CALIFORNIA CARES:
CHILD CARE AND DEVELOPMENT SERVICES FOR CHILDREN AND FAMILIES

PHASE III FINAL REPORT

PART 2:

WORKING PAPERS

Policy Analysis for California Education (PACE)

August, 1996

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Policy Analysis for California Education

Policy Analysis for California Education (PACE) is a university-based research center focusing on issues of state education policy and practive. PACE is located in the Schools of Education at the University of California, Berkeley and Stanford University. It is funded by the William and Flora Hewlett Foundation.

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PART II: WORKING PAPERS

Part Two

Working Papers

Introduction

Part Two of the Phase III California Cares report includes reports from the eight tasks included in this phase of the project as well as summary information.

Section One summarizes the task reports in various ways. First is a listing of findings and recommendations from the eight reports. Second, a matrix is presented which shows how the recommendations from the task report relate to the definition of seamlessness and the guiding principles for the AB 2184 study. Following the matrix is a series of charts summarizing policy themes, common threads which ran throughout recommendations from seven of the eight separate tasks. Task 8, Child Care and Integrated Services, is not included on the policy themes because no formal recommendations were made in the report. Finally a summary of task and work group recommendations relating to preserving and increasing the quality of subsidized child care and development programs is included.

Section Two contains the task and working group reports and recommendations.

Section One

Summary Information

Summary of Task Report Findings and Recommendations

Task 1: Program Structures and Fiscal Allocations

Findings

1. The current child care and development system should be simplified by eliminating, reducing or collapsing program types.

2. Existing infrastructure for the system should be stabilized and, where necessary, expanded.

3. Uniform eligibility criteria should be established, to the extent feasible, applicable to children and families regardless of funding stream.

4. An allocation mechanism should be developed which would adequately convey state priorities and would allocate resources based on agreed-upon need criteria (including a component designed to create greater equity among geographic areas over time).

Recommendations

1. The current program structure should be reduced to two basic types, contract and alternative payment/certificate.

Contracts would cover child care centers, family child care networks, and preschool programs, which meet specific curricular and program requirements. The contract process should be simplified by eliminating a number of separate programs and by requiring a single contract per agency rather than distinct contracts for each program. We recommend retaining only two basic contract programs, funded by a combination of state, federal and local funds[1]:

- General Child Care, providing full and part-time care for the general population of children.
- Preschool, providing a full-and part-time school-readiness curriculum to three and four-year-olds.

In addition to the two basic contract types, two programs which address the needs of particular populations are maintained.

- Children of Migrant workers, serving the needs of seasonal migrant workers

[1] In addition to the directly federally funded Head Start program

- Teen Parents serving teen parents and bringing together resources now allocated to four separate programs, Pregnant Minors, SAPID and Cal Learn/Adolescent Family Life.

Of course, all programs will meet the needs of children with disabilities.

Alternative Payment/Certificates. These fund case management and any licensed or license-exempt child care services selected by the parent.

2. The following statewide priorities for enrollment in all subsidized child care and development should be established:

A. Child Protective Services (CPS)
B. Children of Parents receiving Public Assistance and Working (or engaged
C. Children of the Working (or engaged in work-related activities) Poor not on Public Assistance
D. Children of Non-Working Poor (for State Preschool only)

Families with special needs, working or non-working, would also be eligible for services, if income eligible. These include:

- Children with a medical or psychiatric special need that cannot be met without the provision of child care
- Parental incapacity (to the extent that the adult's ability to provide normal care for the child is significantly limited)
- Parents in need of temporary care because of illness or injury
- Parents in need of temporary relief from extraordinary care-giving demands (e.g. severely handicapped children).

3. The state should establish a formula to determine the appropriate share of state dollars that would be spent within each county, in order to insure statewide uniformity and equity in the allocation of these precious resources. These two state funding streams would provide funding for both contract and alternative payment/certificate programs.

The state would implement a process similar to that used by CDE to allocate funds to counties under the federal block grant. It is essentially a four step process.

Step One: Determine relative need by county, using the following variables:

- Families on AFDC (available from CDSS)
- Number of children receiving free and reduced price school lunches (CDE)
- Women in the Work Force with Children (available from EDD)
- Number of open child abuse cases (CDSS)
- Number of Live births (Department of Finance demographic unit)

Step Two: Determine relative resources received by agencies and providers in each county. Resources would be calculated in two categories: those devoted to half-day

school readiness programs, including Head Start and State Preschool; and those devoted to all other state and federal child care funding sources for child care, including General Child Care, Alternative Payments Programs, the Child Care and Development Block Grant, Title IV-A, At-Risk Child Care, Gain Child Care, etc.

Step Three: Identify relative gaps by county

Step Four: Reduce the relative gaps. Equalization calls for first, protecting the base by giving full cost-of-living adjustments to existing programs and then weighting the growth money so that a higher percentage goes toward closing the gap between counties.

Task 2: Data

Findings:

1. There are currently very limited data available to inform the state and local communities about the demand, supply, cost and quality of child care and development services. This dearth of information makes it virtually impossible to allocate resources efficiently and provide services effectively.

2. The information that is collected is not compatible between programs administered by the Department of Education and the Department of Social Services, and a significant amount of important data is not aggregated at the state level. There is neither a mandate nor a coordinated infrastructure of technology and people to capture and aggregate data.

3. Data collection efforts must be standardized within the child care and development community.

4. Although local information systems are either being designed or are in place to serve specific components of the child care and development system, there is no coordination among these efforts. These include the Provider Accounting Reporting Information System (PARIS), the California Student Information System, and FACES under development by the Department of Education, CDSS's SAWS system for use by the welfare system, the California Child Care Resource and Referral Network Data Standardization Project, and Head Start automation efforts.

Recommendations

Phase 1: "Census"

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. This census should not be limited to providers with automated systems.

The census should include the following questions:

- At this time, what best describes the service setting of this child?
- When was the child born?
- How many hours per week does the child receive services?
- For children in certificate (or income disregard) programs, what is the rate the provider actually charges for this care?
- What are the circumstances by which this child is entitled to subsidized care?
- What is the monthly gross income of the household in which this child lives?
- What is the size of this child's family?
- In what zip code does this child attend child care?
- In what zip code does this child reside?

Phase 2. Regional Automated Data Collection

1. The state should create regional (usually county-level) data centers where data is shared between agencies. Confidentiality would be ensured by establishing different access privileges for users. Each center would have a computer capable of handling a large client-server database, consisting of all data which could be shared. Data would be aggregated at the regional level.

2. All County Welfare Departments, Alternative Payment Programs, providers and Resource and Referral Programs would be hooked up to a data center. All providers would need at least minimal hardware. Where automation currently exists, current systems would remain in place, using translation tools. Changes would occur with sharing data over the network. Users would require training about how the network works, and 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.

Phase 3: Technology -based Child Care and Development Administrative Services

1. An automated administrative infrastructure should be developed to manage the administrative functions of child care and development services, such as eligibility determination and re-certification, waiting list management and intake; a by-product of this system would be data collection.

2. 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.

3. 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 an AP agency or county welfare office to be scanned into the system.

Task 3: Family Fee Schedules

California currently requires parents in some child care and development programs to contribute to the cost of services according to a sliding family fee schedule. This schedule only asks parents earning above 50% of the State Median Income to pay for services and does not charge parents additional fees for having more than one child in care. Focus groups of parents on waiting lists, or participating in subsidized child care and development programs, conducted in Phase II of the project, strongly and consistently indicated a belief that all families should contribute to the cost of care for their children. In view of these focus group findings, as well as very large unmet need for services, and the anticipation of an even higher need due to welfare reform, PACE explored the potential for generating additional revenue through the modification of the existing fee schedule in order to serve additional families.

Three alternative fee schedule models were developed, each based on different principles: Model 1, Percent of the Actual Cost of Care, assessed fees according to the cost of the care selected by parents; Model 2 was simply a Percent of Family Income; and Model 3 was based on a Percent of the State Reimbursement Rate (SRR). Data from five different sources in the state were collected including information on 1,834 families receiving California Department of Education services. These sites represented urban, suburban and rural areas from northern, central, and southern California.

The data were analyzed to determine the gross revenues that would be expected under the current fee schedule and under each of the three models. The models were also evaluated according to a set of criteria including: affordability for families; equity; simplicity; notch and cliff avoidance; and political and legal feasibility. The overall results supported the third model, Percent of the SRR, as the most viable alternative.

<u>Findings</u>:

1. The gross revenue that would be generated under Model 3 would be four times that currently generated through the family fee schedule. As designed, it requires all families, at all income levels, to contribute something to the cost of care, and also requires parents to pay according to the number of children in care (but at a reduced rate for each additional child). In addition, the financial burden on families would increase. Currently, families pay between zero and 10% of gross income; under the Percent of SRR model, they would pay between 5% and 25% of gross income, with higher income families paying a higher percentage, and only

some families at or above 75% of the state median income would pay at the 25% level.

2. While Model 3 was determined by PACE to be the best alternative to the current model in order to generate additional revenue and to serve additional families, there are policy decisions that must be made and tradeoffs to consider. In particular, the goal of having all families pay for services (creating an equitable system that empowers all parents as child care consumers) must be considered in light of the finding that collecting fees from the lowest income families (between 1% and 25% of State Median Income) would not be cost effective. *An alternative, for those earning in the lowest quartile of the State Median Income, would be to require either a family fee, or some sort of in-kind assistance from parents.*

3. The additional financial burden placed on families by increasing fees must also be weighed against the need to serve more children. The Percent of SRR (Model 3) model easily could be modified to lower family fees and still retain the smooth incremental nature of the schedule and the requirement that families pay according to the number of children in care. This would reduce revenues, however, resulting in fewer additional children receiving care.

4. Moreover, policy decisions must be made about whether or not fees should be assessed on families with children in State Preschool (a half day program serving a very low income population). The risk in doing so is that these children, many of whom have non-working parents, may receive no developmental services at all. Similar questions must be asked concerning families receiving AFDC who are served through programs administered by the California Department of Social Services and currently are not required to pay fees.

Task 4: Reimbursement

Findings

1. The multiple goals of California's child care system require multiple approaches to disbursing state funds. The working group believes that certificates and contracts are complementary, contributing to state policy goals in different, yet important ways. Numerous concerns with the income disregard form of reimbursement have been found.

2. The Regional Market Rate survey illustrates significant patterns about pricing that suggest new techniques be developed to assist in rate setting. Analysis of the survey results over time has shown differences in rates within regions.

3. Adjustment factors are an important tool in reimbursement policy design. They are and can be used to account for regional pricing differences and as a mechanism for implementing quality-related incentive programs.

4. The design of contracted rates has not been supported by an empirically driven process. Reimbursement rates for contracted care have not been specifically adjusted to reflect inflation. Little is known about the unit costs of child care and development services.

Recommendations

1. The state should reduce the number of child care funding mechanisms to two: certificates and direct service contracts. All families should be permitted to choose care funded by either funding mechanism.

2. The income disregard reimbursement mechanism should be replaced by certificates.

3. Parents should not be required to pay for child care services up front as this is burdensome for families. Providers should be repaid for services in a timely and consistent fashion; long delays in receiving payment are a burden on individual child care and development providers and organizations.

4. Modify the Regional Market Rate Survey and follow-up analysis to improve rate setting mechanisms: compare the rates without the contracted centers in order to evaluate the outcomes from excluding the center rates; use a more efficient way of defining markets such as clustering by zip codes; conduct the survey every third year with accommodation for more frequent sampling; examine using time base conversions for more accurate representation of part-time care costs.

5. Carefully review and modify the existing adjustment factors that are in use: allow that *all* providers of evening and weekend care should be included in computation of the adjustment factor.

6. To provide incentives for in-home/exempt providers to become licensed, lower the adjustment factor for in-home/exempt providers from 96.5% of family child care rates to 90%. Follow up with a study to determine whether the change in rate ceilings has increased licensure.

7. To provide incentives for improving the quality of licensed care, provide a higher reimbursement ceiling for family child care homes and child care centers which are accredited by a nationally recognized organization.

8. Determine a contract rate with empirical support. Examine the use of cost indices to assist in the setting of rates. The working group encourages the proposed development of CDE's new negotiated rate program provided thresholds for the floor and ceiling of rates are established, and there is adequate staff available at CDE to review and negotiate individual rates. Mandate the submission of business plans by providers.

Task 5: Community Waiting Lists

Findings

1. Currently, each contracting child care center and alternative payment program maintains its own, independent waiting list, requiring families seeking care to sign up on multiple lists. These waiting lists have no systematic or inclusive ability to interface with each other.

2. Due to difficulties in maintaining waiting lists, many are fraught with duplications, inaccuracies and out of date information

3. Families receiving CDSS funding for child care frequently remain uninformed about their options for care from CDE contractors due to poor communication between county welfare departments and CDE contractors, and inadequate information on subsidized options.

4. Several California counties are in the talking stages of implementing a community waiting list. San Mateo County has made considerable progress with buy-in from their local planning council, a completed needs assessment, a software system, a one-page application form and coordination between their Resource and Referral agency and the county welfare department.

5. The Community Waiting Lists (CWL) Work Group felt that to maximize access for parents and create coordination of information between all stakeholders, a uniform community-based waiting list system would be instrumental.

Recommendations

1. The Community waiting list work group recommended that regional computerized community waiting lists be established, with the following elements:

- a single application form;
- a statewide, 800 phone number to access the waiting list;
- 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, R&R's, Alternative Payment Programs, 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;

2. Community waiting lists should be phased in over several years, dependent on county readiness to implement the system.

3. Most work group members believed that selection of the agency to manage community waiting lists should be based on competitive bidding, if selection criteria gave weight to local experience and local support of a bidder, and the process included trained, unbiased evaluators.

4. An assessment component should be built in to a community waiting list system, to ensure that the waiting lists meet the needs of parents and providers, and are cost-effective.

Task 6: Income Eligibility

Findings:

1. **Entry Income Eligibility** The actual income levels of almost all families enrolling in child care and development programs are well below the current maximum 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 have enrolled most recently families with incomes below 50% of the SMI.

2. **Exit Income Eligibility** Very few families stay in subsidized care until they reach maximum income levels of either 75% (for Federal Block Grant) or 100% of the State Median Income by family size. Over 90% of the families in surveyed programs currently have incomes below the 75th percentile of the State Median Income.

Recommendations

1. **Entry income levels.** Given current levels of funding for child care and development services, PACE recommends that consideration be given to authorizing CDE/CDSS to administratively adjust entry income levels as necessary to reflect levels of funding and supply of care. At this time, it appears that the entry income eligibility level should be set at 50% of the state median income.

Entry eligibility levels should never be set so low that those who are fighting to stay off public assistance, or those who are transitioning off of welfare who continue to need child care services are precluded. Thus, we recommend a floor of 50% of the SMI, below which entry eligibility standards cannot fall.

2. **Modify the lowest income first rule.** If the entry income is lowered to 50% of the SMI, we recommend that the lowest income first rule for program entry be modified. Instead, families should be placed on the waiting list in two clusters, representing 0-25% and 26-50% of the SMI. Families with incomes in the 0-25% cluster would receive higher priority for enrollment than those in the higher cluster. Within a cluster, families would be enrolled on a first come, first served basis.

3. **Exit Income** Based on current experience as well as current funding levels, PACE recommends that consideration be given to permitting CDE/CDSS to administratively lower the exit eligibility level for all programs to the 75th percentile of the Median State Income. As with the entry eligibility level, this reduced standard should be established as a floor below which maximum exit eligibility levels should not be set.

Task 7: Local Governance

Findings

1. Child care governance and administration is fragmented at the local level. Local administrators of both CDE and CDSS programs find the multiple eligibility standards, payment provisions, program standards, reporting rules and audit requirements are confusing, time-consuming, labor-intensive, duplicative, and in need of streamlining. There is no well-defined unified, local governmental role for governance, planning, coordination of services or program administration.

2. If welfare reform is enacted, it is unlikely that there will be adequate child care and development funds to meet the needs of children and families in the current eligible population, as well as the increased demand for services anticipated as the result of federal/state work participation requirements.

3. Local Child Care Councils should assume greater responsibility for planning and recommending funding allocations for child care and development, and partial responsibility for quality improvement, supply building, administrative and support activities.

4. Program efficiency and seamlessness would be increased by centralizing and possibly consolidating. planning, data collection, waiting lists, consumer education, referrals to providers, provision of technical assistance, and certificate program management) at the county level. Centralization and consolidation are dependent on implementation of automated data systems, and determination of costs.

5. Both state and local entities governing child care and development should be held accountable for achieving outcomes for children and families. Outcomes

should include school readiness and success, child protection and family support, and family success in leaving public assistance and achieving self-sufficiency.

6. There is little known about the utilization, quality, or reimbursement levels of license-exempt care. Since the state is funding a significant amount of exempt care, more information is needed.

Recommendations

1. **Funding.** Additional funds for child care and development should be allocated by the legislature to meet the increased demand for care from welfare reform, and to continue to serve the working poor who are not on welfare.

2. **Planning by Local Child Care Councils.** Local child care councils, appointed jointly by County Boards of Supervisors and County Offices of Education, and similar in composition to local child care planning councils should assume responsibility for planning and recommending funding allocations for all child care and development services. Priorities must reflect needs identified in well-developed, comprehensive local needs assessments. They should reflect the presumptions that over time, levels of service and funding should relate to the level of need throughout the county, and that some funds may need to be gradually shifted. However, plans should also ensure continuity of care for families currently receiving services, and, where feasible, preserve current services and infrastructure. County priorities for the allocation of new and existing funds should be reviewed and approved by county boards of supervisors and county offices of education. All plans would also require approval by the state.

After extensive discussion, the group was unable to make recommendations on whether local Child Care Councils should select and fund contractors.

3. **Quality improvement activities.** Local plans should also include quality improvement activities. A portion of state and federal funds for quality improvement efforts should be allocated to local child care councils to fund these efforts.

4. **Administration** Certain administrative functions, including planning, data collection, waiting list management, consumer education, referrals to providers, provision of technical assistance, and certificate program management should be centralized at the county level, but not necessarily consolidated within a single agency. There was no recommendation on other functions, including eligibility, re-certification and family fee collection.) Centralization and consolidation are dependent on implementation of automated data systems. The working group was unable to make recommendations on whether local councils should be given the authority to propose, as part of their county plan, a centralized administrative structure to serve all child care and development programs in the county.

5. **Evaluation by results.** A new, joint state/local child care council task force should be established to develop goals, outcomes and performance measures for child care and development services. Once outcomes and performance measures are established, programs should be evaluated based on results.

6. **License-exempt care** In order to determine whether additional regulation or differential reimbursement are appropriate, CDE and CDSS should 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; and reimbursement levels for exempt care.

Task 8. Child Care and Integrated Services.

Many families in fragile economic circumstances are in need of multiple kinds of assistance from child care to medical care, job training to housing. Negotiating the maze of service provider agencies can be a bewildering and often frustrating process.

In recent years, California has established initiatives, including Healthy Start, Family Preservation and Family Support, and the Youth Pilot Program, which permit education, health and human services providers to develop neighborhood-based, family-focused, comprehensive programs to more effectively meet the needs of children and families. Few of these mechanisms, however, have been specifically designed to meet the needs of preschool-age children.

In order to develop baseline data on the extent to which CDE child care and development contractors have spanned policy boundaries to create comprehensive systems of services for families, PACE surveyed all 735 direct services contractors. In addition, PACE conducted four case studies of child care contractors who have developed comprehensive programs. Forty-eight percent of these contractors completed and returned the survey.

Findings:

1. Four major themes emerged from respondents of the survey.

    - Child care and development agencies view their professional responsibilities as extending beyond the boundaries of child care and development. Virtually all providers are in contact with, and make referrals to other social services agencies.

    - Child care and development agencies believe collaboration with other education, health and human services providers is an important dimension of their obligation to the children and families they serve.

- Interagency cooperation is initiated in multiple ways and sustained largely by *informal* relationships. More than half of child care and development agencies report that their communities have children's services consortia, but child care and development generally does not participate in them.

- The principal challenges to collaboration include inadequate funding, insufficient staffing, and the relative lack of involvement of child care and development agencies in multi–agency consortia.

2. The analysis of case studies of four agencies heavily involved in providing broad services to children and families showed common characteristics among the agencies:

   - These agencies view their mission broadly, to serve multiple needs of children and families in a communitywide arena.

   - Each of the four agencies has dynamic leadership.

   - Even within the constraints of public funding and regulation, each of the four agencies have developed a degree of independence and autonomy which permits them to tailor programs to the needs of their community. Each actively seeks opportunities to develop new aspects of their programs.

   - Each agency embodies an entrepreneurial spirit and drive. Each is characterized by creative financing and fundraising, innovative staffing and dedicated community involvement and community building.

3. Preliminary conclusions and observations from the survey and case studies include:

   - The child care and development community is amenable--given the proper resources and supports–to a deeper and more comprehensive approach to integrating services for children and families.

   - It is possible for child care and development agencies to serve as focal points for a range of education, health and human services. Additional inquiry is warranted on potential long-range benefits of comprehensive services focused on early childhood.

   - Without a set of measurable goals and outcomes, and without reasonable incentives, interagency partnerships are likely to continue to be serendipitous rather than planned.

- "Integration," "coordination," and "collaboration" as terms applied to interagency alliances remain ill-defined and unclear.

