

Progress for Families, but Obstacles Remain

Preliminary findings from New Mexico's efforts to expand child care access

Introduction and Context

New Mexico is a state with some of the nation's highest levels of childhood poverty and significant unmet need for family support services. In an effort to address these challenges, the state is making unprecedented investments in policies intended to support families' access to child care. This research, funded by the Robert Wood Johnson Foundation and conducted by the University of New Mexico Cradle to Career Policy Institute, examines preliminary data on the implementation and outcomes of those policies, using survey methods, interviews, and analysis of administrative data.

About New Mexico

New Mexico is a geographically large state, with several urban population centers as well as vast, sparsely populated rural and ranching areas. Its people include the nation's largest share of Hispanic population (50.1%), as well as 23 federally recognized tribal nations.¹ Native Americans comprise about 10% of the population, which is higher than in all but two other states.² New Mexico has made rich contributions to American culture, both as a hub for scientific discovery at the state's national laboratories, as an energy-producing state, and as a hub for the fine and performing arts. New Mexico has also been challenged for decades by high rates of childhood poverty and associated poor health and educational outcomes. The state consistently receives poor rankings for child wellbeing by the Annie E. Casey Foundation, and is currently rated 50th among the states.³

New Mexico's Child Care Policies

New Mexico has invested significantly in policies to expand families' access to child care. This has been in response to the stated needs and challenges of New Mexico families,⁴ as well as an increasing body of national research highlighting the importance of access to quality child care for families' economic stability.⁵ New Mexico initially used federal COVID relief dollars to fund expansive child care policies, and has subsequently maintained these policies with funding from the state general fund, from an early childhood trust fund established in 2020, and from the state's land grant permanent fund. The land grant permanent fund is a unique state investment account, and disbursements from the account support New Mexico's public education system. New Mexico voters in 2022 voted overwhelmingly and on a bipartisan basis to increase the rate of disbursement from the permanent fund to create a recurring funding source for early childhood services, including child care assistance.⁶

Most notably, New Mexico since 2021 has:

- **Expanded eligibility for child care subsidies to 400% of the federal poverty level (FPL)**, which is currently \$103,280 in annual income for a family of three. This expansion of eligibility to middle and higher income families was done in recognition of the fact that the high cost of child care strains families across the income spectrum. Previous eligibility caps created "cliff" effects for families who saw modest income increases and then lost their child care, becoming worse off financially as a result of modest raises.
- **Waived child care assistance copayments for all families.** States traditionally require families to pay a portion of their child care costs as a copayment, even if they receive a child care subsidy to reduce their costs. New Mexico has waived copayments for all families, making child care functionally free for all families with a subsidy while the waiver remains in place.
- **Set provider reimbursement rates based on a cost model.** The child care providers who care for children enrolled in the subsidy program have traditionally been reimbursed based on the market price of child care in their state or region. This methodology has been identified as flawed, in that it benchmarks reimbursement rates to the price that local families are able to pay, rather than

the true, higher cost of providing quality care. In recognition of this, New Mexico became the first state (after Washington, D.C.) to base rates on a model estimating the true costs of staffing and providing high-quality care for children of different ages in different settings.

- **Made a variety of investments in workforce development**, including wage supplements that increase based on educational attainment and full scholarships for early childhood professionals going back to school. The state has also funded a professional media campaign focused on workforce retention and recruitment and on raising community awareness of early childhood jobs and their importance.

The Study

This study primarily examines the impacts of expanded family eligibility, waived copayments, and increased provider reimbursement rates. Planning for an additional study focused on the outcomes of workforce development policies is underway. This study examines preliminary outcomes from New Mexico's child care access expansion policies, with a focus on identifying any successes, implementation challenges, and ongoing barriers to family child care access. The study design included an initial set of interviews with key policy stakeholders to inform the rest of the research, a survey of child care providers, follow-up interviews with child care providers, interviews with newly eligible families, and analysis of administrative data to examine trends in family enrollment and the provider supply. This brief provides preliminary findings from the provider survey and follow-up interviews, family interviews to date (this fieldwork is ongoing), and from the analysis of administrative data.

