent variable for this analysis was the number of CACFP child care homes per 100,000 population, where the number of homes was the average over the July 1-June 30 year and population was measured in June of each year. The model included the lag of this variable.

The variables considered for inclusion in the model were economic, demographic, and policy variables deemed to have the capacity to affect the supply of or demand for family day care homes. All potential explanatory variables were measured as time-series/cross-sections, and were lagged one year to bring them into synchrony with the dependent variable and/or to reduce potential problems of endogeneity. Measures were typically normalized with respect to population, for comparability among States. Variables were ultimately retained in the models if they improved the models' predictive power, that is, if their estimated coefficients exceeded the estimated standard errors. This is equivalent to maximizing the adjusted R-squared. It should be noted that the model estimated is a *reduced form equation*, including as it does determinants of both the demand for and the supply of CACFP homes.

Variables included in the models (in addition to the lagged dependent variable) were:

- Unemployment rate: expected to be negatively associated with number of CACFP homes, because more families need child care when employment is high.
- Number of CACFP sponsors / population: expected to be positively associated with number of CACFP homes because sponsors recruit homes.
- Annual State licensing fee: expected to be negatively associated with number of CACFP homes because it increases costs to providers.
- State training requirements for licensed providers: expected to be negatively associated with number of CACFP homes because it increases provider's (non-monetary) cost.

Additional variables that were considered but ultimately rejected were:

- Average wages in retail sector (constant dollars): expected to be negatively associated with number of CACFP homes because these represent alternative employment opportunities for potential providers.
- Female employment / population: expected to be positively associated with number of CACFP homes because it reflects demand for child care.
- Percent of population 0 to 5 years old: expected to be positively associated with number of CACFP homes because it reflects demand for child care.
- Percent of population 0 to12 years old: expected to be positively associated with number of CACFP homes because it reflects demand for child care.
- Number of CACFP centers / population: expected to be negatively associated with number of CACFP homes because CACFP centers are a substitute for family child care homes.
- Number of children in attendance in CACFP centers / population: expected to be negatively associated with number of CACFP homes because CACFP centers are a substitute.

- Percent of population Hispanic: expected to be positively associated with number of CACFP homes because Hispanics tend to choose homes over centers when selecting child care (Fuller *et al.*, 1996; Leibowitz *et al.*, 1988)
- Several variables reflecting other dimensions of State child care licensing policy (such as requirements for site inspection, health certification, background checks, and size of facility) with the stringency of each requirement expected to be negatively associated with the number of homes.

Estimating the tiering effect. The model described above was used to predict the number of CACFP homes in 1998 and 1999 by setting all variables in the model at their observed values for those years. For the 1999 predictions, the value of the lagged dependent variable was set at the predicted number of homes for 1998. The actual total number of CACFP homes in each State and year was subtracted from the predicted value for each State in each of the 2 years. The predicted-actual differences were provisionally assumed to represent the effect of tiering. This assumption was explored in an ancillary analysis, described below.

Multivariate Analysis of CACFP Home Participation: Results

The values of the key estimated coefficients in the model are shown in Exhibit 6. These coefficients conform with our expectations. They suggest that environments with more sponsors and less stringent licensing requirements tend to have more CACFP homes relative to population. The coefficient of 0.8 for the lagged dependent variable suggests that a change in the environment would lead to the number of homes relative to population adjusting by 20 percent of the ultimate effect in the first year.

The analysis indicates that tiering reduced the total number of homes participating in the CACFP in 1999 by about 28,000 homes, or about 14 percent below the number of homes that would have participated if tiering had not been introduced (Exhibit 7). The effect for 1998 is qualitatively similar but somewhat smaller.

The implication of these estimates is that, if tiering had not been introduced, the number of CACFP homes would have grown rather than declined in 1998 and 1999. Relative to 1996, the year before the PRWORA was enacted, the numbers of homes predicted without tiering represent 1.7 percent growth by 1998 and 4.8 percent by1999.

Exhibit 6
Model of Participation by CACFP Homes per 100,000 Population

Variable	Coefficient
Lagged number of homes per 100,000 population	0.800***
Lagged unemployment rate	–0.663
Lagged number of sponsors per 100,000 population	11.447***
Annual State licensing fee	–0.103**
State training requirements for licensing	–1.013*

* Coefficient is statistically significant at the 0.10 level.
** Coefficient is statistically significant at the 0.05 level.
*** Coefficient is statistically significant at the 0.01 level.

Exhibit 7
Estimated Effect of Tiering

Year[a]	Actual Number of CACFP Homes	Predicted Number of CACFP Homes Without Tiering	Actual-Predicted Difference in Homes	Difference as Percent of Predicted Homes
1996	194,190			
1997	193,510			
1998	179,039	197,476	–18,437	–9.3%
1999	175,201	203,576	–28,375	–13.9%

[a] Analysis years are constructed to run from July 1 to June 30, e.g., 1996 begins on July 1, 1995.

A useful benchmark for comparison is the national number of licensed child care homes, including those not participating in the CACFP, which is discussed in more detail in a later section. Relative to 1996, the number of licensed homes grew 2.6 percent by 1998 and 3.4 percent by 1999. Thus the model estimates imply that, in the absence of tiering, the number of CACFP homes would have increased at a similar or slightly faster pace than that observed for all licensed homes.

Ancillary analysis. Tiering was expected to have differential effects across States because States have different numbers of potential Tier 2 providers. Tiering was hypothesized to reduce the propensity to participate in the CACFP of a provider who is (or expects to be) classified as Tier 2. No tiering effect was expected for Tier 1 providers because their reimbursement level did not change.

The State of Vermont presented an exceptional situation. When tiering was implemented, Vermont introduced a State subsidy for Tier 2 providers equal to the difference between Tier 2 and Tier 1 reimbursement rates. Vermont providers would not have left CACFP in response to lower reimbursements, although some may have left because they did not want to provide the information necessary for determining their tier status.[17] The effect is thus not comparable to that in the other States, and Vermont was excluded from this part of the analysis.[18]

If the marked difference between actual and predicted number of homes was entirely attributable to tiering, we would expect to find that it bore a roughly proportional relationship to the "Tier 2-ness" of each State. For example, if one State had twice as many Tier 2 homes as another, we would expect the drop in participation due to tiering to be roughly twice as great. If, on the other hand, other factors were at work explaining the drop in homes between 1997 and 1999, we would expect to find that there was an underlying basic negative divergence between "actual" and "predicted" in *all* States, to which might be added a negative divergence that was proportional to the State's "Tier 2-ness."

The actual proportion of Tier 2 providers is known only for the time period after tiering took effect—that is, after the proportion was already influenced by tiering. A proxy, termed the *percent potential Tier 2 children,* was constructed to represent the proportion of Tier 2 providers among the pool of potential CACFP homes. This term was defined as the number of children living in low-

[17] In fact, the number of CACFP homes declined in Vermont in 1998-1999 at a rate quite similar to the national average.

[18] Vermont was included in the earlier stage because that model concerned only the pre-tiering period.

income census block groups in 1990, plus the number of low-income children living outside low-income census block groups in 1990, divided by the total number of children in the State in 1990.[19] This proportion was multiplied by the number of CACFP providers in the State in 1997, before tiering took effect, to estimate the number of potential Tier 2 providers.[20]

The predicted-actual difference was regressed on an intercept and the proxy measure of potential Tier 2 providers, with both terms scaled per 100,000 population. Separate OLS regressions were estimated for 1998 and 1999, with the results shown in Exhibit 8. In both years, the intercepts were very small *positive* numbers. This analysis thus provides no support for the notion that some force was at work reducing CACFP participation between 1997 and 1999 that was *not* proportional to States' "Tier 2-ness." This supports the hypothesis that the observed drop was indeed due to tiering.

Former CACFP Homes

Some further evidence of the effect of tiering on the number of participating family child care homes comes from our survey of former CACFP providers. The survey results suggest that some, but probably not most, of the estimated reduction in participating homes resulted from providers leaving the CACFP in response to tiering.

The survey was based on a nationally representative sample of 1,971 persons who were operating family child care homes and participating in the CACFP in January 1997, but who were not participating a year later, in January 1998.[21] Followup telephone interviews, conducted in the spring of 1999, reached or determined the current status of 1,270 former providers.[22] To determine whether

Exhibit 8
Models of Predicted-Actual Difference in Number of Homes per 100,000 Population

	1998	1999
Variable		
Intercept	0.749	0.310
Potential Tier 2 Providers	–0.00150****	–0.00206***
R^2	0.6833	0.6430

* Coefficient is statistically significant at the 0.10-percent level
** Coefficient is statistically significant at the 0.05-percent level
*** Coefficient is statistically significant at the 0.01-percent level

[19] Children ages 0-12 are counted. Low-income children are those whose household income is at or below 185 percent of the Federal poverty guideline. Low-income areas are those in which at least 50 percent of children are low-income children.

[20] Several alternative proxies were considered, including the percent of children in low-income areas in 1990, state per-capita income in 1997, and the actual percent of providers in 1998 who were Tier 2. These measures were strongly inter-correlated (typically at the level of about 0.8) and yielded qualitatively similar results in preliminary analyses.

[21] The sample design is described in Appendix A.

[22] Former providers who were not reached, but whose current status was considered determined, included some whose sponsors reported that they had re-enrolled in CACFP and a few who were deceased or were positively determined to have moved from the address where they participated in the CACFP. Including these individuals, the response rate is 64 percent.

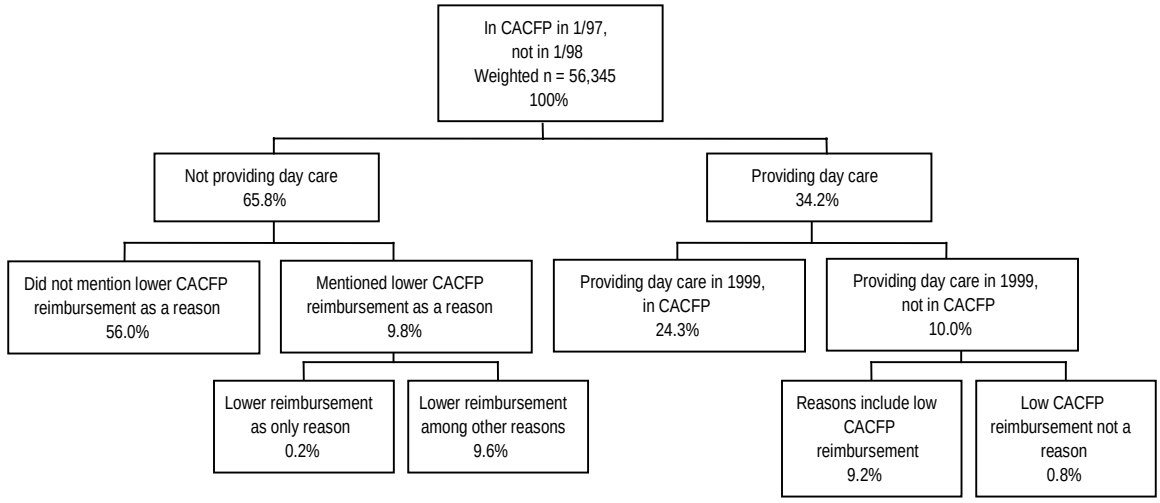
those sample members not reached by telephone differed from the ones who were reached, a subsample of 195 former providers was selected for field interviewing, resulting in an interview or known status for an additional 107 former providers. The results presented here use both the main sample and the subsample.

Extrapolating from the survey sample, an estimated 56,000 family child care homes that were listed as participating in the CACFP in January 1997, did not appear on the comparable lists for January 1998. This amounts to 29 percent of the nationwide total of 196,000 providers indicated in CACFP administrative records for January-March 1997.[23]

The vast majority of former providers did not leave the CACFP because of reimbursement tiering, as shown in Exhibit 9. Over half (56 percent) stopped providing child care and did not mention lower CACFP reimbursements as a reason.[24] Another 24 percent apparently had a period of nonparticipation, but were back in the CACFP at the time the survey was conducted in 1999.

Two groups of the former providers consist of people whose departure from the CACFP may have been influenced by tiering. One group is the people who have now left the child care business and mentioned lower CACFP reimbursements as one reason. The other group includes former providers who are still operating a child care business and whose stated main reason for leaving the CACFP

Exhibit 9
Status in 1999 of Former CACFP Child Care Homes



[23] This corresponds closely to prior estimates of annual turnover in CACFP homes, which have been about 30 percent (Kisker *et al.*, 1991).

