

How Much of Children's Early Care and Education Participation in 2012 Was Publicly Funded?

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In the U.S. in 2012, public funding of early care and education (ECE) could come from a variety of programs and levels of government (federal, state, local). This snapshot uses household reports to estimate percentages of children younger than 60 months who enrolled in that year in two types of publicly funded ECE: center-based and paid home-based care. Using household reports allows us to document income and age-related differences in children's participation in publicly funded and non-publicly funded care, as well as differences by parental employment status.

- ▶ **Fourteen percent of children under 3 years of age were in center-based care, and among these, fewer than 1 in 4 were publicly funded (3 percent of all children 35 months or less).** Participation in center-based care was three times as common for children 36 through 59 months (44 percent), with 3 in 10 of these publicly funded (14 percent of children in the age group). Public funding was much more common among children in lower-income households than those in higher-income households.
- ▶ **Less than 20 percent of children were in paid home-based care, with fewer than 1 in 10 of these in publicly funded care.** These patterns hold for children under 3 years and those 36-59 months. Even so, we see that children in lower-income households were more likely to participate in publicly funded home-based care than children in higher-income households.
- ▶ **Children under 60 months were more likely to participate in center-based or paid home-based care if all parents in the household were employed.** As a result, public funding generally supported ECE for children in households where all parents were employed. Public funding did support ECE for some children in households with one or more parents who were not employed, especially in the case of children 36 through 59 months enrolled in center-based care.

Data for this analysis come from the 2012 National Survey of Early Care and Education, which includes nationally representative data on households with young children.

Center-based ECE¹

We classify as *center-based ECE* any non-residential ECE setting that serves children birth through age five years, not yet in kindergarten, and that is not drop-in or single activity (so babysitting at athletic facilities and skating lessons do not count). This very broad category includes Head Start, school-based pre-kindergarten, private Montessori schools, nursery schools, and child care centers that vary widely across levels of quality as well as profit/non-profit status, affiliation with faith-based institutions, and other characteristics. We classify center-based care for a child as *publicly funded* if the parent reports receiving non-personal assistance paying for the arrangement (such as from an agency). We also classify center-based care as publicly funded if the parent reports \$0 charges by the provider². Qualitative research indicates that parents view public pre-K, Head Start and other tuition-free care as ‘free’ and may not recognize them as publicly funded.³ As we note above, publicly funded care would include Head Start, which is means-tested; child care subsidies, which are means-tested and have a requirement for work-related activity; and state or local public pre-kindergarten programs, which may or may not be means-tested depending on the specific program and would not have a parental work requirement⁴.

Tax dollars support publicly funded arrangements, although the support may be from local, state or federal taxes, and may be paid to the parent as reimbursement, associated with the parent as a voucher, or paid directly to the provider as for public school programming. Publically funded programs may often be tuition-free for parents (as with Head Start), but can also involve out-of-pocket costs for parents, for example with child care subsidies and associated co-payments.

The **2012 National Survey of Early Care and Education (NSECE)** was a set of four integrated, nationally representative surveys conducted in 2012. These were surveys of 1) households with children under 13, 2) home-based providers of ECE, 3) center-based providers of ECE, and 4) the center-based provider workforce. Together they characterize the supply of and demand for early care and education in America and permit better understanding of how well families’ needs and preferences coordinate with providers’ offerings and constraints. The study was funded by the Office of Planning, Research, and Evaluation (OPRE) in the Administration for Children and Families (ACF), U.S. Department of Health and Human Services. This snapshot uses data for 8,130 children in the Household Survey.

¹ For information about center-based ECE providers, please see: NSECE Project Team (2014). Characteristics of Center-based Early Care and Education Programs: Initial Findings from the National Survey of Early Care and Education (NSECE). OPRE Report #2014-73a, Washington DC: OPRE, ACF, US DHHS.

² A small number of \$0-cost-to-parents privately funded centers may be mis-classified as publicly funded, but these are very few in number relative to publicly funded \$0-cost-to-parent centers.

³ Gianarelli, et al. 2003. “Getting Help with Child Care Expenses” Washington DC: Urban Institute. Bowman, M., et al. 2010. Design Phase of the National Study of Child Care Supply and Demand (NSCCSD): Cognitive Interview Findings for Demand Questionnaire. Chicago: NORC.

