



P A C E

POLICY ANALYSIS FOR CALIFORNIA EDUCATION

CALIFORNIA CARES:
CHILD CARE AND DEVELOPMENT
SERVICES FOR CHILDREN AND FAMILIES
PHASE III FINAL REPORT
PART 1

August 1996

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POLICY ANALYSIS FOR CALIFORNIA EDUCATION

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INTRODUCTION

AB 2184 of 1991 called for the California Department of Education (CDE), the California Department of Social Services (CDSS), and the Governor's Office on Child Development and Education, to prepare a report on how child care and development services funded by the state and federal government should be streamlined and consolidated. The Legislature, the departments administering programs, providers, and parents alike had come to a similar conclusion: the management and operation of the eighteen state and federally funded child care and development programs under state control¹ had become far too complex and confusing. No one could easily sort out the multiple programs, eligibility requirements, reimbursement methods, reporting requirements, or other restrictions involved in program administration. The forty-year process of adding new programs to meet specific child care and development needs, without adequately considering existing programs, had taken its toll. State and local administrators, as well as providers, were over-burdened, and parents were often unable to access services for which they were eligible. A serious effort was needed to simplify the system and better serve the families seeking child care and development services.

The AB 2184 Task Force² commenced its work by identifying dual goals of an improved system: preparing children for success in school and helping families achieve self-sufficiency. Operationally, it promoted a new "seamless system" which would emphasize "continuity of services between programs as families' incomes and employment status, aid status and other relevant

¹ These eighteen programs include: AFDC Income Disregard; Alternative Payment Program; Cal-Learn; California Alternative Assistance Program (CAAP); Campus Child Care; Child Care and Development Block Grant; Greater Avenues to Independence (GAIN); General Child Care and Development Programs; School-Age Community Child Care (Latchkey); Non-GAIN Education and Training (NET); School Age Parenting and Infant Development (SAPID); Severely Handicapped; Migrant Child Care; State Preschool; Supplemental Child Care; Title IV-A (AB 2184 tracking); Title IV-A At-Risk; and Transitional Child Care. In addition, the state funds the Resource and Referral program, and federal government directly administers the Head Start program.

² The Task Force included representatives of the California Department of Education, the California Department of Social Services, and the Governor's Office of Child Development and Education.

characteristics change." The task force also adopted seven principles as a basis for a new system. (Figure 1)

Figure 1

**Guiding Principles for a Seamless Child Care
and Development System**

1. Treat those eligible for child care and development equitably by promoting equal access to programs among families and individuals in similar circumstances.
2. Support a variety of programs that: (1) reflect locally-determined needs, and (2) offer a high degree of informed parental choice among available child care and development options.
3. Minimize, to the extent possible, discontinuities between programs with special emphasis on key components of service delivery such as: service availability, affordability, eligibility standards, parent fee schedules, and quality of care, unless there are compelling reason for differences.
4. Promote a healthy, safe environment and developmentally appropriate experiences consistent with service settings.
5. Use a simple, efficient administrative system at all levels that seeks to minimize administrative costs.
6. Promote the expansion of public/private partnerships in order to maximize resources for target populations.
7. Encourage access to appropriate training services and materials for service providers and interested parents which is consistent with service settings.

In March 1994, the AB 2184 Task Force contracted with Policy Analysis for California Education (PACE), a partnership between the Schools of Education at the University of California, Berkeley, and Stanford University, to conduct the California Cares Project. The project included a comprehensive review and analysis of the child care and development system, identification of the issues and options involved in developing a seamless system, and construction of policy alternatives to streamline and enhance California's publicly funded child care and development services. This report presents the findings and recommendations of the third and final phase of the PACE California Cares project.³

Phase I of the project explored the history of child care and development services in California and examined the changes in demographic conditions and programs that led to a review of state policy. In Phase I, PACE also reviewed the structure of existing programs, successful practices from other states, and the academic literature on child care and development policy and practice.

Phase II of the project, concluded in September 1995, explored alternative policy designs. The reactions of clients were solicited through a series of focus groups, and experts were commissioned to conduct research on particular aspects of policy design. Teams of researchers and agency staff from CDE, CDSS, and the Governor's Office for Child Development and Education visited providers across the state to see firsthand the range of needs and the services available. Phase II concluded with preliminary recommendations for restructuring some components of child care policy (See Appendix A), and provided policymakers with a set of analytical tools with which they could assess the tradeoffs inherent in new policy designs.

Phase III was designed to further analyze the preliminary recommendations, and to utilize the assistance of child care and development community to redesign child care and development policy. Professional judgment and experience was sought from representatives from the three lead agencies and

³ Findings from Phase I and Phase II of the Project are reported in: Policy Analysis for California Education, *California Cares: Child Care and Development Services for Children and Families, Phase I Final Report*, (Berkeley, April 1995) and *California Cares: Child Care and Development Services for Children and Families, Phase II Final Report*, (Berkeley, October 1995).

the child care and development field. For six of the nine tasks included in the project, work groups were assembled to discuss new proposals and ideas for improving services within the state. Over 80 persons spent thousands of hours contributing their experience and expertise to these efforts (See Appendix B). Three additional tasks were also conducted as more traditional research projects in which consultation with field representatives was also involved, but in a less structured manner.

The project was designed to study nine specific questions that CDE, CDSS, and the Governor's Office of Child Development and Education believed were critical to policy restructuring. Part II of this report contains working papers for all tasks except state governance, which is included in this part.

- **Task I: Program Structures and Fiscal Allocations.** PACE convened a working group to obtain input on simplified program structures and fiscal allocations. The committee considered target populations, modes of care (e.g., center, family child care, exempt), and general types of program arrangements (e.g., contract centers and alternative payment/certificate arrangements). PACE also explored the impact on California of proposed federal social services block grants related to child care and development programs.
- **Task II: Data System Design for Policy Planning and Development.** PACE convened a working group to identify data elements needed by state policymakers to make informed policy choices on child care and development policy. Strategic development of automated systems for administrative work was also considered.
- **Task III: Family Fee Schedule Analysis.** PACE applied the current and alternative family fee schedules model to center-based child care programs and to geographic areas with varying socio-economic characteristics to determine the impact of the alternative fee schedules on providers and families in indicative regions of the state.
- **Task IV: Reimbursement Structures.** A working group was convened to evaluate the effectiveness of current payment mechanisms; to assess the feasibility of linking reimbursement rates to quality; and to

examine the distribution of rates within and between regions, as well as changes in rates over time. The working group also evaluated alternative reimbursement/payment systems used for other public services.

- **Task V: Community Waiting Lists.** PACE and a work group outlined the key issues to be addressed in development of community computerized waiting lists.
- **Task VI: Income Eligibility.** PACE gathered recent data on income levels of parents entering and currently participating in non-entitlement child care and development programs. Analysis of income levels was conducted to determine appropriate income eligibility levels.
- **Task VIIa: State Governance of Child Care and Development Programs.** The AB 2184 Task Force explored general issues of governance policy for child care. Building on work begun in Phase II, this group considered alternative structures and the appropriate state and local role in policymaking and program management.
- **Task VIIb: Local Governance.** PACE convened a working group to examine the role of local government, education, child care planning councils, and child care and development contractors, including resource and referral and alternative payments programs in the planning, administration, and governance of child care and development services.
- **Task VIII: Integrated Services.** PACE conducted a survey and prepared case studies to illuminate exemplary practices. The survey was conducted among a broad cross-section of child care providers for the purpose of providing baseline data regarding the connections between child care and development and other child and family services.

Between April and June, 1996 policy recommendations were presented to the AB 2184 Task Force from each of the nine tasks for their review, synthesis, and final decision-making. These recommendations are extremely varied in nature. While some speak to broad issues like system governance, others are

quite specific and targeted to idiosyncrasies in current law. What holds these recommendations together is a broad consensus that the existing system of child care and development services is structured in ways that ultimately make the lives of families more difficult than they need to be.

Consensus among the AB 2184 Task Force on the recommendations was reached in many, but not all, areas. Thus, while the recommendations included in Part I of the report incorporate significant input and represent many areas of agreement among task force members, they are presented as PACE recommendations.

Consideration by all task force members of possible costs to implement various recommendations also constrained agreement. Even where task force members agreed on the merit of the recommendations, they recognized that some would be dependent on re-direction of existing state funds, additional funding authorized by the legislature, or significant savings resulting from some of the proposed program reforms.

The Phase III report is divided into two sections. Part I presents analysis and recommendations synthesizing reports and input from the five work groups, the AB 2184 Task Force/State Governance group, and research and analysis conducted by PACE.⁴ Part II includes individual reports and summary data from the Phase III tasks.

Themes of the Phase III California Cares Report

Six themes emerged to provide context for the detailed recommendations in this report.

1. EQUITY FOR FAMILIES IN SIMILAR ECONOMIC CIRCUMSTANCES

The California Cares project has looked closely at the child care and development system from widely varying perspectives. Researchers have examined the extent to which federal and state laws impose regulatory

⁴ The content of discussions held by the state governance work group is also included in Part I; Part II of the report does not include a separate state governance report.

constraints and researchers have conducted focus groups of mothers with children in care, and visited child care and development sites to speak with program directors and observe children in their care settings.

What has become clear is that fractured policy structures have a direct impact not only on programs but also on families. Families who seek subsidized child care and development services have essentially similar needs. First, parents want reliable, good quality child care and development services for their children. Second, they need assistance with the cost of care to enable them to enter and remain in the workforce. Third, they need to be able to choose the type of care which best meets their needs.

Current federal and state laws which establish different rules for reimbursement, eligibility, duration of services, and parental choice of care, based on a family's public assistance status or other factors, are at odds with these fundamental needs. These inconsistencies have serious equity implications for children. Policymakers must carefully examine and assess the reasons for each policy choice distinction.

The departments responsible for child care and development must work together to make program and funding decisions which ensure that families are treated equitably and have access to a single, seamless menu of services.

2. STATE POLICY COORDINATION

When new child care and development programs were enacted without consideration of existing law and programs, "seams" were created. The sheer number of programs, the long waiting lists, the burdensome eligibility guidelines, and the disconnection between services available and services needed all point to inadequate operational coordination among departments. Currently, there are few incentives or mandates for interagency cooperation in policy design and program implementation. In order to create and manage a single, unified child care and development system, much closer collaboration is needed between the two departments responsible for the administration of child care and development services, the California Department of Education and the California Department of Social Services, as well as with the Governor's Office of Child Development and Education. All

three state agencies continue to have legitimate interests in policy direction and program management for child care and development, but need much closer linkages to ensure that the programs actually meet common goals.