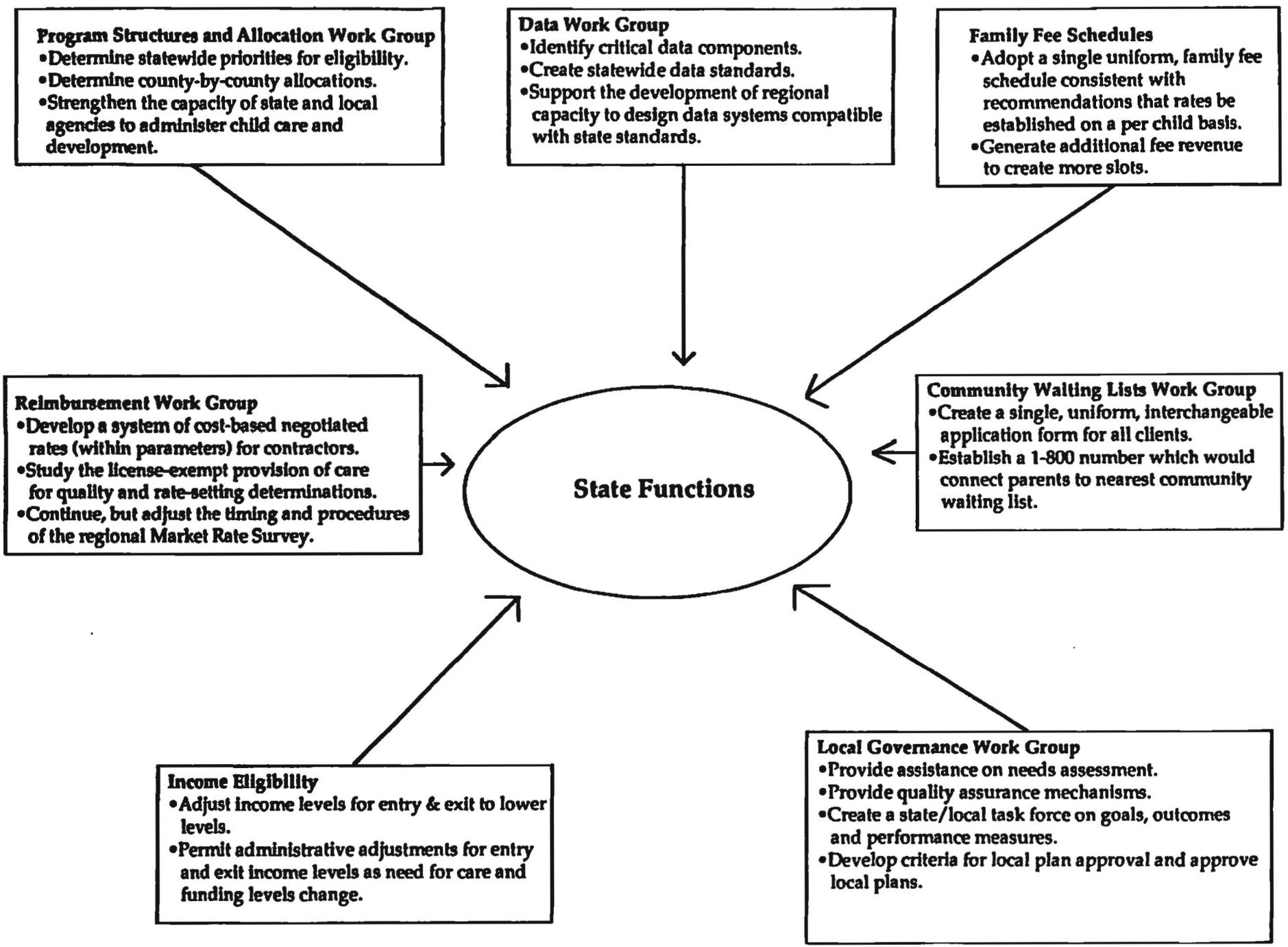
Matrix: Guiding Principles and Tasks

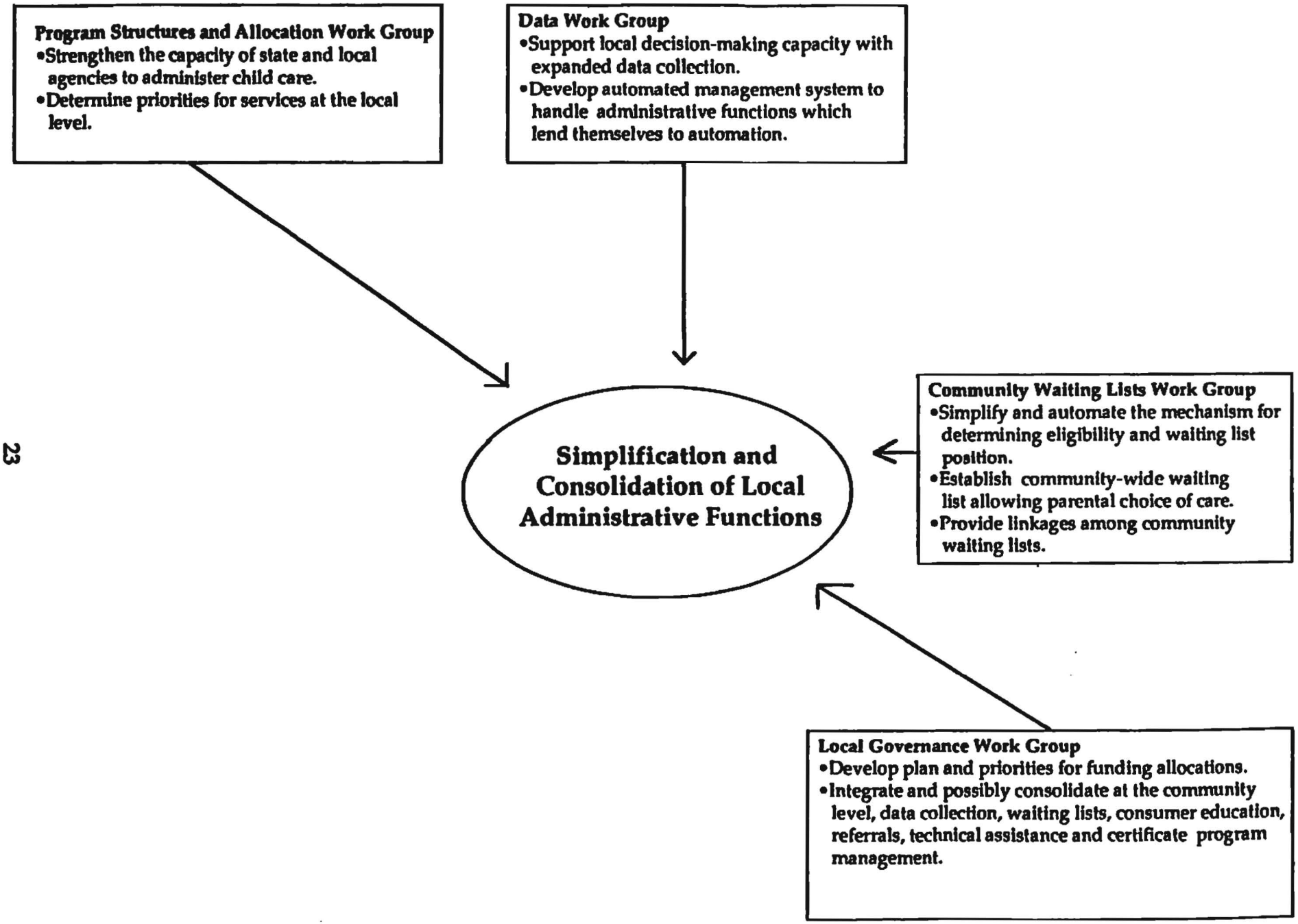
	Program Structures and Fiscal Allocations	Data	Family Fee Schedules	Reimburse ment	Centralized Waiting Lists	Income Eligibility	Local Governance	Child Care & Integrated Services
Streamlining/ Seamlessness	X	X	X	X	X	X	X	X
Equitable Access	X	X	X	X	X	X		
Variety of Programs	X			X	X			
Locally-determined needs	X	X					X	X
Healthy, safe, developmentally appropriate experiences	X			X			X	
Expansion of public/private partnerships		X					X	X
Access to training, materials for providers and parents	X	X		X			X	

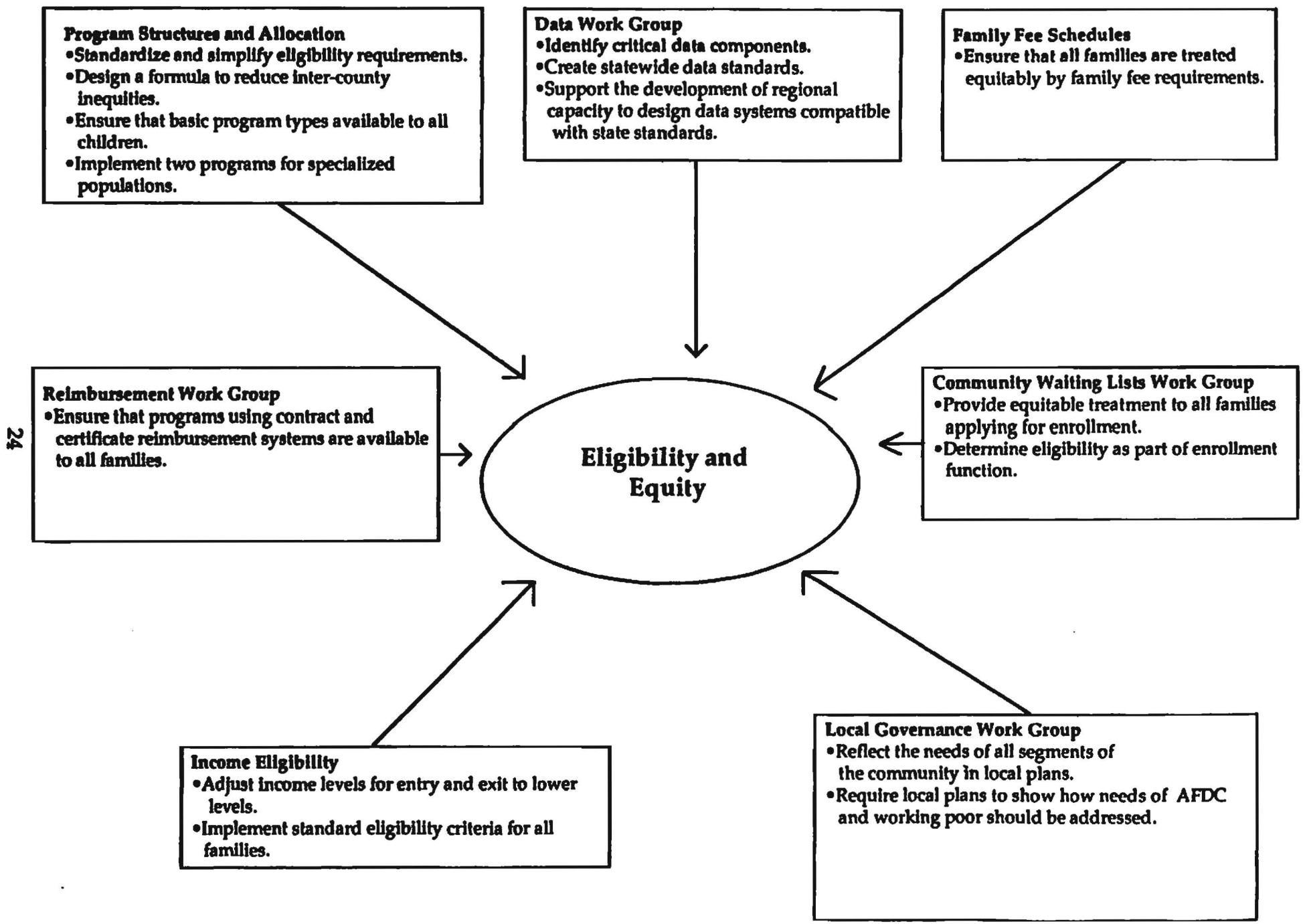
This chart shows how findings or recommendations from each of the tasks relate to the definition of seamlessness and guiding principles for the AB 2184 project. Each X represents one or more findings or recommendations.

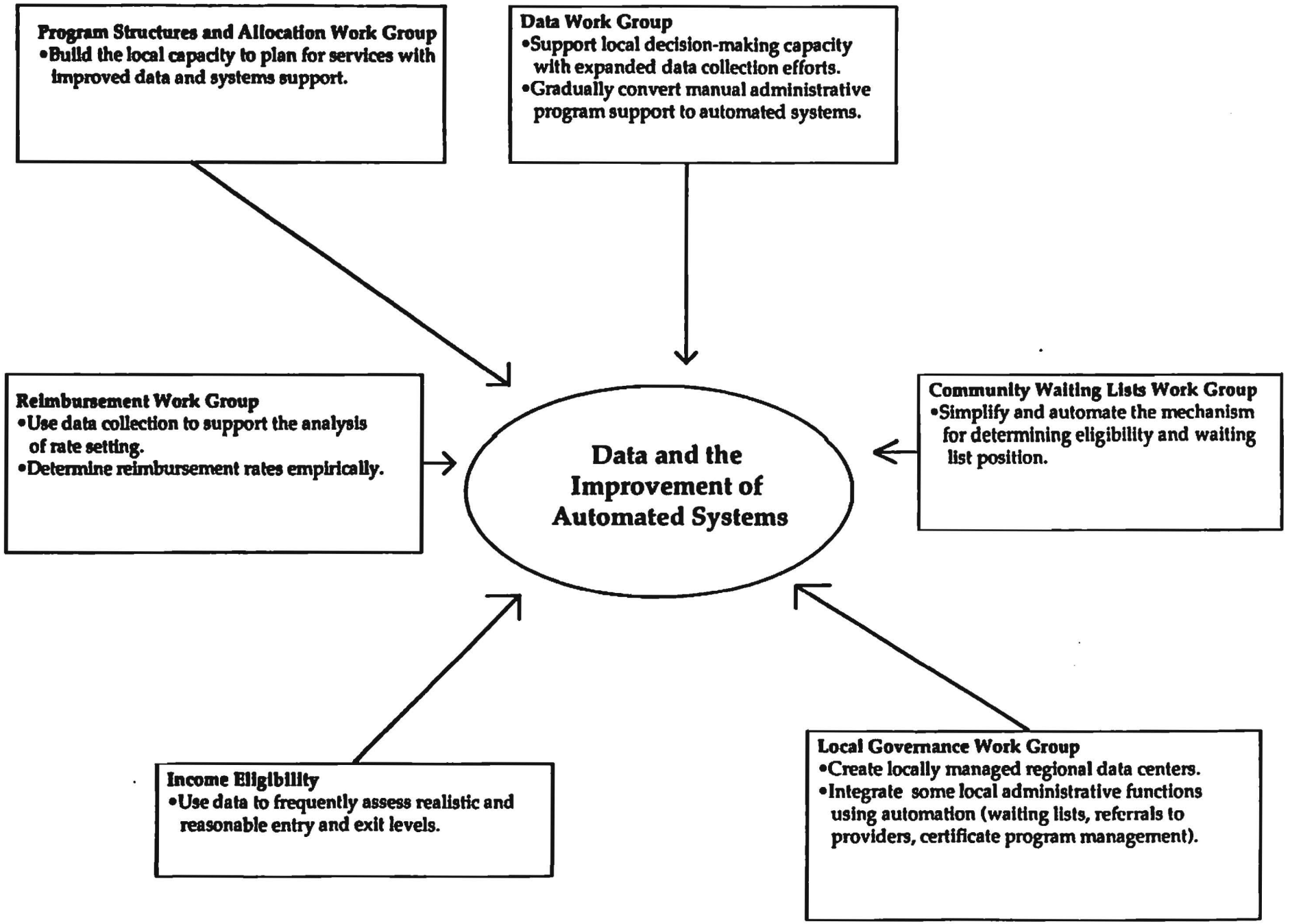
Common Themes

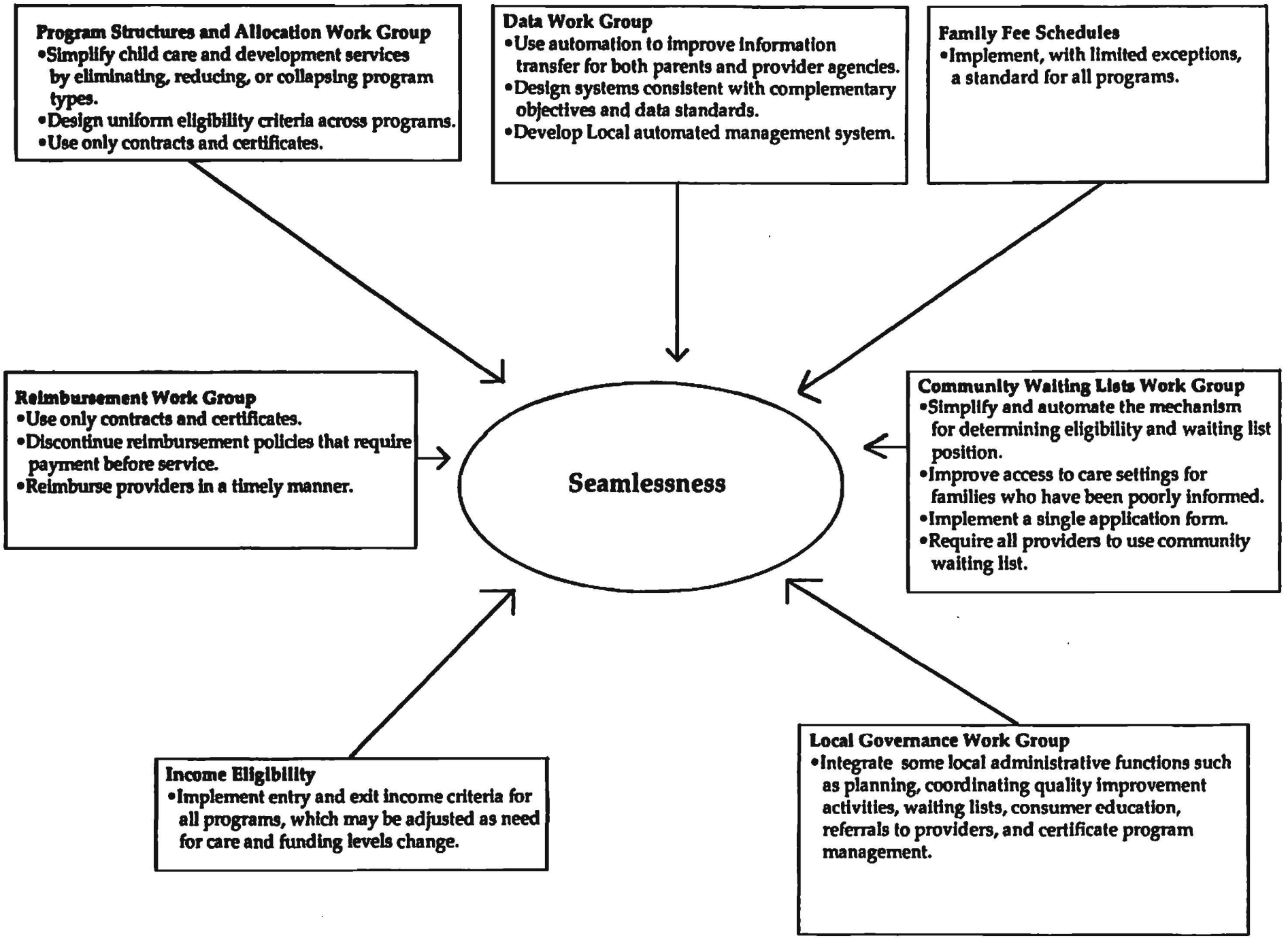
Throughout Phase III of the California Cares Project, the three sponsoring agencies, work group participants and PACE staff have been acutely aware of the common themes and overlapping subject matter covered in the various tasks. The following charts illustrate overlap by showing how recommendations of the work group and task reports relate to one another around the common themes of seamlessness, eligibility and equity, state functions, simplification and consolidation of local administrative functions, and data and the improvement of automated systems.


Program Structures and Allocation Work Group
•Determine statewide priorities for eligibility.
•Determine county-by-county allocations.
•Strengthen the capacity of state and local agencies to administer child care and development.
Data Work Group
•Identify critical data components.
•Create statewide data standards.
•Support the development of regional capacity to design data systems compatible with state standards.
Family Fee Schedules
•Adopt a single uniform, family fee schedule consistent with recommendations that rates be established on a per child basis.
•Generate additional fee revenue to create more slots.
Reimbursement Work Group
•Develop a system of cost-based negotiated rates (within parameters) for contractors.
•Study the license-exempt provision of care for quality and rate-setting determinations.
•Continue, but adjust the timing and procedures of the regional Market Rate Survey.
State Functions
Community Waiting Lists Work Group
•Create a single, uniform, interchangeable application form for all clients.
•Establish a 1-800 number which would connect parents to nearest community waiting list.
Income Eligibility
•Adjust income levels for entry & exit to lower levels.
•Permit administrative adjustments for entry and exit income levels as need for care and funding levels change.
Local Governance Work Group
•Provide assistance on needs assessment.
•Provide quality assurance mechanisms.
•Create a state/local task force on goals, outcomes and performance measures.
•Develop criteria for local plan approval and approve local plans.


Program Structures and Allocation Work Group
•Strengthen the capacity of state and local agencies to administer child care.
•Determine priorities for services at the local level.
Data Work Group
•Support local decision-making capacity with expanded data collection.
•Develop automated management system to handle administrative functions which lend themselves to automation.
Simplification and Consolidation of Local Administrative Functions
Community Waiting Lists Work Group
•Simplify and automate the mechanism for determining eligibility and waiting list position.
•Establish community-wide waiting list allowing parental choice of care.
•Provide linkages among community waiting lists.
Local Governance Work Group
•Develop plan and priorities for funding allocations.
•Integrate and possibly consolidate at the community level, data collection, waiting lists, consumer education, referrals, technical assistance and certificate program management.


Program Structures and Allocation
•Standardize and simplify eligibility requirements.
•Design a formula to reduce inter-county inequities.
•Ensure that basic program types available to all children.
•Implement two programs for specialized populations.
Data Work Group
•Identify critical data components.
•Create statewide data standards.
•Support the development of regional capacity to design data systems compatible with state standards.
Family Fee Schedules
•Ensure that all families are treated equitably by family fee requirements.
Reimbursement Work Group
•Ensure that programs using contract and certificate reimbursement systems are available to all families.
Eligibility and Equity
Community Waiting Lists Work Group
•Provide equitable treatment to all families applying for enrollment.
•Determine eligibility as part of enrollment function.
Income Eligibility
•Adjust income levels for entry and exit to lower levels.
•Implement standard eligibility criteria for all families.
Local Governance Work Group
•Reflect the needs of all segments of the community in local plans.
•Require local plans to show how needs of AFDC and working poor should be addressed.


Program Structures and Allocation Work Group
•Build the local capacity to plan for services with improved data and systems support.
Data Work Group
•Support local decision-making capacity with expanded data collection efforts.
•Gradually convert manual administrative program support to automated systems.
Reimbursement Work Group
•Use data collection to support the analysis of rate setting.
•Determine reimbursement rates empirically.
Data and the Improvement of Automated Systems
Community Waiting Lists Work Group
•Simplify and automate the mechanism for determining eligibility and waiting list position.
Income Eligibility
•Use data to frequently assess realistic and reasonable entry and exit levels.
Local Governance Work Group
•Create locally managed regional data centers.
•Integrate some local administrative functions using automation (waiting lists, referrals to providers, certificate program management).


Program Structures and Allocation Work Group
•Simplify child care and development services by eliminating, reducing, or collapsing program types.
•Design uniform eligibility criteria across programs.
•Use only contracts and certificates.
Data Work Group
•Use automation to improve information transfer for both parents and provider agencies.
•Design systems consistent with complementary objectives and data standards.
•Develop Local automated management system.
Family Fee Schedules
•Implement, with limited exceptions, a standard for all programs.
Reimbursement Work Group
•Use only contracts and certificates.
•Discontinue reimbursement policies that require payment before service.
•Reimburse providers in a timely manner.
Seamlessness
Community Waiting Lists Work Group
•Simplify and automate the mechanism for determining eligibility and waiting list position.
•Improve access to care settings for families who have been poorly informed.
•Implement a single application form.
•Require all providers to use community waiting list.
Income Eligibility
•Implement entry and exit income criteria for all programs, which may be adjusted as need for care and funding levels change.
Local Governance Work Group
•Integrate some local administrative functions such as planning, coordinating quality improvement activities, waiting lists, consumer education, referrals to providers, and certificate program management.

Quality and Child Care and Development Programs

The quality of subsidized child care and development programs has been a compelling consideration throughout the AB 2184 process. There has been a particular concern that if administrative systems are streamlined, or additional spaces created, that the quality aspects of child care and development services would be sacrificed.

Preserving and increasing the quality of care was a major theme in every Phase III work group and task. Several recommendations emerged that would specifically increase the quality of care:

1. Build and expand the institutional capacity necessary to support state and local administrative and support services.

2. Provide the opportunity for all California families eligible for subsidized care to select care that includes child development and preschool curricula. Similarly, provide the opportunity to select care reimbursed through either contracts or certificates.

3. Raise reimbursement ceilings for family child care homes and child care centers which meet national accreditation standards.

4. Create incentives through adjustments of reimbursement ceilings for in-home/license exempt providers to increase the quality of their programs and/or become licensed.

5. Create data systems which, over time, will inform policymakers regarding the types and extent of care chosen by parents, including in-home/license-exempt care.

6. Conduct a study of in-home/exempt care to determine why this type of care is selected; the quality of care; reimbursement rates; rates of fraud, etc.

7. Authorize and provide funding for local child care councils to carry out quality improvement activities.

8. Convene a state/local task force to determine the outcomes against which child care and development programs should be evaluated. These would include such outcomes as school readiness, family self-sufficiency, child protection and child development.

California Cares
Phase III Report

Section Two
Task Reports

Task I
Program Structures and Fiscal Allocations
Work Group Report
by
Gerald Hayward

Background

State-level administration of child care and development services is currently divided between two state agencies, the California Department of Education (CDE) and the California Department of Social Services (CDSS). Program structures and decisions regarding the allocation of resources are made, with few exceptions, independently. The programs administered by CDE have a dual focus: to provide age-appropriate child-development curricula and to provide care to enable low-income parents to work or receive training. CDE programs offer a wide array of services for children 13 and under, ranging from early childhood development activities to after-school supervision. The programs administered by CDSS are components of federal/state-governed, county-administered entitlement programs to provide public assistance, employment and training, and child welfare. With the exception of the At-Risk Child Care Program, which is administered by the Department of Education through an inter-agency agreement, Title IV-A child care programs are administered locally by county welfare departments. The primary goal of these programs is to fund safe care for children in order to increase the number of current, former, or potential welfare recipients employed.

