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Child Care Food Subsidies: Who Participates and Why

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For additional details about the program and research findings, please see: Gordon, Rachel A., Robert Kaestner, Sanders Korenman, & Kristin Abner. 2011. The Child and Adult Care Food Program: Who Is Served and Why? *Social Service Review* 85 (3): 359-400.

In 2008, nearly 15 percent of U.S. households were food insecure, meaning the household members lacked consistent access to enough food for healthy lives. And, half of low-income, female-headed households with children were food insecure in 2008.¹ To address food insecurity and inadequate child nutrition, more than a dozen federal programs provide food and nutrition support to children and families. Fiscal year 2010 expenditures are outlined in Table 1 (see page 2) for key federal food programs.²

Each of these programs has been widely studied, except for the Child and Adult Care Food Program (CACFP). CACFP reimburses caregivers for meals and snacks provided to children in child care centers, family day care homes, after-school programs, and homeless shelters, as well as to adults in adult day care centers—although children account for 96.3 percent of CACFP expenditures.³ In this issue of *Policy Forum*, we summarize our recent

research that highlights the effectiveness of CACFP in reaching needy children.⁴ Considering CACFP rules, and those of other child care and food subsidies, we use our results to offer suggestions to improve the targeting of nutritional assistance and child care subsidies.

Policy Context

Legislative History and Program Goals

CACFP was authorized in the Richard B. Russell National School Lunch Act, beginning as a pilot program in 1968 and becoming a permanent program in 1978.⁵ The program has undergone changes over the years, including the extension of free meals to all centers funded by Head Start in 1994 and the introduction of a two-tiered reimbursement structure for day care homes in 1996.⁶ Most recently, the

⁴We gratefully acknowledge funding from the U.S. Department of Agriculture Nutrition Research Innovation and Development Grants in Economics (RIDGE) Program.

⁵Gunderson, Gordon W. 1971. *The National School Lunch Program: Background and Development*. U.S. Government Printing Office Report no. 0-429-783. Alexandria, VA: USDA, Food and Nutrition Service. <http://www.fns.usda.gov/cnd/lunch/AboutLunch/NSLP-Program%20History.pdf>.

⁶USDA, Food and Nutrition Service. n.d. "CACFP Reimbursement Rates for Meals Served in Homes and Centers." USDA, Alexandria, VA. <http://www.fns.usda.gov/CND/Care/ProgramBasics/Rates/2005HomesContig.htm> and <http://www.fns.usda.gov/CND/Care/ProgramBasics/Rates/2005CentersContig.htm>.

¹Nord, Mark, Margaret S. Andrews, and Steven Carlson. 2009. *Household Food Security in the United States, 2008*. Economic Research Report no. 83. Washington, DC: USDA, Economic Research Service.

²Table Source: Oliveira, Victor. 2011. *The Food Assistance Landscape: FY 2010 Annual Report*. Economic Information Bulletin no. 6-8, April. Washington, DC: USDA, Economic Research Service.

³Oliveira, Victor. 2011. *The Food Assistance Landscape: FY 2010 Annual Report*. Economic Information Bulletin no. 6-8, April. Washington, DC: USDA, Economic Research Service.

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Table 1. Fiscal Year 2010 Federal Expenditures on Key Food Programs

Program	2010 FY Government Spending
Supplemental Nutrition Assistance Program (formerly Food Stamps)	\$68.2 billion
National School Lunch Program	\$10.5 billion
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$6.8 billion
Child and Adult Care Food Program (CACFP)	\$2.6 billion
School Breakfast Program	\$2.8 billion

Healthy, Hunger-Free Kids Act of 2010 added nutrition and wellness to the purpose statement of CACFP and expanded reimbursement afterschool meals.⁷

The CACFP is like a School Lunch Program for child care. Similarly to the School Lunch Program, CACFP targets nutritional assistance to low-income preschool-aged children. However, by reimbursing providers for meals served, it also acts as a subsidy for child care providers.

Program Eligibility and Benefits

Figure 1 (see page 3) summarizes the four central criteria that determine eligibility and benefit levels: type of care (center vs. home-based, for-profit vs. non-profit, licensed vs. unlicensed), neighborhood income, provider income, and the household income of children in care. Table 2 (see page 4) shows examples of reimbursement levels for typical homes and centers of different sizes.