3. LOCAL DECISION-MAKING AND ADMINISTRATION

Throughout Phase III of the California Cares project, the need to shift decision-making from the state to the local level was frequently expressed. At the local level, specific needs for child care and development services can be more accurately identified, and service delivery can be tailored to meet the identified needs. Currently, there is only a limited relationship between local needs for services, and services provided. Although local child care planning councils have been in place since 1992, they have set priorities only for federal child care and development block grant funds, which comprise only a very small portion of total child care and development funding. In addition, a lack of local administrative coordination places undue burdens on providers, and causes confusion among parents. An increased local role in child care and development decision-making and administration would improve the responsiveness of the system.

4. ADMINISTRATIVE CONSOLIDATION

The California Cares project has fostered the close cooperation of state and local agency professionals. Through this cooperation, researchers and agency officials have examined the ways in which programs are administered. In some instances there is administrative duplication. In others, either the "state budget" or the two departments have devoted inadequate resources to important functions such as program monitoring and data collection. Overall, up-to-date information systems processing techniques have not been developed to improve the efficiency of the child care and development system.

The recommendations in the next section aim to increase efficiency through elimination of duplicative efforts. Many require improved data collection and data management techniques. Others centralize functions at the local level that had previously been handled by providers. Administrative

strategies should be designed to increase efficiency and reduce burdens for families and providers.

5. LIMITATIONS ON STATE AND LOCAL CAPACITY

It is unreasonable to expect state or local agencies to respond to the recommendations that follow without greater budgetary support for state and local administrative services. A 1995 report by the California Bureau of Audits stated that CDE had inadequate resources for the administrative support of child care and development programs. The capacity of CDSS staff, county governmental offices, and contractors to provide program supports which meet existing mandates are also compromised by inadequate resources. What is striking is the way in which committed professionals find a way to do their work despite the limitations in systems, staffing, staff development programs, and other supports from the state.

California is recognized as a leader in its promotion of quality child care and development services. Insufficient resources devoted to program monitoring, quality assurance, parent information, provider education and training, and essential administrative functions, however, should raise concern. An increased investment in automated systems, for example, is essential. Such systems are available; private for-profit vendors have developed extraordinary computerized applications for child care administration in other states. With appropriate investment in technology, California, like other states, can realize long-term savings.

The additional investment in administration and support that is recommended in the following pages must come both from increased efficiency in administrative services and new funding.

6. INADEQUATE FUNDING FOR CHILDREN

While California invests approximately 600 million dollars in child care and development services—more than any other state—there is plentiful information to support the fact that many low-income working families across the state are unable to obtain assistance to pay for safe and

developmentally appropriate care arrangements for their children. Even though PACE is the first to say that information about unmet need is imperfect, we need only look at the long waiting lists of very low income families who meet eligibility guidelines to see the problem clearly.

The level of resources currently available for families who are trying to reach economic self-sufficiency is inadequate. The care of children is a critical component in finding employment and training. If the economic security of families is a priority, the corresponding investment in child care and development services is inseparable from that goal.

In the next section of this report, we present analyses and recommendations of six essential components of the child care and development system: governance; program design and funding; eligibility and entitlement; quality and program effectiveness; administration and data collection; and cost and efficiency.

ANALYSIS AND RECOMMENDATIONS

I. GOVERNANCE

ANALYSIS

From the onset of the AB 2184 process, the two state departments charged with administration of child care and development services and the Governor's Office of Child Development and Education have explicitly recognized that governance of the eighteen disparate state-administered child care and development programs needed reform. The web of program standards, eligibility requirements, reimbursement mechanisms, administrative structures, and compliance requirements split between two departments and two levels of government has become administratively insupportable, inequitable, and confusing. Moreover, with the impending changes in federal welfare policy, one significant cause of the system's complexity—the categorical restrictions governing federally funded child care and development programs—will be removed. California now has the best opportunity in many years to also remove overly complex and unnecessary state-imposed restrictions, and develop a unified, coordinated, consistent state governance and administrative system which will respond effectively to children and families, and ensure that the dual goals of child development/school readiness and support of family self-sufficiency are met.

A number of factors must be considered in the design of statewide child care and development governance:

- **Diverse Program Missions**

A new governance system must reflect and accommodate the different but complementary missions of the state and federal child care and development programs administered by CDE and CDSS. The primary goal of the CDSS child care programs, both now and under new federal policies, is to ensure access to safe child care, selected by the parents, in order to increase the number of current, former, or potential public assistance recipients who are employed and moving toward self-sufficiency. The programs operated by CDE have a dual focus: to provide child development curricula which will enable children to succeed in school,

and to fund care which will enable low-income parents to work or receive training. While the two program missions emphasize different aspects of care, they are not in conflict. Child development curricula promote success in school, a critical factor in developing self-sufficiency. Similarly, safe, good quality care is essential if parents are to work and leave public assistance.

- **Restrictions on Funding Streams**

Governance must also take into account state and federal statutory and constitutional restrictions on the uses of child care and development funds. The California Department of Education's local assistance funds for child care and development are governed by the constitutional provisions of Proposition 98. Generally, Proposition 98 has been interpreted to mean that funds reserved under its provisions must be allocated to and administered by local education agencies. Since its inception, however, the rules governing Proposition 98 funding for child care have been a major source of controversy. Two questions were decided in July 1992 by the Third District Court of Appeal in *California Teachers' Association v. Huff*: whether child care could be funded by Proposition 98 at all, and if so, whether all child care funds had to be allocated to, or administered by, public local education agencies. The court ruled that the CDE child care and development programs may be funded by Proposition 98 funds upholding Education Code 8203.5, which states that the programs provide "support to the public school system...through the delivery of appropriate educational services." The court also ruled that Proposition 98 funding did not necessarily have to be allocated to and administered by local education agencies; child care funds could continue to be dispersed by CDE through contracts with non-school providers. This narrow ruling remains controversial; while some analysts believe that the decision opened the door to shifting other Proposition 98 funds to agencies other than local education agencies, many education finance experts believe that any such proposed shift of Proposition 98 funds from the control of CDE or local education agencies would again be vigorously challenged and likely defeated in the courts.

In addition to Proposition 98, a myriad of other state and federal statutes and regulations restrict funds for the programs administered by both CDE and CDSS. With regard to federal law, the Child Care and Development Block Grant Amendments of 1996 will remove many restrictions, while adding a few new ones. Changes in state law restricting categorical state funds will also be necessary to implement recommendations developed during the California Cares project.

- **Different Levels of Program Administration**

The administration of child care and development programs by different levels of government further complicates governance issues. The CDE's child care and development programs are administered from the department's Child Development Division⁵ through contracts with local public and private agencies. Although some County Offices of Education hold direct services contracts with the state, and all can appoint local child care planning councils and approve local plans for federal block grant spending priorities, they have relatively little responsibility for county-wide child care administration.

In contrast, the administration of virtually all programs funded through the CDSS (except IVA-At-Risk, which is administered through an inter-agency contract by CDE), is delegated to local county welfare departments to serve Aid to Families with Dependent Children recipients and participants in the GAIN, Cal-Learn and Transitional Child Care programs. Very little direct program administration is handled at the state level.

- **Inadequate Resources for Administration**

The amount of state level administrative resources available for child care and development also affects the ability to govern. State level resources devoted to child care and development are not adequate to meet existing mandates and workloads in either department. Funding for CDE's Child Development Division operations have already been cut substantially over the past five years, and changes in federal child care programs threaten additional cuts. The seven staff assigned to handle all state-level

⁵ This centralized program administration is anomalous in the California Department of Education, where most other programs are delegated to local school districts.

child care functions at CDSS also find it difficult to keep up with increasing demands on their time. Yet, state-level workloads at both CDE and CDSS are likely to increase further, as staff begin to implement new federal and state welfare policies and cope with the resulting greater demand for child care services. A new governance structure will have to find efficiencies in streamlined administrative systems, and eliminate duplicative functions. Still, additional resources will likely be needed.

- **Consistency with Changes to Federal Welfare Policy**

During most of Phase III, the fate of pending federal welfare policy proposals was uncertain; one day they would appear imminent, the next day unlikely. Finally, a federal welfare bill, with significant amendments to the Child Care and Development Block Grant of 1990, was enacted just as this report was about to go to print. Although the provisions and implications for governance of the federal bill are not yet fully clear, they will have a critical impact on both state and federal child care and development programs in California. Key provisions include:

- * Block grants for child care services, permitting states to blend funds currently dedicated to the six federal categorical child care programs. According to the new legislation, funding is to be "integrated into the programs established by State under the [Child Care and Development Block Grant] Act" of 1990. Block grants will remove many current federal regulations and shift responsibility and accountability for the programs to the state. Essentially, they will permit states to design programs for public assistance recipients which meet local needs, without the plethora of current categorical restrictions.
- * Loss of federal entitlement for child care services. Currently, federal funds are made available for every AFDC child eligible for care. These funds will now be capped. California will receive current federal dollars (approximately \$210 million), plus an annual allocation of approximately \$100 million in 1997, rising to \$209 million by 2002.
- * New work requirements for almost all public assistance recipients, including parents of very young children. These requirements are expected to substantially increase the demand for subsidized care.

- * Two-year time limits for most public assistance recipients to gain employment and five-year lifetime time limits for receipt of public assistance. These limits will increase the urgency for provision of child care services for recipients of public assistance.
- * New extensive reporting requirements.
- * Requirements to use at least 70% of funds to serve working low-income families who are either on, transitioning off of, or at risk of needing, public assistance.
- * Loss of federal eligibility for child care for most legal immigrants.

States will have wide latitude in the implementation of the federal policy changes. How California will respond is as yet uncertain.

- **"Single State Agency" Designation**

Currently, Section 8206 of the State Education Code designates the Department of Education as "the single state agency responsible for the promotion, development, and provision of care of children in the absence of their parents during the workday or while engaged in other activities which require assistance of a third party or parties." The same statute states that the Department of Education shall administer the federal Child Care and Development Block Grant Act of 1990.

Similarly, Section 10600 of the Welfare and Institutions Code designates the Department of Social Services as "the single state agency with full power to supervise every phase of the administration of public social services, except health care services..., for which grants-in-aid are received from the United States government..." The AFDC program, including its child care components, are to be administered by the Department of Social Services. (CDE administers the IV-A At-Risk Child Care program under an inter-agency agreement with CDSS, utilizing Proposition 98 funds to match federal dollars.)