Findings from Families

Interviews with newly eligible families were launched in January 2024. The study team used administrative data provided by the New Mexico Early Childhood Education and Care Department to identify a sample of newly eligible families (those with incomes between 250% FPL and 400% FPL), who had enrolled in child care assistance. Researchers used semi-structured interviews to explore families' experiences and perceptions about the child care assistance subsidy program, as well as any challenges or helpful supports they encountered as participants. As of this publication, researchers have interviewed 41 participants. In the next phase of the research, the study team will recruit a sample of newly eligible families who have not enrolled in assistance, to better understand the perceptions and barriers encountered by this population. Key preliminary findings from interviews with newly eligible families who enrolled in subsidies are:

- **Many parents cannot afford child care without the subsidy**
Due to the high cost of child care — which is often equal to or greater than their housing costs, especially for those with multiple children — parents could not afford to enroll their children in formal child care settings without the assistance of the subsidy. Some parents noted that before the expansion of eligibility, they had to quit their jobs or work reduced hours in order to stay home with their children.

“It has absolutely allowed my husband and I to be able to afford our mortgage. Quite honestly, without the subsidy program, trying to pay for childcare out of our own pockets, we literally would have to be back in an apartment, which would be significantly less space than having an actual house with a yard for my kiddos to play in. It’s a huge advantage for us.”

- **Child care assistance enables significant life changes in terms of work and education**

Many parents enthusiastically noted the life changes made possible by the subsidy, including: returning to careers they had put on hold due to staying home with their children; changing careers; returning to full-time hours after reducing their hours because of a lack of child care; starting their own businesses; and returning to school.

- **Child care assistance provides a variety of economic benefits for families**

Receiving assistance to cover the high costs of child care frees up money for families to use in other important ways including: saving money for a down payment on a house; purchasing a new, more reliable car; starting savings accounts for their children; and providing extracurricular activities.

- **Subsidy assistance reduces stress and leads to better mental health for parents**

Parents were nearly unanimous in noting that the subsidy lessens their financial stress over meeting monthly expenses and provides greater economic security, especially given inflation in other regular expenses such as groceries. Further, parents are able to work and take care of other responsibilities with peace of mind knowing their kids are in a safe, educational environment.

- **Parents perceive that enrollment in formal child care benefits children in important ways**

Enrollment in formal child care and education settings provides a variety of benefits to the children of the parents we interviewed. These include: increased opportunities for socialization; being in structured learning environments; monitoring of developmental milestones; and learning additional languages and receiving support for speech therapy. Some participants also noted that the subsidy enables access to a wider variety of quality care options that they otherwise could not afford.

- **Parents are concerned about the sustainability of the current child care assistance policies**

Parents expressed concern about the sustainability of the current policies. Child care subsidies enabled them to make lifestyle changes in terms of careers, hours of work, education, and the care of their children, and they are concerned about having to undo those changes if the current level of support is not continued.

“It’s pretty life-changing for us. My wife was able to start her own business. It would’ve looked a lot different if we didn’t have the child care assistance.”

“I also was able to buy a new car, which I’ve never done in my entire life. So that’s been great, to not have to rely on old used cars and their issues. It’s created some financial space.”

“Just peace of mind of knowing that my kids are safe, they’re taken care of, they get snacks at the daycare center. They pick them up from school in the van and deliver them to the daycare center. It’s so much peace of mind for me.”

“My husband and I constantly talk about the benefits to her and how she just thrives. She’s so happy and social there.”

“We’ve been really concerned that if this goes away, what do we do? We have to change our budgets, and we have to probably not do some things we were going to do...It would really affect our plans and our future.”

- **Parents experience challenges securing child care that best fits their needs**
Parents described barriers to child care access that remain even with subsidy support, including: lack of care available during extended or non-traditional work hours; long commutes to child care providers; and long wait lists at their preferred providers.

“I looked at so many in town that I just didn’t have that peace... there were so many students and very small teacher-student ratio. Also, yeah, the waitlists. I waited two years or something for this center.”

Findings from Providers

Survey

The study team fielded a survey of child care providers, which was conducted from February 2023 to July 2023 and was designed to investigate provider demographics, experiences with child care subsidies and reimbursements, factors that are important for improving their business, and challenges to the success of their business. The survey was completed by 234 providers, with a response rate of 12%. The study sample was broadly reflective of New Mexico’s overall provider population in terms of geography and rurality, and in terms of the care setting (e.g. home-based versus center-based). Detailed sample characteristics are available upon request. In general, providers reported that New Mexico’s child care expansion policies have provided them with additional funds that they have invested in their businesses in a variety of ways. Providers expressed an ongoing need for additional supports, especially toward increasing staff wages for recruitment and retention, providing staff professional development, and financing capital improvements. Some key findings from the provider survey are:

- **Providers reported they have used funding from increased child care subsidy reimbursement rates to invest in their businesses in multiple ways.** Specifically, among the 86% of the total sample who accept child care subsidies:
 - » 63% have made improvements to facilities
 - » 59% have increased the quality of care
 - » 43% have increased educator wages
 - » 26% have increased the number of children in care
 - » 25% have hired more teaching staff
- **Providers reported they were enrolling more families than they previously had in the newly eligible income range for subsidies (about \$64,000 to \$103,000 per year for a family of three). Specifically:**
 - » 62% report enrolling more families in the newly eligible income range
 - » 40% say expansion policies have not impacted their slots available for lower income families. A minority of respondents (15%) report having fewer slots available for lower income families as higher income families increase their share of enrollment
- **Most providers (86%) perceived that New Mexico’s child care subsidy expansion policies have been effective.** Of those, 43% said they have been very effective or extremely effective. A minority of providers (14%) said the policies have not been effective.

- **Providers were split on whether increased subsidy reimbursement rates adequately reflect the true costs of quality care.** Of the sample, 37% said yes, 39% said no, and 22% were uncertain. After the survey had closed, reimbursement rates increased again, effective August 2023. This increase boosted the average per-child rate by 20-30% in an effort to offset inflation and support increased compensation for child care professionals.
- **Nearly half of providers (45%) had not changed the prices they charge families who pay privately for care.** Those who had changed their private pay rates were split as to whether their prices had increased (20%) or decreased (18%). The remainder of providers did not accept subsidies.
- **Providers were asked to identify whether several possible state supports were important for the success of their business.** The percentage of providers who identified each item as “important” are:
 - » 85% - support for increasing staff wages
 - » 80% - supports for staff professional development
 - » 78% - financial assistance for capital improvements
 - » 65% - support for business development skills
 - » 64% - help to attract new educators to profession
 - » 50% - supports to achieve higher quality ratings

Interviews

Providers who completed the survey were invited to participate in follow-up interviews, intended to collect richer and more detailed data about their perceptions and experiences. Semi-structured interviews were completed in August and September 2023 with 33 providers, of whom 19 were home-based providers and 14 were directors and other decisionmakers in child care centers. The sample included providers from urban and rural areas of New Mexico and represented a range of business sizes, from small home-based operations to centers with about 40 total employees. Providers varied widely in how much of their business model is funded with child care subsidy reimbursement. Five of 33 participants did not accept subsidies at all, while six of 33 said that all or nearly all of their families were funded with subsidies. The rest of the sample described serving a mix of subsidy-receiving families and those who pay privately for care. These interviews were coded and analyzed for key themes, resulting in these preliminary findings:

- **Providers described multiple benefits from New Mexico’s expansion policies, most notably that the policies have improved the financial stability of their businesses.** Providers across care settings said they are paid a higher rate, and are paid more reliably, for subsidy-receiving families than for families who pay privately. More subsidy-eligible families therefore means a more stable revenue stream for child care businesses.
- **Similarly, the copay waiver for families has contributed to financial stability for providers.** Providers expressed relief at the enhanced stability of having full subsidy amounts paid reliably by the state, and not having to spend time and effort attempting to collect copays from families.

“...before [we] had a very small portion of families who chose our program that were on state assistance but now with the new income eligibility, that really has been a great resource. The majority of our families have been able to qualify and receive services through that.”

- **Providers said they used the increased funding primarily on personnel costs**, and specifically tried to sustain \$3 per hour raises that were funded temporarily with COVID relief dollars but then had to be either cut back or sustained with operational dollars. Multiple providers said the increased funds through subsidy reimbursement helped but were not enough to fully sustain the raises.
- **Providers also said they used the increased revenue on non-recurring infrastructure costs** including playground and equipment upgrades and purchase of new learning materials.
- **Providers observed that some of the families they serve were concerned that New Mexico's current copay waiver will expire**, and that reinstated copays will not be affordable to them. They also described more general concerns about whether current child care spending levels will be sustained long-term.
- **More than half of providers indicated they had challenges recruiting and retaining early childhood professionals.** These challenges were largely attributed to low wages in the child care field, competition from other employers that offer higher pay for easier work, and difficulty finding qualified, dedicated candidates. These challenges were raised both for center-based providers and for home-based providers who struggled to hire and retain support staff.
- **Nearly half of providers said subsidy reimbursement rates still fell short** of what they needed to meet rising costs and pay competitive wages.

"I'm always thinking, oh, my gosh, if we get a new governor and then she's not, you know, as gung-ho for early ed, you know, then some of these things can go away."

"I feel like we've got a pretty solid base of people who really do believe in early childhood education and want to stay in the field. It is the lack of pay. They can work at Target and make more money, typically than they would here."