Although most providers are eligible to participate in the program, reimbursement rates are higher for providers who serve many low-income children or operate in low-income neighborhoods. All licensed, home-based providers (i.e., family day care) are eligible to participate in CACFP. The reimbursement rate or “tier” for each eligible child depends upon the income in the provider’s neighborhood, the provider’s income, and the income of the families that place children in the provider’s care.⁸

All centers are reimbursed on a per-child basis with higher reimbursement rates for poorer children. The CACFP reimburses at the “full” rate if the child’s family income falls below 130 percent of poverty, at the “reduced” rate if family income falls between 130 percent and 185 percent of poverty, or at the “paid” rate if the family income is above 185 percent of poverty. For-profit centers can participate in CACFP only if at least 25 percent of enrolled children have incomes below 185 percent of the poverty line, or their care is funded through federal Title XX (Social Services Block

Grant) funds.⁹ In short, most centers qualify for some level of subsidy, although for-profit providers that serve few low-income children do not, and the subsidy level is higher for poor children.

National Participation in CACFP

It is clear from the ensuing description that whether needy children receive CACFP depends on both family economic circumstances and the characteristics and behavior of the providers that care for their children. In order to investigate who is served by CACFP and why, we recently analyzed a national dataset (the Early Childhood Longitudinal Study, Birth Cohort [ECLS-B]). Our results provide the first national estimates that compare participants to eligible nonparticipants. We focus specifically on 2 and 4 year olds, as most of these children are in care.

Is CACFP Reaching Low-Income Children?

CACFP participation is low. For toddlers (age two), just 9 percent receive CACFP, and receipt varies little by poverty status (8 percent of low-income and 10 percent of higher-income). Participation is higher among preschoolers (age four), especially low-income preschoolers, although the

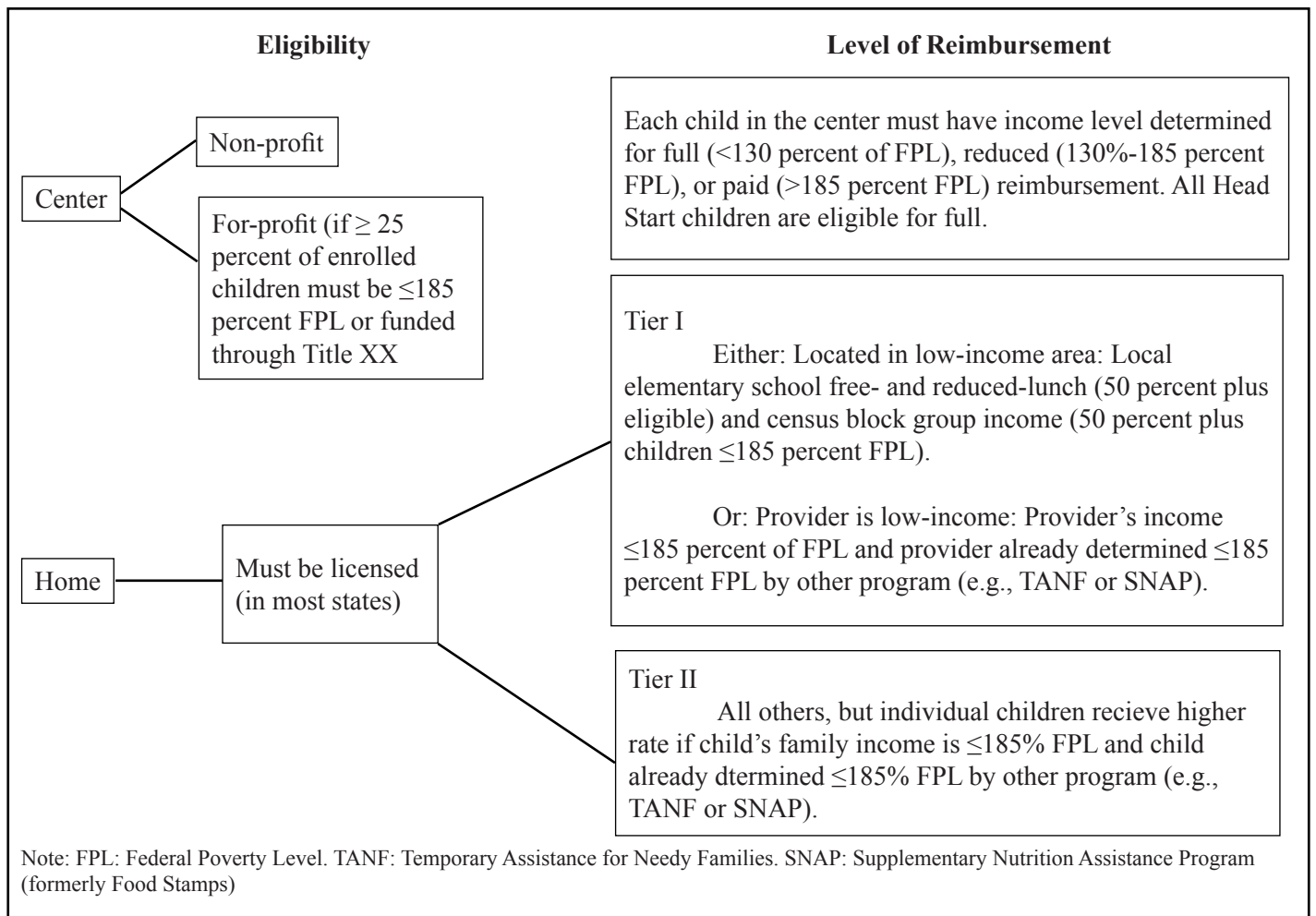
Congressional appreciation of CACFP’s roles as both a child care subsidy and a nutritional assistance program for low-income children continues to the present. In May 2009, the U.S. House of Representatives passed a resolution “Recognizing the Importance of the Child and Adult Care Food Program.” The resolution lauds the program for “building strong family child care for low-income families”; the nutritional quality of the food served to children in day care settings; the benefits of good nutrition for child development and well-being; as well as for the support for early child care that “provides early education experiences.”

