

Conclusion

The major objective of the Congress in mandating tiering was to focus the family child care component of the CACFP more closely on low-income children. The analyses presented above make it clear that a substantial change in focus did occur. The proportion of CACFP meal reimbursement dollars allocated to low-income children more than doubled between 1995 and 1999, from 21 to 45 percent. Low-income children as a percent of all participating children increased from 21 to 39 percent.

Because the PRWORA did not establish a target for the proportion of dollars or participating children that should be low-income, it is difficult to say whether the observed change is too little, too much, or just the right amount. The changes were very substantial by any standard, however.

The sizable change is particularly noteworthy because the tiering mechanism uses only proxy indicators of the household circumstances of most children in the program. The tiering mechanism is nonetheless quite sensitive. About 88 percent of all participating low-income children were cared for in Tier 1 homes. Additional low-income children were served in Tier 2 homes but had their meals reimbursed at Tier 1 rates, bringing the overall sensitivity rate to around 95 percent. The tiering mechanism's specificity, measured as the percent of participating higher-income children whose meals are reimbursed at the lower Tier 2 rate, is a more modest 42 percent. This indicates that the tiering mechanism is considerably more likely to err in the direction of reimbursing higher-income children's meals at the high rate than to err in the direction of reimbursing low-income children's meals at the low rate.

One interesting feature of the CACFP reimbursement policy results from the fact that reimbursements go to the provider and are not passed on directly to individual children. All children in Tier 1 homes have their meals subsidized at the higher rates, and the provider presumably passes on that subsidy (in the form of lower fees, more nutritious meals, or both) equally to all children under the provider's care. In Tier 2 homes, however, the total amount of the subsidy paid to the provider depends on the mix of low-income and higher-income children in the provider's care. Because the provider does not know which are the low-income children, the subsidy must be passed on equally to all children in the provider's care. This means that a low-income child's subsidy will depend on the proportion of other children in the provider's care who are also low-income. This feature is not new to the CACFP. Child care centers know the meal subsidy levels for the individual children in their care, but are not required to pass on the subsidy individually. Indeed, to the extent that the subsidy is used to augment the food offered rather than to reduce fees, the operating reality is that the subsidy will benefit all children in the center equally.

The study provides only limited information on how the varying subsidy level affects the fees charged to parents or the food offered to children. The analysis presented here and in other study reports does indicate that providers who receive lower CACFP reimbursements tend to charge higher fees, implying that part of the meal reimbursement is passed on in the form of lower fees. Analysis reported elsewhere indicates that the amount of the subsidy has little effect on the nutrient content of

meals offered, although participation in the CACFP (i.e., receipt of any subsidy) may have an effect. This makes it plausible to hypothesize that the level of subsidy received by low-income families whose children are cared for in Tier 2 homes will depend on how many other low-income children are under the provider's care. Further research would be needed to estimate this effect.