One of the benefits of the current multiple program system is its diversity. However, one of its principal weaknesses is its complexity, which has led to a web of disparate child care and development programs and delivery systems which in turn creates inconsistent, often conflicting policies and procedures. One of the agreed-upon principles driving the work of the AB 2184 Task Force was to foster the diversity of the current system and at the same time provide for a streamlined

structure and a simplified, coherent allocation mechanism, one that better reflects state priorities.

One of the goals of any system is to establish priorities for service. One of the frustrations of the existing system is that its complexity, when coupled with the divergent goals and policies of the two state agencies, make it difficult to clearly understand which priorities are being emphasized. A working hypothesis for this work group was that if we could successfully and practically simplify the structure and merge funding streams[2], a set of more coherent policies would emerge.

A State Portfolio of Child Care and Development of Services.

Faced with the challenge of simplifying and building more rationality into the existing priority system, PACE, in its Phase Two Final Report, outlined a portfolio analytical tool in order to establish a method of allocation more responsive to an agreed upon set of state criteria. The notion undergirding the portfolio concept was that if California were to retain a highly diversified array of program offerings, how might policy-makers best make the allocation decisions that are needed? Put differently, what amount of dollars should be allocated across the array of diversified delivery systems which would best insure that California's substantial and growing child care and development needs would be met? This Work Group thoroughly examined several optional portfolios and concluded that the dual nature of the state goals, inadequate data on existing programs and priorities, the need for parental choice, and the very real differences in community needs and resources precluded a single set of state priorities from being an effective allocation mechanism. The portfolio model's main utility could come in application within counties for setting priorities. Therefore, the group turned to a system which emphasized the establishment of a set of state strategies which would result in a wiser utilization of resources and took account of both state and local priorities. The four-part strategy consists of the following:

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[2] Merging funding streams would require either federal block grants or waivers.

a. simplify the current structure by eliminating, reducing or collapsing program types,

b. stabilize and expand, where necessary, existing infrastructure,

c. establish, to the extent feasible, uniform eligibility criteria applicable to children and families regardless of funding stream,

d. develop an allocation mechanism which would adequately convey state priorities and would allocate resources to counties based on agreed-upon need criteria (including a component designed to create greater equity among counties over time).

Simplification of Current Program Structure

Delivery Systems

Under the proposed simplified system there would be essentially two modes of delivery:

I. Contracts (which would cover child care centers, family child care networks, and preschool programs, which meet specific curricular and program requirements). The contract process will be simplified by the elimination of a number of separate programs and by requiring a single contract per agency rather than distinct contracts for each program.

In addition to the directly federally funded Head Start program, there would be two basic state subsidized contract programs utilizing a combination of state, federal and local funds: General Child Care and Preschool. In addition, two programs (see below) would continue to serve the needs of special populations of students[3].

The fact that the number of programs have been collapsed does not mean that client groups served in those programs will not continue to be served. Services for school age children and children of college students, for example, will still be provided, but not under a separate and distinctive programmatic designation. Moreover, all programs will be expected to offer services to children with disabilities.

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[3] A third CDE administered program for severely handicapped children is small, and regional. We would propose that it be moved to special education and continue to be funded.

II. Alternative Payment/Certificates. These fund case management and support the concept of parental choice in any licensed or license-exempt child care services setting.[4]

Special Populations

In addition, there would be two contract programs with allocations for special populations of youngsters:

1. Teen Parents - one program serving teen parents, bringing together resources now allocated to these programs, Pregnant Minors, SAPID and Cal Learn/Adolescent Family Life.
2. Children of Migrant workers, serving the needs of seasonal migrant workers.

These programs would have separate criteria, not unlike eligibility requirements which currently exist.

Infrastructure Needs and Quality Enhancement

A final allocation would be established for the purposes of maintaining, and in some cases enhancing, existing administrative and support structures necessary for the effective delivery of child care and development services and for quality improvement activities. Both CDE and CDD have direct administrative responsibilities over both the program and fiscal aspects of Child Care delivery. Both agencies, but especially CDE have extensive technical assistance duties. Both have extensive data collection and reporting responsibilities. As PACE has documented in earlier reports, the data collection effort needs to be substantially enhanced. As part of the allocation decision, it is important that adequate resources

[4] A third category of current funding is "income disregard." The Work Group on Reimbursement recommended that "income disregard" be eliminated as a category and that dollars currently allocated pursuant to that formula be reassigned to the other delivery systems as appropriate. This Work Group agreed that income disregard needs a thorough reexamination and should either be substantially reformed or eliminated.

be available to enable the two state agencies accountable for program administration to do their jobs.

Other support or auxiliary services play important roles in the delivery of child care services. Resource and Referral agencies play a vital role locally in providing information and assistance to families seeking child care. They serve as important collectors of data regarding reimbursement rates and establishing the need for child care in their areas, and are key participants in community planning efforts. R&Rs often serve as the first contact for families needing child care and as the main connection between parents and child care providers. The California Child Care R&R Network also administers Trustline, a system for conducting background checks on licensed providers and in-home caregivers not required to hold state licenses.

Alternative Payment Programs provide care management and alternative payments/certificates for child care services that are available to parents who are working, in training, incapacitated, seeking employment or homeless. The agencies which serve this function provide another critical link between parents and providers in the child care and development delivery system.

Later in this document we spell out the need for a new and expanded local planning function. If we are to expect local agencies to assume additional priority setting priorities, they must be given adequate resources.

Among important provisions which need to be insured at the state and/or local level are to:

1. provide leadership and a broad array of technical assistance,
2. collect and disseminate data,
3. engage in research,
4. develop curriculum materials

5. establish and enforce state minimum standards for quality and safety,
6. provide incentives for local quality enhancement initiatives,
7. develop better parental information to insure expanded access to child care opportunities,
8. foster local planning capacity,
9. build local capacity for increasing supply of care for specified populations or purposes,
10. increase local capacity to engage in services which are integrated across agencies.

State/Local Responsibilities

In order to describe the context in which the allocation mechanism would function, it is necessary to describe, in general terms, the decision-making process we envision.[5]

We discussed a broad range of state/local responsibilities, ranging from a system almost totally reliant on state decisions to just the opposite, in which local decisions were dominant. We ultimately decided on a mixed model, with some powers state-focused and others left to local determination. First, the state must establish eligibility criteria–the decisions and priorities regarding which families are eligible for service. Secondly, the state must determine the appropriate share of state dollars allocated to each local entity (in our case - each county), in order to insure statewide uniformity and equity in the allocation of these precious resources. Once the eligibility criteria are established and the appropriate county share is determined (see below), County Boards of Education and County Boards of Supervisors acting in a collaborative fashion would establish and advisory planning mechanism, much like existing local planning councils, to develop a plan for establishing local priorities for child care and development services. These councils would set priorities based upon a carefully considered local plan, involving a thorough local needs

[5] This gets us into territory which is also being covered by the state and local governance work groups.

assessment, based upon criteria established by the state. If these councils are to succeed, they must be ongoing, able to analyze local need data, and have the capability of putting together a long range plan. Long term, stable funding is an necessity for such a planning effort.

The next issue arises in considering the scope of local priority setting responsibilities. It is important that both state and local needs be considered. In addition to other roles, the state should set the parameters for the elements to be addressed in the plan. For example, counties would have to show how their plan specifically addresses the needs of welfare recipients and how it addresses the need to prepare children for school. In order for such a plan to have meaning, all of the allocation decisions must be put on the table, as well as consideration for infrastructure investment and continuity of service. Changes, if any, to existing programs would be phased in over time.

Concerns about the ability of the plans to respond to state priorities could be mitigated by a strong state role in the plan approval process. This might involve requiring that both CDE and CDSS approve the county plans. The increased role demanded of local planners might best be phased in over time, starting first with counties which have demonstrated the kind of collaborative effort so necessary to this kind of planning and which are capable of the required planning effort. All of this is by way of prologue to describe the context within which the two critical state decisions need be made: establishment of eligibility criteria and the determination of county-by-county allocations.[6]

[6] We decided that county-by-county was the appropriate way for the state to earmark child care and development dollars. This does not speak to what agency or agencies are responsible for being the fiscal and program agent at the local level.

Eligibility Criteria

The proposed categories are:

A. Children's Protective Services (CPS)

CPS would continue to receive the highest priority for services. Some concern was expressed about existing CPS criteria. In order to ensure that this category is not used as a method for circumventing other priority categories, first priority status is reserved for active CPS cases. In addition, much discussion was held regarding whether or not income should be a factor in determining CPS priority (it is not currently a consideration). It was decided that CPS child care must be available for protective service children regardless of family income. However, CPS families should pay a share of costs based on their ability to pay as specifically dictated in the case plan agreement negotiated between the family and county Children's Social Workers.

B. Children of Parents receiving Public Assistance and Working (or engaged in work-related activities)[7]

C. Children of the Working (or engaged in work-related activities) Poor not on Public Assistance

The treatment of these two categories proved to be most troublesome and provided sharply contrasting views. The Work Group was able to reach only limited agreement under constrained conditions. As long as the federal government continues its current policy of entitlement status for AFDC recipients, then these two categories could be treated as one in the determination of eligibility. Preference within this grouped category would be determined in the inverse order of income. That is, families with the lowest income would receive the first available slot, irrespective of whether they fell into category B or C.

[7] Whenever we use the phrase engaged in work-related activities, we are including people involved in training and seeking work.

However, if AFDC clients were no longer eligible for entitlement status, there was no agreement on the establishment of appropriate priorities. Much discussion was held regarding the appropriate way to deal with this issue. Balancing the needs of AFDC recipients with the needs of those who were just coming off, or in danger of going on, welfare was of paramount concern. All agreed that child care and development programs must serve both current welfare recipients as well as former and potential recipients, but how to establish the correct priority for service has proven to be a thorny problem. Representatives of CDSS and local county welfare offices expressed grave concerns that their AFDC clients would not be able to get the services necessary to enable them to become independent. Others argued that unless adequate attention were given to the working poor, the State would simply be exchanging one group of welfare clients with another, and the net increase in independent families would be negligible.

In sum, if entitlement status for AFDC recipients were to continue, the Work Group could agree that the two categories could be merged. If entitlement status were not continued, no agreement could be reached.

D. Children of Non-Working Poor (State Preschool)

A fourth category of eligibility was added, applicable only to participants in the State Preschool Program. That is, for state preschool programs, children of the non-working poor would be added to the eligibility pool. Eligibility would be determined inversely by income, with priority for four year olds (as it is now) continuing. This too proved to be a controversial category. Several wanted no fourth category, arguing that all resources, especially given the nature of the welfare reform discussion, should go to low income parents whose parents are working or engaged in work-related activities. Others argued that preschool has a long history of serving the non-working poor and that the specific charge of preschool–to assist children in preparing for school–ought not be constrained by whether parents were working or not.

In addition to the eligibility categories described above, children may be determined to be eligible for services if they meet specified need criteria, including at-risk and respite situations. Need must be based on a referral from a legally qualified professional from a legal, medical, or social service agency (including applicable public agencies) and includes the following subcategories:

1. Children with a medical or psychiatric special need that cannot be met without the provision of child care.
2. Parental incapacity (to the extent that the adult's ability to provide normal care for the child is significantly limited)
3. Parents in need of temporary care because of illness or injury
4. Parents in need of temporary relief from extraordinary care-giving demands (e.g. severely handicapped children).

Once we have determined how family eligibility and need is decided, we must next resolve how to best allocate resources to the counties in which these families reside.

General Allocation Criteria

With some modification, CDE's formula for allocating block grant funds may serve as a model for determining how the entire state child care allocation should be allocated to each county. The first step is to determine and apply a set of criteria which would serve as a proxy for "relative need" of a county. The second is to apply another set of criteria which would represent the current level of child care and development services in a county. The third step is to identify the "gap" between the need and the service. The fourth is to allocate resources which over time will reduce the gap between needs and services, and reduce the gap most rapidly in counties with the largest current gap. It is important to note that we are merely talking here about the relative gap. Almost every county will have a substantial gap between current levels of need and service.

Need

We discussed and adopted the following criteria which could be used to measure usefulness of a wide range of possible criteria could be used to measure need characteristics. In evaluating variables, special attention should be given to:

1. effectiveness as a proxy for need,
2. the incremental contribution this criterion adds to the equation,
3. availability and relative ease of collection, and
4. statewide consistency in determination and application.

We considered a broad array of potential variables as candidates for the need dimension, including:

1. Number of children on AFDC
2. Number of children, birth to 13, eligible for Medi-Cal
3. Number of children eligible for free and reduced price school lunches
4. Number of Limited English Proficient students in public schools.
5. Number of open child abuse cases
6. Number of Women in the work force
7. Children with either an employed single parent, or two employed parents.
8. Children in Foster Care
9. Live Births

Currently, CDE allocates money to counties based upon what appears to be a reasonable methodology. The variables CDE uses for distributing funds for the federal block grant include:

a. Families on AFDC

b. Children ages 0-13 eligible for Medi-Cal, and

c. Children eligible for free and reduced price school lunches

For our purposes, a formula might include a slightly altered list which would include the following easily attainable information which meet our criteria:

1. Families on AFDC (available from CDSS)
2. Number of children eligible for free and reduced price school lunches (available from CDE)

3. Women in the Work Force with Children (available from EDD)
4. Number of children in open child abuse cases (available from CDSS)
5. Number of Live births (available from the Department of Finance)

For the purposes of our formula we are merely determining the ratios of a county's current need factors compared to the state's total need (i.e. the share of total state need for each county). Of the above variables, numbers 1 and 2 should be given greater weight (more children are represented here). Categories 3 and 5 should be given the next greatest weight and category 4, since it represents a small percentage of cases should be given the least weight.[8]

Resources:

For purposes of determining relative resources, a county's share of state and federal dollars for child care and development purposes should be divided into two categories. One category would consist of resources devoted essentially to half-day school readiness programs and would include only Head Start and State Preschool in the calculation. The second would include all other state and federal child care funding sources for local child care services, including the Child Care and Development Block Grant, Title IV-A, at-risk, Gain Child Care, and General Child Care. The overarching purposes of these programs and the nature of the client pool is sufficiently different to require two separate calculations. It is quite frequently the case that a county may be relatively advantaged in the provision of one set of services but disadvantaged in the other. Combining the two categories could mask a critical shortage in one area. Since earlier, we recommended that the state preschool program continue to exist as a separate and distinct program category and since Head Start is a federal program beyond the state's control, consistency obliges us to maintain two resource categories.

The next step in the process calls for the state to total the amount of money each county would receive for each of the two categories from the above funding sources

[8] The precise weighting to be given to each variable must await some simulations.

and compare these amounts with the total state and federal dollars allocated for these purposes.

The comparison between the need proxies and the actual prior year resources would, in most cases, yield a gap. The formula should be adjusted over time to place additional resources in those counties with the greatest gap between need and resources. A full range of possible configurations were considered, including models which emphasize the equalization of resources and models with an emphasis of stabilizing existing resources. Although there was some dissension on this issue, most in the group felt very strongly that the base should be protected first, and that full COLAs be awarded before any equalization takes place. That would leave only growth money, or money on the margin, which could be utilized to equalize resources across counties. If growth money is significant, additional progress toward equalization can be made by weighing the required distribution formula heavily to help "close the gap" between counties.

Finally, as we faced the very tough decisions regarding eligibilities and priorities, we were struck by the needs that were not being met. Families currently being admitted to child care and development programs in this state are the poorest of the poor. There simply are not adequate resources currently available to met the level of need. Additional state and/or local resources are absolutely essential to meet the child care and development needs of children and families in the eligible population, as well as the increased demand for services anticipated as the result of the federal/state work participation requirements.

Task II

Data Collection and the Development of Information Processing Systems

Work Group Report

By

Neal Finkelstein and Daniel Berger

I. Introduction

Since the inception of the California Cares project in February 1994, there has been an ongoing discussion about the inadequate and fragmented availability of data on subsidized child care and development services in California. Data to support analysis on the most basic policy questions are unavailable. For example, no data are available to identify the number of children who receive subsidized child care and development services, nor does the state know exactly how much it costs to care for those children. Answers to more intricate questions about the work and training status of families, or the special needs of children are equally unavailable. State officials generally believe that there is a shortage of child care and development services for infants, although there are no data to prove or disprove the point. The solution to being able to answer these questions begins with a concerted effort to collect information about the children and families who are receiving services.

From the outset it should be understood that this paper is a discussion about information relevant to the subsidized services that are provided to families. PACE realizes that child care and development services are critical for all children. However, this particular study seeks to suggest mechanisms by which state and local officials can improve their understanding of services that are being offered to families under public subsidy.

The context within which this paper rests is the ongoing discussion about the ways in which the resources of the state can be best put to use in the current economic and political environment. The prospect of a federal block grant for child care and

development services has been ongoing for some time. As the debate over the federal budget continues, the uncertainty over the size and governance of a child care and development block grant continues. One thing that is certain, however, is that federal reporting requirements will be attached to the block grant - some requirements to which California would be unable to respond at this time.

Independent of the discussion at the federal level, policymakers in California have begun to rethink the connection between state and federally supported programs that connect AFDC support to child care and development services. This being said, there is no substitute for the ability of policymakers in California to articulate an allocation strategy that is based on a set of reasoned policy principles. To get to these principles, basic information about the current child headcount, costs, special needs, the demand, and the supply of services is essential.

The focus of this paper is twofold. First, a set of fundamental policy questions are described in the paper, and linked to a specific set of data objects that would need to be collected to answer the questions. As a way of moving forward with this immediate need, specific steps are outlined that could be followed to begin the process of information sharing and interagency collaboration. The timeliness of this point cannot be overstated. Not only for the state agencies who administer programs, but also for legislators, the Governor, and policy planners, this information is critical in order to discuss the potential impact of the changes that are being proposed. In addition, basic information about the client population are the baseline data for questions that must be asked about services to ensure they meet the needs of children and families across the state.

Second, the paper outlines the existing efforts in the area of data collection and system development in education and social service agencies that are related to child care and development services. New options for improving the collection of information are explored as part of a more far reaching approach that involves the automation and computerization of administrative work. This effort, as envisioned, begins with the provider and includes the systematic integration of county welfare offices, R&R's, AP's, and state agencies. In the format that is proposed, new entities may come to take on data collection and management responsibilities. This section also identifies the possibilities for integrating technology with other changes in the management of child care and development

services - centralizing waiting lists, determining eligibility, and assisting with integrating social services, for example.

From the outset, the paper wrestles with a paradox involving the nature of information processing and data collection. On the one hand, the State of California could mandate a periodic data collection process that would ultimately yield accurate and current information about child care and development services. At the current time, this could only be a process that relied largely on hand calculations and tabulating paper records.

On the other hand, the State could move toward the implementation of computerized administrative support for the providers of child care and development services. By its very nature, automating administrative services would provide the kinds of information that policymakers need. This is the same information that would be collected during periodic data collection efforts. The former approach presupposes that we know today what data is required to answer hard questions about the public services that are provided. The latter approach rejects this claim. Rather, a full-scale improvement of information processing and administrative support argues that data is the necessary by-product of an automated administrative system.

Each of the approaches ultimately solves the problem, but it is only the development of automated infrastructure that pushes California further in the direction of more efficiently managed services for children and families. The final section is divided between a short-term and a long-term set of strategies. The two are not independent, but the objective, overall, is to direct California toward automated services over time. Undoubtedly, the obstacles are considerable and the costs high.

One obstacle is integrating new technology into the administration of child care and development services. While using computers and automated services is second-nature to some, others find the thought of converting tried and true practices to newer technologies to be threatening. Nevertheless, the investment in infrastructure is critical to not only serving families and children efficiently, but also to ensuring that baseline analysis on the uses of public monies can occur in a systematic way.

II. Questions That Need Answering

The discussion about data collection is being driven by the need to understand, at the state level, the ways in which current resources are being used. Over time, in order to allocate resources efficiently and provide services effectively, the state must be able to describe the reasons for supporting some types of services, and not others, and some families, and not others. The request for timely, accurate information, while seemingly straightforward, is extremely difficult to satisfy.

Policymakers need to understand that the evolution of child care and development services in California has resulted in a highly fragmented system with both strengths and weaknesses. Among the strengths is the variety of services that are available. Among the weaknesses is the highly decentralized delivery system which makes uniform record-keeping and standardization an extraordinary task. To date, neither the California Department of Education nor the California Department of Social Services have been given sufficient resources to develop data collection mechanisms within their agencies that support policy decision-making. Moreover, the collection and analysis of information between these two state agencies is a critical link, and one that has yet to be started.

In the following table, a set of basic areas of inquiry are presented and their relationship to current policy discussions. This table summarizes the set of information, at a minimum, that needs to be collected to move forward with systematic conversations about the allocation of current resources.

Area of Inquiry	Policy Relevance
Children served	The exact number of children who receive subsidized child care and development services is not known at this time, but reasonable estimates are critical for allocating resources. The combination of the range of services, devolved authority through local providers and the array of reimbursement mechanisms makes counting the children a difficult task. In addition, the sometimes temporary nature of the service, family mobility, and the changing status of family eligibility add to the complexity of counting children who are being served. Children with special needs, or whose families require special assistance are of great importance to policymakers.
Child Care and Development Settings	The range of settings in which children receive care is a strength of the current system. Nevertheless, little is known about the proportion of children who receive care in various settings, or about the preferences families might have for particular settings. Policy discussions surrounding issues of parental choice rely on improved information about which children receive care in particular settings.
Ages of children in care	Child care and development services vary according to the age of children being served. State policymakers would like to know the ages of children who are currently being served, particularly in connection with the service setting in which they are enrolled. Children of different ages require different services, and those services may have varying costs.
Costs	It has not been possible to find accurate per child costs related to the services that are provided. This is particularly true in the AP's where actual costs may vary significantly from the regional market rate. Cost information for specialized services, and for children of varying ages is critical in the discussion of allocating resources for the greatest good.

Eligibility Information	Eligibility rules dictate which children receive care under subsidized programs. Some information has recently become available on the income levels of families who receive care. However, policymakers need additional information about the use of child care and development programs by families under a range of eligibility criteria.
Location of services	Policymakers would like to know where services are being provided, and the extent to which mobility plays a role in securing care away from a family's home.

The Difficulty of Standardizing Information

Even in the seemingly simplest categorizations of data, there is variation in the way in which information about children and families is recorded - age groupings vary (how old is an "infant"), services vary (what is "part-time"), and circumstances vary (children enter, leave, and re-enter care). In areas where standardization has been imposed, and all providers report information similarly, the resulting data can be analyzed. One example of this is the data that is collected as part of the CDE's reimbursement process to contractors. While the completed CD9500 forms provide far less information than we would like, the process does impose standard record-keeping and reporting on particular data elements. Staff did point out to PACE that additional training, over time, must be conducted to increase the accuracy of reporting on the CD9500 form.

The solution is a major effort to standardize data collection efforts within the child care and development community. This is not a small task. Fortunately, there are two efforts under way that cast some light on a process that can be used to move toward data standardization. Efforts by the California Resource and Referral Network, and the California Student Information System (CSIS) in recent years have included data standardization components that can be used as models moving forward. Until then, all efforts to aggregate information are met with the "apples and oranges" compatibility dilemma which introduces enormous uncertainties into any analytic task.

As a side note, policymakers must realize that data is often collected to meet federal and state reporting requirements. The specific data definitions that are required by these agencies are often inconsistent among themselves. The upshot is that

improvements in data collection efforts not only include providing mechanisms for local providers to report information to the state. They also require state agencies and federal agencies to come to agreement on data standards.

The Difficulty of Aggregating Information

As if collecting the information were not difficult enough, one of the challenges that state agencies face is the seemingly simple task of aggregating information. *The task of aggregating information is an enormous barrier in data collection efforts.* PACE has talked to a wide range of agencies and to local providers during the course of this project to understand the types of information that are collected, the level of automation, and how the information is used once collected. The pattern that emerges is that local agencies have been compelled to keep records that are mandated by a state reporting requirement, or that make the job of operating a child care center administratively more efficient. State agencies have collected some of this information on paper. Of the information that is collected, a small amount is entered into computers to calculate reimbursements, respond to federal reporting mandates, and to provide some small amount of data for analysis. The conclusion is that while local providers do keep extensive records, neither a mandate nor a coordinated infrastructure (of technology and people) currently exists to capture the information. As a result, it is virtually impossible to aggregate information in the areas of basic inquiry that are shown in the table above.