⁴ Administration for Children & Families: Office of Child Care, Federal and State Funding For Child Care and Early Learning, (December 2014). https://childcareta.acf.hhs.gov/sites/default/files/public/federal_and_state_funding_for_child_care_and_early_learning_edited.pdf

Exhibit 1 Children in Center-based Care by Public Funding Status (Ages 0 through 59 months)

Source: 2012 NSECE Household Survey

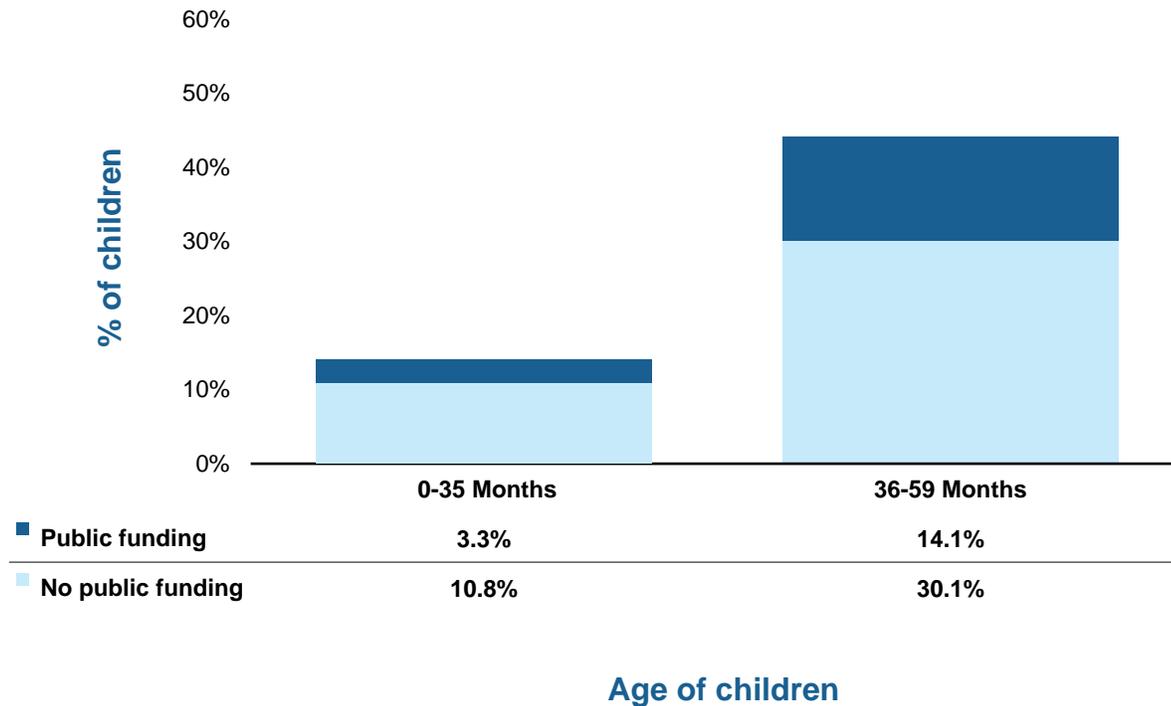


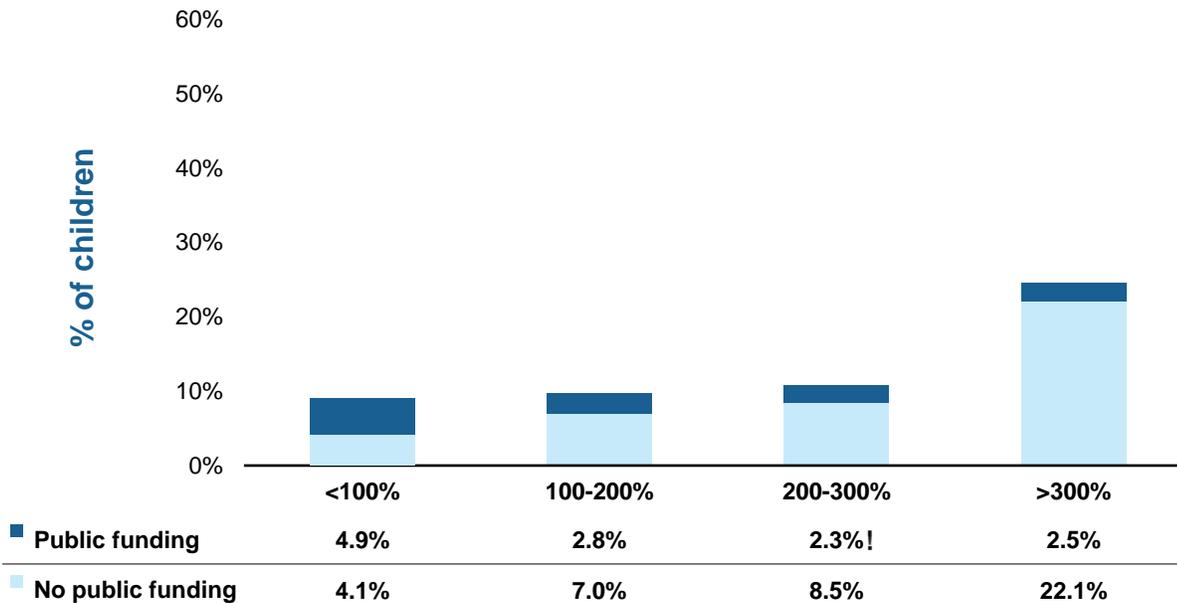
Exhibit 1 shows the percentage of children in 2012 who were enrolled in center-based ECE for two age groups under 60 months, and whether or not that enrollment was publicly funded. Participation is reported for regular care – occurring at least five hours weekly⁵. Fourteen percent of children under 3 years of age were in center-based care, and among these, fewer than 1 in 4 were publicly funded (3 percent of all children under 36 months). Participation in center-based care was three times as common for children 36 through 59 months (44 percent), with 3 in 10 of these publicly funded (14 percent of children in the age group).⁶

⁵ Children may participate in both center-based and paid home-based care; such children's participation will be counted in both sets of statistics. Infrequently, children may also have more than one center-based provider or more than one paid home-based provider; a child classified in center-based public funding has some publicly funded center-based care, even if he or she also has center-based care that is not publicly funded. The same logic pertains to classifying children in home-based public funding.