[24] Respondents were asked why they stopped operating a child care business and read a series of possible reasons. One of the reasons was "Could not afford lowering of CACFP reimbursements." Former providers who were not interviewed but who were determined to have died or moved are included in the category of "did not mention lower CACFP reimbursements as a reason." Movers account for 0.1 percent of the main sample and 6.7 percent of the subsample. Deceased persons account for 0.2 percent of the main sample and 1.5 percent of the subsample.

could be interpreted as a response to tiering. Together these groups amount to 19 percent of the former provider sample, or an estimated 11,000 providers nationwide. We examine each of these groups more closely below.

Former Providers No Longer Operating A Child Care Business

Just under 10 percent of the full sample of former providers left the child care business entirely and said that lower CACFP reimbursement was a reason for doing so. Among the sample members who left the child care business, 17 percent cited lower CACFP reimbursement among their reasons for leaving (Exhibit 10). Nearly all respondents who cited lower CACFP reimbursements gave at least one additional reason, and many named two or more other factors.

Because providers gave multiple reasons for quitting the child care business, it is impossible to know exactly what role tiering played in their decision—whether it was the deciding factor or merely a minor consideration in a decision dominated by other issues. The most common combination of reasons, offered by a fifth of the former providers who mentioned CACFP reimbursements, included three factors: the lower reimbursement, inability to make a profit, and a change to a different job or business. The consistent economic theme in these reasons suggests that tiering may have been the decisive factor for a substantial proportion of these providers. Nearly all other providers mentioned at least one reason that was apparently unrelated to tiering, such as a change in household structure or being tired of child care. It seems likely that fewer of the former providers in this group would name tiering as the decisive factor, but we have no direct evidence on this point.

Exhibit 10
Percent of Those Who Left Child Care Citing Various Reasons

Reason	All Respondents[a]	Those Who Mentioned CACFP	Those Who Did Not Mention CACFP
Could not afford lowering of CACFP reimbursements	17.0%	100.0%	0.0%
Changed to a different job or business	47.2	65.5	43.4
Change in household structure (e.g., remarriage, divorce, children now in school)	32.8	32.8	32.8
Could not make a profit	22.3	49.1	16.9
Got tired of caring for children	21.6	35.1	18.8
Could not find parents who wanted family child care	11.9	13.3	11.6
Personal reasons (e.g., family issues, illness)	9.8	4.5	10.9
Could not afford to meet licensing requirements	3.2	7.9	2.3
Other reason	7.9	4.0	8.7
Unweighted number of respondents	815	115	700
Reasons cited per respondent	1.7	3.1	1.5

a All respondents who gave one or more reasons for leaving child care. Excludes sample members who were determined to have moved or died. Because respondents could give more than one reason, the percentages do not sum to 100 percent.

Former CACFP Participants Still Providing Child Care

About 10 percent of the providers who left the CACFP between January 1997 and January 1998 were still operating a child care business in 1999. Those who were identified in the telephone survey were asked to participate in a more intensive followup survey. The 85 providers who responded to this followup survey provide some further insight into the role of tiering.

The vast majority of the former CACFP participants who were still providing care cited low CACFP reimbursements as a reason for leaving the program (92 percent), and about half said this was their most important reason (Exhibit 11).[25] The other frequently cited reason, "too much paperwork," was mentioned as the most important reason by nearly a third of the respondents. These two reasons are in fact closely linked: they reflect a decision that the program's benefit (the meal reimbursement) is not worth the cost (the paperwork). Together, these factors were cited as the most important reason for leaving CACFP by 80 percent of respondents.

Although the survey responses indicate that the reimbursement was the paramount consideration, Tier 1 as well as Tier 2 providers could conceivably feel that the CACFP meal reimbursements were too low to make it worthwhile to continue participating. In fact, this appears to be the case. The tier classification of the former CACFP participants is not known, but their household income and

Exhibit 11
Reasons for Leaving CACFP Cited by Those Still Providing Child Care

Reason	Percent Citing as Primary Reason	Percent Mentioning Reason[a]
Reimbursement rates too low to make it worthwhile to participate	49.2	91.5
Too much paperwork and record keeping associated with reimbursement claims	30.6	56.1
Did not like my sponsor's requirements (e.g., training, monitoring)	1.4	12.9
Did not want to deal with the CACFP menu standard	0.8	23.9
Was not willing to give information on my household income to my sponsor	0.8	6.5
Did not like dealing with my sponsor's staff	0.7	6.6
Was not able to give required information on household income to my sponsor	0.5	0.0
Was not able to meet licensing, certification, or registration requirements	0.1	0.0
Other	16.5	25.7
Unweighted number of respondents	85	85

a Respondents could give more than one reason, so percentages sum to more than 100 percent.

[25] Respondents were read the list of possible reasons in Exhibit 11 and asked whether each factor was a reason for them and which was the most important reason.

location in 1999 are recorded. About one-third would apparently qualify for Tier 1 status, either because their household income is at or below 185 percent of poverty (30.5 percent), or because they live in a census block group that had at least 50 percent low-income children in 1990 (1.5 percent).[26]

Most of the "apparent Tier 1" group named as their main reason for leaving CACFP either low reimbursements or too much paperwork (38 and 26 percent, respectively). These responses were even more common among the "apparent Tier 2" group, at 55 and 33 percent.[27] It is reasonable to infer that the apparent Tier 1 group would have left the CACFP even in the absence of tiering, and that some Tier 2 providers would have done so as well, but that tiering caused some additional providers to quit the program.

The survey data thus suggest that some providers who left the CACFP while continuing to operate their child care business took this action in response to the lower Tier 2 reimbursement rates. But many providers, perhaps a majority, who dropped out of the program in 1997-98 were not responding to tiering. Analysis reported elsewhere indicates that, at the time of the survey, the former CACFP providers tended to serve smaller numbers of children, to operate for fewer hours per day and days per week, and to offer fewer meals than the active CACFP providers (Zotov *et al.*, E-FAN-02-004). The former providers were also less likely to depend on child care as their primary source of income. These factors are consistent with the idea that some providers could decide that the CACFP reimbursements were not worth complying with the program requirements, even in the absence of tiering.

Providers Who Never Enrolled In CACFP

Another potentially important class of providers consists of those who would have enrolled in the CACFP in the absence of tiering, but who were deterred from doing so by the lower reimbursement rates. These could include people actively operating child care businesses and people who decide not to start up such businesses because they do not believe the business can generate sufficient net income.

Theoretically, tiering would be more likely to deter potential participants from enrolling in the CACFP than to cause active participants to leave the program prematurely. Participation in the CACFP requires passing several initial hurdles: becoming licensed, finding a sponsor, applying for participation, and being trained in program requirements such as the meal standards and procedures for reimbursement. Active CACFP participants have already passed these hurdles, so continuing with the program simply means carrying out now-familiar routines. Providers not yet enrolled in the CACFP, in contrast, must weigh the expected program benefit against both the startup and the continuing requirements for participation.

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[26] Available data do not permit classification on the third of the tiering criteria, which is whether the provider lives in an area served by an elementary school in which at least 50 percent of the children qualify for free or reduced-price lunch.

[27] The combined total of these two responses is statistically significantly greater for the apparent Tier 2s than the apparent Tier 1s ($p < 0.10$).

Unfortunately, no data are available to test this hypothesis. Two bits of suggestive evidence point toward the existence of a deterrent effect, however. First, the nationwide total number of licensed providers increased in 1998 and 1999, as discussed in a subsequent section. Second, many CACFP sponsors reported that they stepped up recruitment activity and revamped their recruitment strategies after tiering because they found it more difficult to enroll new homes in the program (Bernstein and Hamilton, E-FAN-02-003). This cannot be considered conclusive evidence of a deterrent effect, however, and provides no basis for estimating the size of any effect.

Trends in Average CACFP Attendance and Number of Sponsors

Tiering has its most direct effect on family child care homes, some of which now face lower meal reimbursement rates. This led, as we have seen, to a reduction in the number of homes participating in the CACFP.

Some less direct effects of tiering have been hypothesized. First, since tiering reduced the number of participating homes, it is possible that the number of children receiving CACFP-reimbursed meals would decline. Second, the number of organizations sponsoring CACFP homes might decline, both because of the smaller number of participating homes and because tiering added new administrative responsibilities for sponsors.

This section reviews the changes from 1997 to 1999 in the average daily attendance in CACFP family child care homes (i.e., the average number of children participating in CACFP each day) and in the number of CACFP sponsors. It places the 1997-99 changes in the context of the 11-year trend from 1989 to 1999, to see whether the recent changes represent a specific effect of the legislation or a continuation of longer-term processes.

The analysis indicates that the new CACFP meal reimbursement structure was accompanied by small declines in CACFP home attendance and in the number of sponsors of homes participating in the program. Both declines are consistent with prior trends, however, and do not appear to indicate a substantial effect of tiering.

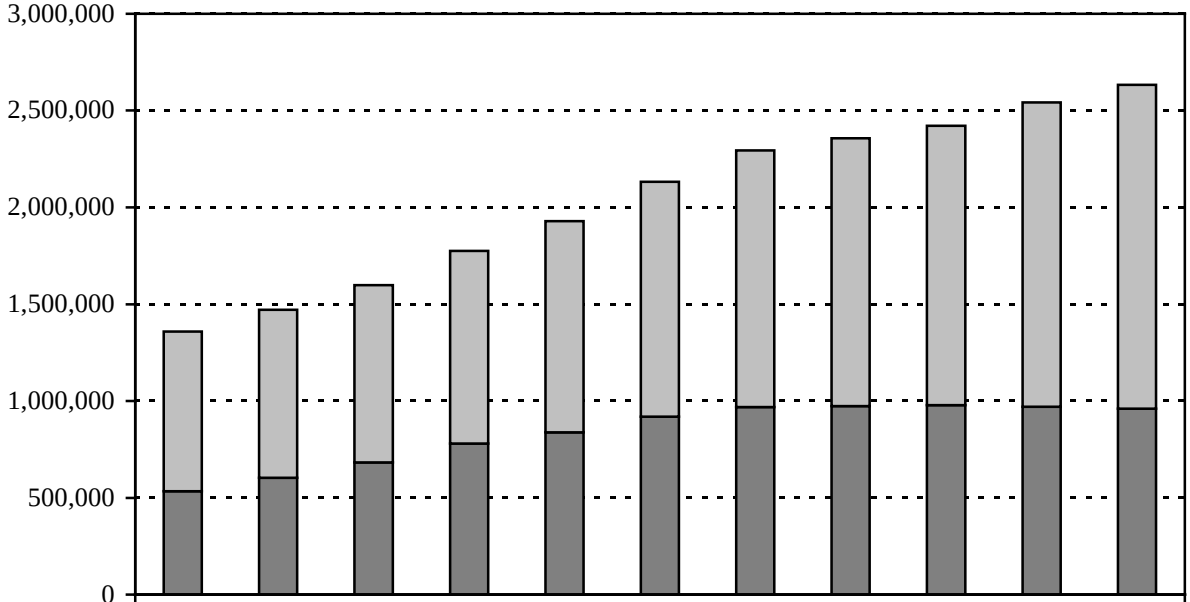
Patterns of CACFP Daily Attendance

After climbing fairly rapidly during the early 1990s, average daily CACFP attendance in family child care homes changed little in the last 5 years from 1995 through 1999. This trend can be seen in Exhibit 12, which presents average daily attendance for fiscal years 1989 through 1999. State-level data are presented in Appendix B-2.

Annual growth rates exceeded 10 percent in fiscal years 1990-92, although the rates varied considerably. Growth slowed in 1994-95 and remained around 1 percent per year in 1995-97. Levels of attendance dropped in both 1998 and 1999, the only 2 years during the 1990s that saw a reduction from the previous year. Since 1997, the year tiering was implemented, average daily attendance has dropped by about 18,000 to 960,000, representing a cumulative decline of nearly 2 percent.

In contrast, average daily attendance in CACFP centers consistently increased during the 1990s. During this 11-year period, annual increases in attendance fluctuated between 5 and 11 percent until 1996 and 1997, when it declined to 4 percent. The annual rate of growth picked up again in 1998 and 1999, to 9 and 6 percent, respectively. Attendance in CACFP centers grew enough in these 2 years to more than offset the small declines in attendance at CACFP family child care homes. Thus the total number of children receiving CACFP meals increased about 9 percent from 1997 to 1999.