Throughout the AB 2184 process, the question was repeatedly raised whether or not it would be more effective to have a single state agency

responsible for all of child care, or alternatively, whether a single state agency should at least be responsible for the administration of all federal child care and development funds. The new federal child care statute, which amends the Child Care and Development Block Grant of 1990, may make that question moot. In regards to a lead agency, these amendments state "Notwithstanding any other provision of law, amounts provided to a State under this section shall be transferred to the lead agency under the Child Care and Development Block Grant Act of 1990." Thus, the Act appears to give lead agency status for child care to the California Department of Education, rather than CDSS, the lead agency for welfare programs.

It is not yet clear, however, how California will implement the lead agency status. According to the 1990 Child Care and Development Act, the Governor is given the power to designate the lead agency. Whether or not that designation can be shifted without legislative authorization, given its status in state law, is unclear.

Taking these factors—diverse program missions, restrictions on funding streams, varying levels of program administration, inadequate resources for administration, federal policy changes, and lead agency status—into consideration, a menu of possible governance configurations are possible. Options include the status quo; a single state agency (either CDE or CDSS) for all child care and development services; an independent child care department; a jointly-governed child care and development office; and a comprehensive interagency agreement between the two departments to jointly administer the system. Several deserve further attention.

State Authority for Child Care and Development Services

In California, lead agency designation for either all child care and development programs, or for federal programs only, raises dilemmas. In most states, child care and development services have been funded exclusively by federal dollars and administered by social service agencies. In California, however, two departments have an enormous stake in the successful provision of child care and development services. For over fifty

years, the California Department of Education has administered a broad range of child care and development programs for children of low-income, working parents, including both AFDC and non-AFDC recipients. These programs strive to reduce the significant gap between pre-school preparation of low income youngsters and their middle and upper income counterparts, and prepare the children for school success and economic self-sufficiency. CDSS and county welfare departments, on the other hand, also have years of experience with child care, and have the unwavering obligation to ensure that public assistance clients obtain the child care they need, when they need it, in order to become independent, financially stable citizens. The child care and development missions of the two departments are complementary; when very low income children have ready access to good quality child care, they *and their parents* are more likely to become self-sufficient.

One option in addressing lead agency status would be to split administrative control based on funding source and target population, (i.e., CDE would control programs funded by Proposition 98 state dollars and serve primarily non-public assistance recipients, while CDSS would control programs receiving federal money and serve primarily public assistance recipients). Although split authority might appear to provide greater clarity and accountability for the state departments, it would cause new problems. If, after the first few years, the federal money (and its state match) were not adequate to serve all public assistance recipients required to work under the provisions of the federal welfare policy changes, additional state money would be needed. Since almost all state funds for child care and development services fall under the restrictions of Proposition 98, and shifting Proposition 98 funds away from the administrative control of CDE or local educational agencies would be very difficult, it is likely that CDE programs would be needed to meet a portion of the need for care for welfare recipients. Moreover, since the new child care law calls for spending some of the federal money on non-welfare related clients, CDSS would still have to account for federal funds spent on "working poor" clients primarily served by CDSS.

Splitting control of funds by funding source and target population could also provoke greater confusion and less seamlessness for families. Research

conducted by PACE and the California Alternative Payments Program Association (CAPPA) suggest that the populations served by both CDE and CDSS substantially overlap; the limited data show that at least 30% of CDE children are AFDC recipients, and that most others live in families with incomes that would either qualify for AFDC, or for the "at-risk of AFDC" definition. Previous research indicates that the income and AFDC eligibility of poor families are highly volatile; a family may go on and off welfare several times as circumstances change. If the departments split program and funding responsibility based on funding source and public assistance status, families might well be subject to repeated changes of child care programs and providers as their income levels fluctuate.

Designating one agency over the other as lead agency for *all* state and federal funds also raises difficult issues. The critical balance of programs which ensures the dual emphasis of family self-sufficiency and child development/school success could tip one way or the other over time, to the detriment of all families, if the mission of one department prevailed over the other. The selection of one department or the other would also disrupt well-established administrative ties to the local level. County welfare departments have no natural ties with the Department of Education, and would oppose administration of their programs by CDE, just as local school districts or local child care providers have little connection with CDSS, and would rebel against administration of their programs by the Department of Social Services. Neither department would be well equipped, nor would it be well received, as the administrative agency for programs now administered by the other.

RECOMMENDATIONS: THE CALIFORNIA CHILD CARE AND DEVELOPMENT CHARTER

Considering each agency's experience, mission, and obligations, as well as the current fiscal and political disagreements on single state agency designation, the central question should be not which department should be in charge, but how the policy-making and administrative responsibilities of both departments, at both the state and local levels, can be merged to jointly utilize their strengths and obligations to better meet the diverse child care

and development needs of low income parents and their children. Only a cooperative, effort between the two departments can assure that.

The real issue then becomes the way in which the two agencies can formally, and mutually, agree upon a set of initiatives and constraints in which state and federal funding streams are fused, and in which the agencies play a *joint* role in policy making and administration. To the extent that the two agencies can come to agreement on the policies and administration of a single unified child care and development system, designation of a federal child care lead agency becomes far less important.

After gathering substantial input from the AB 2184 task force, but without obtaining complete consensus on governance option, PACE recommends establishment of a new governance structure which we call the California Child Care and Development Charter. The Charter recognizes the legitimacy of both the California Department of Education and the California Department of Social Services in the governance of child care and development services, and binds the two departments to jointly administer a single, unified child care and development system. Until the recent enactment of the federal welfare policies, such a unified joint system would have been impossible to implement, due to the myriad of federal categorical restrictions. With many of these federal impediments removed, although state-imposed hurdles still remain to be addressed, we believe that California should grasp this unprecedented opportunity to develop a unified system of child care and development services.

Under the Charter, planning, policy making, and funding allocations would be accomplished through joint decision-making, "compacts" at the state and local levels.⁶ In addition, local program administration and support would be streamlined and made consistent through county-wide local child care service contracts.

It may be naive to assume that CDE and CDSS will be able to come to agreement on policy and program development and administration;

⁶We recognize that although the state legislature (and Congress) establish the basic policy framework for child care and development policy, the departments retain substantial latitude in determining how the policies will be implemented.

department traditions and missions vary widely, and department positions on issues have frequently diverged in the past. Yet the alternatives pose greater problems: with the enactment of the new federal welfare policies, a return to the status quo is no longer an option if California is to meet federal work requirements. And neither department is well-equipped (or politically positioned) to administer the entire child care and development system single-handedly.

Planning and Policy Implementation

The State Compact

Currently, the Department of Education and the Department of Social Services operate and fund their programs essentially autonomously, based on different state and federal statutes, and separate administrative traditions. In order to unify the child care and development system, many of the decisions which have traditionally been handled separately, including budget development, should be made jointly. This represents a major departure from typical program administration as well as from the current budget process; the departments (for the most part, and certainly not formally) do not engage in meaningful budget deliberations with one another prior to the submission of department budgets.

Recommendation I.1 In order to establish and implement joint state-level policy development, and to create and operate a unified system, we recommend that legislation be enacted, supported by adequate funding, to require the California Department of Education and the California Department of Social Services in consultation with the Governor's Office of Child Development and Education to:

- Submit annually to the Governor and Legislature, as part of the state budget process, a joint plan for the allocation of all state and federal funds for child care and development services. This plan would include funding for all state operations, as well as programs and services for child care and development administered by the two departments. The two

departments would be prohibited from submitting separate funding plans for child care and development services.

- Develop a multi-year interagency agreement, which establishes and implements a plan for a unified child care and development system to be phased in over several years. The plan would describe functions and responsibilities to be undertaken jointly by the two departments, designating, where appropriate, a lead agency; describe administrative responsibilities to be carried out by each agency; specify the number and level of staff positions from each agency dedicated to joint activities; and detail a plan to implement and fund the system, including the recommendations and activities included in this report. The following joint functions, described in greater detail later in this report, should be included in the interagency agreement:

Resource Allocation

- Determine each county's share of federal and state funds based on a formula similar to that used to allocate funds to counties under the federal block grant. The formula should promote statewide equity in the allocation of resources.
- Determine the appropriate division of funds among public assistance clients and low-income working families not receiving public assistance.
- Approve and fund county service priorities and administrative plans.

Development and Implementation of Standards

- Develop criteria for county-wide child care and development plans.
- Create standards for local administrative systems.
- Implement eligibility standards.
- Implement a standard sliding family fee scale.

- Create guidelines and standards for data collection.
- Create guidelines and standards for community waiting lists.
- Coordinate and adjust market rate survey.
- Develop contracting procedures, and contract for direct services with providers.
- Develop licensing standards.

Quality Assurance and Accountability

- Develop and implement a process to define outcomes and accountability measures for child care and development services.
- License child care centers and family child care homes.
- Collect and aggregate data required for policy development, program evaluation and compliance, and state and federal reporting requirements.

Program Improvement and Technical Assistance

- Provide technical assistance for local needs assessments and plan development.
- Create, disseminate, fund and promote quality improvement activities.
- Provide general technical assistance.
- Conduct research and develop policies to improve program quality and administrative effectiveness.

Local Compact

The California Child Care and Development Charter extends collaborative decision-making and planning to the local government level through the Local Compact. Currently, the Department of Education makes all decisions

on the allocation of child care and development funds, except for the federal child care and development block grant (CCDBG). Since 1992, CDE has allocated CCDBG funds based on locally determined priorities for services. All other funds are allocated first to existing providers in good standing, and then to areas where the department determines that the need is greatest. The current CDE allocation system has resulted in geographic disparities; some areas of the state are relatively heavily funded, while other areas, particularly where there has been significant recent population growth, have fewer funds and lower levels of service. Most CDSS programs fund care for everyone who is eligible through federal entitlements; thus CDSS has directed funding to all areas of the state according to participation in AFDC and related child care programs.

The proposed Local Compact would grant greater authority and responsibility to the County Board of Supervisors and the County Superintendent of Education, acting jointly, and to local Child Care Councils, to recommend priorities for distribution of all child care and development funds. These responsibilities should be phased in, supported by adequate funding, over several years, as individual counties demonstrate their readiness to take on these new duties. We recommend:

Recommendation I.2 Each County Board of Supervisors and County Superintendent of Education should be required to jointly appoint a Child Care Council.⁷ The Board and Superintendent should also be responsible for approving local plans developed by the councils before the plan is submitted to the state. (See Task VII Report.)