⁶ These tabulations are based on parental self-reports that have not been corroborated by administrative records. Total national counts of children in publicly funded arrangements reported here are, however, consistent with total counts of children's enrollment reported by the Office of Head Start (for center-based Head Start), the Office of Child Care (for center-based subsidized arrangements for children five and under), and the National Institute of Early Education Research (for state public pre-K enrollment). Exact comparisons are not possible due to differences in data availability.

Exhibit 2 Children in Center-based Care by Public Funding Status and Household Poverty Ratio (Ages 0 through 35 months)

Source: 2012 NSECE Household Survey



Household Poverty Ratio

Exhibit 2 shows the percentage of children aged 0 through 35 months who were in center-based arrangements, split into households in four different income categories. For this age group, very few children were in center-based care, ranging from no more than 11 percent for children in households under 300 percent of the poverty threshold (top portions of the first three sets of bars) to 24.6 percent of children over 300 percent of poverty (rightmost bars). As we might expect from the variety of publicly funded programs, all income levels showed some publicly funded enrollment. Public funding accounted for a majority of center-based care for children under 3 years in the lowest income households, but barely 1 in 10 (2.5 percent out of 24.6 percent) of center-based care for children in the highest income category.

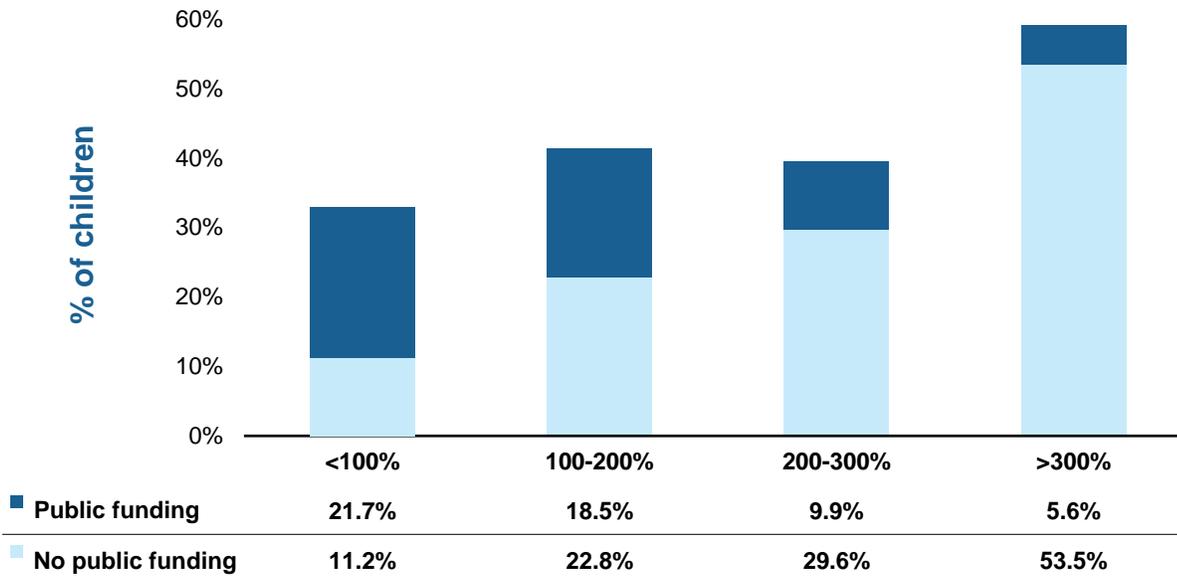
Household Poverty Ratio

Households are classified by the ratio of their 2011 income to the federal poverty threshold for a household of their size in 2011. The number of children under 60 months living in households in each poverty ratio category is given in the table to the right:

Household poverty ratio	Number of children
< 100%	6.75M
100 - < 200%	4.98M
200 - < 300%	2.98M
>= 300%	6.44M

Exhibit 3 Children in Center-based Care by Public Funding Status and Household Poverty Ratio (Ages 36 through 59 months)

Source: 2012 NSECE Household Survey



Household Poverty Ratio

Exhibit 3 again shows percentages of children in center-based care by public funding status and household poverty ratio, but focusing on children age 36 through 59 months. Public funding supports almost two-thirds of children’s participation in center-based care in the lowest income households (22 percent out of 33 percent, as seen in the leftmost bars), falling to one-tenth of children’s center-based participation in households above 300 percent of poverty (6 percent of 59 percent, as seen in the rightmost bars).