Exhibit 12
Average Daily Attendance in CACFP Family Child Care Homes and Centers, Fiscal Years 1989-99



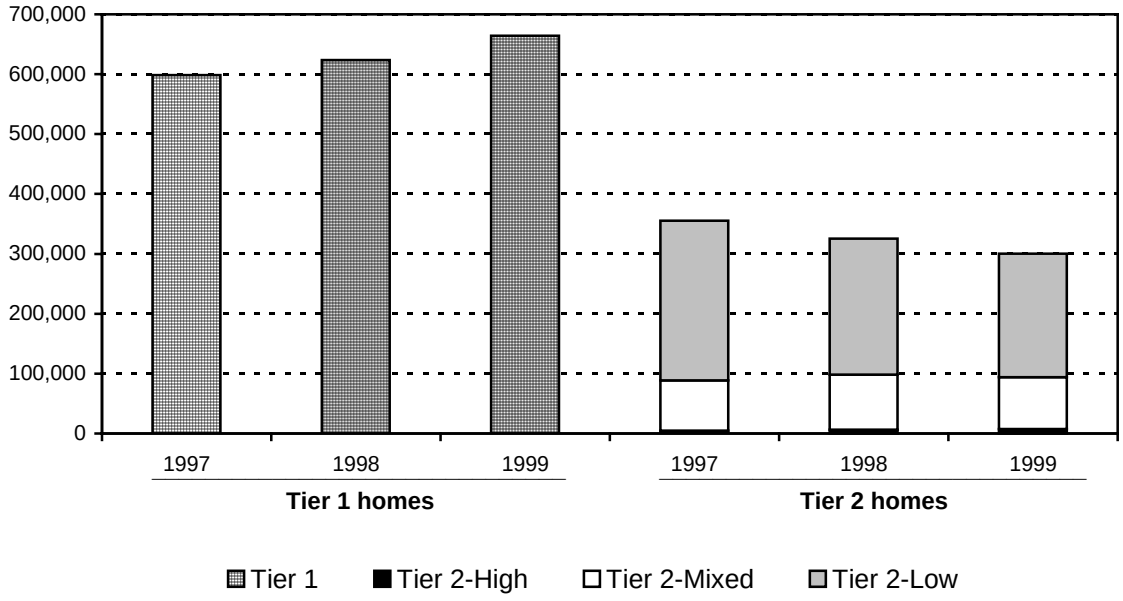
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Centers	823,881	867,854	914,463	995,561	1,090,328	1,212,755	1,325,597	1,384,225	1,443,386	1,571,141	1,672,631
Homes	534,690	603,773	683,216	779,588	837,415	919,111	968,581	973,382	977,526	970,039	959,181

Child care centers' share of total CACFP attendance was in the range of 57-61 percent throughout most of the 1990s. In 1998 and 1999, however, it grew to 62 and 64 percent, respectively. Whether the recent growth is due to changing parental preferences, a greater supply of centers, or a reduced supply of homes, cannot be determined from the available data.

While the overall level of CACFP attendance in family child care homes has not changed substantially since the 1997 legislative changes, there has been a shift in attendance by type of home (Exhibit 13). The shift follows the pattern seen earlier for CACFP homes, with attendance in Tier 1 homes increasing and attendance in Tier 2 homes declining during the post-tiering period. In the fourth quarter of 1997, the first time period for which attendance data are available by tier, the average daily attendance was nearly 600,000 in Tier 1 homes and about 355,000 in Tier 2 homes. By the fourth quarter of 1999, average attendance in Tier 1 homes had risen to more than 660,000 and had dropped in Tier 2 homes to 300,000. Among Tier 2 homes, the decline occurred in the group in which meals are reimbursed at the lower level.

Changes in attendance in CACFP homes are determined in part by demographics—that is, increases or decreases in the number of children in the appropriate age range in the United States. Most CACFP children are 1-5 years old. In 1995, there were 17 million children between the ages of 1 and 5 in the United States who had not entered kindergarten. Of those, an estimated 11 million were in some form of nonparental child care arrangement on a regular basis, with approximately 2.5 million

Exhibit 13
Attendance in CACFP Child Care Homes by Reimbursement Tier, Fourth Quarters of Fiscal Years 1997-99



using family child care homes regularly (U.S. DOE, 1995). CACFP administrative records indicate that about 960,000 children were in care in CACFP homes on an average day in 1995, an estimated 75 percent of whom, or 717,000, were between 1 and 5.[28] Although their differing sources make these numbers not fully comparable, it appears that the FCCH component of CACFP serves about 29 percent of 1-5-year-olds in family child care homes.

Measured against the backdrop of the national population ages 1-5, attendance in CACFP family child care homes has scarcely changed at all since 1995. The ratio of total CACFP attendance (including children of all ages) to the national number of children ages 1-5 was 0.049 in 1995, 0.050 in 1996-98, and 0.051 in 1999.[29]

Average Daily Attendance per CACFP Home and Center

The changes in average daily attendance resemble the pattern of changes seen in the number of CACFP homes, but the number of homes grew a bit more slowly, peaked earlier, and declined more sharply than the number of children. This means that the average number of children under care in each home has generally risen. As the number of participating homes dropped after 1997, the average

[28] Estimate based on Glantz *et al.*, 1997.

[29] These ratios can be used only as an indicator of the demographic trends influencing the CACFP. They cannot be taken as measuring CACFP participation rates because many children in the general population are not in day care, and hence not potential participants in CACFP, and many CACFP children are not in the 1-5 age range.

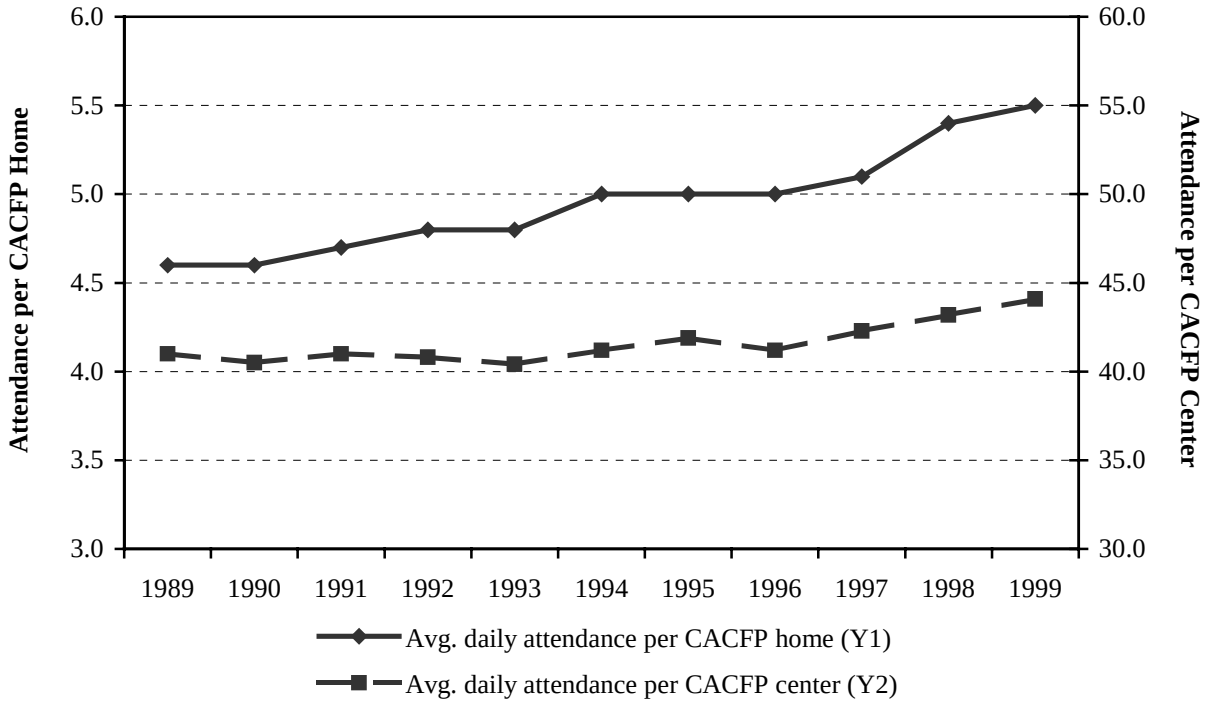
daily CACFP attendance per home rose, going from 5.1 to 5.5 from 1997 to 1999, as shown in Exhibit 14.

This was the sharpest rise of the 11-year period. It raises the possibility that the reduction in homes associated with tiering occurred mainly among the smaller homes, which might be less economically viable. However, the average number of children attending CACFP centers also increased during that period, so it is not clear that the increase for homes is a distinct, tiering-related phenomenon.

Numbers of CACFP Sponsors

Sponsors of CACFP homes have faced two general effects of tiering. First, they became responsible for a number of tiering-related administrative functions, including determining the tier classification of providers and households. Sponsors regard these functions as burdensome and report that they must now spend more staff time per participating home than before tiering.[30] Second, because tiering reduced the incentive for Tier 2 homes to participate, many sponsors saw shrinking numbers of homes, increased effort to recruit and retain homes, or both.

Exhibit 14
Average Daily Attendance per CACFP Home and Center, Fiscal Years 1989-99



[30] Sponsor experiences and perceptions are described in greater detail in another report in this series (Bernstein and Hamilton, 2001).

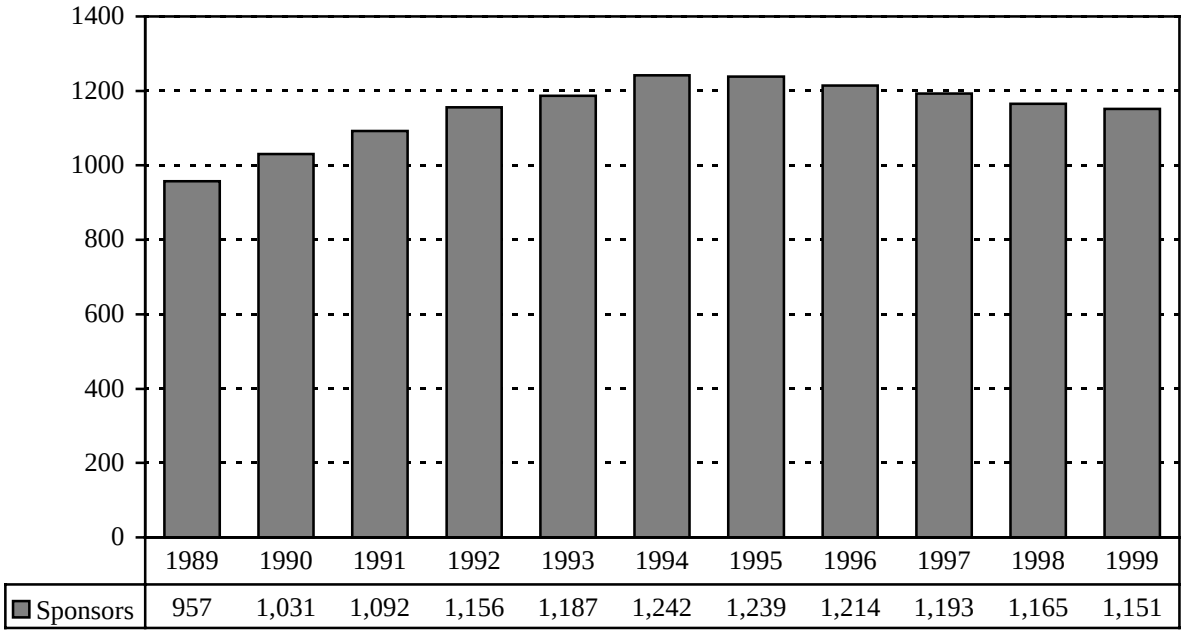
Despite these unfavorable developments, national data do not indicate that tiering has led sponsors to abandon the CACFP in substantial numbers. As shown in Exhibit 15, the number of participating sponsors declined from 1,193 in 1997 to 1,151 in 1999. (See Appendix B-3 for State-level figures.) But this 3.6-percent reduction appears to be the continuation of a trend. It is about the same as the previous 2-year period (1995-97), which saw a decrease of 3.7 percent.

The overall trend from 1989 through 1999 shows the familiar patterns of early growth followed by leveling off and decline. The total number of CACFP sponsors grew from 957 in 1989 to a peak of 1,242 in 1994, and declined thereafter. The decline in the number of sponsors began not only before the legislative changes were implemented in 1997, but also before the legislation was formulated.

The number of participating sponsors has consistently grown more slowly than average daily attendance in CACFP child care homes, so the average number of children within the purview of each sponsor has consistently risen (Exhibit 16). Sponsors' average number of family child care homes also grew for most of the period. In the most recent 2 years, however, the number of participating homes has shrunk faster than the number of sponsors, leading to a small reduction in the average number of homes per sponsor.