Findings from the Data

Administrative data from New Mexico's Early Childhood Education and Care Department were analyzed for three separate five-month periods to examine changes in the usage and availability of child care. Data from August through December of 2019 were used to establish a pre-COVID baseline, while data from January through May of 2022 reflect conditions after initial implementation of expansion policies. These initial policy changes included raising entry eligibility for child care subsidies to 350% FPL, with continuing eligibility to 400%, and waiving copays for those with incomes at 200% FPL or lower. Data from January through May of 2023 reflect conditions later in the economic recovery from COVID-19, and reflect the implementation of further expansion policies. For this time period, initial income eligibility for child care subsidies was further raised to 400% FPL with continuing eligibility to 425% FPL. Additionally, copays for all eligible families were waived during this period.

Table 1: Average monthly number of families and children served by time period and subgroup

	Fall 2019 (Pre-COVID, 200% FPL entry, income- based copays)	Spring 2022 (350% FPL entry, partial copay waiver)	Spring 2023 (400% FPL entry, copays waived for all families)	% Change, Fall '19- Spring '23
Families served	12,005	12,382	17,189	43%
Qualifying via work	9,868	10,620	14,869	51%
Qualifying via school	1,323	781	902	-32%
Qualifying via work and school	566	461	576	2%
Qualifying via job search	-	-	150	
Single parent household	10,780	10,726	13,703	27%
2+ adults household	1,225	1,656	3,486	185%
English-speaking	10,643	10,731	14,944	40%
Spanish-speaking	721	854	1,109	54%
English/Spanish (bilingual)	571	759	1,086	90%
Other language	69	38	51	-26%
0-50% FPL	2,059	1,912	2,289	11%
51-100% FPL	3,748	2,999	3,070	-18%
101-150% FPL	4,027	3,684	4,173	4%
151-200% FPL	1,977	2,361	2,967	50%
200%+ FPL	194	1,426	4,690	2315%
Large Metro	5,752	6,048	8,502	48%
Small Metro	3,452	3,534	4,720	37%
Large Town Rural	2,575	2,581	3,669	42%
Small Town Rural	200	191	267	33%
Children served	19,366	20,009	26,941	39%
Children birth-2	6,020	5,833	7,960	32%
Children 3-5	7,167	7,323	9,996	39%
Children 6-12	6,092	6,760	8,877	46%
Children 13+	83	92	107	28%

Table 1 shows that the average number of families and children served has grown over time. Gains were experienced by nearly all subgroups, and were concentrated in the year between Spring 2022 and Spring 2023. This growth followed initial declines from 2019 to 2022 that occurred due to the substantial disruptions of COVID-19. Specifically, the data show that:

- **Significantly more families and children are being served.** About 43% more families and 39% more children were served in 2023 compared to 2019. More than 90% of this increase happened between 2022 and 2023.
- **The gains are largely shared in terms of urban and rural settings.** Rural areas (large and small towns) saw on average 38% more families enrolled in the child care subsidy program, while metro areas saw on average 42% more families enrolled.
- **Increased eligibility has allowed two-parent households and other households headed by multiple adults to access benefits at far greater rates** (a 185% increase since Fall 2019).
- **Newly eligible higher income families have seen the greatest increases in enrollment** (a >2000% increase since Fall 2019), but lower income families have gained, too. Although gains are concentrated among newly eligible families, the program still primarily serves families with incomes below 200% FPL, who comprise nearly three-quarters of enrolled families.

Table 2: Average capacity and number of providers by time period, with detail

	Fall 2019 (Pre-COVID, 200% FPL entry, income- based copays)	Spring 2022 (350% FPL entry, partial copay waiver)	Spring 2023 (400% FPL entry, copays waived for all families)	% Change, Fall '19- Spring '23
Total capacity	71,289	66,335	69,169	-3.0%
Large Metro total capacity	33,363	32,674	34,593	3.7%
Small Metro total capacity	17,637	16,262	16,436	-6.8%
Large Town Rural total capacity	18,297	15,601	16,189	-11.5%
Small Town Rural total capacity	1,894	1,792	1,946	2.7%
Licensed capacity	58,523	59,274	62,922	7.5%
Base licensed quality capacity (2-STAR)	18,533	16,535	15,067	-18.7%
Higher quality licensed capacity (2-STAR+ - 5-STAR)	38,789	41,945	46,744	20.5%
Capacity for children under 2	10,112	10,620	11,096	9.7%
Capacity for children over 2	49,021	49,301	52,171	6.4%
Licensed-exempt home capacity	12,766	7,061	6,248	-51.1%
Capacity for children under 2	3,133	2,358	2,085	-33.5%
Capacity for children over 2	9,351	7,047	6,199	-33.7%
Providers active	2,523	2,096	2,010	-20.3%
Licensed centers	731	716	755	3.3%
Licensed homes	229	215	224	-1.8%
License-exempt homes	1563	1165	1030	-34.1%
Providers with 1+ subsidized child	1,218	1,081	1,167	-4.2%
% of providers with subsidized placements	48.3%	51.6%	58.1%	9.8%