For both age groups, we see that there were significant differences in participation in center-based care across income categories, with children from the highest income households much more likely to be in center-based care than children in lower-income households. Also for both age groups, we see that publicly funded arrangements substantially narrowed the disparities across income levels by involving higher proportions of children in low-income households than high-income households.

Paid Home-based ECE⁷

The primary non-parental care alternative to center-based care is home-based or individual care. The individual care category is very broad, including relatives within a household who may look after a young child in the evening, all the way to individuals operating very large family child care operations with paid staff and large enrollments. We focus on paid home-based care in which the provider is paid to care for the child, and exclude the large unpaid individual care sector. Both paid and unpaid arrangements can be regular or irregular, where regular means at least five hours each week.

The largest public funding source for paid home-based care is the child care subsidy program, which will offset costs of paid home-based care to cover parents' work-related activities. In 2012, other public funding for home-based care existed but served far fewer children than the subsidy program. (These included some Head Start-funded home-based slots, and public pre-K programs in some states that had 'mixed delivery' systems that may have allowed home-based pre-K.)⁸ IDEA funds for early intervention are also uncommon for home-based care. We classify home-based care as 'publicly funded' if the parent indicates that financial assistance was received from a non-personal source (such as an agency or through TANF). Unlike for center-based programs, we do not infer that 'no cost' home-based arrangements are publicly funded, since there is a large sector of individual providers, including some family, friend, and neighbor providers, who indeed provide care free to parents with no compensation for the provider's efforts or time.

⁷ For information about home-based ECE providers, please see: NSECE Project Team (2016). Characteristics of Home-based Early Care and Education Providers: Initial Findings from the National Survey of Early Care and Education. OPRE Report #2016-13, Washington DC: OPRE, ACF, US DHHS.

⁸ Administration for Children & Families: Office of Child Care, Federal and State Funding For Child Care and Early Learning, (December 2014). https://childcareta.acf.hhs.gov/sites/default/files/public/federal_and_state_funding_for_child_care_and_early_learning_edited.pdf

Exhibit 4 Children in Paid Home-based Care by Public Funding Status (Ages 0 through 59 months)

Source: 2012 NSECE Household Survey

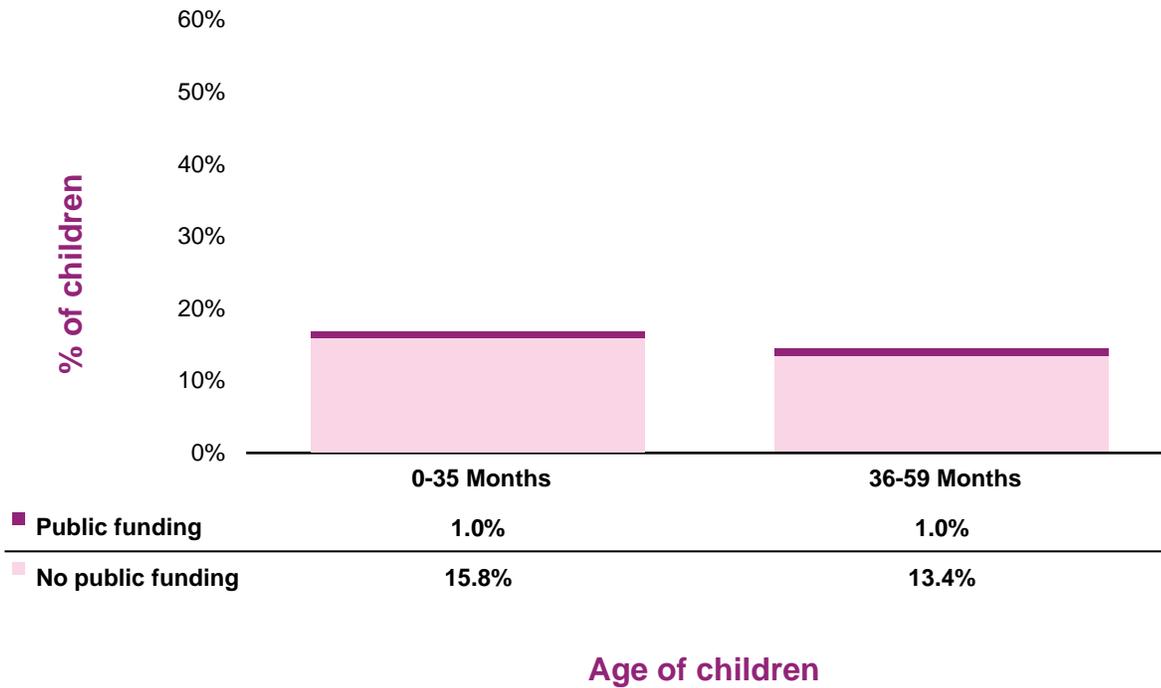
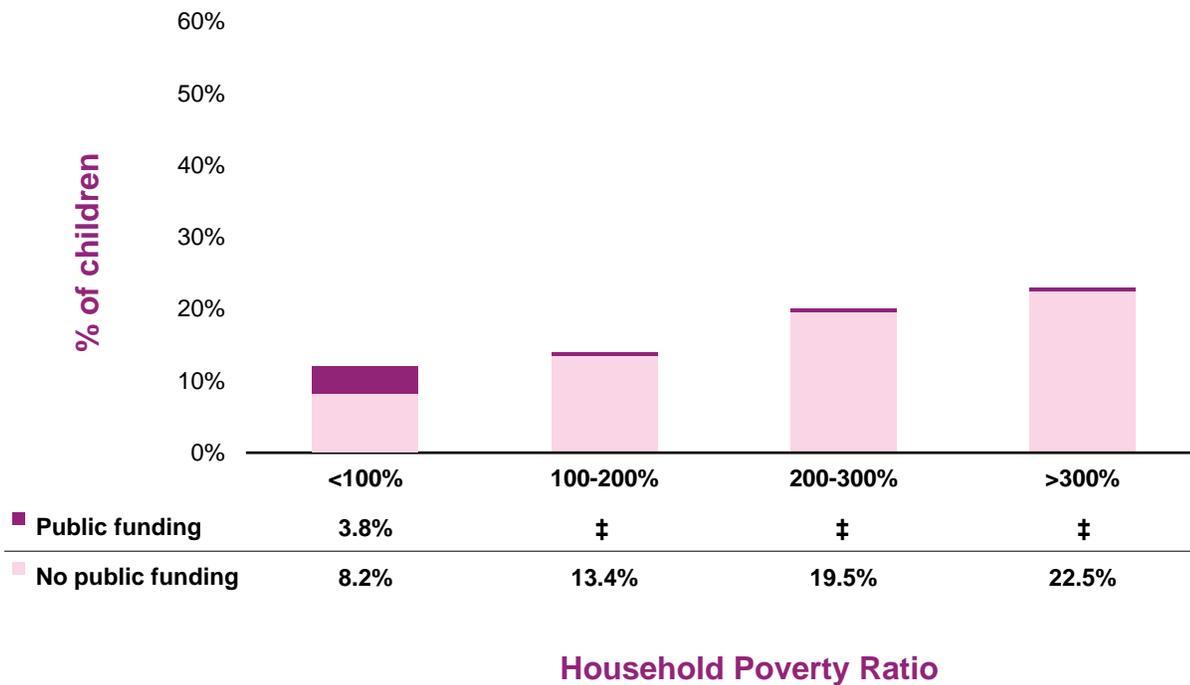