The smaller average number of homes per sponsor has direct consequences for the sponsors' revenues. The average sponsor had 152 family child care homes in the second quarter of fiscal year

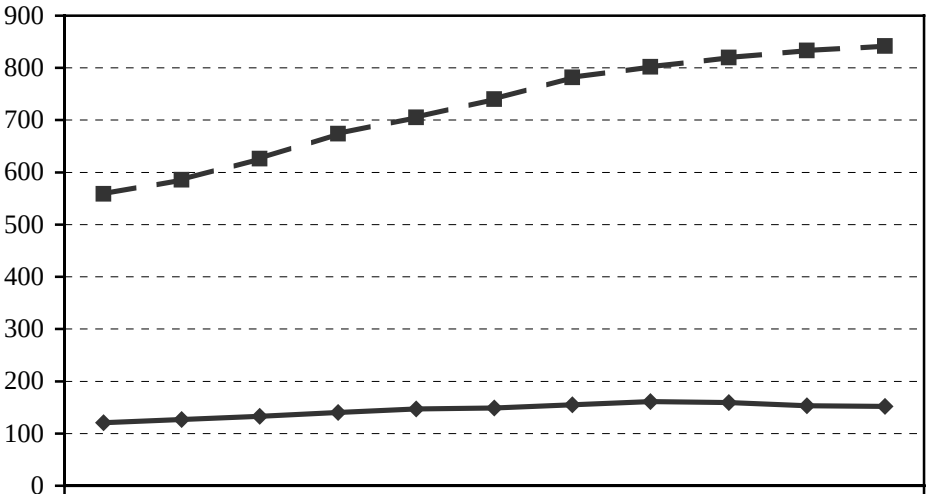
Exhibit 15
Average Number of Sponsors of CACFP Family Child Care Homes, Fiscal Years 1989-99



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Sponsors	957	1,031	1,092	1,156	1,187	1,242	1,239	1,214	1,193	1,165	1,151

1999, which would generate monthly administrative payments of $9,716.[31] This is 7 percent less revenue than would be generated by 165 homes, which was the average in the second quarter of fiscal year 1997.[32]

Exhibit 16
Average Number of Family Child Care Homes and Children in Daily Attendance per CACFP Sponsor, Fiscal Years 1989-99



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Homes/sponsor	121	127	133	140	147	149	155	161	159	153	152
Attendance/sponsor	559	586	626	674	705	740	782	802	820	833	842

[31] This analysis assumes that the sponsor would be reimbursed according to the USDA rate schedule shown in Exhibit 2.

[32] Based on the FY 1999 administrative payment schedule shown in Exhibit 2.

Trends in the Number of Licensed Child Care Homes

To participate in the CACFP, family child care homes must be licensed, certified, registered, or otherwise approved by their State. A licensed home is one that has been granted formal permission to operate because State-determined health, safety, and other requirements have been met. Unlicensed homes generally fall into two categories: (1) those that are exempt from State regulation because they do not receive public funds like CACFP reimbursements and/or serve a small number of children; and (2) those that should be licensed, but instead operate without the knowledge or approval of the State ("underground" operations).

Concerned about the health and safety of all child care facilities, State child care regulatory agencies have attempted to minimize the number of underground homes, primarily through educating caregivers about the value of a license and how to obtain one. In promoting licensure, State agencies and child care sponsors have traditionally used the CACFP as a major attraction. Indeed, some homes may have felt that the main reason to be licensed was to receive the CACFP reimbursements.

The introduction of tiered CACFP reimbursements raised the possibility that the CACFP would no longer be a strong enough enticement for some homes to obtain or renew a license, which might result in an overall reduction in the number of licensed homes. The hypothesis that the CACFP changes would result in fewer licensed child care homes is addressed in the remainder of this chapter. It finds no evidence that the CACFP changes have affected licensure at the national level.

Overview of State Licensing Practices and Terminology

Licensing is a general term describing States' regulation of family child care homes. Homes become licensed when it is determined that they have met the health and safety standards set by their State. A license is required for homes to receive public funds like the CACFP reimbursements. Most States require licenses to be renewed annually, but some grant 2- or 3-year licenses.

State regulations vary considerably, and each State uses slightly different terminology. Some States grant licenses, which usually require State and local inspections (e.g., health and fire) of child care facilities. Other States have certification, approval, or registration systems, which are generally less stringent than licensure, often involving simple signup procedures and self-inspection by the caregiver. Many States use a combination licensure/registration system, requiring larger homes to become licensed and allowing smaller homes to register. In this report, homes covered by any type of child care regulation—licensure, registration, approval, or certification—are referred to as licensed.

Most States classify their homes by size as being either family child care homes (FCCH) or group or large child care homes (G/LCCH). Generally, FCCH allow up to 6 children, and G/LCCH allow between 7 and 12 children. The age group of the children is sometimes considered in determining the maximum numbers allowed in each type of home. Some States do not categorize homes by size and report only the total number of their homes or put all homes in a single category, either FCCH or G/LCCH. In this report, "family child care homes" refers to all homes, including both FCCH and G/LCCH. Most States consider any care arrangement beyond 12 children to be a child care "center"

rather than a "home." This report focuses on homes, including data on centers only for comparative purposes.

Trends in Numbers of Licensed Homes

From 1989 to 1999, the total number of licensed family child care homes in the United States increased by 50 percent, from 197,640 to 296,475. As shown in Exhibit 17, the number of homes rose steadily each year from 1989 to 1995, reached a plateau in 1996 and 1997, then increased in 1998 and 1999. (State-level data are shown in Appendix C.)

From 1997 (the year the CACFP changes were implemented) to 1999, the total number of licensed child care homes increased about 4 percent. The 1998 increase was the first since the 1994 to 1995 period.

Although the numbers of licensed homes and CACFP homes are not fully comparable,[33] it is useful to examine their growth patterns together. The numbers of licensed and CACFP homes follow similar patterns of growth from 1989 to 1994, and both experience a plateau from 1995 to 1997. After that point, they diverge, with licensed homes showing modest increases and CACFP homes turning downward in 1998 and 1999. The tiering-related decline in the number of CACFP homes clearly did not prevent growth in licensure. Although one cannot rule out the possibility that the number of licensed homes would have grown even more in the absence of the changes, the national trend does not suggest a negative impact.

Examining trends on a State-by-State basis yields much the same result. The number of licensed homes either increased or remained fairly stable from 1997 to 1999 in most States. Of the 50 States and the District of Columbia, 18 saw increases of more than 5 percent, 19 remained essentially stable (between a 5-percent gain and a 5-percent loss), and 14 declined by more than 5 percent.

Both types of homes—small homes (FCCH) and large/group homes (G/LCCH)—increased in number from 1997 to 1998 and from 1998 to 1999. Small homes are by far the more numerous, accounting for around 80 percent of the number of homes reported by category in 1999. Among States that report counts for both types of homes, the growth rates among small and large homes were fairly comparable for 1997-98 and 1998-99, as shown in Exhibit 18.[34] Over two prior periods, however, the number of smaller homes was shrinking while the number of larger homes was growing.

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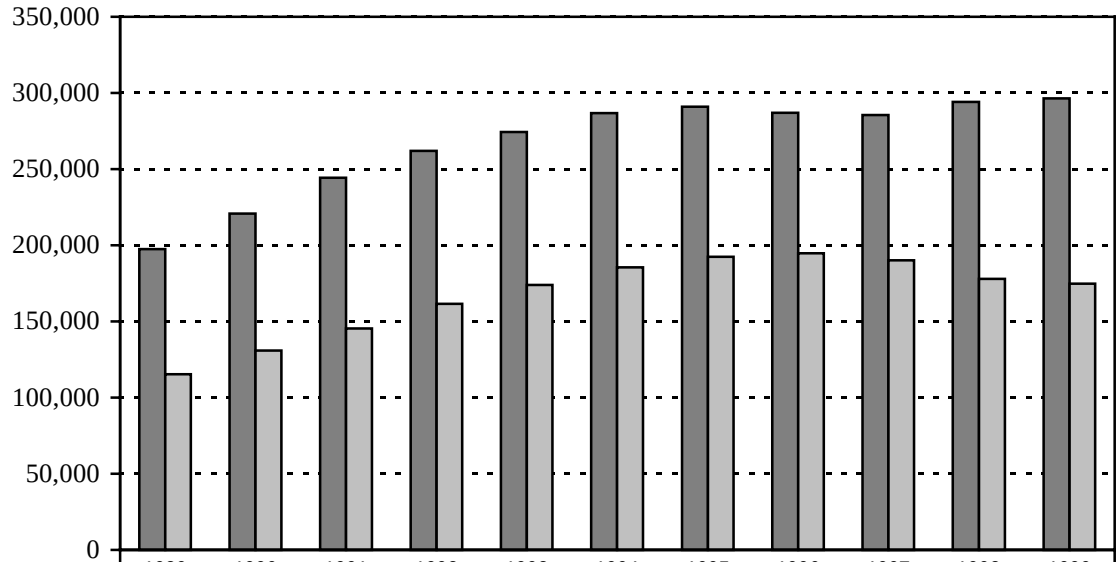
[33] Licensure data reflect the number of homes licensed to operate, but not all may actually be operating at any given time. Also, licensure data are maintained separately by the states, while the CACFP data come from a uniform Federal reporting system.

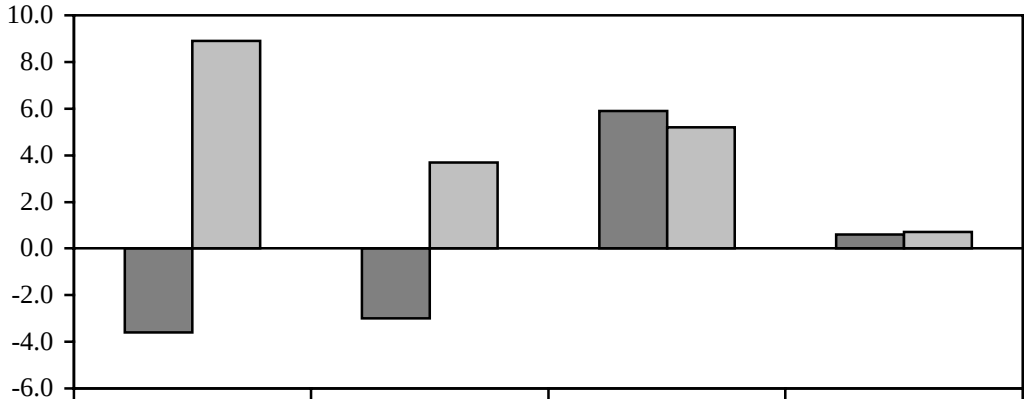
[34] This analysis is limited to the 32 states that report homes in both the FCCH and G/LCCH categories for all 4 years. The total number of homes in these states makes up about half of the national total.

Exhibit 17
Number of Licensed Family Child Care Homes and CACFP Homes in the United States, 1989-99



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Licensed homes	197,640	220,867	244,244	261,926	274,265	286,773	290,851	286,789	285,390	294,249	296,475
CACFP homes	115,437	130,795	145,371	161,536	173,905	185,667	192,571	194,897	190,227	177,990	174,735

Exhibit 18
Percent Change in the Number of Licensed Child Care Homes by Size, 1995-96 through 1998-99



	1995-96	1996-97	1997-98	1998-99
Smaller homes	-3.6	-3.0	5.9	0.6
Larger homes	8.9	3.7	5.2	0.7

Reasons for the 1997-1998 Changes in Number of Homes

Licensing officials from all States were asked to explain changes in their States' number of homes from 1997 to 1998. Twenty-eight States responded to the request and most gave multiple reasons for their changes. Only responses given by more than a single State are summarized below.

Following are reasons generally associated with an *increase* in number of homes from 1997 to 1998:

- ***State initiatives.*** Several States have implemented child care initiatives to increase the number of licensed homes. This is often in response to a perceived shortage of quality child care. Some State officials reported waiting lists in the tens of thousands for openings in licensed child care facilities (including both centers and homes). To meet this need, some States have offered grants to encourage the creation of new homes or upkeep of existing homes in communities where the need is greatest. Other initiatives have targeted unlicensed homes—either closing them or persuading them to participate in the licensure process. State initiatives usually include a community-based education campaign, which teaches current and prospective caregivers about how to become licensed and why licensure is desirable. The CACFP has often been an important selling point in these outreach activities. (State initiatives to increase the number of homes were noted by 10 of the 28 States.)

- ***Normal fluctuation.*** Some States, noting the absence of any State initiative or regulatory reform, simply characterized their modest increases or decreases as being typical year-to-year fluctuations. The child care field traditionally experiences high turnover, which helps to explain small fluctuations. The annual turnover rate for child care homes may be as high as 30 to 40 percent in some States, with most of it being accounted for by smaller homes. (This reason was cited by 5 of the 28 States.)

- ***Greater demand for child care.*** Some State officials attributed the increase in homes to higher demand, which was caused by welfare reform and/or demographic shifts. They said there were simply greater numbers of working mothers and/or young children needing care, and caregivers responded to the demand. (This reason was cited by 4 of the 28 States.)