Recommendation I.3 The Child Care Council should have similar membership to that authorized for local child care planning councils in AB 2141 of 1991 (see Appendix C), as well as a formal connection (joint membership, sub-committee status, or other linkage), to other county-level children's services collaboratives. Child Care Councils should be responsible for conducting county-wide needs assessments for child care and development services, determining county-level priorities for quality

⁷ An existing child care or children's services council may be designated as the child care council, if the existing council has or can achieve the representation required for the child care council.

improvement and supply building activities, and for developing a local plan for child care and development services based on the needs assessment. Funding to carry out these functions should be provided through the State Compact described in Recommendation I.1 (See Task VII Report.)

Recommendation I.4 Local plans for child care and development services should be based on county-wide needs assessments, and identify priorities for funding for all federal and state subsidized care. Plans should reflect a balance between the presumptions that (a) over time, levels of service and funding should relate to the level of need throughout the county, and that (b) current infrastructure should be utilized, where feasible. The plan should include a list of county priorities for new money or shifts of funding, as well as a description of how the proposed distribution of services will:

- enable public assistance recipients to meet any work participation requirements enacted as changes to the welfare system;
- serve low-income, working parents who are not on public assistance;
- promote child development and school readiness;
- be offered in conjunction with other child and family services. (See Task VII Report)

Program Administration and Support

Once the policies governing the unified child care and development system are determined, and administrative guidelines developed through the state compact, they must be carried out at the local level. In addition to creating mechanisms to develop program and budget policies and guidelines at the state level, and increasing the local role in distribution of child care dollars, the California Child Care and Development Charter also proposes new county-level administrative structures to ensure that programs are operated in an efficient and equitable manner. Each County Board of Supervisors and County Superintendent of Education would be responsible for jointly developing, based on state guidelines, a county-wide, unified administrative services structure.

Currently, local administration of child care and development services⁸ is split among six different types of programs and agencies: child development center providers, county welfare departments, resource and referral programs, alternative payments programs, child care planning councils, and family child care systems. Duplicative functions such as eligibility determination and re-certification, waiting list management, and family fee collection are handled separately for each program by many CDE contractors and county social services agencies. Some agencies handle multiple programs, such as resource and referral, alternative payments, and family child care systems, while others are responsible only for a single function. Moreover, some agencies have contracts both to provide referrals to parents and providers, and to provide direct contract services, an arrangement fraught with potential conflict of interest.

This complex administrative system, which many contractors now handle without the benefits of automated systems, places heavy burdens on providers, causes confusion among parents who may not know where to go to obtain what information when, and may result in inequitable provision of services. The recommendations below call for development of county wide, streamlined local administrative services which would make available the same range and types of administrative and program supports to all families, regardless of the type of care selected or funding source. The recommendations call for administrative services to be provided through a single contract. The contract could be held either by a single agency or, more practically, by a consortium, including county welfare departments and agencies which currently administer Resource and Referral or Alternative Payments programs. Separate contracts for Resource and Referral or Alternative Payments programs would no longer be issued, and county welfare departments would no longer administer child care programs separately from other agencies. In any case, the administrative services agency (or members of an administrative consortium) would be prohibited from providing direct child care and development services.

⁸ Although we do not include local Head Start administration in this section because it is bound by separate federal rules, local agencies should consider the impact of Head Start programs and program administration in the design of local administrative systems.

Recommendation I.5 Each County Board of Supervisors and County Superintendent of Education, in conjunction with the Local Child Care Council, should develop a joint proposal for a county-wide unified child care administrative services structure. The proposal, which must be approved by CDE and CDSS, should provide that a single contract be let to either a single agency or consortium of agencies in each county to provide streamlined administrative and support services for all subsidized child care and development programs in that county. The child care administrative services agency or consortium would be responsible for the following functions: ⁹

Support to Parents and Providers

- Referrals to parents and providers
- Parent and consumer education
- Management of community waiting lists
- Eligibility determination, or compilation of eligibility records
- Compilation of computerized data on eligibility re-certification
- Calculation and recording of family fees, which will be collected by providers

Program Management and Administration

- Certificate program management, including case management/family support
- Provision of information and support services to the local child care council
- Data system development and implementation
- Reporting to state agencies

⁹ This recommendation goes beyond discussions held by the Local Governance Work Group. That group was unable to come to agreement on a local administrative structure for child care and development. For more information, please refer to the Task VII Report.

County-level systems for administrative and program support should be phased in as local capacity and automated systems to manage these functions are developed. The goal would be to develop automated capacity so that while the administrative system is centrally managed, administrative and support services are available to families at multiple access points throughout the county.

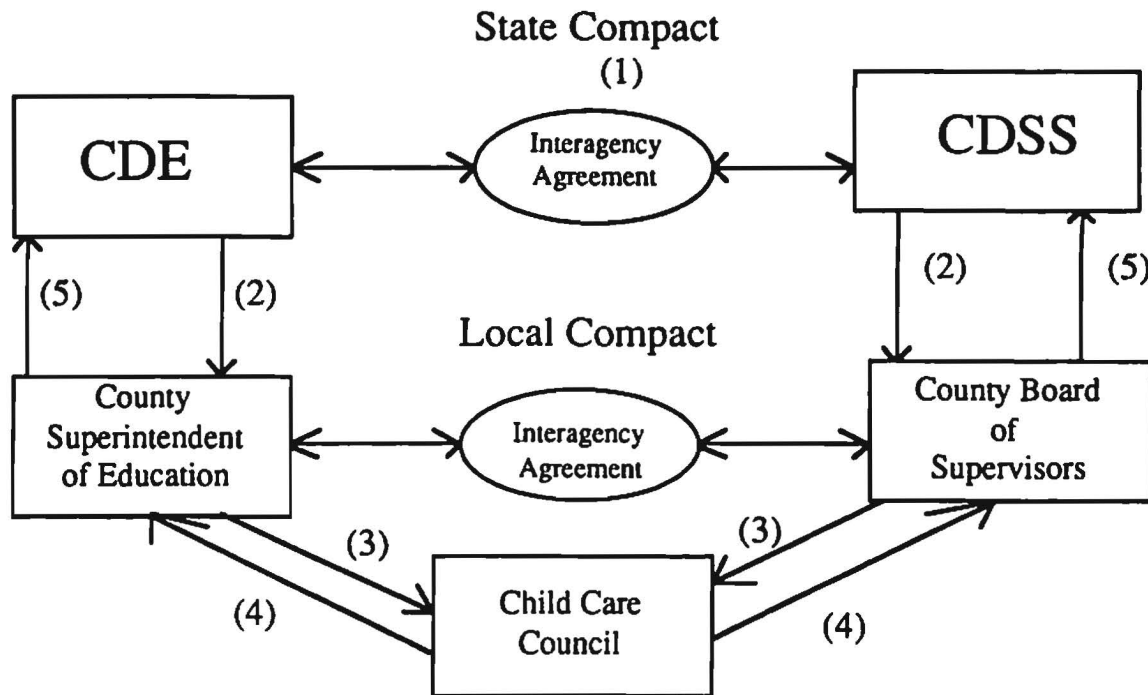
Recommendation I.6 All administrative agencies and members of administrative consortia should be prohibited from providing direct child care and development services.

Recommendation I.7 All families eligible for child care and development services subsidized by either the Department of Education or the Department of Social Services should be referred to the county level child care administration and program support organization(s) to receive information on their options for child care and development services and, if they choose, be placed on community waiting lists.

How the Charter Works

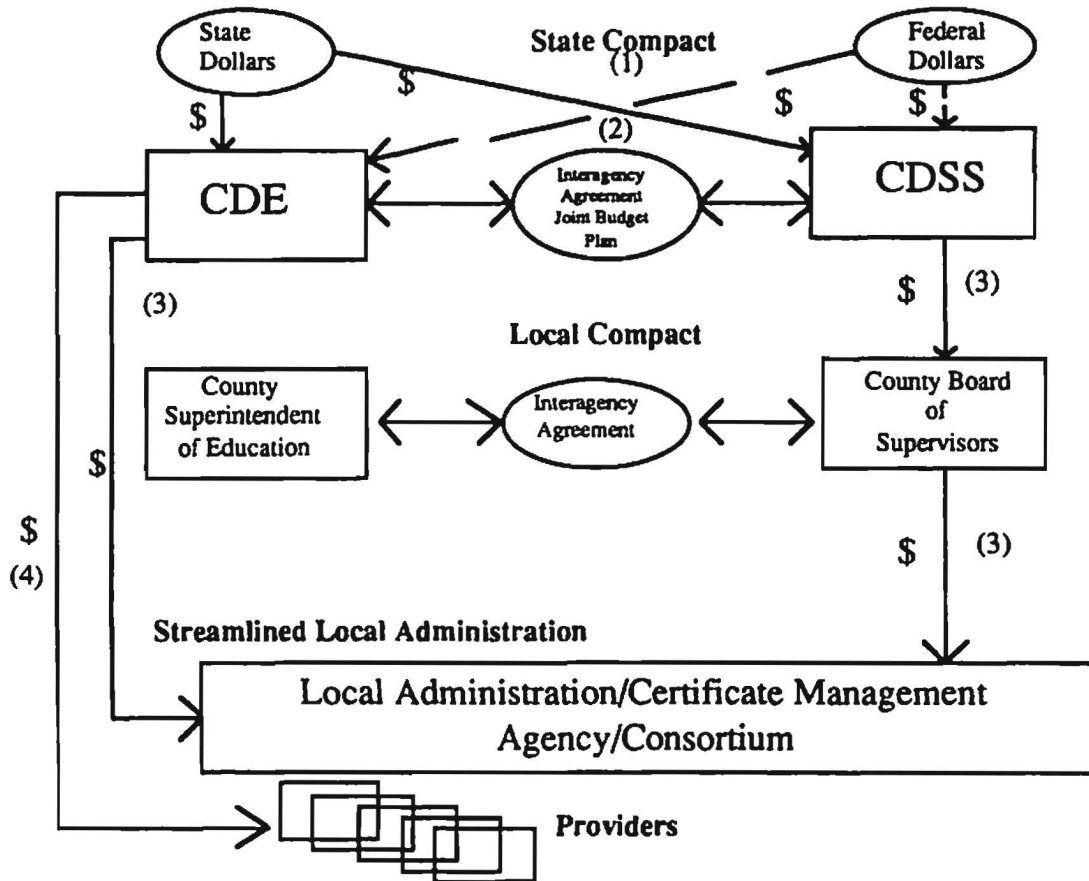
Figures 5, and 6, and 7, with accompanying explanations, show how a unified child care system would work for planning and policy development, funding, and administration.