Exhibit 4 shows children’s participation in paid home-based care for the two age groups and by public funding status. Participation is reported for regular care – occurring at least five hours weekly. Participation rates and public funding were very similar for children over and under 3 years of age. Both the similarity of participation across the two age groups and the small contribution of public funding are quite different for paid home-based care than for center-based care.

Exhibit 5 Children in Paid Home-based Care by Public Funding Status and Household Poverty Ratio (Ages 0 through 35 months)

Source: 2012 NSECE Household Survey

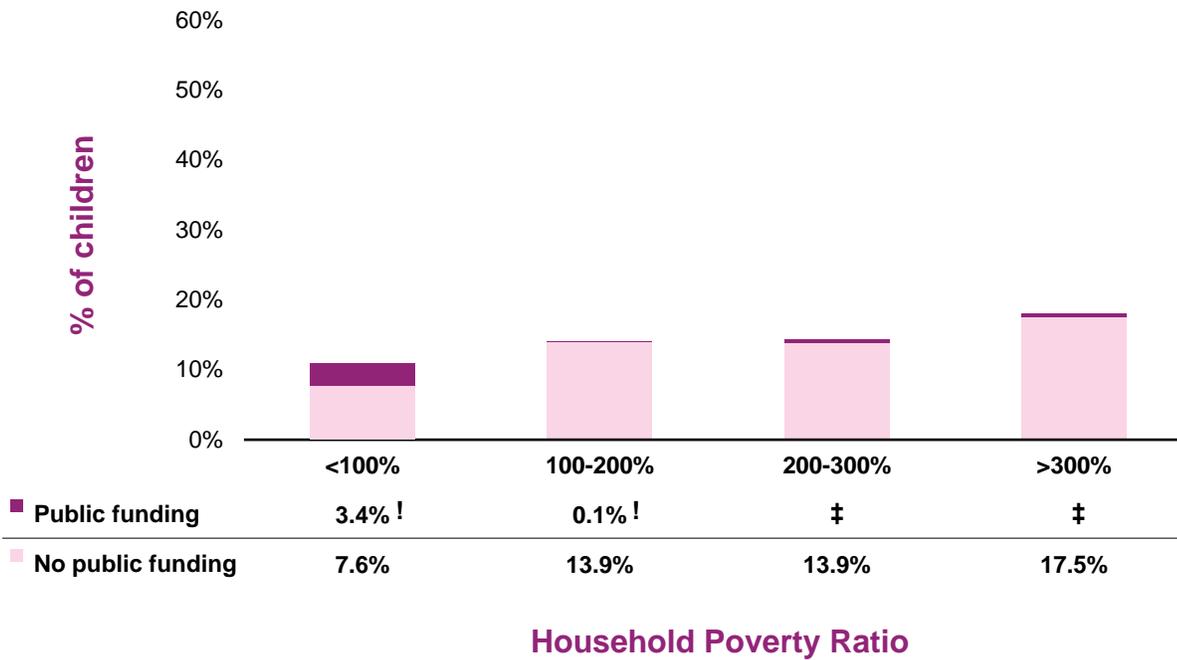


Exhibits 5 and 6 show children’s participation in paid home-based care by public funding status and household poverty ratio. In another difference from center-based care, we see very modest differences in paid home-based participation across income categories. The incidence of publicly funded paid home-based arrangements was quite low, but was concentrated among households living in poverty⁹. Some publicly funded care appeared for all four income categories in both age groups.

⁹ In Exhibit 5 and subsequent graphs, ‡ indicates a cell count less than 20 and therefore, is suppressed, with the estimate associated with that cell count signifying a non-zero percentage. ! indicates a cell count between 20-49; these estimates should be interpreted with caution.

Exhibit 6 Children in Paid Home-based Care by Public Funding Status and Household Poverty Ratio (Ages 36 through 59 months)

Source: 2012 NSECE Household Survey



Parental Employment Status

Many parents seek early care and education for their children not only to promote child development, but also so that parents can go to work. Exhibits 7, 8, 9, and 10 look at rates of center-based and paid home-based participation by the employment status of parents in the household, and distinguishes households at less than 200 percent of poverty from those at 200 percent of poverty or higher.

Parental Employment Status

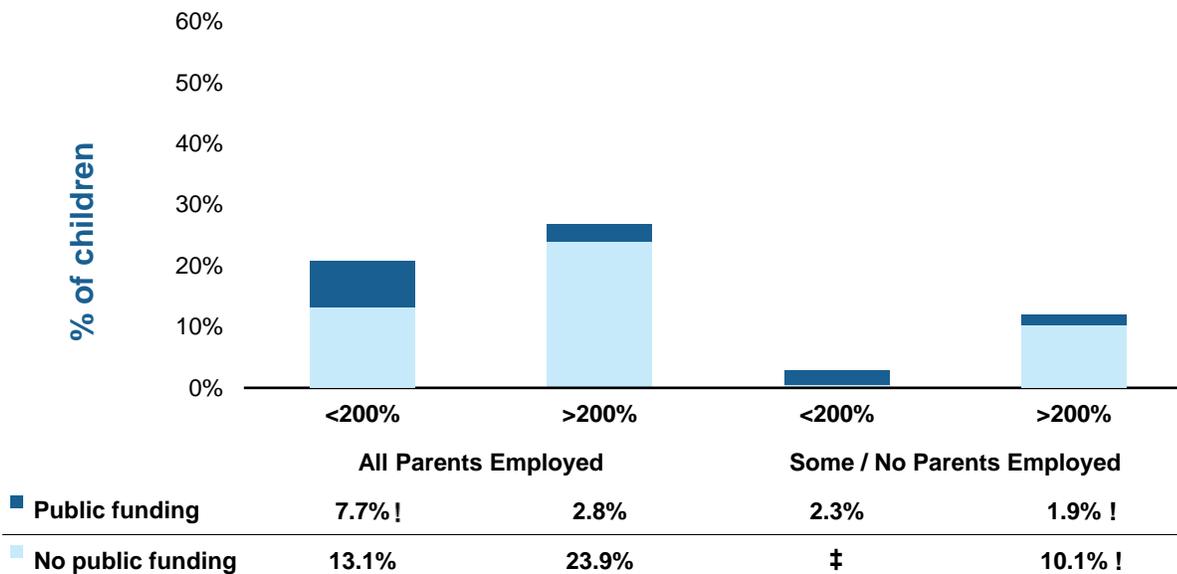
Households are characterized based on prior week work-related activities such as schooling, training and employment of resident parents. “All parents employed” indicates either a single-parent or both parents in a two-parent household were engaged in work-related activities. “Some or no parents employed” includes both one and two-parent households in which no parent had work-related activities or when one parent is working out of two. Employed parents may be employed full or part-time.