- ***New type of licensure.*** Some States modified their regulations to create a new type of licensure. This meant creating a new system to regulate previously exempt homes, which increased the number of licensed homes. (This reason was cited by 2 of the 28 States.)

Following are reasons generally associated with a *decrease* in number of homes from 1997 to 1998:

- ***CACFP Change.*** Some State officials had heard of caregivers that did not renew their licenses because of the new CACFP reimbursement system. (This reason was cited by 7 of the 28 States.)

- ***Tougher regulations.*** Some child care providers may have let their licenses expire in States that enacted tougher regulations and requirements. Examples include

fingerprinting and criminal checks for caregivers, smaller required child-to-staff ratios, newly required training for caregivers, and increased fees to process license applications. (This reason was cited by 4 of the 28 States.)

- ***Trend toward fewer homes.*** Some State officials noted that their State had experienced an increased number of G/LCCH but decreasing or stagnant numbers of FCCH. Although this may result in the same or even a greater number of openings for children, it has resulted in fewer homes. Some State officials thought that this trend may be because it is more cost efficient for a G/LCCH to operate compared with smaller FCCH. (This reason was cited by 3 of the 28 States.)

- ***Changes to zoning ordinances.*** Tougher local zoning ordinances now forbid child care in some areas, which has prevented new homes from starting in some States. (This reason was cited by 2 of the 28 States.)

- ***State records not fully up-to-date.*** Some State officials commented that their departments are understaffed, and with a backlog of work, they have just recently begun to remove closed homes off their record books. Therefore, the homes they removed in 1998 may have in fact been non-operational for more than a year, and the number of homes they reported in 1998 may not represent a true decline from 1997. (This reason was cited by 2 of the 28 States.)

- ***Strong economy.*** Low unemployment rates have meant that caregivers and potential caregivers have a greater number of employment options, many of which pay considerably more than child care. (This reason was cited by 2 of the 28 States.)

Although some State regulatory officials mentioned the CACFP change, those responses were few among the many reasons offered for fluctuations in the States' numbers of licensed homes from 1997 to 1998.

Even the seven State officials who thought that the CACFP change helped to explain their States' decrease were not sure exactly what impact the change had. Six of those seven officials gave at least one other reason in addition to the CACFP change to explain the decline in licensed homes, and some gave as many as three additional reasons. On average, States that experienced decreases in homes offered a greater number of reasons compared with States that had increases.

Nationally, the CACFP change did not prevent an increase in the number of licensed providers from 1997 to 1999, even though the trend in prior years had been downward. It appears that, at most, the CACFP change may have had some dampening effect on the number of licensed providers in a few States.

Conclusion

By introducing a two-tiered meal reimbursement structure into the CACFP, the PRWORA changed the incentives for family child care providers to participate in the program. Providers who were not located in low-income areas and did not have low income themselves—that is, Tier 2 providers—would now be reimbursed at rates set at roughly half the level of the rates for other providers.

It was to be expected that this dramatic reduction in the participation incentive would lead to some reduction in provider participation. But it was not known how big a change in participation would occur, or whether the change in provider participation would in turn affect the number of children or sponsors participating in the CACFP or the overall number of licensed child care homes. The analyses presented in this report provide insights into these issues, but some interesting questions remain.

The evidence is quite strong that tiering did indeed reduce the number of family child care homes participating in the CACFP. About 28,000 fewer providers were participating in 1999 than would be predicted from economic trends and State child care policies, a 14-percent effect. Alternative analytic specifications consistently indicate a substantial and statistically significant effect of tiering. In the two years after tiering was implemented, the number of Tier 2 providers consistently declined. In contrast, the number of Tier 1 providers, the overall number of licensed providers, and the number of child care centers participating in the CACFP all increased during that period.

Tiering could have reduced the number of participating providers by inducing some participating providers to leave the CACFP earlier than they would leave otherwise, or by leading some prospective providers not to enroll. The study provides only limited information about how the observed effect actually occurred. Survey data indicate that some participating providers did leave prematurely, but the data do not allow firm estimates of how many did so. One would expect that reducing the participation incentive would have more effect on prospective than existing participants. The existing participants have already invested in becoming licensed, finding a sponsor, being trained, and learning to meet CACFP requirements for meal patterns and paperwork, and they are receiving reimbursements that end when they leave the program. Prospective participants may consider the initial investment as too great to be worth a low reimbursement. The study provides no information about prospective participants who did not enroll, however.

The analysis does not address tiering's long-run effect on the number of family child care homes participating in the CACFP. One would expect the process of adjustment to the new participation incentive to take several years, as existing providers leave the CACFP and potential new providers decide whether or not to enroll. The analysis shows that the tiering effect was larger in 1999 than 1998, but provides no estimate of how long the adjustment process will take or the ultimate size of the tiering effect.

Although the analysis indicates that tiering reduced the number of child care homes participating in the CACFP, there is little evidence of secondary effects on the number of participating children, the number of CACFP sponsors, or the number of licensed providers. The numbers of children and sponsors both declined slightly in 1998 and 1999, but the percentage reductions were much smaller than that for homes, and the 1998-99 patterns were not sharply distinguished from previous trends.

The number of licensed homes actually increased in 1998 and 1999, after declining in the 2 previous years.

None of these patterns suggest a substantial effect of tiering. This does not rule out the possibility that some effect has occurred, or that a delayed effect will occur after the period analyzed here. These trends were not subjected to the intensive modeling analysis that was applied in examining the number of CACFP homes, so any conclusion about the effect of tiering on these other populations must be more tentative. Nonetheless, the absence of substantial changes in the time trends for participating children, sponsors, and licensed homes suggests that, if tiering did have an effect, it was much smaller than the effect on the number of participating family child care homes.

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Appendix A
Sampling and Weighting Procedures for the Survey of Former Providers

The *Family Child Care Homes Legislative Changes Study* involved several surveys, including surveys of sponsors, current CACFP providers, parents of children currently served by CACFP providers, and former CACFP providers. The surveys of former providers are the data source for the section on "Former CACFP Homes," including Exhibits 9-11. The sample design for these surveys and the weighting procedures used in the analysis are described below. The sampling and weighting for other surveys are discussed in other reports in this series.

The sample universe for the study consisted of family child care sponsors, family child care homes, and families participating in the CACFP. A nationally representative sample of 20 States was selected, with probability proportional to the size of each State's share of CACFP family child care home reimbursements.[1] All selected State agencies agreed to participate in the study and provided lists of the CACFP sponsors in their State. Sponsors were also selected within States with probability proportional to size, based on the number of homes sponsored.[2]

Each selected sponsor was asked for a list of the family child care homes sponsored, including three groups of homes: Tier 1 homes active (i.e., receiving CACFP reimbursement) in January 1998; Tier 2 homes active in January 1998; and all homes active in January 1997.[3] A sample frame for "dropout" providers was defined to include all homes active in January 1997 that were not active in January 1998. Within each sponsor's list of dropout homes, a random sample of five was drawn (for sponsors with five or fewer dropouts, all were drawn).[4]

A sample of 300 sponsors was selected within the 20 States.[5] Of the selected sponsors, 289 supplied lists of current and former providers, and 280 of these had at least one former provider meeting the definition required for inclusion in the survey, for a response rate of 93.3 percent.[6] From those lists, a sample of 1,971 former providers was selected.

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1 Four states were included with certainty (California, Michigan, Minnesota, and Texas).

2 Sponsors were sampled with replacement, meaning that a sponsor could be selected more than once.

3 Homes received tier designations only when tiering was implemented, in July 1997.

4 The number of dropouts selected depended on the number of times the sponsor was selected – i.e., if the sponsor was selected twice, 10 dropouts rather than 5 would be selected from the sponsor's list.

5 A total of 311 were selected, but 11 were not eligible because they had left the CACFP.

6 The data submitted by sponsors do not allow us to distinguish between a sponsor who had no homes leave the CACFP between January 1997 and January 1998 and a sponsor who could not identify the dropouts. For this calculation, we take the conservative approach of assuming that these 11 sponsors are all nonrespondents with regard to the list of former providers. If we assume that none of them actually had any dropouts, the response rate would be 96.3 percent.

Telephone "screening interviews" were attempted with these providers. The purpose of the screening interview was to determine the current status of the provider and, for those still providing care but not in the CACFP, to recruit them for a further survey of operations and meal service, as discussed below. The screening interview itself provides the data on the former provider's status used in Exhibits 9 and 10.

The former provider's current status was determined for 1,275 providers, or 64.6 percent of the sample, through the telephone screening survey. This includes five individuals who were not actually interviewed, but who were determined to have moved or died. In-person screening was then attempted for subsample of 195 of the 701 providers who could not be reached by telephone. Of these, a current status was determined for 123, or 63.1 percent (including 16 who had either moved or died).

Former providers who were identified during the telephone survey as still providing child care and not in the CACFP were asked to participate in a second survey, a mail survey with two self-administered components. One component, the Former Provider Operations Survey, gathered information about the providers' current child care operations and their reasons for leaving the CACFP. The second component was the Former Provider Menu Survey, in which the providers kept a record of all foods served to children in their care during a selected week. The Operations Survey is the source of the information reported in Exhibit 11. Both the Operations Survey and the Menu Survey are analyzed more extensively in other reports (Zotov *et al*., E-FAN-02-004; Crepinsek *et al.*, E-FAN-02-006).

Among the respondents reached in the telephone screener survey, 153 were determined to be eligible for the Operations and Menu surveys. Of those, 85 provided usable responses to the Operations survey. This represents a response rate of 55.6 percent among those screened. It represents a response rate of 48.2 percent among all members of the original sample estimated to be still providing care but not in the CACFP.[7]

It is sometimes useful in multi-stage samples to consider the compound response rate, which is the product of the response rates at each stage. The compound response rate for the screening survey is 66.2 percent, based on the sponsor response rate of 93.3 percent and a 70.9 response rate within the provider sample.[8] The Operations Survey compound response rate is 45.0 percent, based on the sponsor response rate of 93.3 percent and the response rate of 48.2 percent within the former provider sample.

Nonresponse bias is always a potential concern in sample surveys, and the relatively low response rate for the Operations Survey makes it particularly salient for analyses based on that sample. This issue is discussed further below.

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[7] Among all subsample members whose status was determined, 3.4 percent were still providing child care and not in the CACFP. Applying this percentage to the 696 sample members whose status was not determined by the telephone survey yields an estimate of 23 providers. This is added to the 153 determined by the telephone survey to be still providing child care but not in the CACFP.

[8] Responses for the telephone and in-person surveys are summed in this response rate.

Weighting

For producing population-based estimates of means and proportions of characteristics relating to former providers, each former provider received a sampling weight. These weights combined three elements: a weight reflecting the probability of selection of the sponsor; an adjustment to account for the fact that not all sponsors provided lists of dropouts; and a within-sponsor weight reflecting the probability that a particular dropout provider would be selected. The resulting weighted data yield estimates for all former providers in the population.

Basic Sponsor Selection *Weight*

A sample of sponsors was selected in each of the 20 States selected in the first stage. Therefore, the overall probability of inclusion of a sponsor is the inclusion probability of the State in which the sponsor is located multiplied by the probability of including the sponsor in the sample, given that the State was selected.

Sponsor weights were computed as follows:

- Let W_i represent the weight for the *i*th selected State. *i*= 1, 2, 3, 4, ...19, 20. $W_i = 1$ for States selected with certainty.

- Let W_{ij} be the weight for the *j*th selected sponsor in the *i*th State. We have

$$W_{ij} = W_i \, W_{j/i}$$

  where $W_{j/i}$ is the conditional weight of the *j*th sponsor given that the *i*th State has been selected.

We now determine $W_{j/i}$. Let the number of sponsors in the *i*th State be S_i. Let the number selected in the sample be s_i. Let the number of providers belonging to the *j*th sponsor in the *i*th State be $P_{ij.}$

- In 12 States, all sponsors in the State were included in the sample with certainty. In these States, we have

$$W_{j/i} = 1.$$

  Therefore, the overall sponsor weight in these States is $W_{ij} = W_i$.

- The sponsors in the other eight States were selected with probability proportional to the number of providers. The conditional sponsor selection weight is:

$$W^{p}{}_{ij} = \frac{P_i}{P_{ij}}.$$

The overall basic sampling weight for the *j*th sponsor in the *i*th State is given by:

$$W_{ij} = W_i \, W_{j/i}$$

Adjustment for Nonresponse at the Sponsor Level

There is no nonresponse at the State level.

"Nonresponse" for sponsors includes sponsors who failed to supply any list of providers and those who supplied a list but the list indicated no dropouts between January 1997 and January 1998.