San Diego County officials have been engaged in an effort to consolidate data over the past two years. While the progress is enviable, the barriers, too, have been significant. Data integration is not static. What has been found in San Diego is that it requires ongoing cooperation by multiple agencies and the continual refinement of information. This being said, the planning process that was used in San Diego to articulate objectives, and identify project goals is a model that can be followed in other counties.

The Difficulty of Standardizing Technology

A third problem that has revealed itself during this study is the variation in technology that is in place across the state. As is the case in all industries, a variety of hardware and software applications are in place some of which are less good than others at sharing information. In one county, PACE heard the description of how

information is collected from a variety of agencies and school districts. It involved some mainframe systems, some telephone connections to PC's, some sending of floppy disks through the mail, and some reentering of information off paper files. Consolidating information from multiple platforms is time consuming and a potential source of error.

The solution to this problem is not to mandate particular software applications and particular hardware configurations. Rather, the standardization of information, and the capabilities of computing environments will need to be made explicit. When particular agencies are selecting or enhancing their equipment, they will need to understand exactly what types of connecting capabilities are required to participate with partnering agencies.

III. Current Data Collection Efforts

Progress to Date: Assessing Current Efforts

Data collection efforts across the state are uneven both in the types of data that are collected, and in the level of automation. In an ideal world, the requisite data to answer the policy inquiries noted earlier would be collected locally and aggregated to provide analysts with information at the regional and state level. Therefore, while it is fair to say that the state is unable to collect information systematically, it is wrong to infer that local efforts in some areas have not been able to produce information to support analysis.

In addition, the fact that child care and development programs are sponsored by both CDE and CDSS requires a heightened level of cooperation between these two agencies in the design, administration, and maintenance of data systems. Head Start, the third major public provider of child care services must be included as well insofar as the state needs to be able to assess who receives services.

This study did not attempt to systematically survey the broad array of providers and service agencies in California on the data that are collected on a regular basis. That notwithstanding, there was an effort made to understand some exemplary practices where data have become available as programs have evolved. This was done in part by asking representatives of the child care and development community to respond to a simple set of inquiries regarding the kinds of information they collect, and noting the corresponding level of automation. The most notable result of this

informal inquiry was the variation in data that were collected. In addition, this inquiry reinforced the finding that large amounts of information are being collected and processed on paper forms, never to be entered into a computer for storage or analytic purposes.

Nevertheless, PACE has been able to collect during this research effort some computerized data from ten selected local providers. This reinforces the point that some providers have designed, and continue to design, information systems that help their operations work more efficiently on a day-to-day basis. Notably, these efforts are outside of a systematic program to improve data collection statewide. As might be expected, the information that was collected is not easily aggregated, and does not follow any standard form.

The conclusion that should be drawn is that data collection is highly fragmented from the perspective of the state. This mirrors the fragmentation of the child care and development system which depends on, and weaves together, numerous types of agencies and delivery mechanisms. At the same time, there are efforts under way that have tried to make sense of some pieces of information systems management. As a result, the information systems that have been put in place tend to deal with one component of the child care and development system, and have not been designed with a broad and inclusive purpose. While PACE researchers envisioned a set of systems that overlap and interact to serve the child care and development infrastructure, this model has not been found. While a few notable exceptions do exist, the efforts are local and independent of a framework for automating administrative services.

As a way of bringing the reader up to date with some recent systems development efforts, a brief description is provided of some of the more notable programs that are under way. These systems demonstrate that some agencies have recognized that automated systems are cost effective, efficient, and helpful to delivery of services. Some projects have been developed for a particular task while others have tried to accomplish broader needs that are related to the delivery of child care and development services.

Provider Accounting Reporting Information System (PARIS)

PARIS is a software system to be developed by the CDE, Education Finance Division. PARIS will consist of three primary modules: payment scheduling, payment calculation, and management information production. An essential component of PARIS is that it will incorporate and coordinate the various child development fiscal functions into a single database environment so that users within CDE will have access to the same data. Currently, contractors mail paper forms (CD 9500) to the division which are keyed into the Child Development payment files. PARIS, once implemented, may be expanded to include dial up capabilities and a decreased dependence on data entry at the state level. It is expected that PARIS will interact with the State accounting systems for automated production of reimbursement checks.

California Student Information Services (CSIS)

CSIS is also being developed in CDE. This system has been designed to electronically exchange K-12 student information. The basic design of CSIS is similar to the proposals that will be developed later in this report for child care and development services. In addition, CSIS may be putting in place a technological infrastructure that could be used by other public service providers.

When implemented, CSIS will enable easy statewide transfer of transcripts between school districts and more efficient state reporting. Two crucial decisions were made by the CSIS developers. First was to select an existing national standardized protocol (SPEEDE/ExPRESS) for communications between schools, districts, county offices of education, and the State Department of Education. In this way, the local student data can be processed in any software package and sent to other districts using different local software. The local (and other) environments just need to be able to "map to and from" SPEEDE/ExPRESS. Since SPEEDE/ExPRESS is a national standard (developed via the American National Standards Institute), it can be easily adapted by more than one agency or state. Thus, when a student moves from one school to another either within or outside of the state, the records can be easily exchanged – a design factor in CSIS that addresses the problems of redundant, incompatible data across agencies. This is the standardization mechanism, described earlier which can serve as a model moving forward.

A second important part of CSIS is the statewide network it establishes. This consists of a fixed number of non-overlapping regional data centers with communication links between them. Each data center will include a centralized data base of student locators for all its encompassing counties. Furthermore, in this network information remains under local control, and only when a data request occurs (i.e., a request to have a student's record transferred) does the transcript get communicated.

Family and Children Enrollment System (FACES)

FACES, a computer-based enrollment management system for child care providers is currently under review within CDE. FACES, although never fully implemented, was designed to have managed provider enrollments, waiting lists, complete family information records, and produce various reports. The use of the actual software was suspended in 1995 for a variety of technical reasons. At the current time, a survey has been completed by child care and development users to inform further development of FACES.. The survey results, once tabulated, will help to guide the project.

Even though FACES was never fully implemented, its original design had several essential features. Like CSIS, FACES maintained local control for individual agencies and providers could continue to use any software that had been implemented locally. For those agencies and providers that did not have or did not like their local automation programs, FACES was to offer a comprehensive environment that would have fulfilled all local needs. Finally, FACES proposed a standard protocol for inter-office and interagency communications which was to allow state policymakers access to aggregated information on child care enrollments.

SAWS

SAWS is a data collection and information system developed by CDSS to manage the case records of AFDC recipients. As AFDC recipients who are working or in training are entitled to child care reimbursement, the system maintains a small amount of information about child care expenditures. SAWS is currently being used in 17 counties with plans for expansion to 34. Several major urban counties are not expected to convert their existing systems to SAWS. The information in SAWS is controlled at the county level.

Within the context of child care, SAWS has several deficiencies as a model for comprehensive data exchange with other agencies. First, SAWS is not a networked system between counties, or to the state. As a result, data sharing between counties, and other agencies will be a major barrier to data integration efforts. Second, SAWS' reporting capability is severely limited with little flexibility for users to develop and implement ad hoc reports. Even for counties who want to analyze data at the local level, tools do not exist to facilitate those efforts. Third, for the information from SAWS to be useful to policymakers, additional information about the families child care arrangement would need to be added to the case records. This is a notable complexity as SAWS is the system of default that could be used to collect information about the license-exempt services that families on AFDC receive.

California Child Care Resource and Referral Network Data Standardization Project

A successful undertaking in determining the supply of child care in the state is the Resource and Referral Network's Data Standardization Project. This data collection effort includes a comprehensive survey of provider data bases, and as a result provides a complete snap shot picture of the supply of the licensed care providers in California.

Two critical considerations were made when developing this project. First, the Resource and Referral agencies were consulted in determining the survey questions. Second, a standard data format was established for the information that was being collected. Furthermore, when developing the procedure for regularly updating information, the Data Standardization Project made sure that all of the information requested was that which the agencies generally collected in their normal duties. Extensive and repeated technical assistance was made available to assist agencies in their collection and reporting requirements.

A local agency can use software already in place to collect the information and save data on a floppy disk. The information, at specific intervals, is sent to the R & R Network office. Since there is not a wide variety of software in use at the local level, the R & R Network translates the files into a common format for aggregation and analysis.

Head Start Delegate Agencies

Head Start grantee offices and delegate Agencies around the country have automated their offices with commercial products developed especially for Head Start needs. This effort has been spearheaded by Head Start central administration which mandated particular reporting formats and endorsed particular software applications. By name, Kaplan Child Tracker, Kids America, Child Plus are privately manufactured applications that serve Head Start agencies in their data collection efforts.

Sacramento County Head Start, for example, uses Child Plus in handling selection criteria, family information (demographics, immunization, assessments, emergency contacts), administration needs (location, personnel, attendance, meals), and document creation (federal and state reporting). The software is used in the county's Grantee office, Delegate Agencies, and in some providers' sites. Data is communicated between these offices with floppy disks that are passed around once a week, while the remaining providers submit paper reports that are entered into Child Plus at the Delegate Agencies. Improved network capabilities would streamline this process, although it currently operates quite smoothly.

Summarized Policy Findings From These Current Applications

Taken together, these efforts illustrate the fragmented nature of information systems design in the child care and development community. Systems have been largely created for particular tasks in particular agencies. FACES, may be somewhat of an exception to this statement because development did include a significant amount of provider input, and extensive consultation with representatives from the R & R Network. But with an unfocused interagency and statewide focus, the functionality of systems generally has had both overlaps and gaps. Inter-agency information exchange and collaboration is not usually apparent as these systems have been developed outside of a scheme to coordinate data management. The best example of this is SAWS where the data stored at the county level is completely independent of any other agencies. While none of the projects described fulfill the needs of a child care data collection environment, they do include important lessons:

- Several projects allow local agencies and providers to use some commercially available software, or software developed in house.

- For those local offices that did not have automated systems or did not like their current system, FACES (CDE) offered a package that would fulfill their needs.

- CSIS has set the precedent for the establishment of regional data centers that amass and share information.

- Statewide data standards and communications protocols are critical to data coordination efforts.

- It is ill advised to make agencies or local offices collect any data not useful to the agency or necessarily mandated for state or federal reporting purposes. Further, the information that is required should be standardized, and easy to collect.

- Intra-office software coordination (networking) is highly beneficial for sharing information and creating systems that promote internal agency efficiencies.

IV. Moving Forward: Approaches to Collecting Information for Analysis

The state needs to move forward in two areas. First, there is no time to waste in collecting information about basic policy questions. Second, over time state agencies need to automate data collection as part of the development of administrative infrastructure. In as much as computer-based information processing can improve the quality of care for families with increased access to information, efficiency in service delivery, and decreases in redundancy, local agencies ought to be encouraged to find solutions that make sense at the local level.

What follows are three stages for improving data collection. The first proposal is short-term in nature and responds to the immediate and pressing need to provide basic data to policymakers and state agency officials. Over time, additional automation is proposed as a way of collecting much the same information on a regular basis.

Proposal 1: A "census" of children receiving child care and development services.

This proposal recommends collecting basic information on children who are currently receiving subsidized child care and development services through CDE or CDSS. The information would be collected on a "per record" basis. Therefore, this census would provide state policymakers with an unduplicated count of children. That is, for each of the questions below, a contractor would be asked to answer each of the questions for each of the children enrolled in their program on a specified data collection day. The questions have been designed to be unambiguous and consistent with what PACE believes is information that is already collected by contractors.

The goal of Proposal 1 is to develop the capacity to answer basic questions as quickly as possible. It should not be assumed that this is an easy project to accomplish, or that it would not have some accuracy limitations. Nevertheless, in the short-term, it is the most likely to retrieve information quickly about the current population of children being served. As a sidenote, the federal government requires California to report information on children served (federal report ACF115). This proposal would need to modified to insure compliance with federal requirements.

Proposed Data Objects

(Subject to change based on modifications to mandated reporting requirements and program structures)

By program, for each child enrolled by your agency (on a specific date), please answer the following:

1) **At this time, what best describes the service setting of this child?**

   a) In-home, license-exempt care, by non-relative

   b) In-home, license-exempt care, by relative

   c) Out-of-home, license-exempt care, by non-relative

   d) Out-of-home, license-exempt care, by relative

e) Center based care, licensed

f) Center-based care, license-exempt

g) Family day care home, licensed

2) **When was the child born (MM/DD/YY)?**

3) **How many hours per week is the child contracted for in this care setting?**

4) **For children served by AP's only, what is the rate the provider actually charges for this care?**

$_____ per _____ (specify week or month)

5) **What are the circumstances by which this child is entitled subsidized care? Indicate all that apply.**

a) The family met income eligibility requirements.

b) The family is receiving AFDC and working.

c) The family is receiving AFDC and is job training .

d) The family is receiving AFDC and is seeking work.

d) The child was referred by Child Protective Services.

e) The child's parents or guardians are incapacitated.

f) The child's family is homeless.

g) The child has special medical/psychiatric needs.

6) **What is the gross monthly income of the household in which this child lives?**[9]

7) **What is the size of this child's family?**[10]

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[9] See Appendix A for a description of the specific income to be measured by this question.
[10] See Appendix A for specific guidelines on family size.

8) **In what zip code does this child attend child care?**

9) **In what zip code does this child reside?**

Readiness steps to implement Proposal 1:

- Set up a collaborative effort between CDE and CDSS to collect, store, and analyze the results of the data. Staffing for the project might come from both agencies.

- Design survey tools. This will require significant preparation - each site will need survey forms, "scantron sheets", instructional packets, training sessions, and technical assistance. Standardized computer forms or disks should be made available for those centers that have access to computerized data. (Although larger in scope the California Basic Education Data System CBEDS conducts a similar effort in the public schools.)

- Work with CDSS to understand how these data objects could be extracted from SAWS for those families who receive care associated with AFDC. Examine the possibility of how data could be collected from non-SAWS counties.

- Examine the benefits of a limited sample of particular counties versus an attempt to cover all counties in California. Sampling allows limited data collection to avoid surveying every site in the state. Yet some notion of the make up of the child care population is needed to determine the sample size and random site selection.

- Develop analysis tools. Once the data has been collected, it needs to be analyzed. The analysis tools need to be developed to present a picture of the child care system and to answer the questions posed by policymakers.

- The first effort will serve as a pre-test. After analyzing the data it is likely to be shown that the survey did not fully answer the state's questions, that it answers the wrong questions, or that new questions have arisen. Furthermore, there will probably be problems in the mechanisms of the survey itself (e.g., ambiguous questions, inadequate training sessions,

inaccurate handouts). Some infrastructure will be needed to take note of these issues, update the survey, and correct the procedures.

Proposals 2 and 3, move from snap-shot collection to the development of automated administrative infrastructures. At the heart of this policy discussion is whether data collection should, could, or must be part of an overall effort to improve the administrative function of child care and development services. In a nutshell, data collection is onerous in a process that employs paper and the mail. Alternatively, data collection is simply a by-product of a set of computer systems that could assist in the daily management of services to the benefit of families and providers alike. All of the information that is captured on intake, and updated over time can become part of the "databank" (data warehouse) in child care and development services.

There is no doubt that barriers exist whenever a new technology is proposed and changes at the state level and in local offices are no exception. In offices where work is done without computers, work habits will need to change and hesitations about using computers will have to be overcome. In recent years, computers have become extremely "user-friendly," and any new system should take full advantage of this. Employees need to be shown that the programs will facilitate their work by removing redundancy and allowing for greater productivity with higher accuracy.

In offices where automation exists, local offices and providers will be able to continue to use whatever systems they have in place, however changes will occur with the sharing of data over the network. Procedurally, users will need to be fully educated about the network and how to use the new data sharing tools. If implemented correctly, most of the changes could be transparent to the user.

Some providers and local offices may just be quite small and not seem to need any automation. Here either a simple front end to the network (e.g. a World Wide Web terminal) can be put in place or modern tools (e.g. bar codes, "scannable" identification codes) can be added to the data that passes through these locations to print reports and receipts. The two proposals follow.

Proposal 2: Regional Data Networks and Automated Data Collection

Proposal 2 brings technology to the data collection effort. Regional data centers would be created where data is shared between agencies. Currently available

commercial software could be put in place and networked. A regional or local office would be able to access information on the data base for which it had the correct privileges. This alternative assumes a high level of cooperation between providers, R&R's, AP Agencies, and County Welfare Departments. The project should be implemented one region at a time.

A major concern with data sharing is security. This issue is being addressed worldwide as businesses begin to do transactions over the Internet, and the corporate security techniques developed will be available for the proposed child care network. The primary security tool that this network could use is establishing different access privileges for the data and for users. Thus, a person using the database would only be able to access the information that s/he has the privileges to see. Readiness steps for this network approach include the following:

- Create regional data centers. Each center would have a computer capable of handling a large client-server database. This database would consist of all data that could be shared between local agencies and offices. The software would also aggregate the information for the Local Planning Council, County Welfare Departments, CDE, CDSS, and other sites that might need the aggregate information.

- Network all agencies in the region to the data center. All agencies, providers, and other members of the child care community would have a network connection to the data center. The network would be made up of permanent, "dedicated," lines or dialup connections depending on the needs of the local site. Considerations for the security of the information would be given the highest priority.

- Develop either client/server or web software. The local site could access the database in several different ways. For those sites that are currently automated, their existing software would remain in place, but translation tools would be developed so that the existing applications could share data with the regional data center. Some offices do not have any or have limited computation abilities in place and would like to have more sophisticated automation; for these sites client software would be developed to fulfill their needs. Finally, World Wide Web software would be created for those sites

that do not need much local automation, but would be able to share data and access information.

- Implement real-time data sharing over the network. Information that is gathered in one office and is to be shared should be sent to the data center in "real-time" - that is within some brief period of time. In this way the center's data base is always up to date and accurate, so that if a different site needs the data, it is "immediately" available.

- Investigate which data needs to be shared. Not all information should be shared; for example medical contact information may only be needed by the provider. A thorough investigation would be made into the data that is collected at all the offices, and much of the overlapping information should be shared regionally.

Proposal 3: Technology-based Child Care and Development Administrative Services

This proposal is an obvious addition to the previous step: give families an individual identification number to ease access into the system. A child care provider would use a networked computer and bar-code technology system to receive and enter data into the data collection system, as well as to run the daily operations of the center. Centralized waiting lists could be served through this technology as well. This proposal could accommodate the non-networkable locations (e.g. license exempt providers) to the system. Bar code information could be added to receipts for services and scanned into central, regional systems. Readiness steps for Proposal 3 would require the following:

- Implement child care id's for families/children and for sites. This identification number could be based on many things: information based on the family or the child, social security number, AFDC case number, Medicare identification number, or student enrollment identification. The selection would need to consider privacy, convenience, the stigma attached to the identification, among other issues. There may not need to be an actual identification card; the code could be added to the data that gets passed through the system.

- Implement non-electronic network. It may be impractical to physically connect every provider to the child care network. A license exempt provider is likely to be a family member's home, and attaching them to the system is a bit far-fetched. However, it is possible to have their information incorporated into the network. If receipts for services had the child's or family's identification number included on them via a bar code; and the provider stamped their bar-code on the receipt, then when the receipt reached an agency office, this information could easily be scanned into the system.

- Develop tools to collect data at non-networkable sites. The tools needed for the above system would include bar coded receipts, bar coded stamps or stickers for providers, bar code readers, bar code printers, and possibly identification cards with either bar coded information or information on a magnetic strip.

V. Conclusions and Summary Recommendations

The following recommendations are presented as a package for consideration. Ultimately, the efficient collection of data will require a concerted effort that includes systematic planning and an investment over the long term. More significant than any single recommendation is the commitment from CDE, CDSS, and Head Start that systematic data collection and data sharing are integral to the long term improvement of child care and development services.

1) *Establish standardization immediately on all phases of data collection relevant to the child care and development community.*

   Even in those areas where data uniformity appears to be in place, make a new effort to design standard language and provide training for higher quality information collection. This process needs to be done systematically, and with consideration for other efforts in education and social services where data standards already exist. The California Resource and Referral Network Data Standardization Project and the protocols established by the California Student Information Services (CSIS) using SPEEDE/ExPRESS are two examples of existing efforts that need to be relied on as foundations for data standardization.

2) *Establish a timeline by which stages of a data system implementation project ought to be completed.*

The objective moving forward is to collect, at regular intervals, the specific data objects that have been identified by this working group. The timeline for implementing more automated systems would depend on expansion costs and available resources. Three stages are outlined below that could be the basis for long-term planning:

Proposal 1. A "census" of children receiving child care and development services. A particular set of questions (below) would be asked of contractors on a particular data collection day as a way of tabulating background data on children currently receiving care. Depending on fiscal resources, the project could be implemented with statistically reliable sampling techniques, and expanded over time. The effort would be similar in strategy to the standardized data collection project that is operated by the California Resource and Referral Network, but would include providers and AP's. The effort would seek to include all agencies in the sampled regions, and occur once each year. Since there is not a finite set of software used by all the different agencies and regions, the data would have to be largely collected on scantron forms, floppy disks (ASCII formats), and/or by phone. Technical assistance would be a high priority.

By program, for each child enrolled by your agency (on a specific date), please answer the following:[11]

1) **At this time, what best describes the service setting of this child?**

2) **When was the child born (MM/DD/YY)?**

3) **How many hours per week is the child contracted for in this care setting?**

4) **For children served by AP's only, what is the rate the provider actually charges for this care?**

5) **What are the circumstances by which this child is entitled subsidized care? Indicate all that apply.**

[11] The complete wording of the questions and response categories are shown on page 16 of this paper.

6) **What is the gross monthly income of the household in which this child lives?**

7) **What is the size of this child's family?**

8) **In what zip code does this child attend child care?**

9) **In what zip code does this child reside?**

Proposal 2. Regional Data Networks and Automated Data Collection. Stage 2 brings technology to the data collection effort. Regional data centers would be created where data is shared between agencies. Currently available commercial software could be put in place and networked. A regional or local office would be able to access information on the data base for which it had the correct privileges. This alternative assumes a high level of cooperation between providers, R&R's, AP Agencies, and County Welfare Departments. The project could be implemented one region at a time.

Proposal 3. Technology-based Child Care and Development Administrative Services. This stage would provide families an individual identification number to ease access into the system. A child care provider would use a networked computer and bar-code technology system to receive and enter data into the data collection system, as well as to run the daily operations of the center. Centralized waiting lists could be served through this technology as well. This proposal could accommodate the non-networkable locations (e.g. licensed exempt centers) to the system. Bar code information could be added to receipts for services and scanned into central, regional systems.

3) *View considerations to improve technology and improve data collection efforts as an integral part of the other PACE recommendations.*

A greater need for technology will likely surface in other sets of recommendations issued by PACE in Phase III of this project. This could include using technology in developing centralized waiting lists, automating eligibility determination, and processing reimbursements for services. The interconnectedness of data issues with these other proposals require

integrated software and hardware solutions that provide multiple services. Software and hardware systems, some of which already exist, must be put in place to solve multiple computer needs of child care and development agencies.

4) *Support local areas that are developing technology applications in child care and development services.*

   In regional service areas across the state, technology improvements are well under way to increase the efficiency of information collection. They are, however, not coordinated within regions or across regions. As a way of encouraging coordinated efforts, provide technology improvement grants to agencies that collaborate on data coordination efforts consistent with state standards.

5) *Design and maintain an advisory group that sets guidelines for technology improvements and data collection efforts.*

   Establish a long-term advisory group that includes a membership not unlike the current working group to review the progress of data collection efforts over time. Insist on the representation of providers, R & R's, county agencies, and state agencies. One of the primary responsibilities of the group would be to balance the benefits of statewide standardization against the flexibility required by local providers and agencies.