Table 2 shows trends in the supply of licensed and license-exempt child care in New Mexico, using the same time points as the previous analysis. The table displays the average count of available child care slots (capacity) and number of providers across time. Declines in the provider supply mostly occur during the COVID-impacted years between 2019 and 2022, with increases concentrated between Spring 2022 and Spring 2023. The data show that licensed child care capacity in New Mexico has grown, with growth concentrated in child care centers with quality ratings above basic licensure requirements. Declines in the sector are concentrated among home-based providers and especially license-exempt providers, who are the least formal part of the New Mexico child care sector. This mirrors national trends⁷ and reflects a broader need for supports to these small businesses that are crucial to the sector, especially in rural areas and for families working non-traditional hours. Overall in New Mexico:

- **Licensed child care capacity is up 7.5% over pre-COVID numbers.**
- **The number of licensed centers has increased modestly (3.3%) over pre-COVID numbers.**
- **There are 20% more slots in programs with quality ratings that exceed basic licensure requirements.** This suggests a shift in New Mexico's overall child care supply toward licensed slots with higher quality ratings.
- Although the total number of providers serving children receiving child care subsidies is down since before COVID, **a higher percentage of providers (almost 10% more) are serving subsidy-receiving children than before.**
- **The state has seen a precipitous drop in the number of license-exempt home-based child care providers,** which mirrors national trends.

Conclusion

New Mexico has been recognized as a national leader in child care access, due in part to the state's early policy moves on expanded subsidy eligibility and provider reimbursement based on a cost model.⁸ These policies have been made possible through the combined effects of a favorable state revenue environment, a new funding stream passed with bipartisan support from voters, the use of federal COVID relief dollars, and state leadership that has prioritized child care access as a core priority. Preliminary findings from this study suggest that substantially more families in New Mexico now have access to subsidized child care than previously, and that the economic benefits have been transformative for many enrolled families. Child care providers report that new investments have stabilized their businesses, but also that they still struggle to offer the competitive wages needed to recruit and retain high-quality professionals. Additionally, both families and providers describe apprehension about whether New Mexico's investments in child care will be sustained. This affects whether providers feel they can count on these policies when planning for the future and whether families can count on them when making plans for their careers, schooling, housing, or other aspects of their economic stability.

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The views expressed here do not necessarily reflect the views of the Foundation.*

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² "Child Population by Race and Ethnicity | KIDS COUNT Data Center," The Annie E. Casey Foundation, July 2023, <https://datacenter.aecf.org/data/tables/103-child-population-by-race-and-ethnicity?loc=1&loct=2>.

³ "2023 KIDS COUNT Data Book: State Trends in Child Well-Being" (The Annie E. Casey Foundation, 2023), <https://www.aecf.org/resources/2023-kids-count-data-book>.

⁴ "Preschool Development Grant Birth-Five: New Mexico Early Childhood Needs Assessment" (New Mexico Early Childhood Development Partnership, 2020), https://www.nmeccd.org/wp-content/uploads/2020/08/NMECDP_NeedsAssessment_2020.07.20.pdf.

⁵ Gina Adams, "Stabilizing Children's Lives: Insights for Research and Action" (Urban Institute, n.d.), https://www.urban.org/sites/default/files/publication/86216/stabilizing_childrens_lives_2.pdf.

⁶ Dan McKay, "Education Amendment Gets Bipartisan Backing," *Albuquerque Journal (NM)*, September 3, 2022, New Mexico Newspapers.

⁷ National Center on Early Childhood Quality Assurance, "Addressing the Decreasing Number of Family Child Care Providers in the United States," October 2019, https://childcareta.acf.hhs.gov/sites/default/files/addressing_decreasing_fcc_providers_revised_final.pdf.

⁸ Cynthia Osborne, Mackenzie Whipps, and Jennifer Huffman, "Transforming the Child Care Landscape: A Case Study of New Mexico" (Prenatal-to-3 Policy Impact Center, 2023), <https://pn3policy.org/transforming-the-child-care-landscape/>.