Figure 5
California Child Care and Development Charter
Planning



- (1) CDE and CDSS adopt an interagency agreement and annual joint budget plans for child care and development services.
- (2) As part of the implementation of the interagency agreement, CDE and CDSS jointly develop criteria for local needs assessments and local child care and development plans, which are provided to County Superintendents of Education (CSE) and County Boards of Supervisors (CBS).
- (3) In each county the CSE and CBS jointly appoint the Child Care Council and forward the CDE/CDSS criteria for needs assessments and local plans to the Child Care Council.
- (4) The Child Care Council develops a county-wide needs assessment and a child care and development plan, and sends them to the CSE and CBS for approval.
- (5) After both the CSE and CBS approve the assessment and plan, they are sent to CDE and CDSS for joint approval and implementation.

Figure 6
California Child Care and Development Charter
Funding



(1) It is unclear how federal dollars will flow to CDE or CDSS under the new federal Child Care and Development Block Grant. We assume that some state dollars will still flow to both departments for program services and state and local administration.

(2) Under the interagency agreement and joint budget plan, CDE and CDSS:

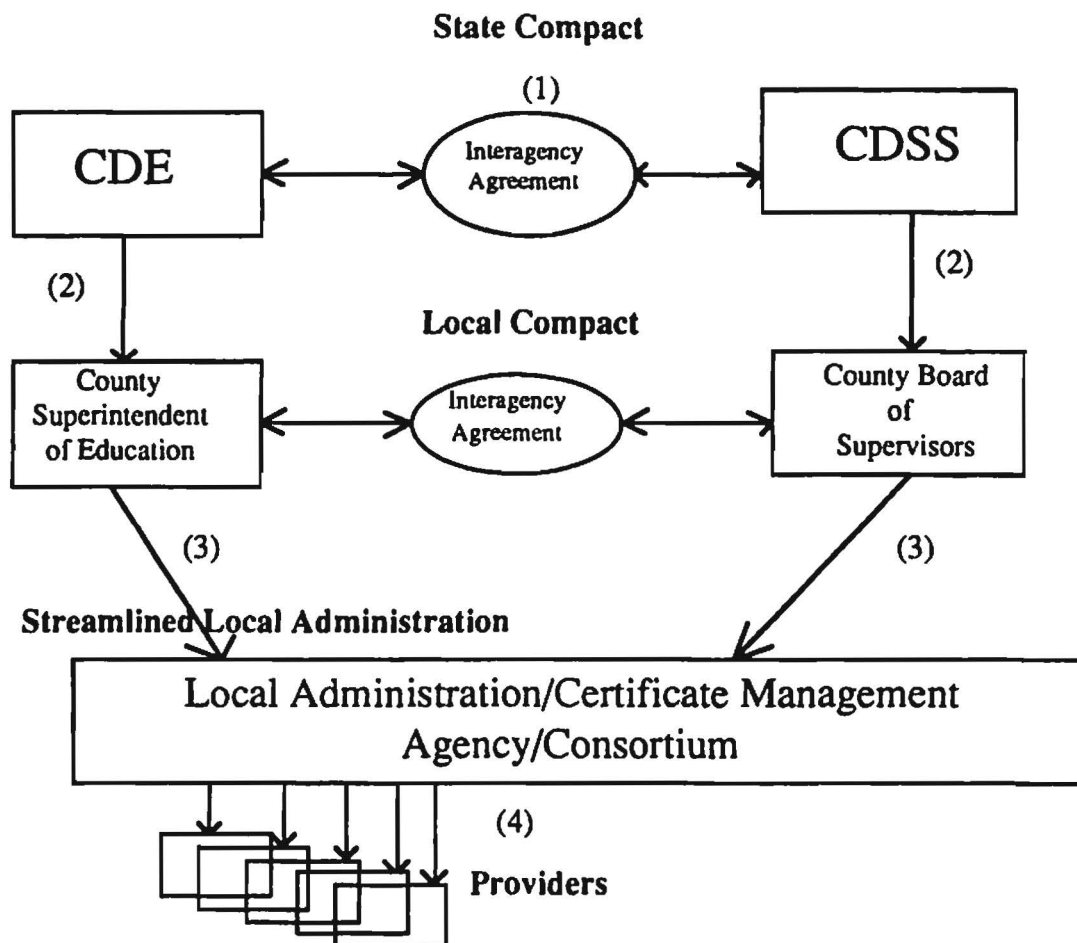
- formulate a joint plan for funding state and local administration and services.
- determine the appropriate division of the combined state and federal funds between families receiving public assistance and others
- devise and implement the a formula for allocation of funds among the counties
- allocate funds for certificate and contract programs according to priorities in local child care and development plans.

(3) Funding for local administration/services funded by the certificate program.

- CDSS allocates funds for local child care administration and certificates to the County Board of Supervisors, which would contract with the local administrative agency/consortia to administer the funds.
- CDE, allocates funds, directly contracts with the local administrative agency/consortia for administration and services funded through certificates.

(4) CDE directly contracts with providers of direct services, based on the local plan and priorities.

Figure 7
California Child Care and Development Charter
Administrative Activities



- (1) CDE and CDSS adopt an interagency agreement for child care and development services.
- (2) As part of the implementation of the interagency agreement, CDE and CDSS jointly develop procedures for state administration and criteria for local program administration, which are provided to County Superintendents of Education (CSE) and County Boards of Supervisors (CBS).
- (3) In each county, the CSE and CBS jointly propose a local agency/consortia to provide countywide administrative and support services, and to administer the certificate program.
- (4) The administrative agency/consortia provides administrative services and supports to subsidized families and providers.

II. PROGRAM DESIGN AND FUNDING

ANALYSIS

Currently, eighteen state and federal programs, using three reimbursement mechanisms, are administered by the California Department of Education and California Department of Social Services. These programs were designed to meet the needs of discrete populations with specific needs for child care and development services; in practice they serve overlapping populations with similar needs. The programs offer some combination of funding and services to meet children's needs for child development and preparation for K—12 education, and to meet parents' needs for child care services which will enable them to work and become economically self-sufficient.

Current reimbursement mechanisms for child care and development programs include:

- **Contracts**—which pay providers for an identified level of specific services
- **Certificates**—which pay parents or providers for services rendered to individual children
- **The child care income disregard**—which is one of several offsets to the amount of income counted in calculating AFDC monthly grants

Three tasks in Phase III of the California Cares project provided information and insight on program design: program structure and fiscal allocation; reimbursement; and child care and integrated services. From the working groups emerged agreement that the current system should be simplified. A consolidated child care and development system was outlined which would provide care in child care centers, family child care homes, or exempt care selected by the family, and ensure equitable treatment for all families. The new system would be based on two generic program types—contracts and certificates—which would serve all populations covered by existing programs operated by the California Department of Education and California Department of Social Services. Existing contracts would be combined into

two general types—general child care and part-day preschool. Separate programs for School-Age Community Child Care (Latchkey), Campus Child Care, Federal Block Grant, IV-A At-Risk, GAIN, Non-GAIN Education and Training, Supplemental Child Care, California Alternative Assistance Program, and Transitional Child Care would be folded into the generic programs.¹⁰

An examination of the three reimbursement mechanisms indicated areas where modifications were needed. PACE and the reimbursement work group found that there is no empirical basis for CDE contract rates, that rates are determined by history and precedent and are unrelated to the actual costs of providing care. Further, the CDE contract rate structure is extremely complicated and cumbersome to administer.

The determination of rates for certificate programs, which are tied to existing price structures through annual market rate surveys, is labor-intensive and could be made more accurate through technical changes to the market rate surveys. Further, maximum rates for programs funded by certificates are inconsistent; some programs reimburse providers up to the 75th percentile of the market rate, while others pay up to 1.5 standard deviations above the mean market rate (about the 93rd percentile of the market rate).

Problems were also discovered with the third reimbursement mechanism, the child care income disregard. Although it is inexpensive and easy to administer—a credit for child care is just one of a series of calculations to determine the grant amount for AFDC recipients—the child care income disregard provides lower maximum reimbursement levels than other reimbursement types, and does not guarantee a minimum level of reimbursement for providers. (Families may supplement the reimbursement received under income disregard by enrolling in the separate Supplemental Child Care program; CDSS data, however, show that few families use this option.) Further, income disregard is not connected to program standards or requirements such as parent information, quality assurance, or consumer protection. It also requires parents to pay for services up-front, which is a

¹⁰ The new federal child care and development block grant, combining funding for all federal child care and development programs (except Head Start), would allow California to merge the federal and state programs without federal waivers or statutory changes.

severe hardship for many parents, especially when they first apply for AFDC and have not yet received any AFDC check. Thus, families receiving services reimbursed by the income disregard may receive fewer services or protections than those in contract or certificate programs. On the other hand, building in higher reimbursement rates, services, and program requirements would raise the costs of program administration.

Particular programmatic needs must be considered for the children of migrant families and for teen parents and their children. Demand for services for migrant children is both seasonal and specialized; as families migrate throughout the state, services (and funding flows) must be designed to accommodate this constraint. Moreover, migrant families rarely stay in a community long enough for families to obtain services off waiting lists. Funding for services for teen parents should be closely coordinated with other state programs including K—12 education, public assistance, and health services as a way of providing seamless assistance.

The study of child care and integrated services confirmed the commitment of child care providers to address the broad-based needs of families enrolled in their programs. Although some innovative, exemplary child care and development programs have taken the lead in offering comprehensive services, most child care and development programs connect with other child and family services informally and inconsistently. Most are not involved in formal comprehensive services efforts. (See Task VIII Report)

RECOMMENDATIONS

Recommendation II.1 All child care and development programs currently administered by either the Department of Education or the Department of Social Services should be merged into two generic programs which correspond to the two current delivery modes, direct services contracts and certificates. The two programs should be available to all families and special populations eligible for subsidized care, and subject to a single set of eligibility standards (See Task VI Report). Only two types of direct services contracts would be issued: general child care and part-time state preschool. (See Task I report)

Recommendation II.2 Two generic reimbursement mechanisms corresponding to the two general program types—contracts and certificates—should be retained, with the following modifications (See Task IV Report):

Certificates:

- All certificates which currently require up-front payment by parents should be converted to payment after services have been provided.
- A standard maximum reimbursement rate should be established for all certificates.
- The practice of establishing rates through surveys of existing regional market rates should be retained, with the following modifications:
 - Full market rate surveys should be conducted only every third year; partial (sample) surveys should be conducted annually;
 - The current definition equating a "market" with a county should be changed to improve the efficiency of the rate mechanism; one option is to defining markets by clusters of zip code areas with similar characteristics;
 - Center rates should be compared with and without the contracted centers to determine the effect of contract centers on the rates;
 - The use of time base conversions should be re-examined, weighing efficiency against accuracy in representing the costs of part-time care.
 - Rates for all providers should be included in determining evening and weekend rates.