Appendix A: Data Object Clarification

Questions 6 and 7 of the census questions have been designed to be consistent with the language used in the California Department of Education's Funding Terms and Conditions. The specific language related to family income and family size is as follows:

Documentation of Total Countable Income

The parent(s) shall provide copies of his or her most recent check stub(s) or the contractor shall record the following information on the application for services when viewing the most recent check stub(s): (1) date of the check(s); (2) amount(s) of the gross pay specified on the check stub and (3) the period(s) covered by the check. Documentation shall be maintained for all income included in total countable income. If the parent or other adult is self-employed, he/she may provide other documentation of income such as a letter from the source of the income or copies of tax returns or statements of estimated income for tax purposes. If the parent does not have documentation of his/her income, he/she may make a declaration of the amount of income.

"Total countable income" means income that does not include the following: (1) earnings of a child under age eighteen (18) years; (2) loans, grants, and scholarships obtained under conditions that preclude their use for current living costs; (3) grants or loans to students for educational purposes made or insured by a state or federal agency: (4) allowances received for uniforms or other work required clothing, food and shelter and (5) business expenses for self-employed family members.

Determination of Family Size

Family size shall be determined by the number of adults and children related by blood, marriage, or adoption who comprise the household in which the child is living. When an adult living in the household is neither the parent of the child nor the spouse of the parent, the adult and the adult's children if any, shall be excluded from the calculation of family size when such exclusion is to the

advantage of the family. When a child is living with adult(s) other than a natural or adoptive parent, the child shall be considered a family of one.

Task III

Family Fee Schedules

By

Linda Petersen Birky

Rong R. Wang

Many states, including California, require parents to contribute to the cost of subsidized child care and development services according to a sliding fee scale. The design of these sliding scales varies in many respects between states, but all have at least two purposes. The first is to generate revenue for the state, most often in order to serve more families in need. The second encompasses a number of goals having to do with encouraging families to become economically self sufficient and to be empowered as consumers in the child care arena.

In California, the need to provide services to more children is undisputed. While estimates vary, it is generally agreed that fewer than fifty percent of families eligible for services are currently receiving them due to the insufficiency of funding. Given the current move toward welfare reform with time limits on subsidies, it is expected that the need for subsidized child care and development will increase to even higher levels as more parents begin training or enter the workforce. The generation of revenue through the collection of family fees may therefore become even more critical in maximizing the number of families that may be served. Consequently, it is timely to consider whether the state's current family fee schedule might be modified in order to accomplish a greater gain and thereby serve additional families.

Moreover, if economic self sufficiency is a state goal for families, it is important to consider whether or not parents are contributing to the cost of child care in an equitable, yet reasonably affordable fashion that will help prepare them as true consumers of child care and development services. Consequently, the assessment of potential revenue generated by various family fee schedules must also take into consideration the effects on families in terms of equity and affordability.

This paper explores the potential for modifying the current family fee schedule by presenting alternative sliding scale models and evaluating the potential effects of implementing them. It is an expansion of an earlier study completed by Policy Analysis for California Education (PACE) (Goldsmith, 1995).

The policy decisions that are required in implementing or changing family fees for extremely impoverished families are among the most difficult. They are not dependent solely on economic analysis, but instead require careful consideration of a set of highly complex tradeoffs that result from making choices when resources are not adequate to serve all in need. Ultimately, these choices must be made by policymakers, not by researchers. The intent here is to present analytic results in a way that will hopefully lead to decision making. The questions that must be addressed are posed and the tradeoffs that result from specific choices are identified.

Background: The Pilot Study

In 1995, PACE began its study of California's current family fee schedule[12] and developed and evaluated alternative fee models (Goldsmith, 1995). The current schedule, known throughout the state as the Family Fee Schedule (see Appendix A), is based on family income as a percent of the State Median Income (SMI) for different family sizes. Only parents with incomes at or above 50% of the SMI are required to pay fees.

The current family fee schedule does not take into account the number of children a family has in care. That is, the fee is based on family size and income alone; consequently a family of a certain size with a specific income having three children in care pays no more than an identical family with only one child in care.

Family fees rise with an increase in income as a percent of the SMI. The fee ranges from a base rate of $2.00 per day ($43) per month[13] for families with gross incomes at

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[12]California currently has two fee schedules, one for the Transitional Child Care program (TCC), developed by the Department of Social Services (DSS), and another for all other programs with family fees, developed by the California Department of Education (CDE). The family fee schedule for TCC was based on CDE's fee schedule, however the fees charged under the TCC schedule are approximately half the fees of CDE's schedule. This means that similarly situated families pay different fees under the TCC program than under any other program with a fee. Due to the limited use of the TCC Family Fee Schedule and because its fees are based on CDE's model, this paper focuses on CDE's Family Fee Schedule.

[13]The monthly rate is calculated be multiplying the daily rate by five days per week and 4.33 weeks per month.

50 percent of the SMI to $20.80 per day ($450 per month) for families at 100 percent of the SMI.

Fees increase with each two percent rise in income. The rate at which fees increase changes at three points in the fee schedule (a piece-wise linear model with three segments). Fees for families between 50 percent of SMI and 54 percent of SMI increase by $0.40 per day for each additional two percent increase in income as a percent of SMI. At 54% of SMI, the rate changes, and fees increase by $0.60 per day for each two percent increase in income. At 72% of SMI the rate changes again with fees increasing by $0.90 per day for each two percent increase in income as a percent of SMI.

Whether or not a family pays a fee is governed by factors other than income. Among California's twenty plus child care and development programs only families in some programs are required to pay. Specifically, the following programs require family fees:

- Federal Block Grant Alternative Payment Program
- General Child Care
- State General Fund Alternative Payment Program (APP)
- Title IV-A At Risk Alternative Payment Program
- Latchkey Services
- Campus Child Care
- Transitional Child Care

All of these programs, except for Transitional Child Care, which is administered by the California Department of Social Services, are administered through the California Department of Education (CDE).

Major programs not requiring fees include:

- State Preschool
- Respite Care

- Severely Handicapped Program
- School-Age Parenting and Infant Development Program
- Migrant Child Care
- Exceptional Needs
- Greater Avenues for Independence Child Care (GAIN)
- Non-Gain Education and Training (NET)
- Cal Learn
- Supplemental Child Care (SCC)

Of these programs, GAIN, NET, Cal Learn, and SCC are administered by CDSS. The others are CDE programs. Fees are not required for children in any program under the care of Child Protective Services (CPS)[14]. In addition, Head Start, which is directly administered by the federal government, does not charge fees, but does require family involvement.

Family fees are collected primarily for programs administered by CDE, which estimates that for every $1,000 expended on child care, $30 in parent fees are collected. In 1993-94, this amounted to $11,736,801. In comparison, the states of Oregon and Massachusetts estimate that $100 in parent fees are collected for every $1,000 expended, more than three times California's rate.

Alternative Family Fee Models

In PACE's earlier work, in addition to the California current fee schedule, fee schedules used by other states were examined. From this review, three basic types of sliding scales, each based on different principles, were identified. Each of those three types of scales were adjusted and modified to represent California's cost of care and the state's average family incomes resulting in the following three family fee schedules:

[14]Some children in CPS receive child care from the Federal Block Grant program (FBG). FBG requires parent fees from CPS families unless their case worker waives the fee as too burdensome. In practice almost 100 percent of the fees are waived (Hruby, 4/29/95).

Model 1: Percent of the Actual Cost of Care

Based on Colorado's family fee schedule which was developed as part of a welfare reform pilot project, this model (displayed as Appendix B) is based on a percent of the actual cost of care selected by families. The fee also takes into consideration family gross income as a percent of the SMI adjusted for family size and requires parents to pay for each child in care.

There are several goals implicit in the design of this model. The first is that it seeks to encourage parents to be child care consumers. Parents are required to seek out a child care option that meets their specifications for quality, convenience and cost. The risk associated with this goal is that parents may seek lower cost, lower quality care. Indeed, research (Blau & Hagey, 1994; Hofferth & Wissoker, 1991) has demonstrated that parents are particularly price sensitive to the cost of child care.

Second, this model is designed to create a smooth fee schedule (eliminating internal "notches" and external "cliffs") that would bring parents to the true cost of their child care by the time they reach the end of the fee schedule. Additionally, this fee schedule accommodates regional variations in the cost of care.

Model 2: Percent of Gross Income

This model (see Appendix C) is adapted from the fee schedule used by Texas. It is simply based on a percent of family income, but partially takes into account the number of children in care by distinguishing only between families with one child and more than one child. For families with one child in care, the fee is 9% of gross income; for families with two or more children in care, the rate is 11% of gross income.

The principles underlying this model are simplicity of administration combined with an estimation of parents' ability to pay. The flat rates of nine and 11 percent of gross household income were selected by Texas based on research which has consistently found that the average family paying for the full cost of care spends between 9% and 11% of their household income on child care costs (Marshall & Marx, 1991).

In actuality, however, lower income families have been shown to pay a much larger portion of income for child care, ranging from 16% (Marshall & Marx, 1991) to 23%

(Willer, et. al, 1990). While economists commonly define affordability as that which people are willing to pay, critics point out that even 9% to 11% may not be truly "affordable" for low income families and that severe sacrifices must be made in order to pay even this much.

Model 3: Percent of the State Reimbursement Rate (SRR)

This fee schedule (see Appendix D) is modeled after one used by the state of Massachusetts. It is designed to bring families close to the full cost of care as they reach the end of the scale (eliminating external cliffs), and requires a fee for each child in care. In order to make the fee affordable, however, a reduced rate is used for the additional children in care.

It is based on a standard reimbursement rate, in California the State Reimbursement Rate (SRR) which is $21.1533 per day for full time center based preschool age care.[15] The SRR was selected because it was found to be a relatively good representation of the cost of care across the state according to the Regional Market Rate Survey (RMR). Any standard rate could be used, however, as long as it is representative of costs across the state.[16]

The factors used to account for more than one child in care are as follows: for one child the family pays the set fee; for two children in care parents pay 1.75 times the fee, and for each additional child the family pays an additional .50 times the fee. For example, a family with three children in care would pay 2.25 (1.0 plus .75 plus .50) times the set fee for care.

Evaluation Criteria

The primary objectives in revising the family fee scale were maximizing revenue and preparing parents as child care consumers; however, these objectives must be considered in light of several other criteria. The identified criteria were:

- Affordability: As explained above, affordability is a very difficult and subjective factor to weigh in evaluating fee schedules. For purposes of

[15]The SRR was recently increased in California from $21.1533 to $21.73 per day, but in order to maintain comparability between the Pilot Study results and the expanded study, the old rate was used throughout.

[16]PACE is also currently reviewing reimbursement rates used by the state. If the SRR were to be eliminated in favor of other reimbursement procedures, the same or another set standard could be used in the fee schedule.

comparison, however, the financial impact on families was assessed according to the average and the range of financial "burden," defined by fees as a percent of gross income.

- Equity: Equity was defined in two ways. Horizontal equity would require similarly situated families, receiving similar services, to pay equivalent fee. Vertical equity would require that families with higher incomes pay higher fees.

- Simplicity: Simplicity was assessed according to the relative ease of using the fee schedule, as well as the ease with which it may be updated according to changes in costs and incomes.

- Notch/Cliff Avoidance: Ideally, family fees should increase gradually such that parents are not penalized for earning additional income, yet move families toward the full cost of care as their income approaches the point where they are no longer eligible for services. Families should be able to transition smoothly from one income level to another (no internal notches) and from subsidized to full market care (no external cliff).

- Feasibility: In order to implement any revised fee schedule, it needs to be both politically and legally feasible.

Evaluation of the Models

In the pilot phase of this study, computerized data were collected in early 1995 from the Alternative Payment Program administered by Crystal Stairs in Los Angeles County. The data included families participating in three programs, the State General Fund APP, the Federal Block Grant (FBG), and the federally funded Title IVA At-Risk Program. Children under the care of CPS were eliminated from the data set because they are generally exempt from fees. There were a total of 898 families including 1,570 children included in the analysis.

While the data provided by Crystal Stairs included critical factors, especially family size, the number of children in care, and family income, other information was not available (e.g., the type of care children were receiving, the number of hours of care, and the cost). Consequently, several assumptions were made in order to evaluate in a relative way the alternative models.

First, the assumption was made that all children were receiving center-based full time care. Second, it was assumed that all parents would select child care priced at the reimbursement ceiling for their funding source, set by the Regional Market Rate Survey. While these choices slant the data in certain ways, it was thought to be the most conservative in assessing the affordability for families in Model 1 which requires families to pay a percentage of the actual cost of care. That is, the worst case scenario was considered (i.e., the most expensive care) so that the cost to parents under this model would not be underestimated.

While these assumptions result in the overestimation of actual revenue generated, it is important to emphasize that the proportional increases may be fairly compared. That is, the relative generation of revenue between models may be assessed, and the approximate number of additional child care slots may be estimated. The number of additional child care slots to be generated would be proportional to the actual distribution of current slots in terms of type of care, part-time versus full-time, and cost of care.

Results of the Pilot Study

The results of analysis of the Crystal Stairs data supported Model 3, Percentage of the SRR, as the most viable overall. While Model 3 did not generate the greatest increase in revenue, it was identified as being the most reasonable in terms of affordability to parents, vertical and horizontal equity, simplicity, and notch and cliff avoidance. (See Goldsmith, 1995 for the full analysis and detailed results.)

The Expanded Study

The objective in the expanded study was to evaluate the models using additional data from other state locations to determine if the same results would be obtained from both rural and urban settings and from other areas of the state. We were constrained by the limited number of sites that maintain computerized data files on families which include all of the variables necessary to conduct the analysis.

Data sources were eventually identified and these sites submitted computerized data files in late 1995 and early 1996. The data sources represent both rural and urban settings and northern, central, and southern California. They include data from the following locations:

Humboldt Child Care Council

Pomona Unified School District

San Joaquin County Office of Education

San Diego City Unified School District

Included in the data were families in programs funded through all the major CDE sources; however, not all sources had each funding source[17]. Consequently, comparisons between programs would not be reliable and are not presented. The exception is a separate, but limited, discussion of State Preschool which is a part day program and currently does not require parent fees. Funding sources included:

General Child Care

Federal Block Grant

Alternative Payment Program

Latchkey

State Preschool

We were not able to obtain any data from county welfare offices administering CDSS funded programs. We did not include Head Start because it is under direct administration by the federal government and the state has no authority to collect fees from those families.

The new data (State Preschool data were analyzed separately and are discussed later in this paper) were applied to the three models developed in the pilot study and compared with the original data from Crystal Stairs. It is very important to emphasize that, because we were constrained by the availability of computerized data necessary to complete the analysis, the results presented are meant to be general indicators of family income levels, the financial burdens on families should these fee schedules be adopted, and the additional revenues that would be generated by the different models. The data do represent CDE programs in various geographic

[17]Useable data included the following: Title IVA from Crystal Stairs, Humboldt, Pomona, and San Joaquin; Federal Block Grant from Crystal Stairs, Humboldt, and Pomona; Alternative Payment Program, General Child Care and Latchkey from Humboldt; and State Preschool from Humboldt and San Diego.

areas of the state, including urban, suburban, and rural settings; however, due to the fact that the data were not selected randomly and that different sites had different funding sources, the results are presented descriptively only and are intended to present general trends rather than specific projections.

Family Income Distributions

Table 1 presents a summary of family incomes by percent of the State Median Income (SMI) adjusted for family size. Looking at both the individual sites and the data combined, it is evident that the population served by these CDE programs is extremely poor. Overall, two-thirds of families are below 50% of the SMI ($1337 per month for a family of two). Almost a fifth earn less than 25% of the SMI ($669 per month for a family of two).

Table 1. Numbers of families in income quartiles

% of SMI	Humboldt	Pomona	San Joaquin	Crystal Stairs	Total N	Percent
0-24%	88	89	6	144	327	18%
25-49%	139	206	81	450	876	48%
50-74%	65	97	99	268	529	29%
75-100%	15	19	17	36	87	5%

This trend holds across all sites except for San Joaquin which has a majority of families at a slightly higher income range. Specifically, they have very few families below 25% of SMI (only 3%) and a total of 43% below 50% of SMI. This anomaly is most likely related to the funding sources reported by this particular site, Latchkey and Title IVA, which tend to serve slightly higher income working families. As a result, the income levels reported are not representative of this rural county.

Revenue Generated

Combining data across sites, Model 1, Percent of the Cost of Care, produced the greatest revenues (a 351% increase over the current fee schedule), followed by Model 3, Percent of the SRR (a 284% increase), and Model 2, Percent of Income (a 253% increase) (see Table 2). There is variation between sites, however, in both the magnitude of the revenue increases and the pattern of increases between models[18].

[18]Revenue projections reported for Crystal Stairs differ somewhat from the results reported in the Pilot Study due to a change in methodology which reduced the effects of compounded rounding.

The variation in the percent increases in revenues are not surprising given that the funding sources (and, consequently, reimbursement rates) varied between counties which directly affects the amount of fees collected under the Cost of Care Model; and that family income, a determining factor in all the fee models varies between different areas of the state. Moreover, as has been stated, the intent here is to examine revenue generation between the models in a relative manner, and not to predict precisely the amount of the increase.

More specifically, the differences in the relative revenue increases between models are evidenced in two findings. First, the differences between Model 2, Percent of Income and Model 3, Percent of SRR tend to be rather small and are not of sufficient size to reliably distinguish the two. Second, and not surprising, Model 1, Cost of Care, did not generate the highest revenues in either of the more rural sites (Humboldt and San Joaquin) due to the relatively lower cost of child care in those locations. For both of those counties, Model 3, Percent of SRR, produced the highest revenues.

San Joaquin tended to show lower relative increases in revenue for all three models. This result is related to the fact that the particular population sampled in this county tended to have higher incomes than the other locations. Having a smaller percentage of families under 50% of SMI (43% as compared with a range of 66% to 74% for the other sites) means that they have more families paying fees under the Current Fee Schedule than do the other sites. Consequently, they gain less by requiring all families to contribute to the cost of care than do the other sites. Still, even given these conditions, all models generated a huge increase in fees for the San Joaquin site, ranging from 154% to 274% as compared with the current fee schedule.

Affordability

Affordability was assessed in terms of the average fee paid by parents along with consideration of the minimum and maximum fees possible under each plan, and the mean percent of gross income families would pay with each fee schedule. The results tend to support earlier findings. As shown in Table 3, Model 1 (Percent of Care) requires higher average fees ($157) from families and also has the highest maximum fee ($1,068) charged to families. Models 2 and 3 both tend to have lower average fees ($123 and $134 respectively) and the differences between the two are not

very large. The exceptions are the Humboldt and San Joaquin sites which have higher average fees for Models 2 and 3 than for Model 1. Again, this is related to the lower cost of care in those counties. Nevertheless, Model 1, Cost of Care, still produces the highest maximum fee for Humboldt ($1,068).

Taking a closer look at Model 2 (Percent of Income) and Model 3 (Percent of SRR), however, reveals that Model 2, by requiring fees of 9% or 11% across the board, places a very high burden on the lowest income families (those earning between 1% and 50% of SMI). Model 3, on the other hand (as shown in Table 4), requires almost all families in the lowest quartile (between 1% and 25% of SMI) to pay only 5% or less of their gross income for child care, and the majority of those in the second quartile (between 26% and 50% of SMI) to pay 10% or less of gross income, making Model 3 more affordable for the most impoverished families. Model 3 does place a somewhat higher burden on families in the third quartile (between 51% and 75% of SMI), with most families paying 15% or less of gross income, but with a few who pay 20% to 25% of their incomes. The very few families in the fourth quartile (between 76% and 100% of SMI) predominantly pay 25% or less of gross income for services, but there are two families who would pay 30% of gross income in fees.

Table 3. Mean, Minimum and Maximum Monthly Fees

	Location	N	Mean Fee	Min	Max
CURRENT	Humboldt	307	$31.38	$0.00	$411.35
FEE SCHEDULE	Pomona	411	$29.94	$0.00	$391.87
	San Joaquin	203	$58.91	$0.00	$411.35
	Crystal Stairs	898	$32.87	$0.00	$430.84
	Total	**1819**	**$34.86**	**$0.00**	**$430.84**
MODEL 1	Humboldt	307	$95.60	$1.00	$1,068.48
PERCENT OF	Pomona	411	$203.34	$1.00	$1,792.80
COST OF CARE	San Joaquin	203	$153.02	$15.08	$678.60
	Crystal Stairs	898	$157.96	$3.98	$1,036.80
	Total	**1819**	**$157.14**	**$1.00**	**$1,068.48**
MODEL 2	Humboldt	307	$110.75	$6.54	$396.42
PERCENT OF	Pomona	411	$116.01	$7.20	$349.72
INCOME	San Joaquin	203	$149.74	$43.29	$390.94
	Crystal Stairs	898	$124.73	$21.66	$324.28
	Total	**1819**	**$123.19**	**$7.20**	**$396.42**
MODEL 3	Humboldt	307	$111.44	$1.00	$910.25
PERCENT OF	Pomona	411	$125.90	$1.00	$929.25
SRR	San Joaquin	203	$167.11	$17.50	$722.75
	Crystal Stairs	898	$137.61	$5.00	$744.00
	Total	**1819**	**$133.84**	**$1.00**	**$929.25**

Table 4. Financial Burden produced by Model 3 (Percent of SRR) on Families by Income Quartile

	Percent of Gross Income						
Percent of SMI							
	<5%	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**
1%-24%							
Number	61	265	1	0	0	0	0
Percent	19%	81%	0%	0%	0%	0%	0%
25%-49%							
Number	0	454	329	93	0	0	0
Percent	0%	52%	38%	11%	0%	0%	0%
50%-74%							
Number	0	21	249	168	84	7	0
Percent	0%	4%	47%	32%	16%	1%	0%
75%-100%							
Number	0	0	14	31	26	14	2
Percent	0%	0%	16%	36%	30%	16%	2%

Equity. The conclusions in the Pilot Study concerning equity in the various fee schedules were not data dependent; consequently, the same findings hold. Specifically, in determining horizontal equity (similarly situated families paying the same fees should be receiving similar services) and vertical equity (parents with higher incomes adjusted for family size should pay higher fees than lower income families), Models 1 (Percent of Actual Cost) and Model 3 (Percent of SRR) best meet these criteria. Model 2 (Percent of Income) fares less well because it makes only a partial adjustment in fees for the number of children in care. The current fee schedule is valued as least equitable because it does not consider the number of children in care at all.

Simplicity. Like equity, simplicity is also not data dependent and the conclusions from the Pilot Study apply. The simplest model to understand, use and update is Model 2 (Percent of Income). The current fee schedule, and Model 3 (Percent of SRR) are considered fairly simple. In addition, Model 3 is easy to update for any change in the SRR. Model 1 (Percent of Actual Cost) is simple to understand, but administratively burdensome because fees would need to be adjusted whenever the family changed providers, the providers' rates changed, or the family income changed.

Notches and Cliffs. All of the fee schedule models, including the one currently in use, are based on a step approach that has increments five percent or less of the SMI and are considered adequate in avoiding internal notches. In the Pilot Study, careful consideration was given to the avoidance of cliffs at the end of the fee schedule; that is, it was believed to be important to have parents approaching payment of the full cost of care as they approached the end of income eligibility. Subsequent research by PACE has revealed, however, that the vast majority of parents receiving services are at the lowest end of the income scale, and that almost no families lose eligibility due to income increases. Consequently, cliff avoidance is no longer deemed an important criterion in evaluating fee schedules in California.

Feasibility. Feasibility of alternative models requires consideration of both legal and political viability. While there are legal issues that may be associated with requiring fees from all families in all programs (in particular a determination needs to be made as to whether requiring fees from AFDC recipients is permissible under federal law and regulation), in comparing the current fee scale and the three

alternative models, there appear to be no factors that would make any one of the models more or less legally feasible.

Political feasibility is a much more subjective factor, and one that is difficult to predict. There are some parties who have expressed support for requiring parents to pay additional fees for each additional child(accomplished by Model 3, Percent of the SRR), and other parties who argue that doing so will place undue hardship on large families. There are also concerns that requiring families to pay per child will place school age children currently receiving Latchkey services at risk because families will be more likely to leave these children unsupervised rather than pay the extra fee that would be required for care.

While there are those who would argue in favor of Model 1 (Cost of Care) because it encourages families to become thoughtful child care consumers in preparation for self sufficiency, the high financial burden it places on families, coupled with difficult in administering it, reduces its political feasibility.