U.S. House of Representatives. 2009. *Recognizing the Importance of the Child and Adult Care Food Program and Its Positive Effect on the Lives of Low Income Children and Families*, H.RES.442. 111th Cong., 1st sess., Congressional Record 155, no. 76 (May 18, 2009): H5682.

⁷ USDA, Food and Nutrition Service. n.d. “Child and Adult Care Food Program: Legislative History.” USDA, Alexandria, VA. <http://www.fns.usda.gov/cnd/Care/Regs-Policy/Legislation/history.htm>.

⁸ USDA [U.S. Department of Agriculture], Economic Research Service. 2002. *Effects of CACFP Meal Reimbursement Tiering: Major Findings of the Family Child Care Homes Legislative Changes Study*. Food Assistance and Nutrition Research Report no. 24, May. Washington, DC: USDA, Economic Research Service.

Figure 1. Eligibility and Reimbursement Rules for Child Care Providers Participating in CACFP



majority still do not receive CACFP. Overall, we estimate that 27 percent of 4-year-olds are served by CACFP: 37 percent of low-income 4-year-olds and 18 percent of higher-income 4-year-olds.

As Figure 1 shows, children cared for in unlicensed homes are not eligible for CACFP. Children cared for only by their parents, and not in any non-parental child care arrangements, are also not eligible. Table 3 (see page 4) shows child care arrangements by age and income from the ECLS-B. The majority of children are in such ineligible settings, especially during toddlerhood (at age two). Among all toddlers, 61 percent are cared for exclusively by parents and 20 percent are in unlicensed child care homes. An even higher proportion of low-income toddlers are cared for in ineligible settings (over 69 percent in exclusive care by parents and 18 percent in unlicensed homes). By preschool age (at age four), more children have moved into center-based care and, therefore, are eligible for CACFP. Head Start is particularly important for CACFP participation for low-income children. Seventeen percent of all low-income preschoolers at a Head Start funded center- all of whom receive the full CACFP food subsidy. Yet 48 percent of low-income children remain in an ineligible setting at age 4.