Contracts:

- A study should be initiated to establish new contract rates based on actual cost indices.

Recommendation II.3 The income disregard funding mechanism should be reviewed to determine its continuing efficacy under the new federal welfare and child care statutes. In any case, policies requiring up-front payment for services by parents should be deleted. In addition, all families eligible for child care income disregard should be provided with full information on waiting lists and all child care options. Finally, the

maximum reimbursement rates paid under income disregard should be raised to be consistent with certificates. (See Task IV Report.)

Recommendation II.4 Funding should be reserved to meet the needs of children of migrant or seasonal workers, and teen parents and their children. The distribution of services for all other populations should be determined through local needs assessments, and the development and approval of local plans. (See Task I Report)

Recommendation II.5 The Department of Education, Department of Social Services, and the Governor's Office of Child Development and Education should initiate policies to more effectively include child care and development services in comprehensive child and family services initiatives, including:

- providing information to local child care councils and child care and development providers on potential benefits to families of joining existing collaborative services efforts such as Healthy Start and Family Preservation and Family Support programs
- exploring whether Healthy Start programs should be based at child care and development centers, in addition to K—12 schools
- ensuring that child care and development providers are represented in local collaborative councils (See Task VIII Report.)

III. ELIGIBILITY AND ENTITLEMENT

ANALYSIS

Establishing universal eligibility standards for all child care and development programs administered by the Department of Education and the Department of Social Services has been a major goal of seamless service. Two Phase III tasks, program structures and fiscal allocation, and income eligibility, examined eligibility standards.

Currently, eligibility for enrollment in child care and development programs varies with the individual program. Criteria for enrollment in programs administered by CDSS are based on AFDC status: in general, all working parents, or those enrolled in a training program who are receiving AFDC, or who have left AFDC and are moving toward self-sufficiency, are entitled to child care services. In addition, the at-risk program provides child care to low-income families who are at risk of needing AFDC.

In order to gain eligibility to Department of Education programs, a family generally must meet both need and income standards.¹¹ Need for care may be demonstrated in a variety of ways, including working status, AFDC status, enrollment in an education or training program, referrals from child protective services, and family emergency or parental incapacity to care for a child. In addition, families must have income levels below 84% of the state median income (SMI) by family size.¹² Except for the current child care block grant program, families may stay in programs until their incomes reach 100% of the state median income. In addition to these general requirements, certain programs aimed at specific populations, such as State Preschool, School-Age Parenting and Infant Development, Campus, Migrant Child Care, and the latchkey programs impose additional, or slightly different eligibility requirements. There is no entitlement to care for Department of Education programs, and programs are limited by the amount of funding allocated by the state budget.

¹¹ Exceptions include State Preschool, which does not require parents to be employed or in employment-related activities, and School-Aged Parent, and Infant Development, Severely Handicapped and Child Protective Services, which do not impose an income requirement.

¹² 75% for the federal child care and development block grant.

The number of families eligible for child care and development services far exceeds the number who can be accommodated in Department of Education programs. As a result, each provider keeps waiting lists, frequently including hundreds of families, to fill openings. As openings occur, families with the lowest incomes are given priority. Families with higher incomes often remain on waiting lists for years, with little hope of program admission. In order to determine whether income standards for CDE program entry and exit were appropriate, given the huge demand for services, PACE and the California Alternative Payment Program Association (CAPPA) conducted surveys to determine the income levels of families entering and currently enrolled in CDE programs. Survey results provided evidence that income levels of almost all families enrolling in child care and development programs are well below the current maximum entry income level of the 84th percentile of the State Median Income by family size. PACE and CAPPA survey data show that between 90 and 95% of all agencies had most recently enrolled families with incomes below 50% of the SMI. There also appears to be a significant number of families on waiting lists with incomes below 50% of the SMI in most areas of the state. Moreover, very few families stay in programs until they reach 100% of the SMI; Alternative Payment Programs estimated that only about 300 families, out of more than 21,000 in their programs "incomed out" during 1995. Contractors reporting PACE and CAPPA survey data reported that over 90% of the families currently participating in subsidized child care and development programs have incomes below the 75th percentile of the State Median Income.

In addition to adjustments to the entry and exit eligibility standards, other methods to focus eligibility on families most in need, and possibly increase turnover in CDE programs, were explored. Time limits for family participation were discussed, but no consensus was reached. Another option—which was not fully explored—would be to impose time limits and develop consistent employment-related standards for training or education programs which qualify families for eligibility in child care programs. A single set of standards for education and training programs is consistent with other recommendations to unify and streamline eligibility standards. Additional research on the nature and duration of the education and training

programs would be needed to determine whether consistent standards would affect turnover.¹³

Few issues received the attention and elicited the debate from the AB 2184 Force than the subject of priorities for service. Much of the discussion centered around entitlements to service currently held by families served by most of the CDSS child care programs. That is, once a family is deemed eligible for AFDC, and is working or in an approved job search or training program, the family is "entitled" to receive federal child care assistance. To the extent that the state can match the federal money, it is authorized to fund services for all eligible clients. On the other hand, state funded programs are limited. Their provision is not based merely on eligibility, but is heavily constrained by annual appropriations. These programs, although including substantial numbers of AFDC recipients, primarily serve the "working poor."

As long as an entitlement provision exists, and federal money is available for every family which meets federal eligibility requirements, there is little competition for child care spaces among AFDC and non-AFDC families. Families eligible for the entitlement receive services and the working poor continue to be served (along with a substantial number of AFDC eligible clients) by CDE programs. Under the new federal welfare statutes, however, entitlement to services is eliminated, and a different picture emerges. With increased work requirements and federal penalties for states which do not meet the work requirements, the number of public assistance recipients seeking child care, as well as the number of hours per family in care, are expected to dramatically increase. Although federal child care funds will increase in the short term, they will be capped, and will therefore be inadequate to serve all eligible public assistance recipients in the longer term.

¹³ Data from the surveys suggest that between 10 and 20% of families enrolled in CDE programs participate in education or training programs. Twenty percent of the 15,500 families for which data was collected on AFDC and employment /training status in the CAPPA survey participated in education or training programs, including 40% of the 5500 AFDC families and 11% of the 10,000 non-AFDC families. Among the 17,446 families served by nine providers who responded to questions on AFDC and education/training status in the PACE survey, 10% participated in education and training programs, including 28% of AFDC families and 3.5% of non-AFDC families.

The question is whether, and to what extent, state funds currently spent for low-income families who are not on public assistance should instead be spent on families receiving public assistance. While there was general agreement, supported by the new federal child care statute, that California's child care and development delivery system must serve both public assistance recipients and the working poor,¹⁴ no agreement could be reached by the AB 2184 Task Force on the best and most appropriate division of state and federal funds for these purposes. Some members advocated an absolute priority for public assistance recipients, that is, all public assistance recipients would have a higher priority than any non-public assistance client. Others argued that under such a system, public assistance recipients could *eventually* drive out the working poor, who then ironically would be forced onto public assistance because of the unavailability of child care services.

RECOMMENDATIONS

Recommendation 3.1 Standard entry and exit income eligibility levels should be established for all child care and development programs. These entry and exit eligibility levels:

- must ensure that public assistance recipients are eligible for subsidized care
- should be adjustable to reflect changes in the size of the eligible population and varying levels of available funding
- should not preclude participation of families in child care and development programs who are attempting to stay off public assistance, or those who are transitioning off of welfare who continue to need child care services

To implement this recommendation, legislation should be enacted to amend state law to permit CDE/CDSS to administratively adjust entry and exit income eligibility levels below the current entry maximum

¹⁴ The Child Care and Development Block Grant Amendments of 1996 provides that not less than 70 % of the funds are used to "provide child care assistance to families who are receiving assistance under a State (welfare) program... families who are attempting through work activities to transition off of such assistance program, and families who are at risk of becoming dependent on such assistance program, " and requires states to show how the child care needs of all of these groups are being addressed by the federal funds.

levels of 75% and 84%, and exit maximum of 100% of the State Median Income. Statutory floors below which entry and exit eligibility standards cannot fall should be established at 50% and 85%,¹⁵ respectively, of the SMI. (See Task VI Report)

Recommendation III.2 Families currently enrolled in programs should be permitted to continue to receive services until they meet the income levels in place when they enrolled in the program.

Recommendation III.3 The following eligibility priorities should be established for subsidized child care and development services, in priority order: (See Task I Report)¹⁶

1. Children receiving Child Protective Services (CPS). These children should have priority for enrollment over all other groups, and should not be subject to income eligibility requirements.
2. Children of parents receiving public assistance and working (or engaged in work-related activities), who meet income eligibility requirements.
3. Children of the working poor (or those engaged in work-related activities) not on public assistance, who meet income eligibility requirements.

In addition, families with extraordinary medical or respite needs, working or non-working, who meet income eligibility requirements should be eligible for services, and the children of non-working poor who meet income eligibility requirements should be eligible, but only for State Preschool.

Recommendation III.4 Allocations should be established annually through procedures agreed to under the inter-agency agreement for: (a) children whose parents receive public assistance; and (b) children whose

¹⁵ Originally, we recommended a floor of 75% of the SMI for program exit. We changed the floor to 85% to be consistent with the new federal child care legislation.

¹⁶ This recommendation differs from that found in Task Report I. The Program Allocations and Fiscal Support Work Group did not determine priority between children with parents receiving, and not receiving public assistance. Priority order was added because of the urgency of meeting the requirements of the new federal welfare legislation.

parents meet income eligibility standards and are working, but not receiving public assistance.

Recommendation III.5 CDE and CDSS should develop a common definition of what constitutes a qualifying "education or training program" which may substitute for employment in determining eligibility for child care and development services. In arriving at this definition, both time limits for education and training, and the relationship of the educational/training program to the local job market should be considered.¹⁷

¹⁷ This recommendation was not in the Task I Report, but was included at the request of AB 2184 Task Force members.