Summary. Table 5 presents a summary of how the different models meet the various criteria in light of the new data. The results tend to confirm the conclusion made in the pilot study that Model 3 (Percent of SRR) overall best meets the stated criteria and generates much higher gross revenue than the current fee model.

Table 5. Summary of Model Evaluation

	Current Family Fee Schedule	Model 1 Percent of Cost	Model 2 Percent of Income	Model 3 Percent of SRR
Gross Revenues	$760,980	$3,429,997	$2,689,021	$2,921,449
(% Increase Over Current Fees)		351%	253%	284%
Affordability	Good	Poor	Fair	Fair
Equity	Poor	Good	Fair	Good
Simplicity	Good	Fair	Good	Good
Notch Avoidance	Good	Good	Good	Good
Feasibility	Good	Poor	Fair	Fair
Cumulative Rank	*	3	2	1

*While the Current Fee Schedule ranks high on most major criteria, it generates very little in revenue.

Model 2 (Percent of Income) fared somewhat better in the full study than it did in the pilot study, particularly in the area of affordability. Ranking it below Model 3, Percent of SRR, was primarily related to two factors: first, it is less equitable than Model 3 because it is based on a flat rate and does not take account of the number of children a family has in care. Second, even though overall it appears to be fairly affordable, the flat percentage rates are believed to be too high for the very lowest income families. Model 3 (Percent of SRR) provides for lower percentage rates for these extremely impoverished families. It should also be recognized, however, that Model 3 places a higher burden on families in the top two income quartiles. This effect could be ameliorated, however, by placing a cap on the maximum percentage of gross income a family may be required to pay (e.g. a cap of 15% would eliminate the heavy burden on the very few families in the highest income ranges, while preserving the bulk of revenue generated).

Having identified Model 3 (Percent of SRR) as the best alternative model to California's current fee schedule, additional analyses were conducted which focus

solely on this model in comparison to the existing one. The results are presented in the next section.

The Current Fee Schedule versus the Percent of SRR Model

Current Family Fee Schedule

The existing family fee schedule requires only families above 50% of SMI to pay fees. Given that less than a fifth of families at these sites are above that level, the vast majority of families currently pays no fees. Under the current fee schedule, combining data from all sites, the average fee per family is $35 per month. With a total population of 1,819 families in the data set, the total gross revenue expected under this schedule would be $760,980.

The financial burden on families under the current fee schedule is shown in Table 6. Twenty one percent of families are expected to contribute between 1% and 5% of their income to child care, while 7% contribute between 5% and 10%. A very small number, less than 1%, pay up to 15% of gross income in fees.

Table 6. Financial Burden of the Current Family Fee Schedule

	Percent of Gross Income			
	0%	5%	10%	15%
Percent of SMI				
1%-24%				
Number	327	0	0	0
Percent	100%	0%	0%	0%
25-49%				
Number	876	0	0	0
Percent	100%	0%	0%	0%
50%-74%				
Number	103	375	51	0
Percent	19%	70%	10%	0%
75%-100%				
Number	0	5	75	7
Percent	0%	6%	86%	8%

Proposed Family Fee Schedule: Percent of the SRR

The proposed family fee schedule was designed on the premise that all families would contribute something toward the cost of care. As will be discussed below, the desire to have all families participate in costsharing must be weighed against the potential revenue gain. That is, given the very small fees that would be collected

from the lowest income families, the cost of collecting those fees may exceed the revenue generated.

If all families do contribute to the cost of care, the average fee per family would be $134. Total annual gross revenues generated would be $2,921,449, nearly four times the amount generated by the same population under the current fee schedule.

The financial burden on families would by necessity increase. As was shown in Table 4, most families (77%) would contribute between 5% and 10% of their income. Sixteen percent of families would be required to pay approximately 15%, and six percent would pay approximately 20% of family income. A very small number (1%) would be required to pay up to 30% of gross income.

In order to evaluate the cost effectiveness of collecting fees from all families, as well as the relative financial burden on families at various income levels, an analysis of both revenues and financial burden was conducted according to population income quartiles. Table 7 shows the results of this analysis for families with incomes at 0-25% of SMI; 26-50% of SMI; 51-75% of SMI and 76-100% of SMI.

As can be seen, while families in the lowest income quartile constitute nearly a fifth of all families, they would only contribute 3% of the total revenue under this model. Given the administrative costs associated with collecting fees, clearly assessing fees on these families would not be cost effective. The second and third quartiles make up the bulk of families, 77% total, and this group contributes the most in fees (82% of the total revenue). Families in the highest quartile, above 75% of the SMI, make up only 1% of the total population, and contribute 15% to the revenue generated.

Table 7. Showing the percent of families in each income quartile and the percent of revenues generated by families in each quartile for Model 3, Percent of SRR.

Income Quartile	N	Mean Family Fee	Percent of Families	Percent of Revenue
0%-24% of SMI	327	$20.43	18%	3%
25-49% of SMI	876	$88.26	48%	32%
50-74% of SMI	529	$231.93	29%	50%
75-100% of SMI	87	$422.70	5%	15%

Administrative Costs

The administrative costs associated with collecting family fees are important to consider in connection with projected revenues. Unfortunately, attempts to estimate these costs have not been successful due to several factors. First, methods used in collecting fees vary from site to site, and in many cases are a small part of the responsibilities of several staff. Second, in most cases fee collection is not an isolated practice, but is instead done in conjunction with eligibility determination; therefore, it is difficult to separate out the costs associated with fee collection alone. Third, it is difficult to predict if collection would be more difficult and costly if the lowest income families were required to contribute as has been suggested by the proposed model.

Rough estimates provided by Crystal Stairs indicated that under the current fee model, it costs approximately $9.56 per family per month to collect fees. This amounts to roughly 10% of gross revenues generated by fees. It must be emphasized, however, that Crystal Stairs is a relatively large operation with sophisticated computer support.

While $10 per month per family might be a fair estimate of the current administrative costs under the current fee schedule for a large population, it is

necessary to assume that those costs would be higher for smaller, non-computerized operations, and that it may be become more difficult and therefore more costly to collect fees from the lowest income families. Consequently, it seems prudent to assume average costs of $10 per family, $20 per family and $30 per family in administrative costs under the proposed model in order to arrive at some very rough estimates of net revenue generated.

The total number of families in the data set is 1,819 and the projected gross revenues under the current fee model is $760,980 and under the Percent of SRR model is $2,921,449. Table 8 shows the net revenues expected with administrative costs of $10, $20, and $30 per family. This is then translated into the equivalent of full time center based slots, estimated at $5,000 per year. While the current fee schedule would provide for between 108 and 137 additional slots, the Percent of SRR model would provide for between 453 and 541 additional full time children.

Compared with the total number of children served in this population (2759), this means that the number of additional children who may be served through revenues generated by fees from the Percent of SRR model would be between 16% and 20% of the total currently served.[19] This is in contrast to between 4% and 5% for the current fee schedule.[20] Thus, as compared with the current fee schedule, it is projected that the proposed SRR model would serve an additional twelve to fifteen percent of the current number of children served statewide. Again, however, it must be emphasized that these projections are based on a selective sample and on very rough estimates of administrative costs. Still, even if it is impossible to project precise numbers given the limited availability of good data, it is quite clear that a fairly substantial number of additional children could be served if the Percent of SRR model were adopted.

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[19]While all analyses were based on the assumption that all children are in full time center based care, and this overestimates the absolute amount of projected revenue, it nonetheless produces a fairly accurate estimate of the number of additional slots.
That, is the number of part time versus full time, center based versus other care, would be increased proportional to the actual current distributions.

[20]To ease the discussion, the fact that the total number of children currently served already includes children served through fee revenue is ignored. The relative percentages, while only estimates, still apply.

Table 8. Number of Additional Children Served under the Current Fee Schedule and the Percent of SRR Model

Admin Cost per Family Month	Annual Admin Costs	Gross Revenue	Net Revenue	Additional Children*
	Current Fee Schedule (# of families paying fees = 616)			
$10	$73,920	$760,980	$687,060	137
$20	$147,840	$760,980	$613,140	123
$30	$221,760	$760,980	$539,220	108
	Percent of SRR (# of families paying fees = 1819)			
$10	$218,280	$2,921,449	$2,703,169	541
$20	$436,560	$2,921,449	$2,484,889	497
$30	$654,840	$2,921,449	$2,266,609	453

*Number of full time slots (@$5000/year)

State Preschool

While some data on State Preschool families were collected, it was not included in evaluating the models because all of these children receive half day services. Moreover, it was expected that given the part time nature of these services, more children of nonworking parents may be enrolled in Preschool as compared with other services and, consequently, that this population may be poorer.

State Preschool data were reported by Humboldt County (n = 87) and by San Diego Unified School District (n = 1137). As expected, this population tends to have lower incomes than the families receiving services through other CDE programs. Table 9

shows the income distribution for State Preschool, revealing that 85% of these families have incomes at or below 50% of SMI. More than 40% have incomes at or below 25% of SMI.

Table 9. Number and Percent of State Preschool Families by Income Quartile

Percent of SMI	San Diego	Humboldt	Total N	Percent
0-24%	493	25	518	42%
25-49%	490	32	522	43%
50-74%	150	27	177	14%
75-100%	4	3	7	1%
TOTALS	1137	87	1224	100%

Policy Decisions

As stated at the beginning of this paper, policy decisions cannot be based on research alone. Decisions concerning the assessment of fees on impoverished families must also be based on philosophical goals of the state, the establishment of priorities, and consideration of complex tradeoffs. Following are a series of questions that must be answered in order to reach consensus on altering California's Family Fee Schedules and discussion of what alternate answers might mean.

1. Should families at all income levels be required to pay something toward the cost of care, irrespective of whether or not it is cost effective?

If it is determined that all parents should contribute to the cost of care (for reasons of equity and/or parent empowerment as consumers) then the Percent of SRR model may be implemented as it is currently designed. The tradeoff may be some loss in net revenue due to the anticipated cost ineffectiveness of collecting very small fees from the lowest income parents.

If it is decided that it is not critical for all families to contribute to the cost of care, then:

1(a) At what income level should fees begin to be assessed (e.g., 25% or 50% of SMI) and on what basis will this be determined (cost effectiveness versus some assessment of when families are earning enough income to reasonably be expected to contribute to the cost of services)?

The results of these analyses, coupled with very rough estimates of the cost of collecting fees suggest that with the proposed model it would not be cost effective to collect fees from the lowest income quartile of families. If families were required to begin paying at 25% of SMI, however their average payment would go from zero to $45, producing a minor "notch" at that transition. Ultimately, this may be a disservice to families and would need to be weighed against issues of sheer cost effectiveness.

An alternative to collecting fees from the very lowest income families, while still retaining equity and parental empowerment, would be to offer these families the option of contributing service rather than money to their child care programs. Head Start currently has this requirement for all participating families.

2. What percentage of family income may be considered reasonable or affordable?

If the family financial burdens presented by the proposed fee schedule (as shown in Table 4) are considered reasonable, then it may be implemented as presented. If, however, these burdens are believed to be too high, yet it is determined that all families should contribute to care and that they should pay according to the number of children they have in care, then the proposed model may easily be modified by adjusting the formula to represent a lower percentage of the SRR (or any other set standard). This would, of course, lower the revenues generated and reduce the additional children who may be served proportionally, and affect the cost effectiveness of collecting fees, particularly at the lowest income levels.

3. Should the families of children in State Preschool be required to pay fees?

State Preschool, a half day program, is commonly thought to serve the lowest income families, a population similar to that served by Head Start. The fact that it is

a half day program suggests that the focus is on serving the child, rather than providing services so that parents may work. (In some cases, State Preschool may be supplemented by other services allowing parents to work, but this does not appear to be the norm.) Indeed, while the data collected on families in State Preschool programs is very limited (a total of 1137 from two locations), it does tend to support this assumption. That is, these families have incomes considerably lower than the families served in other CDE programs.

If this is true across the state, then assessing fees on these families presents two issues requiring consideration. First, due to the very low incomes, the fees generated would probably not be worth the collection effort. Second, if the children in these families do indeed come primarily from nonworking parents, then the risk is that they will not be served at all (unless they are served by Head Start). That is, if the parents do not require the services in order to work and they are extremely poor, there is considerable question as to whether they would seek services if a fee were required. Children, then, from the most impoverished families would not receive services at all.

4. Should families in CDSS programs also be required to pay fees?

Currently, of the clients directly served by CDSS[21], only those in Transitional Child Care (TCC) pay fees. The question is whether families on AFDC in training programs (GAIN and NET) and teenage parents on AFDC in school (CAL Learn) should be required to contribute to the cost of care and whether a distinction should be made between working AFDC families and non-working AFDC families.

The first issue is whether or not the state can legally require AFDC recipients to contribute to the cost of care. While the state of Massachusetts has begun this practice, there is also an investigation by the federal government pending to determine whether the state is in violation of federal law by requiring them to do so. If block grants ever become a reality, however, the legal issue may become moot.

Secondly, there is a question concerning whether or not it is reasonable to give government funds to families in the form of AFDC and then take it back in payment for child care. These parents, who are on AFDC, are in school or training programs. The question that arises is whether charging fees for child care would be

[21]Title IVA At-Risk is also a CDSS program requiring family fees; however, it is administered by CDE.

a disincentive to furthering their education and moving toward economic self-sufficiency. That is, if these education and training programs result in a reduction in their net AFDC income, then it may not be to the state's advantage to impose fees in these cases. On the other hand, if limits are set on the amount of time families may remain on AFDC, then the disincentive to work would no longer be an issue.

Appendix A

Family Fee Schedule

		Family Size											
1.* Part-time	2.* Full-time	1-2	3	4	5	6	7	8	9	10	11	12	3.* Hourly Fee
1.00	2.00	1337	1433	1592	1846	2101	2149	2197	2244	2292	2340	2388	0.20
1.20	2.40	1390	1490	1655	1920	2185	2234	2284	2334	2384	2433	2483	0.24
1.40	2.80	1444	1547	1719	1994	2269	2320	2372	2424	2475	2527	2579	0.28
1.70	3.40	1497	1604	1782	2068	2353	2406	2460	2513	2567	2620	2674	0.34
2.00	4.00	1551	1662	1846	2141	2437	2492	2548	2603	2659	2714	2770	0.40
2.30	4.60	1604	1719	1910	2215	2521	2578	2636	2693	2750	2807	2865	0.46
2.60	5.20	1658	1776	1973	2289	2605	2664	2724	2783	2842	2901	2961	0.52
2.90	5.80	1711	1834	2037	2363	2689	2750	2812	2872	2934	2995	3056	0.58
3.20	6.40	1765	1891	2101	2437	2773	2836	2899	2962	3025	3088	3152	0.64
3.50	7.00	1818	1948	2164	2511	2857	2922	2987	3052	3117	3182	3247	0.70
3.80	7.60	1872	2006	2228	2584	2941	3008	3075	3142	3209	3275	3343	0.76
4.10	8.20	1925	2063	2292	2658	3025	3094	3163	3231	3300	3369	3438	0.82
4.55	9.10	1979	2120	2355	2732	3109	3180	3251	3321	3392	3462	3534	0.91
~~4.55~~	~~9.10~~	2006	2149	2387	2769	3152	3223	3295	3366	3438	3509	3581	0.91
5.00	10.00	2032	2177	2419	2806	3194	3266	3339	3411	3484	3556	3629	1.00
5.45	10.90	2086	2235	2483	2880	3278	3352	3427	3501	3576	3650	3725	1.09
5.90	11.80	2139	2292	2546	2954	3362	3438	3514	3590	3667	3743	3820	1.18
6.35	12.70	2193	2349	2610	3027	3446	3524	3602	3680	3759	3837	3916	1.27
6.80	13.60	2246	2407	2674	3101	3530	3609	3690	3770	3851	3930	4011	1.36
7.25	14.50	2300	2464	2737	3175	3614	3695	3778	3860	3942	4024	4107	1.45
7.70	15.40	2353	2521	2801	3249	3698	3781	3866	3949	4034	4118	4202	1.54
8.15	16.30	2407	2579	2865	3323	3782	3867	3954	4039	4126	4211	4298	1.63
8.60	17.20	2460	2636	2928	3397	3866	3953	4042	4129	4217	4305	4393	1.72
9.05	18.10	2514	2693	2992	3470	3950	4039	4129	4219	4309	4398	4489	1.81
9.50	19.00	2567	2750	3056	3544	4034	4125	4217	4308	4401	4492	4584	1.90
9.95	19.90	2621	2808	3119	3618	4118	4211	4305	4398	4492	4585	4680	1.99
10.40	20.80	2674	2865	3183	3692	4202	4297	4393	4488	4584	4679	4775	2.08

Note: The fee schedule begins at 50% of the state median income. All incomes below 50% are considered state poverty level, and no fee is assessed. Families funded under the Federal Block Grant are eligible until their incomes reach the levels underlined above. The shadowed box indicates 84% of median income, adjusted for family size.

Appendix B

Monthly Fee Schedule for Model 1 (Percent of the Cost of Care)

Percent of SMI	Family of 1 or 2 Gross Income	Family of 3 Gross Income	Family of 4 Gross Income	Family of 5 Gross Income	Family of 6 Gross Income	Family of 7 Gross Income	Family of 8 Gross Income	Family of 9 Gross Income	Family of 10 Gross Income	% of the Cost of Care
10.0%	$267	$287	$318	$369	$420	$430	$439	$449	$458	1%
15.0%	$401	$430	$477	$554	$630	$645	$659	$673	$688	2%
20.0%	$535	$573	$637	$738	$840	$859	$879	$898	$917	4%
25.0%	$669	$716	$796	$923	$1,051	$1,074	$1,098	$1,122	$1,146	6%
30.0%	$802	$860	$955	$1,108	$1,261	$1,289	$1,318	$1,346	$1,375	9%
35.0%	$936	$1,003	$1,114	$1,292	$1,471	$1,504	$1,538	$1,571	$1,604	12%
40.0%	$1,070	$1,146	$1,273	$1,477	$1,681	$1,719	$1,757	$1,795	$1,834	16%
45.0%	$1,203	$1,289	$1,432	$1,661	$1,891	$1,934	$1,977	$2,020	$2,063	20%
50.0%	$1,337	$1,433	$1,592	$1,846	$2,101	$2,149	$2,197	$2,244	$2,292	25%
55.0%	$1,471	$1,576	$1,751	$2,031	$2,311	$2,363	$2,416	$2,468	$2,521	30%
60.0%	$1,604	$1,719	$1,910	$2,215	$2,521	$2,578	$2,636	$2,693	$2,750	36%
65.0%	$1,738	$1,862	$2,069	$2,400	$2,731	$2,793	$2,855	$2,917	$2,980	42%
70.0%	$1,872	$2,008	$2,228	$2,584	$2,941	$3,008	$3,075	$3,142	$3,209	49%
75.0%	$2,006	$2,149	$2,387	$2,769	$3,152	$3,223	$3,295	$3,366	$3,438	56%
80.0%	$2,139	$2,292	$2,546	$2,954	$3,362	$3,438	$3,514	$3,590	$3,667	64%
85.0%	$2,273	$2,435	$2,706	$3,138	$3,572	$3,652	$3,734	$3,815	$3,896	72%
90.0%	$2,407	$2,579	$2,865	$3,323	$3,782	$3,867	$3,954	$4,039	$4,126	81%
95.0%	$2,540	$2,722	$3,024	$3,507	$3,992	$4,082	$4,173	$4,264	$4,355	90%
100.0%	$2,674	$2,865	$3,183	$3,692	$4,202	$4,297	$4,393	$4,488	$4,584	100%

(a) Fee calculated using an exponential model: Y=M * X^2; where M = 100 percent of the cost of care; ; X = the percent of the State Median Income (SMI); and Y = the percent of the cost of care to be paid as a fee.

Appendix C

Monthly Fee Schedule for Model 2 (Percent of Income)

Percent of SMI	Family of Two			Family of Three			Family of Four			Family of Five		
	Family of 2 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 3 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 4 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 5 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)
10.0%	$267	$24	$29	$287	$26	$32	$318	$29	$35	$369	$33	$41
15.0%	$401	$36	$44	$430	$39	$47	$477	$43	$53	$554	$50	$61
20.0%	$535	$48	$59	$573	$52	$63	$637	$57	$70	$738	$66	$81
25.0%	$669	$60	$74	$716	$64	$79	$796	$72	$88	$923	$83	$102
30.0%	$802	$72	$88	$860	$77	$95	$955	$86	$105	$1,108	$100	$122
35.0%	$936	$84	$103	$1,003	$90	$110	$1,114	$100	$123	$1,292	$116	$142
40.0%	$1,070	$96	$118	$1,146	$103	$126	$1,273	$115	$140	$1,477	$133	$162
45.0%	$1,203	$108	$132	$1,289	$116	$142	$1,432	$129	$158	$1,661	$150	$183
50.0%	$1,337	$120	$147	$1,433	$129	$158	$1,592	$143	$175	$1,846	$166	$203
55.0%	$1,471	$132	$162	$1,576	$142	$173	$1,751	$158	$193	$2,031	$183	$223
60.0%	$1,604	$144	$176	$1,719	$155	$189	$1,910	$172	$210	$2,215	$199	$244
65.0%	$1,738	$156	$191	$1,862	$168	$205	$2,069	$186	$228	$2,400	$216	$264
70.0%	$1,872	$168	$206	$2,006	$180	$221	$2,228	$201	$245	$2,584	$233	$284
75.0%	$2,008	$180	$221	$2,149	$193	$236	$2,387	$215	$263	$2,769	$249	$305
80.0%	$2,139	$193	$235	$2,292	$206	$252	$2,548	$229	$280	$2,954	$266	$325
85.0%	$2,273	$205	$250	$2,435	$219	$268	$2,708	$243	$298	$3,138	$282	$345
90.0%	$2,407	$217	$265	$2,579	$232	$284	$2,865	$258	$315	$3,323	$299	$366
95.0%	$2,540	$229	$279	$2,722	$245	$299	$3,024	$272	$333	$3,507	$316	$386
100.0%	$2,674	$241	$294	$2,865	$258	$315	$3,183	$286	$350	$3,692	$332	$406

Appendix C

Monthly Fee Schedule for Model 2 (Percent of Income)

Percent of SMI	Family of Six			Family of Seven			Family of Eight			Family of Nine		
	Family of 6 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 7 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 8 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)	Family of 9 Gross Income	Fee for One Child in Care (9%)	Fee for Two or More Children in Care (11%)
10.0%	$420	$38	$46	$430	$39	$47	$439	$40	$48	$449	$40	$49
15.0%	$630	$57	$69	$645	$58	$71	$659	$59	$72	$673	$61	$74
20.0%	$840	$76	$92	$859	$77	$95	$879	$79	$97	$898	$81	$99
25.0%	$1,051	$95	$116	$1,074	$97	$118	$1,098	$99	$121	$1,122	$101	$123
30.0%	$1,261	$113	$139	$1,289	$116	$142	$1,318	$119	$145	$1,346	$121	$148
35.0%	$1,471	$132	$162	$1,504	$135	$165	$1,538	$138	$169	$1,571	$141	$173
40.0%	$1,681	$151	$185	$1,719	$155	$189	$1,757	$158	$193	$1,795	$162	$197
45.0%	$1,891	$170	$208	$1,934	$174	$213	$1,977	$178	$217	$2,020	$182	$222
50.0%	$2,101	$189	$231	$2,149	$193	$236	$2,197	$198	$242	$2,244	$202	$247
55.0%	$2,311	$208	$254	$2,363	$213	$260	$2,416	$217	$266	$2,468	$222	$272
60.0%	$2,521	$227	$277	$2,578	$232	$284	$2,636	$237	$290	$2,693	$242	$296
65.0%	$2,731	$246	$300	$2,793	$251	$307	$2,855	$257	$314	$2,917	$263	$321
70.0%	$2,941	$265	$324	$3,008	$271	$331	$3,075	$277	$338	$3,142	$283	$346
75.0%	$3,152	$284	$347	$3,223	$290	$355	$3,295	$297	$362	$3,366	$303	$370
80.0%	$3,362	$303	$370	$3,438	$309	$378	$3,514	$316	$387	$3,590	$323	$395
85.0%	$3,572	$321	$393	$3,652	$329	$402	$3,734	$336	$411	$3,815	$343	$420
90.0%	$3,782	$340	$416	$3,867	$348	$425	$3,954	$356	$435	$4,039	$364	$444
95.0%	$3,992	$359	$439	$4,082	$367	$449	$4,173	$376	$459	$4,264	$384	$469
100.0%	$4,202	$378	$462	$4,297	$387	$473	$4,393	$395	$483	$4,488	$404	$494