Let the number of sponsors responding to the provider lists be s^{**}_i out of the s_i selected. Then the nonresponse adjustment to the sponsor weight is

$$A^*_i = \frac{\sum_{j=1}^{s_i} W_{ij}}{\sum_{j=1}^{s^{**}_i} W_{ij}}$$

and the adjusted sponsor weight is

$$W^b_{j/i} = W^p_{j/i}\ A^*_i .$$

The overall sponsor weight is given by

$$W^b_{ij} = W_i\ W^b_{j/i} .$$

Dropout Provider Selection Weight

For the selection of providers from a selected sponsor, we stratify the providers by Tier 1, Tier 2, and dropout. Let P_{ijk} denote the number of providers sponsored by the *j*th sponsor in the *k*th stratum (*k*= 1,2,3). Let p_{ijk} be the number of providers selected. Then the basic conditional weight for the *l*th selected provider in the *k*th stratum belonging to the *j*th sponsor in the *i*th State is

$$W_{l/ijk} = \frac{P_{ijk}}{p_{ijk}} .$$

This weight must be adjusted for nonresponse. If one or more of the providers for a particular sponsor fail to respond, the weights for the responding providers are inflated such that the sum of the adjusted weights for the responding providers equals the sum of the unadjusted weights of all originally selected providers for that sponsor. Thus, if out of p_{ijk} providers in the sample, only p^*_{ijk} respond, the nonresponse-adjusted conditional provider sampling weight is

$$W^a_{l/ijk} = \frac{p_{ijk}}{p^*_{ijk}} W_{l/ijk} .$$

The overall provider weight is therefore

$$W^{a}{}_{l/ijk} = W_i \, W^{b}{}_{j/i} \, W^{a}{}_{l/ijk}$$

This weight is used in all percentage distributions shown in Exhibits 9-11.

Use of the In-person Screening Subsample of Former Providers

Response patterns for the subsample were qualitatively similar to those for the telephone respondents, but did show some potentially important differences. For example, 63.1 percent of the former providers reached by telephone were not currently providing child care, compared with 71.3 percent of the subsample respondents. And while 13.1 percent of the telephone respondents were providing child care but not in the CACFP, only 3.3 percent of subsample respondents fell in that category. Estimates based solely on the telephone respondents would therefore be expected to understate the number of providers no longer providing child care and overestimate the number still providing child care but not in the CACFP.

Subsample respondents were therefore combined with telephone respondents in the analyses presented here. The weights for subsample respondents were adjusted such that the sum of the subsample respondents' adjusted weights equals the sum of the unadjusted weights of the 701 original sample members whose status was not determined by the telephone interview.

Nonresponse Bias

In order to assess the possibility of nonresponse bias, we examined those few bits of information that are available for both responding and nonresponding former providers. The only information available for the nonrespondents is their location and their sponsor. The analysis therefore focused on the percent of providers in each geographic region (Northeast, South, Midwest, and West) and two sponsor characteristics: the average number of homes sponsored, and the percent of sponsored homes that were Tier 1.

The analysis compared the mean or percent for all selected sample members and the mean or percent for those responding to the survey. The difference can be viewed as the extent to the respondents over- or under-represent the specified characteristics of the original sample. As a guide to the importance of the difference, we use a one-sample *t*-test; that is, we compare the mean of the respondents with the mean of the total sample, taking into account the standard error of the mean of the respondents. The data are unweighted in this analysis because sampling weights were not computed for nonrespondents.

Two analyses were performed. The first compared the respondents to the screening survey with the overall sample of former providers. The second compared respondents to the Operations survey with all providers who were identified as still providing child care but not participating in the CACFP.

Neither analysis revealed any bias by geographic region. In all instances the proportion of responding providers in the region was within two percentage points of the proportion for the full sample.

Somewhat larger differences were observed for sponsor characteristics. In particular, the former providers who responded to the survey at each stage tended to come from larger sponsors. The sponsors of former providers who responded to the screening survey had an average of 602 providers, about 9 percent greater than the average of 554 for the sample as a whole (statistically significant).[9] Former providers responding to the Operations survey had sponsors that were about 5 percent larger, on average, than the total pool of providers eligible for the survey, but the difference is not statistically significant. The differences compound, however, so that the average sponsor size of the former providers responding to the survey is estimated at about 13 percent greater than would be the case if there were no nonresponse bias.

Some difference is also observed in the proportion of Tier 1 homes sponsored by the former provider's sponsors. The difference for screening survey respondents is fairly small (65.5 percent Tier 1 for sponsors of respondents, *vs*. 63.8 percent Tier 1 for the overall sample) but statistically significant. The difference for respondents to the Operations survey is in the same direction but not statistically significant. Because larger sponsors tend to have smaller proportions of Tier 1 homes, it is likely that the difference on this variable simply reflects the difference in sponsor size.

[9] Note that this mean is calculated at the provider level, and large sponsors would be expected to have more former providers than small sponsors. As a result, the mean sponsor size in this calculation is much larger than the mean reported in analyses of sponsors.

Appendix B
CACFP Participation by State

Appendix Exhibit B-1
Average Number of Family Child Care Homes Participating in CACFP by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
United States	115,437	130,795	145,371	161,536	173,905	185,667	192,571	194,897	190,227	177,990	174,735	-6.4%	-8.1%
Northeast Region	12,449	14,121	15,510	16,275	16,847	17,764	18,882	19,913	20,365	19,784	19,833	-2.9%	-2.6%
Connecticut	1,896	2,089	2,224	2,288	2,345	2,359	2,329	2,288	2,193	1,759	1,651	-19.8%	-24.7%
Maine	967	1,216	1,399	1,434	1,486	1,604	1,653	1,745	1,836	1,764	1,635	-3.9%	-10.9%
Massachusetts	5,387	5,973	6,316	6,471	6,596	6,529	6,727	7,012	7,004	6,675	6,644	-4.7%	-5.1%
New Hampshire	217	230	290	346	347	373	374	395	367	313	291	-14.7%	-20.7%
New York	3,218	3,712	4,285	4,663	4,973	5,782	6,641	7,309	7,866	8,226	8,542	4.6%	8.6%
Rhode Island	241	260	265	260	251	240	233	227	222	232	275	4.6%	23.8%
Vermont	524	642	732	815	850	878	924	937	878	816	796	-7.0%	-9.3%
Mid-Atlantic Region	10,705	11,949	12,875	14,247	15,284	16,478	16,920	17,338	16,562	14,915	14,591	-9.9%	-11.9%
Delaware	616	701	870	1,053	1,200	1,288	1,260	1,308	1,303	1,221	1,180	-6.3%	-9.4%
District of Columbia	105	90	123	152	144	166	162	133	131	128	144	-2.7%	9.3%
Maryland	3,402	3,780	3,764	4,198	4,756	5,284	5,608	5,646	5,370	4,779	4,565	-11.0%	-15.0%
New Jersey	808	1,056	1,389	1,439	1,426	1,545	1,662	1,689	1,384	1,057	1,131	-23.7%	-18.3%
Pennsylvania	2,737	2,988	2,908	3,139	3,171	3,204	2,990	3,212	3,090	2,625	2,535	-15.1%	-18.0%
Puerto Rico	0	14	47	58	89	136	136	121	102	96	93	-6.1%	-9.5%
Virginia	2,294	2,496	2,948	3,295	3,434	3,603	3,749	3,805	3,627	3,372	3,285	-7.0%	-9.4%
West Virginia	743	825	827	915	1,064	1,254	1,354	1,424	1,555	1,637	1,660	5.3%	6.8%
Southeast Region	10,484	10,994	11,836	13,257	14,242	14,957	15,626	15,564	15,797	16,095	16,039	1.9%	1.5%
Alabama	1,788	1,858	1,928	2,136	2,325	2,382	2,427	2,427	2,398	2,254	2,181	-6.0%	-9.0%
Florida	1,245	1,542	1,896	2,242	2,432	2,511	2,596	2,623	2,636	2,681	2,749	1.7%	4.3%
Georgia	2,457	2,760	2,849	2,890	2,642	2,506	2,578	2,542	2,762	3,035	2,934	9.9%	6.2%
Kentucky	318	358	386	454	604	627	674	712	748	743	852	-0.7%	13.9%
Mississippi	2,813	2,146	1,906	2,030	1,921	1,870	1,525	958	868	781	771	-10.1%	-11.2%
North Carolina	840	1,125	1,530	1,830	2,140	2,499	2,848	3,172	3,278	3,601	3,552	9.8%	8.4%
South Carolina	405	498	501	649	946	1,126	1,344	1,378	1,261	1,155	1,122	-8.4%	-11.0%
Tennessee	619	707	840	1,027	1,232	1,436	1,635	1,753	1,845	1,848	1,878	0.2%	1.8%

…continued

Appendix Exhibit B-1 (continued)
Average Number of Family Child Care Homes Participating in CACFP by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Midwest Region	24,408	28,106	31,238	34,478	37,097	39,044	40,435	41,323	40,538	36,934	36,053	-8.9%	-11.1%
Illinois	3,940	4,377	4,946	5,584	6,061	6,606	7,050	7,306	7,227	6,849	6,829	-5.2%	-5.5%
Indiana	1,072	1,267	1,450	1,631	2,085	2,212	2,129	2,298	2,112	1,855	1,901	-12.2%	-10.0%
Michigan	5,287	6,164	6,694	7,465	7,622	8,391	9,062	9,476	9,645	8,682	8,301	-10.0%	-13.9%
Minnesota	8,762	9,920	10,718	11,233	11,791	12,274	12,635	12,768	12,452	11,501	11,199	-7.6%	-10.1%
Ohio	3,404	3,995	4,656	5,465	5,983	5,691	5,461	5,179	4,812	4,046	3,893	-15.9%	-19.1%
Wisconsin	1,944	2,385	2,776	3,101	3,556	3,871	4,098	4,296	4,291	4,001	3,930	-6.7%	-8.4%
Southwest Region	15,538	17,468	19,269	22,356	25,176	28,389	28,980	29,033	27,433	25,974	25,781	-5.3%	-6.0%
Arkansas	388	638	802	1,156	1,517	1,330	1,123	1,107	989	1,100	1,124	11.3%	13.7%
Louisiana	4,088	3,936	4,243	4,916	6,237	8,118	8,388	8,675	7,855	7,273	7,089	-7.4%	-9.8%
New Mexico	2,414	2,821	3,294	4,476	5,394	6,442	6,754	6,891	6,854	6,759	6,892	-1.4%	0.6%
Oklahoma	784	895	1,120	1,391	1,677	1,914	2,069	2,216	2,295	2,317	2,466	1.0%	7.5%
Texas	7,864	9,178	9,811	10,418	10,351	10,586	10,646	10,144	9,441	8,526	8,211	-9.7%	-13.0%
Mountain Plains	18,062	20,347	23,026	26,067	28,086	29,333	29,852	29,562	28,321	25,741	24,620	-9.1%	-13.1%
Colorado	4,589	4,540	4,601	4,798	4,925	5,028	5,110	4,938	4,561	4,158	4,048	-8.8%	-11.2%
Iowa	1,562	1,897	2,093	2,266	2,393	2,484	2,582	2,658	2,508	2,170	2,103	-13.5%	-16.2%
Kansas	3,955	4,643	5,238	5,948	6,444	6,595	6,424	6,153	5,805	5,192	4,872	-10.6%	-16.1%
Missouri	1,551	1,858	2,113	2,345	2,442	2,544	2,659	2,667	2,634	2,478	2,334	-5.9%	-11.4%
Montana	580	707	860	986	1,111	1,199	1,237	1,299	1,278	1,236	1,235	-3.3%	-3.4%
Nebraska	2,053	2,391	2,716	3,130	3,454	3,650	3,782	3,706	3,565	3,308	3,249	-7.2%	-8.9%
North Dakota	1,473	1,577	1,665	1,932	2,176	2,324	2,313	2,201	2,112	1,966	1,909	-6.9%	-9.6%
South Dakota	356	446	543	642	764	878	985	979	947	839	787	-11.4%	-16.8%
Utah	1,393	1,737	2,668	3,445	3,780	3,948	4,047	4,205	4,184	3,758	3,468	-10.2%	-17.1%
Wyoming	550	551	530	576	598	682	712	756	728	636	617	-12.6%	-15.2%

…continued

Appendix Exhibit B-1 (continued)
Average Number of Family Child Care Homes Participating in CACFP by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Western Region	23,793	27,811	31,617	34,855	37,175	39,703	41,877	42,166	41,212	38,548	37,818	-6.5%	-8.2%
Alaska	476	472	512	507	561	583	604	577	544	596	643	9.7%	18.3%
Arizona	1,751	1,892	2,102	2,367	2,897	3,441	4,104	4,114	4,324	4,128	4,125	-4.5%	-4.6%
California	14,231	17,003	19,594	21,647	22,573	23,374	23,812	24,008	23,447	21,920	21,695	-6.5%	-7.5%
Guam	0	0	0	0	0	56	71	69	56	44	36	-21.6%	-36.0%
Hawaii	288	443	487	463	492	557	537	532	509	468	448	-8.1%	-12.0%
Idaho	315	374	440	506	560	588	586	574	546	506	512	-7.2%	-6.2%
Nevada	244	323	394	448	478	478	469	466	465	402	386	-13.4%	-17.0%
Oregon	1,975	2,482	2,954	3,444	3,853	4,625	5,569	5,753	5,492	5,226	5,013	-4.8%	-8.7%
Washington	4,515	4,823	5,133	5,475	5,761	6,002	6,127	6,073	5,830	5,259	4,961	-9.8%	-14.9%

[1] State figures are rounded annual averages of quarterly data and may not add up to regional and national totals.