IV. QUALITY AND PROGRAM EFFECTIVENESS

ANALYSIS

The themes of program effectiveness and quality improvement have framed discussion of program and policy throughout the entire California Cares project. In discussions held by every work group involved in Phase III, there was implicit commitment to the principle that policy changes resulting from the study should not compromise high quality programs, and should promote quality throughout the system.¹⁸ Specific concerns included the following:

- The quality of care offered by exempt and in-home child care providers is unknown. Since exempt and in-home providers are subject to few or no health, safety, or program regulations, and some are not even required to undergo criminal records checks, many administrators and providers fear that families have no protection against unscrupulous operators, or against providers using unsafe or harmful practices in caring for children. All decisions regarding exempt care are left to the parent, who may or may not be informed regarding aspects of quality child care and legal restrictions on providers.
- There is unequal access for providers to quality improvement activities such as training and technical assistance. Until recently, CDE quality improvement activities focused primarily on CDE contractors. Since approximately 1992, however, CDE and other organizations such as community colleges and agencies with resource and referral contracts have developed educational and training materials available to all providers. More widespread distribution of training and materials, and better information on the availability of these materials, are needed to reach all interested child care and development providers. In particular, attempts must be made to

¹⁸ Various aspects of quality in child care and development programs were discussed at length in the California Cares Phase I and Phase II reports.

reach exempt providers who are more likely to be working with only one or two children, and be isolated from other providers.

- There are few incentives in the current system to improve the quality of care. With the exception of CDE direct services contractors, who are subject to program standards included in Title 5 of the California Administrative Code and program quality review provisions, subsidized child care providers are not required to meet specific standards aimed at promoting child development and school success. In order to encourage more providers to improve the quality of their programs, and promote school success, incentives should be made available to providers who engage in quality improvement activities.

While a great deal of attention has been focused on quality improvement activities, much less attention has been paid to measuring program results. No organized effort has been made to identify specific outcomes or results desired or expected from child care and development programs, nor to determine the extent to which outcomes are being met.

RECOMMENDATIONS

While endorsing the merit of the following recommendations, members of the AB 2184 Task Force were hesitant to fully commit to their implementation because of cost considerations. PACE believes that the activities recommended below are essential to preserving and advancing the quality of California's child care and development system.

Recommendation IV.1 Adjustments to reimbursement rates should be developed to provide incentives for providers to increase program quality. (See Task IV Report)

- Contractors who receive national accreditation for specific sites should receive a bonus, or an increase to their maximum reimbursement amount.
- Higher market rate ceilings should be established for child care centers and family child care homes which gain accreditation through a nationally-recognized organization.

- Exempt or in-home providers who obtain child development training or otherwise enhance the quality of their programs should also be subject to higher rate ceilings.

Recommendation IV.2 All quality improvement activities funded by or administered through state or local child care organizations should be made available to all subsidized child care providers, including exempt and in-home providers.

Recommendation IV.3 In order to determine whether additional regulation, differential reimbursement, or additional education and training activities are appropriate, CDE and CDSS should jointly conduct a research study on the prevalence, characteristics and quality of license-exempt care. The study should examine and make recommendations concerning the utilization and reasons for choosing exempt care; health, safety, and other quality aspects of exempt care; reimbursement levels for exempt care; the extent and potential for fraud among exempt providers, and the need for provider information and training. (See Task VII Report.)

Recommendation IV.4 A joint state/local child care council task force should be established to develop goals, outcomes and performance measures for child care and development services. Outcomes should include but not be limited to child protection, school readiness, child development, and attainment and maintenance of family self-sufficiency. A process should be developed to evaluate child care and development programs based on results. (See Task VII Report)

V. ADMINISTRATION AND DATA COLLECTION

ANALYSIS

From the onset of the California Cares project, members of the task force recognized that there were serious deficiencies and inconsistent procedures in child care and development administrative systems. Three Phase III tasks, Family Fee Schedule, Data Systems, and Community Waiting Lists, addressed these problems.

Family Fees

Currently, some, but not all, CDE programs require families to contribute to the cost of their children's care. The contribution is based on a sliding fee scale which starts when a family's income reaches 50% of the state median income, and nears the full cost of care at 100% of the state median income, when eligibility for program participation is lost. The fee is a per-family fee; it does not increase with additional children in care. Survey data from Phase III indicated that between two-thirds and three-quarters of families enrolled in respondents' programs had incomes below 50% of the SMI. Thus, relatively few families actually pay family fees.

A key finding from focus groups of families enrolled in, or on waiting lists for, subsidized care, conducted by PACE in 1995, was that almost all participants believed that *all* families, not just those with incomes above 50% of the SMI, should shoulder some of the responsibility for paying for their children's care. In order to determine the feasibility of collecting fees from all families, and to assess the effect of broader fee collection, PACE studied alternatives to current fee collection policies. Studies conducted in Phases II and III (see Task III report) examined three possible family fee structures, each requiring all families to contribute to the cost of care, and imposing additional charges if more than one child is enrolled in subsidized programs. Each model was evaluated for affordability, cost and ease of administration, effect on revenues, and other factors.

Data Collection and Automated Program Management

For many years, the absence of sufficient aggregated data on families and programs funded by both CDE and CDSS has meant that policy making has

too often been based either on one-time survey data, or anecdotal evidence. Looking across both CDE and CDSS systems, we have been unable to obtain from current data sources basic data on number of families served, number and age and other characteristics of children in care, cost of various types of care, and unmet needs. This absence of data must be corrected. A data collection system, which has the capacity to integrate data from *all* child care and development programs and which can interface with current CDE and CDSS systems is essential to making informed funding and program policies.

In addition, if programs are to be consolidated and made more efficient, an administrative management system will be necessary at both the state and local levels. This system would enable providers (for both AFDC and non-AFDC families) to access all programs through consolidated community waiting lists, confirm eligibility, collect fees, and then sort out reports to the appropriate state and federal agencies. Unquestionably, funding will be required to support the development of these systems, but new technologies using the internet should substantially limit costs. Moreover, development of this system must occur gradually as state and local capacity to consolidate program management and administration increases.

Community Waiting Lists

Finally, the use of separate waiting lists by each contractor is both inefficient and inequitable, permitting families with varying levels of eligibility to enroll in programs. Community waiting lists, if properly designed, would ensure that parents have much easier access to, and information about, a wide range of services, and still enable parents to select the provider of their choice. By including all eligible families in a community on a single list, greater fairness in program enrollment would be ensured. Grouping families on waiting lists by income levels (i.e. 0-25% of the SMI; 26-50% of the SMI, etc.), and then providing service to all members of each income group on a first-come, first served basis, would improve list management. To address provider concerns, provisions could be included to ensure that providers are not penalized for any delays due to community waiting list management. Moreover, community waiting lists would free providers from the tasks of managing their own separate lists.

Recommendations V.3, V.4, V.5, and V.6 below are costly, and will require new funding. While recognizing the merit of the recommendations, the members of the AB 2184 Task Force were hesitant to endorse costly initiatives. Yet PACE believes the activities included in the following recommendations are critical to the development of an effective, unified child care and development system.

RECOMMENDATIONS

Recommendation V.1 CDE/CDSS should adopt a new family fee schedule based on a percentage of the Standard Reimbursement Rate or its replacement. Fees should be charged per child, with a charge for each additional child at reduced rates. Overall rates should not exceed 15% of gross family income. (See Task III Report)

Recommendation V.2 All families should be required to contribute to the cost of their children's care. (Fees may be waived for children receiving Child Protective Services, if collection of fees interferes with placement of the child.) Families with incomes below 25% of the State Median Income should be given the option of providing in-kind services rather than monetary payment. All funds obtained through parent fees which exceed administrative costs for collection of family fees should be used for program expansion. (See Task III Report)

Recommendation V.3 CDE and CDSS should immediately start to develop and implement a "census" of all children receiving child care and development services to provide baseline information and answer the most basic policy questions. Arrangements should be made with Head Start to include Head Start children in the census. This census should not be limited to providers with automated systems. (See Task II Report)

Recommendation V.4 A study should be conducted to determine the extent to which child care and development are available to (a) children receiving child protection services, and (b) low-income families eligible for subsidized care. These families should include but not be limited to, working families receiving public assistance, those in transition from public assistance, and those working but not receiving public assistance.

Recommendation V.5 The Department of Education and the Department of Social Services should develop a five-year plan to develop and implement a joint state/county automated management and data collection system for child care and development services. This system could either be an expansion of current CDE/CDSS data systems, or a separate system with interfaces to the current systems. This system would manage the administrative functions of child care and development services, such as eligibility determination and re-certification, fee collection, and waiting list management and intake; a by-product of this system would be data collection. (See Task II Report)

- All County Welfare Departments, local child care administrative entities, and, to the extent possible, providers, would be hooked up to the county data center. Where automation currently exists, current software would remain in place, using translation tools. Data would be shared over the network.
- Confidentiality would be ensured by establishing different access privileges for users.
- Users would require training about how the network works, and how to use new data sharing tools. For sites which do not need much automation, World Wide Web software would be developed to enable them to share data and access information.
- In order to develop this infrastructure, the state should give families an individual identification number, and use bar-code technology to receive and enter data into the data collection system, as well as run daily administrative operations. For families on AFDC, this number should be integrated into AFDC data systems. For providers who do not need a computer, such as license-exempt providers, tools should be developed to permit providers to enter ID numbers on receipts or other forms which could be sent to a local administrative agency or county welfare office to be scanned into the system.

Recommendation V.6 Computerized waiting lists should be established at the community level, replacing individual waiting lists maintained by each provider. The waiting list function should be coordinated with development of the local computerized management system, possibly as a first step. It should be phased in over several years, dependent on community capacity to

manage the function. Community waiting lists should incorporate the following features: (See Task V Report)

- a single application form for all child care and development programs and providers
- a statewide, 800 phone number to access all community waiting lists
- multiple access points. Parents would be able to obtain information or sign on to a waiting list at computer terminals at county welfare departments, existing child care centers, local administrative agencies, schools, libraries, etc.
- parent selection of care. Parents would be allowed to select specific programs, centers, providers or neighborhoods where they would like their children to receive care
- required participation of all providers who maintain waiting lists
- on-going parent education on child care and development services for waiting list applicants
- an assessment component to ensure that the waiting lists meet the needs of parents and providers, and are cost-effective.