Appendix D

Monthly Fee Schedule for Model 3 (Percent of the State Reimbursement Rate (SRR))

Factor Adjustment for the Number of Children in Care

One Child in Care	1.00
Two Children in Care	1.75
Three Children in Care	2.25
Add For Each Additional Child > 3	0.50

Percent of SMI	Family of 1 or 2 Gross Income	Family of 3 Gross Income	Family of 4 Gross Income	Family of 5 Gross Income	Family of 6 Gross Income	Family of 7 Gross Income	Family of 8 Gross Income	Family of 9 Gross Income	Family of 10 Gross Income	One Child In Care Monthly Fee (a)
10.0%	$267	$287	$318	$369	$420	$430	$439	$449	$458	$5
15.0%	$401	$430	$477	$554	$630	$645	$659	$673	$688	$10
20.0%	$535	$573	$637	$738	$840	$859	$879	$898	$917	$18
25.0%	$669	$716	$796	$923	$1,051	$1,074	$1,098	$1,122	$1,146	$29
30.0%	$802	$860	$955	$1,108	$1,261	$1,289	$1,318	$1,346	$1,375	$41
35.0%	$936	$1,003	$1,114	$1,292	$1,471	$1,504	$1,538	$1,571	$1,604	$56
40.0%	$1,070	$1,146	$1,273	$1,477	$1,681	$1,719	$1,757	$1,795	$1,834	$73
45.0%	$1,203	$1,289	$1,432	$1,661	$1,891	$1,934	$1,977	$2,020	$2,063	$93
50.0%	$1,337	$1,433	$1,592	$1,846	$2,101	$2,149	$2,197	$2,244	$2,292	$115
55.0%	$1,471	$1,576	$1,751	$2,031	$2,311	$2,363	$2,416	$2,468	$2,521	$139
60.0%	$1,604	$1,719	$1,910	$2,215	$2,521	$2,578	$2,636	$2,693	$2,750	$165
65.0%	$1,738	$1,862	$2,069	$2,400	$2,731	$2,793	$2,855	$2,917	$2,980	$194
70.0%	$1,872	$2,006	$2,228	$2,584	$2,941	$3,008	$3,075	$3,142	$3,209	$224
75.0%	$2,006	$2,149	$2,387	$2,769	$3,152	$3,223	$3,295	$3,366	$3,438	$258
80.0%	$2,139	$2,292	$2,546	$2,954	$3,362	$3,438	$3,514	$3,590	$3,667	$293
85.0%	$2,273	$2,435	$2,706	$3,138	$3,572	$3,652	$3,734	$3,815	$3,896	$331
90.0%	$2,407	$2,579	$2,865	$3,323	$3,782	$3,867	$3,954	$4,039	$4,126	$371
95.0%	$2,540	$2,722	$3,024	$3,507	$3,992	$4,082	$4,173	$4,264	$4,355	$413
100.0%	$2,674	$2,865	$3,183	$3,692	$4,202	$4,297	$4,393	$4,488	$4,584	$458

(a) Fee calculated using an exponential model: Y=M * X^2; where M = the maximum state reimbursement rate for center based care (based on $21.1533/day the monthly reimbursement rate is $458 per month (daily rate times 5 days per week times 4.33 (average number of weeks per month); X = the percent of the State Median Income (SMI); and Y = the monthly fee.

Task IV

Reimbursement Mechanisms in Child Care and Development Programs In California

Work Group Report

By

Mike Kirst

Neal Finkelstein

Section I - Overview of Reimbursement Policy

In publicly-funded child care, an important but easily overlooked component of policy is the method of payment, or reimbursement, that is used by different child care programs. The method of reimbursement in a particular program has important implications for the availability, quality, and efficiency of a child care program, as well as the level of choice and responsiveness a program provides to parents, and the extent to which it supports broader policy goals.

Public child care serves many purposes and policy goals. Three of the most important of these are self-sufficiency for families, a healthy and safe environment for children and positive educational and developmental outcomes for children. Child care programs can play a crucial role in helping low-income parents, especially those on AFDC and other welfare programs, to become self-sufficient by providing them with child care so that they can either pursue additional education and training or obtain and keep a paying job. In addition, most public child care programs attempt to ensure that children are cared for in an environment that is healthy and safe. Some programs go beyond this by requiring providers to supply educational experiences that will aid children in their development. Reimbursement policy can either enhance or detract from a particular program's ability to meet these different goals.

The working group on reimbursement was charged with describing the current system in order to locate both strengths and weaknesses in existing programs as a starting point for analysis and recommendations. In this section, the current system of reimbursement in public child care programs in California is described. Later in the report, the critical aspects of the current system are analyzed and recommendations for improvements are made.

Implicit in much of this paper is the examination of the efficiency with which the market for child care and development services operates. The extent to which prices are set with and without market information is a critical piece of this study.

An efficient market is constituted by informed buyers and sellers, satisfying consumer demand at the lowest possible cost. Poorly informed buyers (including parents and government buyers) are sources of market failures–the failure to produce what buyers want at a low cost.

Knowledge of the market enables buyers to make informed choices about the quality of service. Informed buyers force sellers to provide services efficiently. In the child care market, many parents are not adequately informed about the location or the quality of services. Many parents do not have access to the information nor the wherewithal to employ the information to their advantage. Furthermore, children receive the services and often cannot convey what occurs during child care.

As a consequence, according to economists and other scholars, the market suffers problems based on asymmetric information: the buyers know less than the sellers. The consequence is that low-quality providers can charge fees worthy of a higher-quality provider. And, the providers feel no incentives to improve their service for they fear no reprisals from consumers.

Conversely, higher quality providers may not be receiving the rewards for providing a better product. There may be no incentive to sustain that level of performance. Until parents and other purchasers of care can distinguish high from low-quality centers, centers cannot increase their fees to cover the increased costs of providing better care–assuming the costs are greater.

Buyers must learn to discriminate between good and bad providers in order to enable the market to operate in a more efficient manner. Without proper use of good information, the market does not ensure that quality survives.

Definitions

Prior to describing the existing system, a few definitions are necessary, particularly the concepts of reimbursement policy and reimbursement itself. The term reimbursement is used specifically, along with the term repayment, to describe the transfer of funds to a parent or child care provider after child care has actually been provided. Reimbursement policy entails three primary components. First, it involves the manner in which money reaches providers in order to compensate them for care they have given to children or will give to children. Second, reimbursement policy includes both the different levels of funding provided to parents to obtain child care, and the different approaches used to set those levels. Third, reimbursement policy covers the alterations made in levels of funding to accommodate the varying needs of parents and children. Thus, reimbursement policy broadly describes policy that addresses the funding methods, rate-setting techniques, and adjustments involved in child care policy. These three basic components of reimbursement policy provide a framework for the description of the existing system in this section, and the analysis and recommendations presented in the following sections.

Two other terms are regularly used in this report. Payment or disbursement are broad terms used to describe any transfer of funds to a parent, child care provider, or intermediate agency (see below for definition of intermediate agency). This transfer of funds may come from the state, an intermediate agency, or a parent, and generally flows "downward" in one of the following ways: state to intermediate agency, state to child care provider, intermediate agency to parent, intermediate agency to provider, or parent to provider. An intermediate agency is an organization that has been charged by the state to act on behalf of the state in: determining a family's eligibility for different programs; enrolling families in programs; and then providing the payments or repayments to the parents or providers as is appropriate. In California, two sets of intermediate agencies act in this capacity: the County Welfare Departments (or CWDs, which administer AFDC-related child care for the California Department of Social Services) and Alternative Payment Programs (or APPs, which are contracted with by the California Department of Education). The different roles of these agencies and the programs with which they are involved are discussed below.

Section II: Background Analysis

A) The Current System of Child Care Reimbursement in California

In California there are currently thirteen operating Child Care programs, managed by two state agencies – the California Department of Education (CDE) and the California Department of Social Services (CDSS). All thirteen programs disburse state funds for child care to individual parents, intermediary agencies, child care providers or some combination of these. In Table I-A, a description is provided of each of these programs, and includes: the payment mechanism(s); the program's funding source; the maximum rates and adjustments made to these rates; the manner in which maximum rates and individual rates are set; the agency for local administration (if any); the allocation of funds for direct services, administration, and support services; administrative and support activities; the existence of rate variance with quality; and the key fiscal reporting and auditing requirements.

As discussed above, the three primary components of reimbursement policy are: the funding mechanism, or method of transferring funds from the state to the provider; the technique for setting rates, or levels of funding for individual children; and the alterations or adjustments made to these levels to address the different needs of children and families. These three components provide the basis for describing the current system.

Three Methods of Child Care Funding

In order to analyze the system of child care reimbursement, the working group sought underlying similarities in payment policies across programs and agencies. Therefore, we focused on the methods or mechanisms of payment used by the different child care programs and agencies. The following discussion is based on these basic methods; Table I-A reflects the programs that use each method. Though

both state agencies disburse funds to some set of individuals and/or organizations, there are only a limited number of ways these child care funds can be paid out. The working group attempted to describe and compare these methods of disbursing funds and the consequences – positive or negative – of using each funding method. The focus on mechanisms produced a modified list of three methods of child care payment methods: 1) income disregard; 2) certificates to providers or parents and 3) direct service contracts. The working group described and compared the three mechanisms on a number of different dimensions, summarized in Table I-B.

Table I-A - Reimbursement Matrix of Existing System

1. Programs Administered by the California Department of Social Services

Key Variables	GAIN	NET	TCC	AFDC Income Disregard	SCC	CAAP	Cal Learn
Payment Mechanism	Certificates to parents or providers through CWD	Reimbursement to provider or parent or Certificate to provider or parent through CWD	Reimbursement to provider or parent or Certificate to provider or parent through CWD	Income Disregard	Reimbursement to parent	Reimbursement to parent	Certificate to parent or provider through CWD
Funding Source;	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%	Fed. IV-A - 50%; state/local match - 50%
Maximum Rates --Adjustments?	1.5 std. deviations. above regional market rate RMR adjusted by age group; hourly/daily/ monthly rates; ctr/fcch/ exempt	75th percentile of regional market rate. RMR adjusted by age group; hourly/daily/ monthly rates; ctr/fcch/ exempt	75th percentile of regional market rate. RMR adjusted by age group; monthly rates; ctr/fcch/ exempt	$200/mo for children under 2/ $175/mo for children 2 and over	75th percentile of regional market rate., when added to amount from income disregard. RMR adjusted by age group; monthly rates; ctr/fcch/ exempt	75th percentile of regional market rate. RMR adjusted by age group; monthly rates; ctr/fcch/ exempt	1.5 std. deviations. above regional market rate. RMR adjusted by age group; hourly/daily/ monthly rates; ctr/fcch/ exempt
How are max. rates determined?	Regional Market Rate Survey	Regional Market Rate Survey	Regional Market Rate Survey	Federal regulation	Regional Market Rate Survey	Regional Market Rate Survey	Regional Market Rate Survey
How are individual rates determined?	Lower of actual provider charges or 1.5 std. deviations. above regional market rate	Lower of actual provider charges or 75th percentile of regional market rate	Lower of actual provider charges or 75th percentile of regional market rate	Actual charges up to $200 for children 0 2; $175 for children 2 and over.	Lower of actual provider charges or 75th percentile of regional market rate e.g. income disregard adjustment	Lower of actual provider charges or 75th percentile of regional market rate	Lower of actual provider charges or 1.5 std. deviations. above regional market rate

Key Variables	GAIN	NET	TCC	AFDC Income Disregard	SCC	CAAP	Cal Learn
Local Administration	County Welfare; may be contracted out.	County Welfare Dept.	County Welfare Dept.	County Welfare Dept.	County Welfare Dept.	County Welfare Dept.	County Welfare Dept. may be contracted out
Allocation of funds - Direct Services/ Admin/ Support Services	Capped Entitlement - County Share. statewide admin. - 25.2%; significant variance among counties.	Entitlement. Statewide admin. average - 26.5%; significant variance among counties	Entitlement. Statewide admin. - 22.9%	Entitlement; admin varies by county; no estimate available	Entitlement; admin varies by county; no estimate available	Entitlement; varies by county; no estimate available	Entitlement; statewide cost - 35.5% (may reflect start-up costs)
Administrative/ Support Activities	determine recipient eligibility; qualify providers; calculate reimbursement; issue payments	determine recipient eligibility; qualify providers; calculate reimbursement; issue payments	determine recipient eligibility; qualify providers; calculate family fees and provider reimbursement; issue payments	determine recipient eligibility; qualify providers; calculate reimbursement; issue payments	determine recipient eligibility; qualify providers; calculate reimbursement; issue payments	determine recipient eligibility; qualify providers; calculate reimbursement; issue payments	Provide or contract for case management; determine recipient eligibility; qualify providers; calculate reimbursement; issue payments
Rate Variance with quality?	No	No	No	No	No	No	No
Key Fiscal Reporting/ Audit Requirements	ACF 115- monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115- monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115- monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115- monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115- monthly repost # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115- monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care	ACF 115 - monthly report # families receiving care; number of children receiving care, by type of care (relative, non-relative, exempt, licensed, in-home, family child care, center); expenditures by type of care

2. Programs Administered by the California Department of Education

Key Variables	IV-A At-Risk	Federal Child Care and Development Block Grant	Alternative Payment Program (FCCH)	State Preschool	General Child Care	School - Age Community Child Care
Payment Mechanism	Certificate to parent or provider through APP	FBG 25- Direct Services Contract. FBG 75 - Certificate to parent or provider through APP	Contract with agency to operate certificate to parent/ provider program	Direct Services Contract	Direct Services Contract	Direct Services Contract
Funding Source;	Fed. IV-A - 50%; state/local match - 50%	Federal	State	State	State	State
Maximum Rates –Adjustments?	APP's - 75th percentile of regional market rate; RMR adjusted by age group; hourly/daily/ monthly rates; ctr/fcch/exempt Contract centers - SRR w/ state paying excess of 75th p	FBG 25 - SRR, with adjustments same as General Child Care. Family Fee Schedule FBG 75 Capped at 1.5 std deviations above market rate.	1.5 std. deviations above regional market rate.. Family fee.	Capped at $13.87.	State Standard Reimbursement Rate (SRR) $21.73 per day for most contracts. Adjustments for age of child,, exceptional needs, LEP/NEP, at risk of abuse or neglect, parts of days. Family fee, except CPS	Capped at $15.28 max. average/day or $1.81 max. average/hour. Adjustments for exceptional needs, LEP/NEP, risk of abuse or neglect. Part day Family fee
How are max. rates per child determined?	APP's - Regional Market Rate Survey. Contract centers - SRR d and COLA's.	FBG 25 - Statute, FBG 75- RMR	Regional Market Rate Survey	Dept. policy modified by COLA	Statute, modified by COLA	Statute, modified by COLA
How are individual rates determined?	APP's - Lower of actual provider charges or 75th percentile of regional market rate. Contract centers - SRR	FBG 25 - see General Child Care FBG 75 - Lesser of contract Maximum Reimbursable Amount or actual provider costs to 1.5 std. deviations above RMR plus up to 25% of costs (20% of total) for combined admin/support services. Of 20%, 15% max for admin.	Lesser of contract Max Reimbursable Amount or actual provider cost up to 1.5 std. deviations above RMR plus up to 33% of costs (25% of total ,30% for FCCH) for combined admin/support services. Of 25%, (30%), 15% max for admin.	Least of Max. Contracted Reimburse. Amount or net reimbursable program costs or capped State Rate x Child Days of Enrollment x % of attendance plus 5%..	Least of Max. (Contracted) Reimbursable Amount or net reimbursable program costs or capped State Rate x Child Days of Enrollment x percentage of attendance plus 5%..	Least of Max. (Contracted) Reimbursable Amount or net reimbursable program costs or capped State Rate x Child Days of Enrollment x percentage of attendance plus 5%, or 50% of total program costs. or 50% of total CDE X rate.

Key Variables	IV-A At-Risk	Federal Child Care and Development Block Grant	Alternative Payment Program (FCCH	State Preschool	General Child Care	School - Age Community Child Care
Local Administration	Alternative Payment Programs; CDE contracted child care centers	FBG 25- Contractor (i.e. indiv. center, or LEA/non profit operating more than one site.) FBG-75 - APP (non-profit;, LEA, CWD.)	Alternative Payment Program (non-profit;, LEA, county welfare dept.)	Contractor (i.e. indiv. center, or LEA/non-profit operating more than one site.)	Contractor (i.e. indiv. center, or LEA/non-profit operating more than one site.)	Contractor (i.e. indiv. center, or LEA/non-profit operating more than one site.
Allocation of funds - Direct Services/ Admin/ Support Services	Capped Entitlement. APP's - Admin. up to 15% , support up to 10% added to provider payments; Contract Centers - 15% of contract	FBG 25- Up to 15% of contract may be used for admin. FBG-75- Up to 20% over provider costs may be charged for combined admin/support activities. Admin limited to 15%.	Up to 25% (30% for FCCH sys), over provider costs may be charged for combined admin/support activities. Admin limited to 15%.	Up to 15% of contract may be used for admin. costs.	Up to 15% of contract may be used for admin. costs.	Up to 15% of contract may be used for admin. costs.
Admin/ Support Activities	refer parents to providers; refer families to needed support services; determine recipient eligibility; qualify providers; calculate family fees and provider reimbursement; issue payments	FBG 25- same as general child care FBG 75- same as Alternative Payment Program.	Admin - activities not directly benefiting family, child , or provider . (elig., qualify providers, calculate reimbursement /family fee, issue payment,, audits, indirect costs.) Support-services for growth of child and family, (assist families to select care, referrals to support services provider assistance, etc.	Admin - costs for activities not benefiting children or families which are necessary to carry out contract (elig. determination, calculate reimbursement and family fees, audits, indirect costs.)	Admin - costs for activities not benefiting children or families which are necessary to carry out contract (elig. determination, calculate reimbursement and family fees, audits, indirect costs.)	Admin - costs for activities not directly benefiting family, child , or (for fcch/app) provider . (elig deter.. qualify providers, calculate reimbursement and family fee, issue payment,, audits, indirect costs.)

Key Variables	IV-A At-Risk	Federal Child Care and Development Block Grant	Alternative Payment Program (FCCH	State Preschool	General Child Care (incl., severely handicapped, campus, migrant)	School - Age Child Care
Rate Variance with Quality?	No	No	No	No	No	No
Key Fiscal Reporting/ Audit Requirements	APP's - monthly expenditure reports (amount and source of revenues, total expenditures (direct service payments, admin, support) # of cert. children, days of operation; service data report incl total number of families served, children served and payments to providers by age group, # children by type of care, part and full time care, by priority; stat, cost & prog data req by CDE. Centers: Monthly Attendance and expenditure reports including days of enrollment/ attendance for all children, days of operation, all services, revenues and expenditures, amount and sources of revenue, service data report incl total number of families served, children served and payments to providers by age group, # children by type of care, part and full time care, by priority; stat, cost & prog data req. by CDE CDE reports some of this data to CUSS, aggregates it and reports to Federal Gov't.	FBG 25 - same as centers, except reports are monthly; then state submits aggregated report monthly to federal government. FBG-75 same as Alternative Payment except reports are monthly; then state submits aggregated report monthly to federal government.	5 expenditure reports each yr., amount and source of revenues, expenditures including direct service payments, admin, support costs, total # of certified children, days of operation; service data report incl # of children served, payments to providers by age group, # children by type of care, part and full time care, stat, cost & prog data req. by CDE	5 Attendance and expenditure reports each yr. including days of enrollment/ attendance for all children, days of operation, all services, revenues and expenditures, amount and sources of revenue, # of 3 & 4yr olds; stat, cost & prog data req. by CDE	5 Attendance and expenditure reports each yr. including days of enrollment/ attendance for all children, days of operation, all services, revenues and expenditures, amount and sources of revenue, stat, cost & prog data req. by CDE	5 Attendance and expenditure reports each yr. including days of enrollment/ attendance for all children, days of operation, all services, revenues and expenditures, amount and sources of revenue, stat, cost & prog data req. by CDE

Table I-B - Child Care Funding Methods

	Income Disregard	Certificates to Providers or Parents	Direct Service Contracts (center/family based)
What is the path of the funding, starting at the state level?	1)state to county welfare office 2)to parent upon receipts via AFDC check	1)state to intermediary agency 2)certificate to parent or provider 3)money either to parent or provider after care given	1)state to provider
How are the maximum and actual amounts determined?	Max-by statute, $175 or $200 minus other disregards Actual-based on receipts	Max-based on RMR Actual-providers fee up to max	Max-SRR and COLAs as determined by statute Actual-negotiated by contract up to SRR
What adjustments are made to the basic rate?	age of child and other disregards	age of child, type of care, time, special needs, location	age of child, time, exceptional needs, LEP/NEP, CPS
How do funding mechanisms influence quality?	no intended consequences, but unintended negative consequences through limiting of choice due to funding	indirect through setting of maximum amount cannot use illegal care; additional health and safety standards; support services to aid parents in choosing quality care	required additional standards
Whose decision influences the child care market?	parent - limited by funding	parent, state by limiting to licensed and license-exempt care	state by limiting to selected providers with contracts, parent
What is the amount of the administrative burden for different levels of government?	state - high intermediate agency - medium to high providers - low parents - medium to low	state - medium intermediate agency - high providers - relatively low/varies parents - medium to low	state - high central contractor - often higher than site providers - medium parents - low

i) Income Disregard - Income disregard is a method of crediting working parents receiving AFDC for purchased child care services. A maximum credit amount of $175-200 is set by federal statute. AFDC parents contract and pay for child care services and submit a receipt to their County Welfare Department (CWD). The county welfare office credits the parent in his next AFDC budget; this may or may not be reflected in the AFDC check following reported payment; depending on what other disregards have been claimed, however, the parent may not receive the full credit. The income disregard method is used only for child care funded through AFDC.

ii) Certificates to Parents or Providers[22]- Certificates or "notices of action", in the case of programs administered by county welfare departments, are used in tandem with intermediary agencies such as CDE's Alternative Payment Programs (APP) or the county welfare department in the case of programs such as GAIN and Cal Learn. In this method, the intermediary determines the eligibility of parents for child care and issues the parent an authorization (promise to pay) in the form of a certificate or notice of action, that she can use to contract with a provider for child care services. In most cases, the provider submits the certificate or notice of action to the intermediary for payment. The certificate itself does not have a monetary value, as the amount paid to the parent or provider is determined by the price of care normally charged by the provider, with the maximum set by a ceiling based on the Regional Market Rate for the type of care provided. Instead, the certificate or notice of action reflects the maximum that the intermediary will pay for care, and the amount of care to be provided. Parents are also limited to using licensed and license-exempt providers. Child care programs that use a certificate mechanism or the reimbursement variation include: IV-A At-Risk, the Federal Child Care and Development Block Grant, CDE's Alternative Payment Program, GAIN, Cal Learn, SCC, NET and TCC.

iii) Direct Service Contracts - Under a direct service method, the state contracts directly with a provider to deliver a specified amount of child care services. While the form of contract differs, generally the provider and the state negotiates the amount of services provided at the Standard Reimbursement Rate set by statute. The provider submits records of enrollments, attendance, expenditures, and delivered services and is paid by the state accordingly, up to a maximum amount set in the initial contract. Child care programs that use a direct service contract mechanism include, but are not limited to: State Preschool, General Child Care and School - Age Community Child Care.

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[22] A variation of the certificate mechanism is direct reimbursement to parents. In this method, the intermediary reimburses parents for delivered child care services, usually within 20 days. This version of the certificate reimbursement mechanism puts the burden on parents to pay for services upfront.