Appendix Exhibit B-2
Average Daily Attendance in CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
United States	534,690	603,773	683,216	779,588	837,415	919,111	968,581	973,382	977,526	970,039	959,181	-0.8%	-1.9%
Northeast Region	47,410	50,562	58,406	65,700	71,882	82,849	91,289	96,429	101,409	102,978	107,138	1.5%	5.6%
Connecticut	8,538	8,577	9,802	9,877	10,547	10,837	10,831	10,824	10,661	8,886	8,240	-16.6%	-22.7%
Maine	5,435	6,716	7,667	7,860	8,569	9,187	9,732	10,157	11,076	10,998	10,561	-0.7%	-4.7%
Massachusetts	15,886	14,686	17,472	20,854	22,271	22,916	23,642	22,757	22,543	23,425	25,668	3.9%	13.9%
New Hampshire	1,171	1,225	1,530	1,648	1,666	1,982	2,331	2,624	2,240	1,960	1,787	-12.5%	-20.3%
New York	11,515	13,880	16,171	18,762	21,075	29,988	36,721	41,859	47,106	51,221	54,082	8.7%	14.8%
Rhode Island	1,184	1,291	1,001	1,239	1,322	1,277	1,243	1,229	1,196	1,181	1,397	-1.2%	16.9%
Vermont	3,682	4,187	4,764	5,460	6,432	6,662	6,791	6,981	6,587	5,307	5,403	-19.4%	-18.0%
Mid-Atlantic Region	37,647	42,819	46,917	57,245	58,063	60,898	67,619	76,035	77,732	77,009	77,117	-0.9%	-0.8%
Delaware	3,070	3,277	3,762	4,503	5,237	5,627	6,323	6,120	6,389	6,322	5,601	-1.0%	-12.3%
District of Columbia	348	272	448	501	446	535	517	451	422	361	462	-14.4%	9.6%
Maryland	10,765	12,913	13,266	16,211	15,657	15,504	20,361	29,860	30,476	26,676	25,818	-12.5%	-15.3%
New Jersey	2,341	3,591	5,196	7,973	6,683	7,211	7,214	7,321	7,239	5,082	6,166	-29.8%	-14.8%
Pennsylvania	11,968	13,015	13,315	15,185	15,791	16,141	15,752	15,085	15,064	16,822	16,097	11.7%	6.9%
Puerto Rico	0	51	195	235	276	429	415	388	331	306	301	-7.5%	-9.1%
Virginia	7,836	8,234	9,294	11,043	12,062	13,434	14,688	14,204	14,518	14,890	15,455	2.6%	6.5%
West Virginia	1,320	1,466	1,441	1,594	1,912	2,018	2,349	2,607	3,294	6,550	7,218	98.9%	119.2%
Southeast Region	49,606	51,869	56,779	64,366	69,269	74,898	79,392	84,688	86,241	92,418	93,501	7.2%	8.4%
Alabama	7,306	8,157	8,781	9,911	10,835	11,209	11,539	11,502	11,643	10,997	11,041	-5.5%	-5.2%
Florida	4,406	5,360	6,686	8,168	8,948	9,622	10,188	10,372	11,322	12,368	12,293	9.2%	8.6%
Georgia	14,251	16,095	16,469	16,755	14,870	15,498	16,788	18,656	18,127	19,738	19,826	8.9%	9.4%
Kentucky	1,648	1,815	1,763	2,433	3,434	3,573	3,674	3,895	4,174	4,424	4,890	6.0%	17.2%
Mississippi	11,951	8,741	9,135	9,458	8,963	8,738	7,106	4,497	4,348	4,034	4,001	-7.2%	-8.0%
North Carolina	3,955	4,694	6,186	7,734	9,156	10,673	12,316	16,725	17,814	20,303	20,846	14.0%	17.0%
South Carolina	2,283	2,725	2,916	3,604	5,289	6,529	7,911	8,745	8,961	9,289	9,242	3.7%	3.1%
Tennessee	3,806	4,282	4,845	6,304	7,775	9,056	9,869	10,296	9,853	11,266	11,363	14.3%	15.3%

…continued

Appendix Exhibit B-2 (continued)
Average Daily Attendance in CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Midwest Region	113,211	128,872	141,081	173,613	180,952	190,831	195,962	196,119	197,343	190,399	186,499	-3.5%	-5.5%
Illinois	12,904	14,169	15,479	18,233	21,225	22,901	24,988	24,849	25,671	27,873	25,677	8.6%	0.0%
Indiana	12,980	15,566	18,214	20,814	13,574	15,237	15,291	15,403	16,134	16,005	17,234	-0.8%	6.8%
Michigan	17,353	18,728	12,629	25,756	28,896	32,405	33,192	35,727	37,372	31,793	31,045	-14.9%	-16.9%
Minnesota	46,022	51,899	57,930	65,903	71,713	75,691	78,036	76,763	76,196	73,597	73,192	-3.4%	-3.9%
Ohio	13,767	15,648	21,842	26,007	26,037	23,493	22,039	19,872	18,379	18,608	16,599	1.2%	-9.7%
Wisconsin	10,185	12,862	14,988	16,901	19,507	21,106	22,416	23,506	23,591	22,524	22,753	-4.5%	-3.6%
Southwest Region	65,099	75,309	93,185	107,334	124,365	149,039	153,585	145,195	135,450	128,365	123,933	-5.2%	-8.5%
Arkansas	2,359	3,207	3,819	4,751	5,682	5,178	4,859	4,889	5,853	5,509	5,714	-5.9%	-2.4%
Louisiana	13,468	12,733	13,366	15,743	23,982	35,824	37,752	39,258	34,262	31,925	30,968	-6.8%	-9.6%
New Mexico	8,974	10,380	12,342	17,151	21,032	25,319	27,527	26,653	26,434	26,045	26,516	-1.5%	0.3%
Oklahoma	3,931	4,160	5,324	8,107	11,138	14,251	17,068	18,995	19,452	18,319	15,602	-5.8%	-19.8%
Texas	36,367	44,829	58,334	61,583	62,532	68,467	66,380	55,401	49,450	46,567	45,134	-5.8%	-8.7%
Mountain Plains	108,690	126,297	148,122	153,244	160,820	174,068	175,537	171,553	170,824	165,526	161,697	-3.1%	-5.3%
Colorado	19,002	18,589	18,674	21,030	22,088	22,499	22,269	20,530	21,096	22,234	21,572	5.4%	2.3%
Iowa	14,788	18,525	23,923	9,528	9,992	10,518	11,039	10,869	10,689	10,098	10,086	-5.5%	-5.6%
Kansas	23,773	28,073	32,859	37,094	40,859	41,801	40,040	38,066	36,905	36,175	35,489	-2.0%	-3.8%
Missouri	9,596	11,145	12,349	14,686	16,531	17,444	18,385	17,743	18,074	18,175	17,470	0.6%	-3.3%
Montana	4,287	4,994	5,701	6,711	6,926	7,896	7,982	8,368	8,265	9,089	9,316	10.0%	12.7%
Nebraska	11,625	13,682	15,894	18,617	21,178	24,751	25,289	24,465	24,103	22,931	22,274	-4.9%	-7.6%
North Dakota	9,261	10,254	11,215	12,860	14,248	15,240	14,728	14,208	13,776	12,816	12,497	-7.0%	-9.3%
South Dakota	1,718	1,937	2,398	3,195	3,873	6,864	7,501	7,289	7,189	6,218	5,944	-13.5%	-17.3%
Utah	11,291	15,321	21,770	25,853	21,257	22,692	24,059	25,453	26,300	23,192	22,381	-11.8%	-14.9%
Wyoming	3,350	3,778	3,340	3,671	3,868	4,364	4,246	4,564	4,428	4,600	4,670	3.9%	5.5%

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Appendix Exhibit B-2 (continued)
Average Daily Attendance in CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Western Region	113,023	128,042	138,720	158,082	172,066	186,528	205,198	203,364	208,528	213,344	209,296	2.3%	0.4%
Alaska	1,701	2,074	2,007	1,906	2,230	2,428	2,154	2,596	2,239	2,531	2,806	13.1%	25.3%
Arizona	5,889	5,757	6,016	6,323	7,131	8,556	10,245	9,690	11,124	11,002	14,067	-1.1%	26.5%
California	74,278	87,088	99,017	110,270	117,587	125,902	132,079	133,463	136,650	133,573	133,181	-2.3%	-2.5%
Guam	0	0	0	0	0	213	243	204	199	147	28	-26.3%	-86.2%
Hawaii	791	1,137	1,225	1,314	1,414	1,533	1,463	1,424	1,431	1,338	1,322	-6.5%	-7.6%
Idaho	1,757	2,131	2,332	2,714	3,762	3,220	3,077	2,990	3,170	2,918	2,941	-8.0%	-7.2%
Nevada	922	1,135	1,324	1,198	1,792	1,800	1,726	1,593	1,631	1,486	1,633	-8.9%	0.1%
Oregon	8,033	9,733	11,120	13,773	16,542	20,497	24,285	24,182	24,322	22,842	22,064	-6.1%	-9.3%
Washington	19,653	18,989	15,680	20,584	21,608	22,379	29,926	27,222	27,762	37,508	31,255	35.1%	12.6%

[1] State figures are rounded annual averages of quarterly data and may not add up to regional or national totals.

Appendix Exhibit B-3
Average Number of Sponsors of CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
United States	957	1,031	1,092	1,156	1,187	1,242	1,239	1,214	1,193	1,165	1,151	-2.3%	-3.5%
Northeast Region	209	218	218	221	220	220	225	227	225	223	214	-0.7%	-4.9%
Connecticut	13	12	12	13	14	14	14	12	12	11	10	-6.3%	-18.8%
Maine	26	27	26	25	24	25	23	23	22	24	22	6.7%	-1.1%
Massachusetts	49	47	44	44	44	45	47	47	47	45	45	-3.2%	-3.2%
New Hampshire	9	8	9	9	9	10	11	11	11	11	11	0.0%	0.0%
New York	102	114	118	120	119	116	119	123	122	121	116	-0.6%	-4.9%
Rhode Island	4	4	3	3	4	4	4	4	4	4	3	0.0%	-25.0%
Vermont	6	6	6	7	7	7	7	7	7	7	7	0.0%	0.0%
Mid-Atlantic Region	112	116	119	124	118	124	126	118	124	127	133	2.6%	7.5%
Delaware	4	4	5	6	6	6	5	5	5	5	5	0.0%	0.0%
District of Columbia	6	4	7	7	6	6	7	6	7	7	7	7.7%	3.8%
Maryland	8	8	8	8	8	8	8	8	8	8	8	0.0%	0.0%
New Jersey	26	27	27	30	29	29	29	29	27	27	28	-0.9%	1.8%
Pennsylvania	39	38	36	37	34	36	39	34	40	44	45	11.3%	11.9%
Puerto Rico	0	1	2	2	3	5	5	5	5	5	5	0.0%	-10.0%
Virginia	21	25	26	26	24	25	25	23	23	22	28	-6.5%	18.3%
Virgin Islands	0	1	0	0	0	0	0	0	0	0	0	0.0%	0.0%
West Virginia	9	9	9	9	9	9	9	9	9	9	9	0.0%	0.0%
Southeast Region	121	129	144	157	167	189	197	198	199	195	193	-2.3%	-3.0%
Alabama	24	24	24	25	25	25	25	26	26	26	26	0.0%	1.0%
Florida	10	14	18	23	29	39	38	38	37	36	34	-3.4%	-7.5%
Georgia	20	21	25	27	25	25	27	27	29	30	30	3.5%	6.1%
Kentucky	8	12	13	13	14	14	15	15	15	15	15	0.0%	0.0%
Mississippi	32	29	27	28	30	31	29	27	24	20	18	-16.7%	-26.0%
North Carolina	12	14	18	19	24	29	33	35	37	36	36	-2.7%	-2.7%
South Carolina	7	7	9	8	6	11	12	13	13	13	13	2.0%	4.0%
Tennessee	8	8	11	15	16	16	18	19	20	20	21	2.6%	7.7%