Recommendation V.7 The lowest income first rule for program entry from community waiting lists should be modified. Families on the waiting list should be grouped by income level, so that families with incomes between 0 and 25% of the SMI, for example, would receive higher priority for enrollment than those with incomes in the range of 26—50% of the SMI. Within the income groupings, families would be enrolled on a first come, first served basis. (See Task VI Report)

VI. COST AND EFFICIENCY: FUNDING FOR CHILD CARE AND DEVELOPMENT

ANALYSIS

Funding for child care and development services

Surveys of Department of Education child care and development programs conducted during Phase III of the California Cares Project provided policymakers with a stark fact: the families receiving services through CDE as well as CDSS have very low incomes. Families usually enter CDE programs with incomes far below the maximum eligibility level of 84% of the state median income; although only about 30% of the families entering Department of Education are on the AFDC rolls, their incomes at program entry would qualify a large number for public assistance. Similarly, few families enrolled in CDE programs have incomes close to the exit eligibility standard of 100% of the SMI; over 90% of families in surveyed programs had income levels below 75% of the SMI.

The surveys also told us that there are hundreds of families with extremely low incomes on waiting lists unable to access state-subsidized programs because of limited spaces.

Although we have little information on families in CDSS child care programs, we know that participants must be on the AFDC rolls in order to be eligible for all programs except Transitional Child Care. Thus their incomes are very low, almost always below 50% of the SMI. Transitional Child Care imposes no income eligibility, but participants must have "graduated" from AFDC to enroll in the program.

Our finding is that virtually all families enrolled in subsidized programs are in similar financial circumstances, and equally in need of child care services, whether or not they are on AFDC. It is not clear why families with very low income levels are enrolled in CDE programs but not on AFDC; one theory posed by several providers was that state-subsidized care may make enough of a difference to a low-income family's budget that they do not feel compelled to enroll in AFDC. If so, provision of care to non-AFDC families may well

keep families out of AFDC, and additional services may reduce the welfare roll, resulting in savings to the state and federal government.

State and Local Administration

Throughout the two-and-a-half years of the California Cares Project, PACE has been struck by the frustration expressed by dedicated, hard-working Department of Education and Department of Social Services staff who are trying to administer very complex child care and development systems with inadequate resources. Over the past 40 years, the child care and development system has grown with so many confusing and overlapping statutes, regulations, and policies, that nobody can fully understand or effectively administer it. As a result, PACE and the many participants in the California Cares project, including state department staff, child care providers, representatives of local organizations providing child care support services, and county welfare department personnel, have spent many hours attempting to identify those aspects of the system which could be pared away or simplified without harm to the children and families served by child care and development programs.

In theory, streamlining programs and administrative processes should free up staff and funds to be used elsewhere. At the state level, we believe that is unlikely to happen. Over the last few years, as funding for state positions has been repeatedly cut back, department staff have been unable to accomplish all but the most essential functions to keep programs running and money flowing. Many efforts required to operate high quality programs, such as research, curriculum oversight, regular professional consultation and technical assistance, have been reduced, and even functions required by law or regulation have been cut back.

In reality, development and implementation of many of the recommendations included in the Phase III report will impose new costs to the Department of Education and Department of Social Services. Development of systems for consolidated program management and data collection at both the state and county level will also impose front-end costs, but are critical to integration of federal- and state-funded services, policy development, and provision of seamless services.

Delegating more responsibility to local child care councils for planning and priority-setting will also require additional funding, as well as the establishment of systems at the county level to collect data, keep track of eligibility, collect family fees, and manage community waiting lists.

RECOMMENDATIONS

Recommendation VI.1 If adequate funds cannot be generated from efficiencies resulting from coordination of program administration and procedural streamlining, funding for child care and development services should be augmented to ensure that adequate services are available to serve (a) children in need of protective services, and working families (b) receiving public assistance, (c) with very low incomes (below 50% of SMI), who are at risk of going on public assistance without child care assistance, and (d) who are in transition from public assistance to self-sufficiency. (See Tasks I and VII Reports)

Recommendation VI.2 Direct services providers should be relieved of some of the time-consuming duplicative administrative activities they are currently required to perform. With the establishment of streamlined local administrative entities and computerized capabilities, these functions can be more efficiently performed by agencies charged solely with administrative activities. Currently, CDE direct services contractors are permitted to use 15% of their contracts for program administration, Alternative Payment Programs are allocated up to 15% above services for administration as well as 5—10% for support services, and County Welfare Departments spend 20—25% of their child care funds for administration.¹⁹ A portion of these administrative funds should be diverted to fund streamlined local administrative functions. Another portion should be spent to assist providers in connecting to community waiting lists, automated record keeping, and eligibility determination. In addition, efficiencies should be realized by coordinating or consolidating support functions currently provided by Alternative Payments and Resource and Referral programs. (See discussion of county-wide administrative services above and Task VII Report)

¹⁹ Administrative costs for CDE programs and CDSS programs administered by County Welfare Departments cover different administrative functions, and are not comparable.

CONCLUSION

Current child care and development policies do not adequately serve children and families in California. For all the achievements and innovations of the state's child care and development services—and there have been many—over the past 50 years the system has become a confusing, inefficient patchwork of programs which no longer serves families as well as it should.

The purpose of the California Cares project was to analyze this complex system of 18 programs, three payment mechanisms, multiple sets of eligibility standards, and a myriad of confusing, often conflicting rules, and to make recommendations to reconstruct a cohesive system of policies and programs to meet the needs of families and children in the foreseeable future.

Thousands of hours were spent by a wide-ranging group of researchers, child care and development providers, county administrators, and state agency staff who contributed their insight, expertise, and experience in providing information, discussing policy trade-offs, and offering wisdom; this project could not have been accomplished without them. The recommendations listed above are informed by their work.

Throughout the report is the explicit and implicit recommendation for improved coordination and cooperation by state and local agency staff. This overarching recommendation is consistent with agreement across the state that seams in the current system have made the lives of children and their parents more difficult as they search for, and participate in, subsidized child care and development programs. These seams must be repaired.

In the coming months, as these recommendations make their way toward implementation, there will be many obstacles to face. The most critical point to hold in the forefront of discussions is that any changes that are made in the child care and development system must, before all else, benefit children and their families.

Appendix A
California Cares Phase II
Short Term Child Care and Development
Policy Strategies for California

- 1) Formalize interagency collaboration among the AB 2184 Task Force agency members through an interagency agreement or a small, separate unit focused on cooperative/collaborative activities among the agencies.
- 2) Reduce the number of separate statutory programs, without reducing the range of families eligible for services, or the types of care available to families.
- 3) Eliminate nonessential regulatory burdens through a joint interagency review of current regulations and administrative procedures.
- 4) Reduce the number and types of contracts issued by CDE.
- 5) Establish a single child care and development application for all programs.
- 6) Strengthen and clarify the role of local child care planning councils.
- 7) Establish formal links between local agencies, including county welfare departments, organizations with Resource and Referral or Alternative Payment Program contracts, and Head Start agencies.
- 8) Lower the maximum income eligibility level for CDE program entry.
- 9) Develop local centralized, computerized waiting lists with multiple points of access.
- 10) Reform the provider reimbursement rate structure and process.
- 11) Reform the family fee schedule. A new schedule should be income-sensitive, and take into account family size, number of children in care, etc.

12. Develop a child care and development data collection system which collects, on a regular basis, information on the supply and demand for care, cost of care, and quality of services.

Appendix B
California Cares
Phase III Workgroup Membership

California Department of Social Services

Jan DeSilva—Child Care/Cal-Learn Programs Section
Harriett Hopgood—AFDC Policy Implementation Bureau.
Bill Jordan—Employment & Refugees Programs Branch
Marilyn Nenzel-Perez—Child Care/Cal-Learn Programs Section
Linda Nissen—Community Care Licensing
Nancy Remley—Cal-Learn
Oshi Rueles—Research Branch
Tom Shetka—Child Care/Cal-Learn Programs Section
Donna Valadez—Health and Welfare Data Center, SAWS, Application Support Section.
Bruce Wagstaff—Welfare Programs Division
Debora L. Wender—Children and Family Services Division, Children's Services Branch.
Tom Williams—Administration Division, Estimates Bureau.
Gale Wright—Child Care/Cal-Learn Section

California Department of Education

Maria Balakshin—Child Development Division
Pat Gardner—Child Development Division
Jane Henderson—Child, Youth Family Services Branch
Richard Kai—Fiscal and Administrative Service
Francis Louie—Child Development Division
Maureen Lu —Child Development Division
Stan Moriguchi—Administrative Management and Special Projects Unit
Marie Murata—Child Development Division
Bill O'Neill—Accounting Office
Janet Poole—Child Development Division
Donna Salaj—Contract Office
Kathie Scott—Education Finance Division
Steve Shaltes—Audits
Mike Silver—Administrative Management and Special Projects Unit
Judy Stucki—Education Finance Division
Alice Trathen—Child Development Division
Jan Volkoff—Evaluation and Technology Division
Richard Whitmore—Finance Technology and Planning Branch
Phyllis Wilburn—Administrative Management and Special Projects Unit

Governor's Office of Child Development and Education/Other Agencies

Liz Aghbashian—Department of Finance
Michael Jett—Governor's Office of Child Development and Education
Melissa McNabb—Governor's Office of Child Development and Education
Kristyn Staby—Governor's Office of Child Development and Education
Giovanna Stark—Child Development Programs Advisory Committee
Paul Warren—Legislative Analyst Office

Local Child Care and Development Representatives:

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Don Bolce
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Jean Bushee
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Penni Clarke
Sacramento County

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Administrator, Child Development Program
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Carol Hill
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Fran Kipnis
California Child Care R & R Network

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Ed Warren
PACE

Vivian Weinstein
Los Angeles Child Care Planning Council

Jaci White
Child Action

Kathy White
Child Care Coord. Council of San Mateo Co.

Appendix C
Membership of Local Child Care Planning Councils
Established by AB 2141 of 1991

"Membership on the council should include, but need not be limited to, representatives from the following:

(1) County and city government officials or elected officials knowledgeable about local planning issues, child care, recreation, and social services for children and families.

(2) County office of education.

(3) School districts and community colleges within the county.

Representatives should be knowledgeable about child care and development programs.

(4) Local state-funded child care resource and referral agency.

(5) Local government child care coordinator.

(6) Child care and Head Start providers and child development experts.

(7) Parents who use child care services.

(8) Employers, labor organizations and community organizations knowledgeable about child care, including child care provided by sectarian organizations, in the community.

(9) A representative of the Native Tribal Councils, if there is a Native Tribal Council within the county."