What Predicts Participation Among Eligible Children?

We used statistical models to identify important characteristics of children and families that relate to CACFP participation. CACFP targets low-income children, but higher-income children can and do participate. Thus, we examine CACFP participation separately for each income group. We focus on preschool-aged children because few toddlers are in eligible settings.

Low-income households—Among low-income preschoolers, the most socioeconomically disadvantaged children are most likely to receive CACFP—including African Americans, those who live in high-poverty areas, and those who receive assistance from WIC or SNAP. The availability of care and parent preferences are also important; low-income preschoolers are less likely to receive CACFP if their mothers report that there are few good child care choices in their area and if their mothers emphasize cultural factors in choosing care.

Figure 2 (see page 5) highlights an important finding: the probability of attending a CACFP-participating center increases for low-income children as area poverty increases, especially for children attending non-profit centers not

Table 2. Examples of CACFP Monthly Reimbursement Levels for Homes and Centers*

	Small	Midsized	Large
Homes	3 children	6 children	12 children
Tier II	\$117	\$235	\$469
Tier I	\$244	\$487	\$974
Centers	50 or fewer children	51 to 100 children	101 to 150 children
Paid	\$564	\$1,127	\$1,691
Reduced	\$3,531	\$7,061	\$10,592
Full	\$4,692	\$9,384	\$14,076

* Note.— Paid, Reduced, and Full indicate the three levels at which CACFP reimburses a provider for a child's care. Authors' calculations based on reimbursement rates effective July 1, 2004, to June 30, 2005 (USDA 2004) for a breakfast, a lunch, and one snack (the most typical configuration of meals and snacks; Crepinsek et al. 2002) for care occurring 23 days per month.

Crepinsek, Mary K., Nancy R. Burstein, Ellen B. Lee, Stephen D. Kennedy, and William L. Hamilton. 2002. *Meals Offered by Tier II CACFP Family Child Care Providers: Effects of Lower Meal Reimbursements*. Food Assistance and Nutrition Research Program Report no. 02-006. Washington, DC: USDA, Economic Research Service.

Table 3. Distribution of Study Children by Child Care Type, by Age and Family Income

Type of Care	Toddlers - Age 2			Preschoolers - Age 4		
	All	Low-Income	Higher Income	All	Low-Income	Higher Income
Exclusive parental care	61	69	54	24	32	16
Unlicensed homes (child's home or relative caregiver)	16	15	17	13	14	12
Unlicensed homes (nonrelative, not in child's home)	4	3	5	3	2	3
Licensed homes	5	3	7	4	2	5
Non-profit centers (Not Head Start)	7	5	8	34	26	42
For-profit centers (Not Head Start)	7	5	9	14	7	20
Centers funded by Head Start	9	17	2

funded by Head Start. The bars on the left show that CACFP participation through Head Start is most likely in higher poverty areas: just over one-fourth of children attend Head Start in these areas, compared to just over one-fifth in lower or moderate poverty areas. The bars on the right show that for centers not funded by Head Start, participation increases in a stepwise fashion as area poverty increases: in the lowest poverty areas, just 11 percent of low-income preschoolers attend a non-profit center that participates in CACFP; this percentage increases to 15 percent in moderate poverty areas and to 17 percent in high poverty areas. Thus, low-income children may be missing out on CACFP simply because they do not live in a high poverty area.

Higher-income households— For higher-income preschoolers, area poverty, the mother's employment status, maternal preferences, and child race-ethnicity all influence the chances of receiving CACFP. Additionally, we see a