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Appendix Exhibit B-3 (continued)
Average Number of Sponsors of CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Midwest Region	115	124	125	130	138	133	128	127	123	114	106	-7.1%	-13.3%
Illinois	19	21	19	21	22	20	20	20	20	18	18	-10.0%	-10.0%
Indiana	30	34	37	37	42	42	39	38	37	34	32	-8.2%	-12.2%
Michigan	10	10	10	9	9	9	8	8	8	8	8	0.0%	0.0%
Minnesota	12	12	12	12	12	12	12	12	12	12	11	-2.1%	-12.5%
Ohio	36	39	40	41	44	41	39	39	36	32	30	-10.4%	-18.1%
Wisconsin	8	8	8	9	10	10	10	10	10	10	8	2.6%	-17.9%
Southwest Region	127	150	179	203	213	239	224	207	190	178	183	-6.5%	-3.7%
Arkansas	11	13	18	23	24	22	18	19	16	17	15	9.5%	-3.2%
Louisiana	37	43	48	51	61	76	78	75	73	67	74	-8.6%	1.4%
New Mexico	13	19	21	23	24	25	24	24	24	24	24	-1.1%	0.0%
Oklahoma	11	11	12	13	14	14	15	15	15	15	16	-1.7%	6.7%
Texas	55	65	80	92	90	102	89	75	62	55	54	-11.2%	-13.7%
Mountain Plains	113	123	127	133	138	140	142	142	136	135	132	-0.4%	-2.4%
Colorado	10	10	11	11	12	12	11	10	9	9	9	-8.1%	-2.7%
Iowa	27	28	28	27	27	28	27	27	25	25	24	0.0%	-4.0%
Kansas	30	30	31	31	31	31	31	31	28	28	28	-0.9%	-0.9%
Missouri	12	15	14	14	14	16	17	18	16	18	18	10.8%	10.8%
Montana	9	11	11	12	12	12	13	13	14	15	14	5.3%	-1.8%
Nebraska	4	5	6	7	7	8	8	8	8	8	8	0.0%	0.0%
North Dakota	6	6	7	7	7	7	7	8	8	7	7	-12.5%	-12.5%
South Dakota	5	5	5	6	7	7	7	7	7	7	6	-7.1%	-10.7%
Utah	10	12	14	16	18	17	18	18	16	15	15	-7.7%	-7.7%
Wyoming	2	2	2	3	3	3	3	3	3	4	3	23.1%	-7.7%

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Appendix Exhibit B-3 (continued)
Average Number of Sponsors of CACFP Family Child Care Homes by Fiscal Year [1]

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Western Region	161	171	180	189	192	198	198	196	197	194	190	-1.8%	-3.9%
Alaska	8	8	9	9	10	12	13	13	13	14	14	5.9%	5.9%
Arizona	13	14	16	17	16	17	20	18	21	21	21	2.4%	2.4%
California	92	100	104	110	113	111	108	107	107	101	96	-5.4%	-9.6%
Guam	0	0	0	0	0	3	4	4	4	5	3	17.6%	-29.4%
Hawaii	2	3	3	3	4	5	4	4	5	5	5	11.1%	11.1%
Idaho	5	5	6	4	4	4	4	6	5	5	5	0.0%	0.0%
Nevada	3	3	3	3	3	4	4	3	3	3	3	0.0%	0.0%
Oregon	17	17	18	19	19	19	19	19	19	19	19	-1.3%	1.3%
Washington	22	22	23	23	24	24	22	22	22	22	24	0.0%	8.0%

[1] State figures are rounded annual averages of quarterly data and may not add up to regional and national totals.

Appendix C
Licensed Family Child Care Homes by State

Table C Number of Licensed Family Child Care Homes

Appendix Exhibit C
Number of Licensed Family Child Care Homes

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
United States	197,640	220,867	244,244	261,926	274,265	286,773	290,911	286,789	285,390	294,249	296,475	3.1%	3.9%
Northeast Region	22,920	28,724	32,036	32,904	33,089	32,199	34,906	37,503	36,293	40,430	41,401	11.4%	14.1%
Connecticut	4,678	6,081	6,081	6,081	5,958	5,958	5,381	4,973	5,082	5,119	4,506	0.7%	-11.3%
Maine	1,500	1,800	2,100	2,950	2,150	2,149	2,445	2,445	2,365	2,476	2,400	4.7%	1.5%
Massachusetts	9,200	12,061	13,202	13,202	13,570	10,859	10,868	10,868	10,987	11,005	11,005	0.2%	0.2%
New Hampshire	412	412	490	500	500	500	473	453	420	451	403	7.4%	-4.0%
New York	5,350	6,300	7,743	7,743	8,542	10,382	13,344	16,424	15,274	19,169	20,857	25.5%	36.6%
Rhode Island	550	550	582	608	617	654	633	658	716	758	810	5.9%	13.1%
Vermont	1,230	1,520	1,838	1,820	1,752	1,697	1,762	1,682	1,449	1,452	1,420	0.2%	-2.0%
Mid-Atlantic Region	20,379	22,681	26,098	28,047	30,051	35,852	34,884	32,449	32,664	33,747	34,258	3.3%	4.9%
Delaware	1,251	1,447	1,729	2,000	2,091	2,495	2,276	1,867	2,003	1,984	1,952	-0.9%	-2.5%
District of Columbia	275	275	290	310	315	229	265	259	236	234	234	-0.8%	-0.8%
Maryland	9,000	9,000	10,556	11,373	12,377	12,247	12,218	12,292	12,292	12,202	12,007	-0.7%	-2.3%
New Jersey	1,549	2,690	3,700	4,000	4,000	4,200	4,400	4,400	4,100	4,400	5,100	7.3%	24.4%
Pennsylvania	4,890	5,432	5,916	6,434	6,751	6,014	5,015	4,346	4,486	4,663	4,942	3.9%	10.2%
Puerto Rico[1]									194	219	234	12.9%	20.6%
Virginia	2,114	2,537	2,607	2,630	3,217	4,667	4,710	4,835	4,848	4,981	5,015	2.7%	3.4%
Virgin Islands[1]									55	64	58	16.4%	5.5%
West Virginia	1,300	1,300	1,300	1,300	1,300	6,000	6,000	4,450	4,450	5,000	4,716	12.4%	6.0%
Southeast Region	20,665	20,653	21,742	23,209	24,081	23,858	27,594	27,449	29,205	30,497	33,917	4.4%	16.1%
Alabama	2,750	2,750	2,750	3,000	3,592	3,450	3,540	3,551	3,366	3,053	3,015	-9.3%	-10.4%
Florida	5,371	5,371	7,485	8,398	7,073	7,182	7,104	7,046	7,681	8,179	8,435	6.5%	9.8%
Georgia	6,000	6,000	5,000	5,000	5,872	5,384	5,384	5,448	6,414	7,288	6,895	13.6%	7.5%
Kentucky	397	397	200	212	616	512	715	762	828	809	4,647	-2.3%	461.2%
Mississippi	50	50	50	50	88	98	1,825	875	844	767	951	-9.1%	12.7%
North Carolina	4,062	3,495	3,383	3,438	3,458	3,850	4,140	4,645	5,020	5,507	5,180	9.7%	3.2%
South Carolina	1,425	1,651	1,756	1,881	1,933	1,933	2,444	2,534	2,534	2,038	1,968	-19.6%	-22.3%
Tennessee	610	939	1,118	1,230	1,449	1,449	2,442	2,588	2,518	2,856	2,826	13.4%	12.2%

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Appendix Exhibit C (continued)
Number of Licensed Family Child Care Homes

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Midwest Region	34,041	39,769	44,848	47,296	49,856	52,228	56,554	54,267	56,458	61,815	58,493	9.5%	3.6%
Illinois	5,053	5,053	6,672	7,666	7,666	8,335	9,185	9,185	9,359	9,594	9,821	2.5%	4.9%
Indiana	1,433	1,699	1,907	2,156	2,127	2,331	2,568	2,706	2,821	3,285	3,268	16.4%	15.8%
Michigan	10,400	13,200	15,000	13,500	13,991	14,276	15,711	16,059	17,022	17,035	16,437	0.1%	-3.4%
Minnesota	10,100	12,500	13,546	13,546	14,410	14,410	15,389	15,559	15,559	15,559	15,559	0.0%	0.0%
Ohio	3,507	3,507	3,507	5,858	6,605	7,051	6,809	4,181	4,181	8,826	6,563	111.1%	57.0%
Wisconsin	3,548	3,810	4,216	4,570	5,057	5,825	6,892	6,577	7,516	7,516	6,845	0.0%	-8.9%
Southwest Region	22,993	23,398	24,540	28,437	28,810	31,004	30,887	29,363	28,209	28,566	30,685	1.3%	8.8%
Arkansas	583	590	959	1,603	1,603	3,112	3,056	1,345	1,559	1,867	1,654	19.8%	6.1%
Louisiana	5,400	5,400	5,400	8,700	9,024	9,494	9,494	10,000	8,500	8,500	11,000	0.0%	29.4%
New Mexico	338	203	125	113	246	278	258	299	233	241	278	3.4%	19.3%
Oklahoma	1,947	2,122	2,337	2,954	3,237	3,444	3,709	3,783	4,057	4,198	4,170	3.5%	2.8%
Texas	14,725	15,083	15,719	15,067	14,700	14,676	14,370	13,936	13,860	13,760	13,583	-0.7%	-2.0%
Mountain Plains	25,850	28,786	30,696	31,601	36,697	37,385	38,651	37,991	35,826	33,575	32,003	-6.3%	-10.7%
Colorado	5,979	6,404	6,351	6,548	6,619	6,619	6,886	6,886	6,287	6,040	5,781	-3.9%	-8.0%
Iowa	3,007	3,784	4,341	4,679	4,789	5,098	5,255	5,253	5,077	4,760	4,775	-6.2%	-5.9%
Kansas	6,712	7,628	8,029	8,429	11,139	9,356	9,512	9,512	8,667	8,315	7,766	-4.1%	-10.4%
Missouri	1,770	2,097	2,336	2,460	2,612	2,762	2,811	2,858	2,651	2,341	2,570	-11.7%	-3.1%
Montana	748	1,297	1,356	1,542	1,726	1,726	1,726	1,726	1,726	1,580	1,541	-8.5%	-10.7%
Nebraska	2,447	2,731	3,147	2,594	3,806	4,150	4,313	4,075	3,844	3,555	3,475	-7.5%	-9.6%
North Dakota	1,781	1,781	1,655	1,655	1,710	3,141	3,517	2,933	2,816	2,909	2,536	3.3%	-9.9%
South Dakota	450	576	691	787	939	1,137	1,148	1,251	1,237	1,150	1,061	-7.0%	-14.2%
Utah	1,929	1,708	2,010	2,187	2,664	2,654	2,690	2,690	2,690	2,189	1,820	-18.6%	-32.3%
Wyoming	1,027	780	780	720	693	742	793	807	831	736	678	-11.4%	-18.4%

…continued

Appendix Exhibit C (continued)
Number of Licensed Family Child Care Homes

Area	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Change 1997-98	Change 1997-99
Western Region	50,792	56,856	64,284	70,432	71,681	74,247	67,435	67,767	66,735	65,619	65,718	-1.7%	-1.5%
Alaska	383	800	700	725	725	815	548	520	515	1,484	1,707	188.2%	231.5%
Arizona	1,175	1,183	1,526	1,510	1,520	1,395	1,577	1,603	1,503	1,557	1,769	3.6%	17.7%
California	38,103	43,000	47,422	52,000	52,720	52,720	42,501	42,262	42,374	41,920	41,627	-1.1%	-1.8%
Hawaii	235	264	316	357	358	372	433	433	489	500	525	2.2%	7.4%
Idaho	583	583	583	688	688	1,171	1,236	1,236	1,326	1,360	1,282	2.6%	-3.3%
Nevada	340	412	440	490	490	497	565	595	636	636	659	0.0%	3.6%
Oregon	3,473	4,114	5,797	6,462	6,980	8,817	11,948	12,559	11,167	10,660	10,748	-4.5%	-3.8%
Washington	6,500	6,500	7,500	8,200	8,200	8,460	8,627	8,559	8,725	7,502	7,401	-14.0%	-15.2%

Source: The Children's Foundation.
[1] The Children's Foundation did not collect data from Puerto Rico and Virgin Islands until 1997.