The table below provides the number of children under 60 months living in households by parental employment status and household poverty ratio:

	< 200 % FPL	>= 200% FPL
All Parents Employed	3.95M	5.26M
Some/No Parents Employed	7.47M	4.04M

Exhibit 7 Children in Center-based Care by Public Funding Status and Parental Employment Status (Ages 0 through 35 months)

Source: 2012 NSECE Household Survey

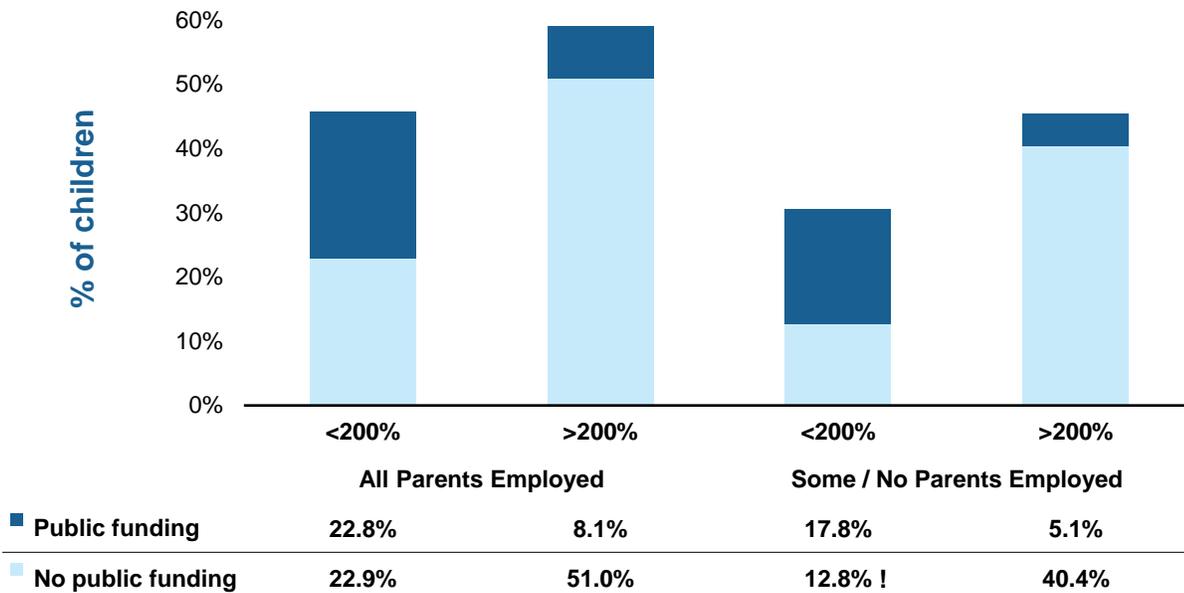


Household Poverty Ratio and Parental Employment Status

Exhibit 7 reports center-based participation among children under 36 months by parental employment status. We see that differences in children’s ECE participation could be quite large across parental employment statuses. Children under 3 years were twice as likely to participate in center-based care if they were in single parent working households or two-parent households where both parents worked. Within employment status, higher-income households (> 200%) had children under 3 years in center-based care somewhat more often than lower-income households (< 200%).

Exhibit 8 Children in Center-based Care by Public Funding Status and Parental Employment Status (Ages 36 through 59 months)

Source: 2012 NSECE Household Survey

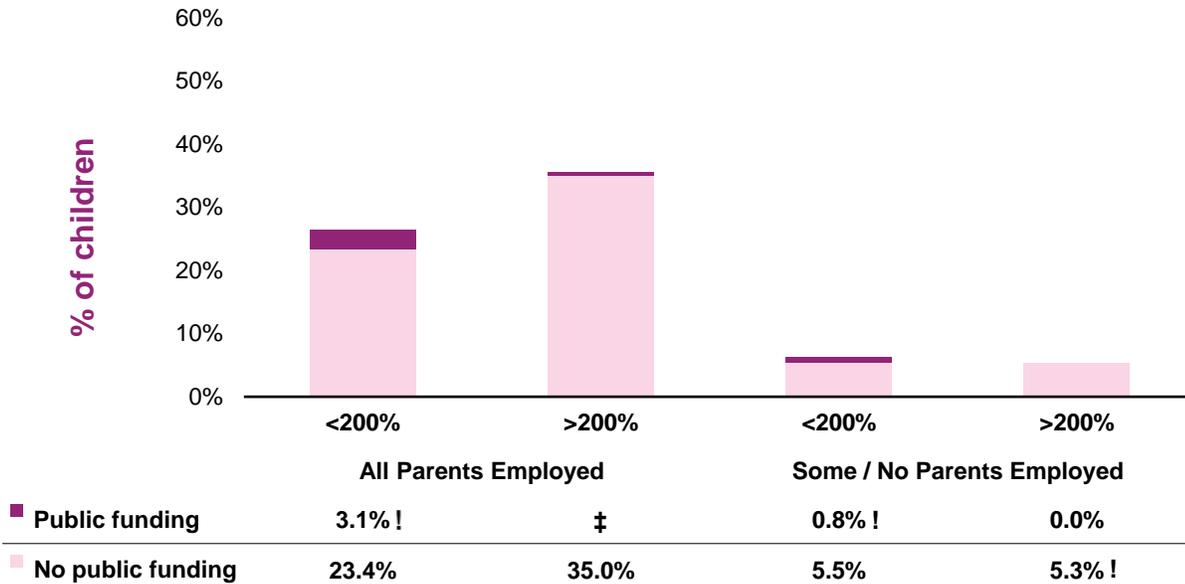


Household Poverty Ratio and Parental Employment Status

Exhibit 8 shows that differences were smaller across parental employment statuses for participation in center-based care among children 36 through 59 months. Public funding accounts for at least a majority of enrollments in both parental employment statuses for children in households below 200 percent.