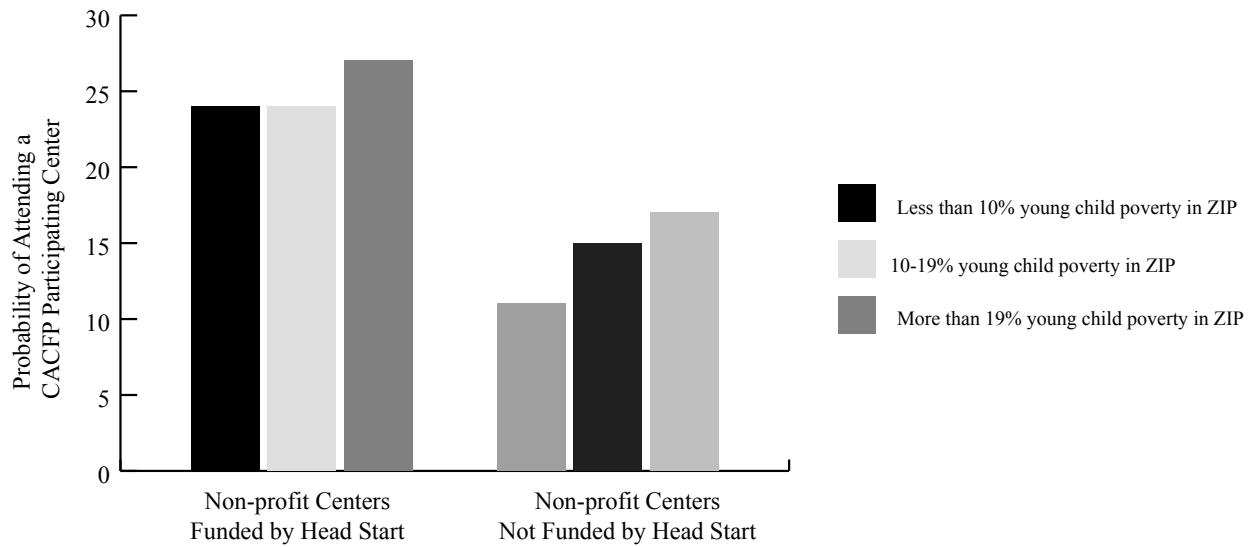
stepwise increase in CACFP participation with area poverty similar to what we saw for low-income children attending participating centers not funded by Head Start.¹⁰ As shown in Figure 3, among these higher-income preschoolers, just 8 percent attend a CACFP-participating center when they live in a low poverty area, compared to 15 percent in moderate poverty areas, and 22 percent in high poverty areas - almost triple the percentage in low poverty areas.

How Do Eligible Providers That Participate Differ from Those That Do Not Participate?

In separate statistical models, we identified the characteristics of child care providers most closely linked

¹⁰ Note: Centers funded by Head Start are not included in this model as higher income children would not be eligible for Head Start.

Figure 2. Predicted Probabilities of Attending a CACFP-Participating Center for Low-Income Preschoolers by Area Poverty



to CACFP participation. Since eligibility rules differ by type of care, we conducted separate studies of non-profit centers, for-profit centers, and licensed homes.¹¹

Non-profit centers— Non-profit centers are more likely to participate if they are accredited, licensed to care for more children, have a referral relationship with Head Start centers, and are located in or sponsored by a school or other organization.

For-profit centers— For-profit centers have a higher probability of participation if they are licensed, have a referral relationship with Head Start, and accept child care subsidies.

Licensed homes— Participation is higher among family day care providers that are members of local child care networks and those with less education and less experience (who may be eligible for CACFP because of their economic need).

Conclusions and Policy Implications

This policy brief summarizes the first national portrait of participation in CACFP. The following are our key findings:

- *Many low-income children do not receive CACFP.* Low-income children often receive care in settings not eligible for CACFP, especially in toddlerhood but also in preschool. As a consequence, CACFP is far less effective than it might be at reaching low-income children. Disconnecting eligibility from child care type might address this issue.

- *Area poverty influences whether children receive CACFP.* Low-income children are less likely to receive CACFP if they live in a low poverty area or attend a center where few of the other children in care are poor. For-profit centers are not eligible if they care for few poor children, and non-profit centers that serve few poor children may choose not to participate if the administrative burden of participation outweighs the reimbursement benefit.

- *Provider and family characteristics are also important in determining participation.* Our results also suggest that information networks boost provider participation, and thus suggest the benefit of improving information about CACFP through enhanced outreach efforts. Some low-income children do not receive CACFP due to care choices related to parents’ cultural preferences or because care is unavailable where they live. Reconsideration of eligibility rules that exclude license-exempt homes or even parental care may be warranted, to the extent that low-income children would benefit from CACFP nutritional assistance.