Exhibit 9 Children in Paid Home-based Care by Public Funding Status, Parental Employment and Household Poverty Ratio (Ages 0 through 35 months)

Source: 2012 NSECE Household Survey



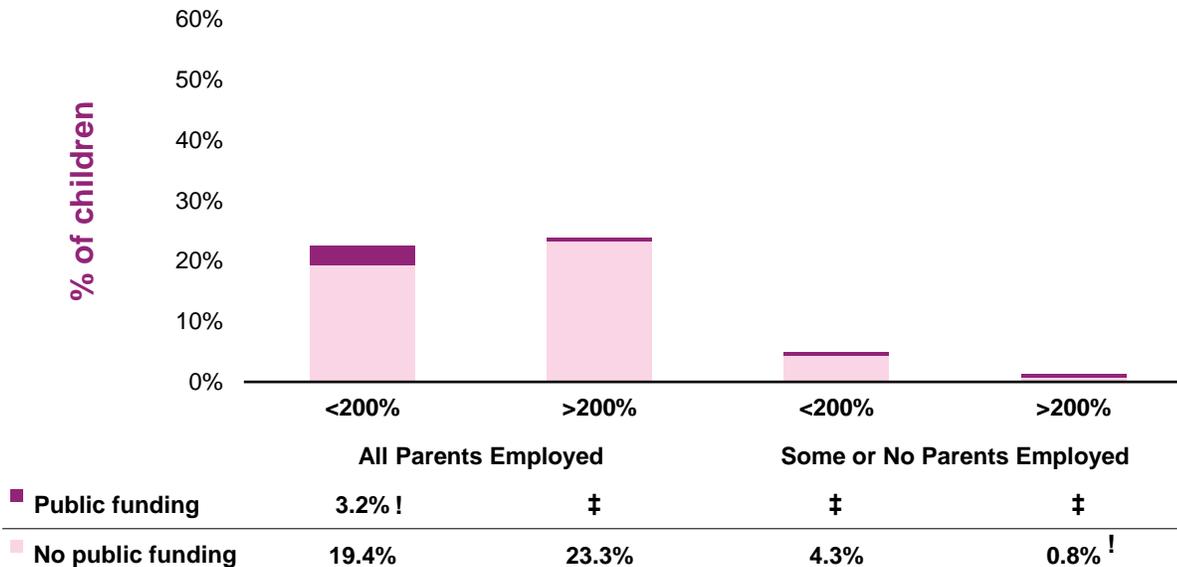
Household Poverty Ratio and Parental Employment Status

Exhibits 9 and 10, for children in paid home-based care, again show that children in ‘all parents employed’ households participated in paid home-based care at much higher rates than children with one or no parents employed. The patterns for children in both age groups are quite similar. Consistent with what we see in Exhibits 5 and 6, public funding is quite rare for paid home-based arrangements other than in households with incomes less than 200 percent of poverty and where all parents are employed.

Exhibit 10

Children in Paid Home-based Care by Public Funding Status, Parental Employment and Household Poverty Ratio (Ages 36 through 59 months)

Source: 2012 NSECE Household Survey



Household Poverty Ratio and Parental Employment Status

Conclusion

In 2012, children under 5 years of age participated in early care and education at different rates across child age, the income level of the household, and the parental employment status in the household. Older children, higher-income households, and households in which all parents are employed were all associated with greater participation of children in center-based care. Participation differences between subgroups were generally smaller for paid home-based care. If all parents in a household are working, then it is much more likely that children are enrolled in regular care, except for center-based care for children 36 through 59 months, where disparities across income and parental employment status are smaller.

Across care types and age groups, we see that children in lower-income households were more often in publicly funded care than children in higher-income households, indicating that public funding narrows income disparities in care participation relative to a private-pay-only system. Despite this narrowing, children in low-income households remain less likely to participate in center-based care than children in higher-income households. Evidence of further need for publicly funded care for low-income households may be found in their higher

rates of using unpaid individual care compared to higher-income households, which has been documented elsewhere.¹⁰

The numbers presented in this snapshot depict public funds that are paid directly into early care and education systems. Another significant commitment of public dollars comes through federal income tax provisions, for example, the child care tax credit, and the ability of parents to deduct pre-tax dollars to fund Flexible Spending Accounts for Dependent Care expenses. Although these are substantial investments of public dollars, they are difficult to tie directly to specific ECE usage because they are administered through income tax filings. Previous research indicates that these public benefits likely accrue to higher-income households.¹¹

¹⁰ National Survey of Early Care and Education Project Team. (2016). Early Care and Education Usage and Households' Out-of-pocket Costs: Tabulations from the National Survey of Early Care and Education (NSECE). OPRE Report #2016-09, Washington DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

¹¹ Margot L. Crandall-Hollick, *Child and Dependent Care Tax Benefits: How they Work and Who Receives Them* (Congressional Research Service Report R44993, 2018).

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