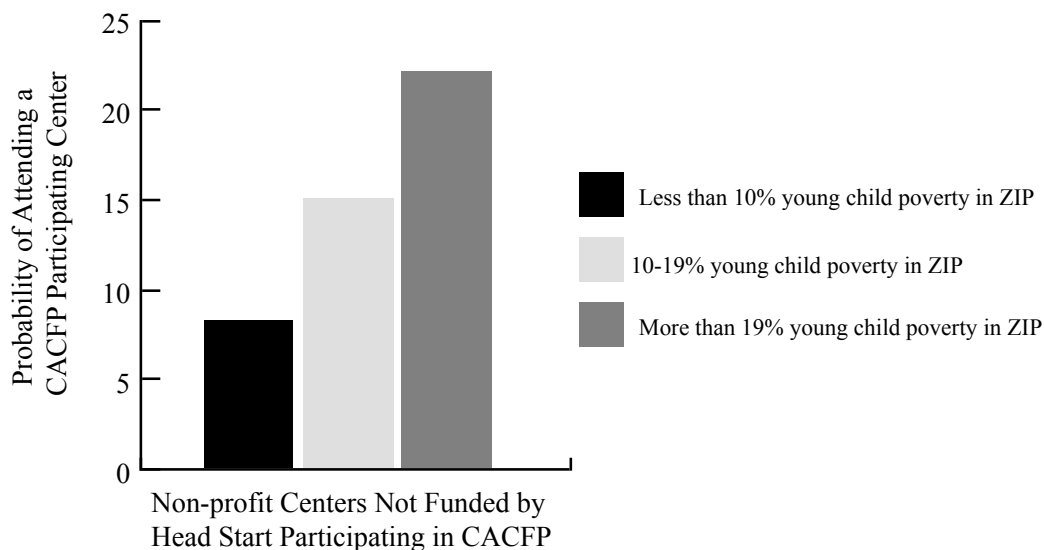
Broader Policy Implications

The implications of our results for policy must be understood in the context of other child care and food subsidies. The ways in which eligibility rules are linked differently to the type of child care are especially important. For example, license-exempt home providers that are eligible for general subsidies from the Child Care Development Fund are not eligible for CACFP. Food subsidies such as SNAP and WIC are not linked to the type of child care in any way.

We expect that these differences reflect, in part, the origins of CACFP in relation to the School Lunch Program. The School Lunch Program is offered in schools, and child care centers are a parallel organizational structure in early childhood. However, unlike school-age children, many

¹¹ We did not consider provider correlates of participation for centers funded by Head Start (since program rules require that all Head Start children participate, and nearly all do so in our data) or in unlicensed homes (since these settings are ineligible in most states, and few participate in our data).

Figure 3. Predicted Probabilities of CACFP-Participation for High-Income Preschoolers by Area Poverty



preschoolers and the majority of infants and toddlers do not attend child care centers.

It is also likely that the eligibility rules for CACFP reflect a compromise between two goals: providing nutritional assistance to low-income children and supporting providers of child care to low-income working families. Different individuals will attach different weights to each of these goals. More explicit consideration and agreement about goals could help achieve distributional objectives more efficiently.

For instance, policymakers or advocates who see CACFP primarily as a way to support employment of low-income mothers by subsidizing their caregivers may not be concerned about the low rates of participation among low-income children, especially among those in exclusive parental care. However, because many poor women use

unlicensed care and such care is eligible for general child care subsidies, making unlicensed providers eligible for CACFP should also promote employment among low-income women. The exclusion of unlicensed providers is even more problematic for those who emphasize CACFP's nutritional goals because children in unlicensed homes and exclusive parental care miss out on a nutritional benefit provided to equally needy children in licensed care. Finally, CACFP may be seen primarily as a way to supplement other child care subsidy programs or other food assistance programs. In this case, it might be more efficient to increase assistance in these other programs directly (if they are inadequate), rather than through the CACFP program that fails to reach many low-income children. We discuss each of these issues in greater detail in our full paper referenced above.