The following table presents evaluative criteria developed by the working group to discuss the relative merits of each of the reimbursement mechanism listed above.

Evaluative Criteria for Funding Mechanisms

A. Access of Care to Parents

1) Affordability of care to parents

2) Availability of care to parents

B. Quality of Services Purchased

1) Healthy and safe environment for children

2) Positive educational and developmental outcomes for children

C. Parental Choice

1) Information available to parents in determining their child care preferences

2) Opportunity of parents to use the information available to them in selecting child care

D. Efficiency of State Investment in Child Care

1) Provide quality child care at a low price

2) Provide access to available and affordable care at a low price

3) Bring the cost of care and the price of care to a ratio of 1:1

4) Prevent fraud and overpayment

E. Responsiveness

1) Friendly to families in the child care system

2) Friendly to providers who deliver services

F. Policy Coordination

1) Linkage among actors and institutions within the child care system

2) Linkage among child care and related policy goals (education/school readiness, welfare policy, family policy)

Comparing the Funding Mechanisms

The working group applied the six evaluative criteria based on the knowledge and experience of its members and previous information and analysis of the reimbursement system that was available. The assessment was confined to the mechanisms themselves, not the programs or agencies that use a particular method or methods. The goal was to determine how the mechanisms fared against each other, based on the criteria, and whether the three methods further the goals of the state's subsidized child care and development system.

The comparative analysis found that income disregard fared poorly on nearly all of the criteria when compared against certificates and contracts. Contracts and certificates fare much better in the evaluation, facilitating, in different ways, the primary state goals of family self-sufficiency, a healthy and safe child care environment, and positive educational outcomes for children.
Some of the reasons are as follows:

Income disregard. Although much more efficient and less costly to administer than other payment mechanisms, the income disregard provides much lower maximum levels of payment than other payment mechanisms. This reduces the range of care options from which parents can choose, and may reduce quality of care. Care funded by the disregard is not subject to any health, safety, or program standards. Moreover, since it is the last in a series of credits or disregards to be applied to an AFDC recipient's budget, there is no guarantee that it will actually cover all or even part of the cost of care. The disregard has a negative impact on access by requiring parents to pay for child care services up front. Finally, there is no requirement that information about options for care be offered to AFDC recipients using the disregard.

Certificates. Certificates permit a wide range of parental choice by funding any licensed or license-exempt care selected by the parent up to 1.5 standard deviations above the regional market rate. Provision of information about options for care are required, increasing the likelihood that higher quality care will be selected. Since certificates and contracts do not require such up front payments, they make access easier for families. Because an intermediary is required to determine eligibility, provide information, and "broker" certificate payments, it has higher administrative costs than the income disregard.

Contracts. Contracts guarantee a specific curriculum and program standards designed to ensure quality and enhance educational and developmental growth of the child. Although they may limit parental choice because many providers offer services only to specific age group, or during specific hours, they provide information to parents through the parental education and involvement

component that is an essential part of the funding method. They vary in administrative efficiency, and cost more to administer than the disregard.

B) How Rates are Established

In the current system, there are two ways to determine the maximum rate that a provider may receive for the care of a child (as discussed below, these rates may vary based on the type of child or type of care provided). One way to set rates is through the Standard Reimbursement Rate (SRR); SRRs are only used in programs that use a direct service contracts mechanism. The second way to set rates is the Maximum Reimbursement Rate (MRR) which is based on a Regional Market Rate (RMR) that is determined through a market rate survey.

The Standard Reimbursement Rate

The use of Standard Reimbursement Rates has been a basis for setting funding levels for contracts since early in the provision of public child care in California. When using an SRR, a maximum is set per child enrollment day. Providers who have direct service contracts then negotiate their contract with the Department of Education, with the SRR setting the maximum amount they can receive per child enrollment day (except when adjustments are made, as described below).

This negotiation determines the amount and type of care that will be provided. The current rate of $21.73 used by most programs that use SRRs originated in 1978. At that time, an SRR was set at $15.23, and was determined through a study of the average day's spending of providers. Since then, several cost of living adjustments (COLAs) have increased the SRR to its current levels. Thus, the existing SRR is not based on current information about costs or prices of child care, but on a rate set almost 20 years ago that has been increased at a much slower pace than inflation.

The negotiated contract amount is determined by the standard reimbursement rate and adjustment factors for different populations (infants, limited English speaking children, disabled children) and several less determinative provisions. The contracts with child care centers subsidized by the CDE also stipulate satisfaction of higher regulation levels and, thus, provide for higher quality child care.

Historically, the contract rate has been higher than market rates in order to ensure a supply of high-quality center-based care in areas where the private market might not otherwise be able to support construction and operation of new facilities. In addition, the higher rates were intended to pay providers for the additional costs of regulatory compliance. However, the premium of the contract rates over market rates has shrunk due to the multi-year absence of COLAs. The erosion of the

contract's premium appears to be most detrimental for providers within high cost areas, such as the Bay Area. The real decrease in contract rates frustrates centers that are still required to provide higher quality child care service, but at lower cost.

The eroding premium alerted the working group to the absence of empirical data supporting the current contract rate of $21.73. The rate is not supported by field data that illustrates how providers deliver child care that complies with the prevailing regulations for not more than $21.73 per child day.

The Proposed CDE Negotiated System

The CDE is planning to implement a new system for determining reimbursement rates for subsidized centers. Business plans submitted by providers will serve as a departure point for a negotiated contract rate. Plans will be drafted with the underlying assumption of satisfying current Title 5 regulations. Therefore, the plans will provide a rich database of operating costs.

Maximum Reimbursement Rates: The Regional Market Rate Survey

The use of Maximum Reimbursement Rates and Regional Market Rates, both based on the market rate survey, comprise the second way of setting maximum levels of funding per child enrollment day. Currently, an annual survey of child care providers is conducted by the California Child Care Resource and Referral Network under contract with the California Department of Education and the California Department of Social Services, to determine prevailing market rates. The information delivered by the market rate survey is used to calculate maximum child care reimbursement ceilings for participants in a variety of state and federal subsidized child care programs.

Different programs that utilize this technique vary in the level at which they set their MRRs. Some programs will pay up to the 75th percentile of the regional market rate, while others will pay up to the 1.5 standard deviation above the RMR (which is usually around the 92nd percentile). The survey reports market rates for:

- different settings: child care centers and family child care homes
- different ages of children: less than 2 years; 2 through 5 years; 6 years and older
- different hours of care needed: full-time or part-time
- different payment bases: hourly, daily, weekly, monthly.

Several issues related to the design of the Regional Market Rate Survey were discussed by the working group. They are described below.

Timebases

Collecting data for four different timebases, reflecting the various ways providers charge for care, was intended to prevent clients from falling through the cracks. In theory, the notion is laudable. In practice it presents difficulties in using the rate sheet for CWDs and APPs administering the program. It also presents a statistical problem to those analyzing the Market Rate Survey, by delivering inadequate sample sizes due to the multitude of categories. Inadequate sample sizes forces the use of regional rates and casts doubt on the validity of that rate for constituent "markets".

The work group explored reducing the number of timebases gathered in the survey through conversion. Conversion is no stranger to the survey. The survey calculates a subsidized center's part-time rate by dividing the contracted full-time daily rate by seven hours/day. Furthermore, monthly rate ceilings for the small population of family day care homes charging monthly are converted to weekly rates using a factor of 4.33 weeks per month. The four independent samples of rates (hourly, daily, weekly, monthly) are not necessarily equivalent. For example, subsidized centers only use the rates that they report. Any conversion creates artificial rates that may not actually part of the market because there are no centers pricing care at those converted levels.

Additionally, the different categories and levels often equate to different sectors of the child-care market. Those who report hourly may serve a different consumer than those who report monthly. The risk of conversion is that market sectors will be blended and thus the rate sheets will lose the information provided by keeping the levels of service separate. Conversion may penalize clients that were better served by the distinct groupings or, alternatively, conversion may penalize the programs that were more efficiently served by the timebase distinctions. The only method to ensure equivalency would be if all providers declared their rates in all four ways and the survey collected all of that data. The idea to collect data at all levels, however, is inefficient, complicated and costly. Thus, conversions remain the best option.

An additional problem arises with possible misrepresentation of the market due to inclusion of contracted centers in specific timebases. Currently, for the purposes of the survey, the CDE subsidized child care center contract rates are reported as full-time daily rates and part-time hourly rates, since those are the rates by which centers charge their clients. However since most unsubsidized centers do not charge a daily rate (and thus do not include a daily rate in the survey) contracted centers dominate the daily, full-time, and possibly hourly, part-time rate. The concentration of CDE rates in those time categories poses questions regarding potential misrepresentation of market rates if the contract centers were to drive the ceilings within those two rate categories. (If, under the proposed changes by the CDE,

the centers begin to charge on a weekly rate, the dominance of the subsidized centers will shift to the weeklies.)

Clustering

The Regional Market Rate Survey, by its very design, makes the assumption that county lines define a regional marketplace. Grouping rates by county was elected to accommodate extreme variation in child care prices across the state. This methodology intended to help determine effective subsidies in order for parents to gain access and choice to child care in the communities where they live and work.

This assumption has been called into question by the working group. Many counties display as much if not more variation within their boundaries as the entire state does. In addition, families cross county lines for employment, residence, and child care and development services. Analysis showed that some clients may have few, if any, providers within their traveling radius as well as within their reimbursement level. For example, review of the distribution of providers across zip codes within counties revealed zip codes in which few, if any, providers existed at or below the reimbursement level. Therefore, the outcomes from equating a county with a market can be harmful.

The working group recommended investigating the cost-effectiveness of grouping providers by a "cluster" which do not necessarily fit within a county's lines. Clustering by zip codes was offered as an example of one remedy. PACE has conducted some preliminary analysis that indicates zip code clustering may be a better way of defining child care and development markets. More analysis, however, is required.

The strength of clustering derives from identifying areas that exhibit a balance between similarity in prices and geographic contiguity. The purpose of the price similarity is to empower families to purchase child care at a rate that is competitive in the community where they live and work. Therefore, the clusters will be based on actual rate differences that prevail in the communities where the consumers live rather than on a boundary defined by politics or administration.

Clustering could provide larger sample sizes for the several categories and levels that currently suffer inadequate sample sizes. Clustering could also replace the current method of replacing county ceilings with regional ceilings when there are too few providers in a particular rate category within a county. Therefore, it could increase the statistical validity of the numbers included on the rate sheets.

The clustering methodology will replace a politically defined cluster with a market-defined cluster. Most counties in the state will not have more than one rate cluster. However, some counties would have more than one cluster and rate sheet, which might pose administrative challenges similar to current difficulties when a CWD or alternative payment program provides reimbursement to providers in multiple counties. Thus, although the administrative challenges may appear new,

the necessary skills for overcoming them are time-tested, proven and available. The benefits from clustering should exceed the costs.

❍ Adjustments or Alterations to Funding Levels

In child care funding, two approaches, adjustments and alternative rates, are used to reflect the differences in the prices and costs of different kinds of care. In programs that use a standard reimbursement rate (SRR), an adjustment to the SRR is used that either increases or decreases the rate in order to account for price and cost differences.

In programs that use a maximum reimbursement rate (MRR) that is based on regional market rates (RMR) that are determined through market rate surveys, different maximum rates are used for different kinds of care. Below, descriptions of the five types of adjustments and alternative rates used in the current system are provided: type of facility in which care is given, full or part-time care, age of child, a child's special circumstances, and non-traditional hours of care.

i) Different rates by type of setting

In the publicly-funded child care system in California, some certificate and reimbursement programs use different sets of rates to determine the maximum amount that a certain type of facility can be paid for providing child care. There are three categories of facilities used: child care centers, licensed family child care homes, and license-exempt care (which includes care provided by a family child care provider who cares only for the children of one family as well as their own, and care that is provided for the child in the child's own home). In programs that use a standard reimbursement rate (SRR), the same SRR is used for both child care centers and family child care homes (exempt care is not funded in any of these programs). In programs which base their payment schedule on a maximum reimbursement rate (MRR) that is determined by a market rate survey, the regional market rate survey is used to determine rates for center-based care and family child care homes.

The MRR for exempt care, for which it is extremely difficult to do a survey, is based on a percentage (96%) of the MRR for family child care homes. This adjustment factor is derived from a 1990 survey of county GAIN staff conducted by the county GAIN Child Care Coordinators Group. The factor is the ratio of the full-time rates paid in-home/exempt care providers to the rates paid to family day care homes.

The work group spent considerable time discussing whether the rate paid to exempt/inhome providers should be lowered in order to provide an incentive for these providers to become licensed. Licensure of in-home providers may serve the interests of consumers by providing them with a guaranteed minimal level of quality. Licensure would only be helpful, however, as long as the additional costs of licensing do not exceed the value gained for enhanced quality. In other words,

would the cost of licensure or the specter of reduced revenues drive exempt providers from the market?

ii) Rates by part-time, full-time, and non-traditional hours of care

In all programs, rates are adjusted to reflect the number of hours the child attends care. Rates are adjusted to reflect full-time (6.5 to 10.5 hours per day), part-time (4 to 6.5 hours per day), or full-time plus care (more than 10.5 hours per day).

In recent years, the need for additional care during non-traditional hours was recognized, and has been addressed in some programs. These programs change the rates for non-traditional hours of care, including evenings, weekends, and nights. None of the programs that use SRRs make adjustments for non-traditional hours; this is mainly because such programs primarily involve center-based care, which is very unlikely to be available during non-traditional hours. Separate rates for evening/weekend only care are included in the market rate survey. They are computed as an adjustment to full-time care. The computation of the adjustment factor for evening/weekends, however, only accounts for those providers that charge a higher rate for evening/weekends than for regular time categories. The computation ignores providers that do not charge a higher rate. The adjustment factor is a composite of only those providers that adjust their rates. Thus, the factor is skewed toward higher rates.

A concern was raised by the working group about the under-provision of care during non-traditional hours. The potential changes in the federal and state welfare programs, which may result in many more welfare recipients seeking work, may increase substantially the need for care during non-traditional hours, and this needs to be taken into consideration in changing the current system.

iii) Rates by age of child

Rates in all programs are affected by the age of the child who is receiving care. The standard ages for these differences are 0-2 years old (infant care), 2-5 years old, and school-age. In programs that use market rate surveys, separate surveys are done for each age range, and the MRR for each range is then determined by the appropriate survey. In programs that use SRRs, an adjustment is made to the rate based on the age of the children to be served. In the Income Disregard program, there is a maximum of $175 per month that can be disregarded for care for children 2 or over, and a maximum of $200 a month for infant care.

iv) Rates by special circumstances of child

Some children have special circumstances that, in some programs, are taken into consideration when determining rates. In programs that use a market rate survey, children with special needs (the only special circumstances taken into consideration in these programs), the MRR is multiplied by an adjustment factor, so that a higher maximum rate is made available. These differences in rates are based

on the adult/child ratios required for the different age groups (infants 1:4, preschool 1:12, school age 1:14). In programs that use an SRR, adjustments are made for children with exceptional needs, LEP and NEP children, and children who are at risk of abuse or neglect. Programs using the MRR charge for care using one of four timebases, depending on whether they charge non-subsidized clients on an hourly, daily, weekly or monthly basis.

Adjustments and alternative maximum rates are an important tool for allowing parents both access to care and access to various qualities of care.

Section III - Recommendations

The recommendations below have been drawn from the working group meetings and supplemental analysis. It is essential that these recommendations be considered within the broader context of PACE's Phase III activities as the issues related to reimbursement are notably integrated into other considerations of fee structure, governance, and program design.

1) The state should reduce the number of child care funding mechanisms to two: certificates and direct service contracts.

The comparative analysis of the funding mechanisms clearly illustrates that the income disregard contributes little to achieving the state's child care goals while putting an undue burden on two important clients of the system: parents and providers. The working group believes that certificates and contracts both contribute to state policy goals.

2) Parents should not be required to pay for child care services up front as this is burdensome for families. Providers should be repaid for services in a timely and consistent fashion; long delays in receiving payment are a burden on individual child care and development providers and organizations.

The working group recognizes that many of the child care providers who receive certificates from parents are small businesses and that long delays in receiving payment are an undue burden on these individuals and organizations. While changes in funding methods cannot guarantee responsiveness to providers, we recommend that a reasonable time frame for reimbursement be set and that the agencies involved – CDE, the APP's and the CWD's – be expected to meet this standard consistently. APP's should only be held accountable for timely payments to providers if their contracts with CDE are paid out in a timely fashion as well. CDE has begun to work with the Department of Finance to address this problem through development of a new computer system, The working group strongly supports these developments, and suggests that CDSS and the CWD's be included in the discussions. If possible, these agencies should be linked to any new computer payment system that is developed.

3) Modify the Regional Market Rate Survey and follow-up analysis to improve rate setting mechanisms: compare the rates without the contracted centers in order to evaluate the outcomes from excluding the center rates; use a more efficient way of defining markets such as clustering by zip codes; conduct the survey every third year with accommodation for more frequent sampling; examine using timebase conversions for more accurate representation of part-time care costs.

The working group supports the continuation of the regional Market Rate Survey, with some suggested modifications. Contracted centers should not be removed from the survey. Their exclusion may be more misleading than their

inclusion. However, the working group recommends comparing the rates without the contracted centers in order to evaluate the outcomes from excluding the center rates. Once the consequences of removal have been examined, future working groups can make an informed decision.

The working group also recommends the use of a more efficient way of defining markets–such as clustering by zip codes. Clustering would determine which communities have similar rates and then establish boundaries based on those communities rather than on legal boundaries such as county lines.

This change must emerge from new legislation. Therefore, the working group recommends that the baseline year for the proposed changes to the survey be the first year following the enactment of such legislation. The year following the baseline survey (the transition/planning year) should use rates based on the baseline year with COLAs.

The working group recommends that the survey be conducted every third year. A complete 58-county survey need not be conducted annually. With a good baseline survey, the survey can be conducted less frequently and can therefore lower surveying expenses. Off-year sampling of a select number of clusters and sub-clusters is recommended for two distinct but complementary purposes: (1) to provide intermittent rate adjustments in lieu of COLAs and (2) to ensure that the clusters reflect the locally determined needs of their constituents. Annual audits of a few "market" clusters could ensure that representations of "markets" are valid.

Finally, the working group recommends examination of timebase conversion. If after further study and acceptance, conversions are adopted, periodic examination of the conversion composite could mitigate against a conversion factor that misrepresents the market.

4) Carefully review and modify the existing adjustment factors that are in use: allow that all providers of evening and weekend care should be included in computation of the adjustment factor; lower the adjustment factor for in-home exempt providers to .90 from .965 and analyze the effects on licensure.[23]

The current adjustment factor was calculated more than 5 years ago. Therefore, the working group recommends re-establishing the validity of the in-home/exempt care adjustment factor. The working group also recommends that all providers that provide evening and weekend care should be included in computation of the adjustment factor.

As an incentive for providers to become licensed, the working group recommends lowering the adjustment factor for in-home exempt providers to .90

[23] Many members of the work group also recommended requiring exempt providers to report their income to the IRS using the I-9 form. This requirement is likely to increase the number of providers reporting income, and may reduce the incidence of fraud.

from .965. Over time, analysts should examine whether the level of child care available in the market drops as a consequence of the drop in rates for in-home/exempt providers, and whether the level of licensure increases.

5) Provide a quality adjustment that will raise the maximum reimbursement ceiling for child care centers or family child care homes that are certified by a nationally recognized accreditation agency.

The working group agreed that the reimbursement system was an appropriate tool to provide incentives for programs to improve the quality of their programs. Currently, programs that use direct services contracts have clear requirements related to child development and education. Other programs, however, are not bound by these standards. Providing a higher maximum reimbursement ceiling may encourage programs to upgrade their programs to better meet the developmental needs of children and families.

6) Determine a contract rate with empirical support. Examine the use of cost indices to assist in the setting of rates. The working group encourages the proposed development of CDE's new negotiated rate program provided thresholds for the floor and ceiling of rates are established, and adequate staff are available to undertake this effort. Mandate the submission of business plans by providers and support the CDE infrastructure to evaluate the plans.

The working group re-affirms the importance of maintaining use of contract rates, but supports empirical work to methodically determine the rate. The contract rate should be tied to the costs incurred to achieve the higher regulation levels stipulated in the contract. The information needed to determine that cost level can be obtained by: evaluating zero-based budgets submitted by selected providers; comparing business plans submitted as part of the proposed CDE negotiated rate program; consulting with completed empirical studies. Additionally, an empirically established number will be based on current price levels and therein help adjust for several years of absent COLAs.

The development of a cost index can help inform the placement of caps. One critical component to such an index is labor. Labor is the major cost component in the delivery of child care–approximately 80%.

The working group specifically applauds the mandated submission of business plans by providers while acknowledging that evaluation of those plans will demand expanded human resources at the CDE to conduct the planned analysis.

Appendix A - Cross-State Comparisons

In order to supplement our analysis of the funding mechanisms in the child care system in California, we examined the methods of several other states. A primary analysis was done of the Oregon system, and secondary analyses of other states were drawn from work by the Urban Institute. Generally, it was found that other states have systems of child care reimbursement policy that are similar to California's, although usually less complex, as California has a much more extensive set of publicly-funded child care programs than do most other states. Other states are also experiencing some of the same difficulties with their reimbursement systems as those found in California. The same basic funding methods, rate-setting mechanisms, and adjustments were found in the various states.

Oregon System

The system in Oregon uses the same basic mechanisms as in California, and makes the most use of a mix of reimbursements and vouchers, and direct service contracts. However, these mechanisms are used in somewhat different ways. For one, the system relies far more heavily on reimbursements and certificates (which can only go to listed providers). These methods of funding are used for all recipients of public subsidies except for certain specific exceptions. Direct service contracts are used for certain populations that have been labeled special needs or high risk: these are mothers in substance abuse programs, teenage parents trying to finish school, and migrant workers. The rates used for contracts are based on the RMR, with a state-wide cap of $495/month per full-time child age 2-5. The average contract for this category, however, is $381. Providers often do not spend up to this cap because of their need to compete in their local markets for children without subsidies.

Other Cross-Location Comparisons

Clark and Long (1995) undertook a recent study for the Urban Institute of the child care systems in six cities across the country. Three general findings were of interest for this study. First, the same types of funding in all locations studied - direct service contracts with providers, cash advances, vouchers or certificates, and reimbursements to parents or providers. Second, in five out of six of the communities surveyed (including San Francisco), there was inadequate funding to serve all eligible families. As well, in most locations studied, there was a limited supply of infant, school-age, part-time, and non-traditional hours care.

In addition, there were a couple of more specific findings worth noting. Colorado, for example, has statewide reimbursement limits well below the 75th percentile. This is done in order to serve more children. In Birmingham, providers appear to have linked their to the maximum reimbursable rate. This has caused problems for non-subsidized, low-income families.

Appendix B- Analogous Systems

In order to expand our sample for funding mechanisms, we undertook examinations of two other social service areas that have some similarities to child care. In the field of medical care, a potential analog was found that had promise for informing the debate on quality adjustments. However, further investigation showed that this method was problematic for a number of reasons, both within the medical field and as an analog to child care issues. The foster care system was also studied, but was not found to offer significant insights into improving the current child care reimbursement system.

Medical Care

Medical care is analogous to child care for two main reasons: it involves a mixture of public and private funding sources and includes intermediary payers (insurance companies and government providers in the case of medical care, the government in the case of child care). One potential funding and payment method for medical care, Resource-based Relative Value Scales (RBRVS), was found and evaluated in terms of its potential applicability to child care. RBRVS', created by Hsiao and Dunn, were developed because of problems within medical market - limited entry, poor consumer information and weak incentives to get more/better information due to health insurance. As a result of these problems, physicians become similar to isolated monopolists (Frechs, 1991). An isolated monopolist in this case is an individual doctor who, while not the sole provider of care in a market, has a virtual monopoly over his patients because they have neither the incentive to move in order to find a less expensive provider (because of insurance), nor the information necessary to make such a move even if they desired it.

An RBRVS is theoretically based, not on the price of services, but on the "true" costs, which are not reflected in the price because of market distortions. The scale is based on studies of the actual resources used (amount of time for staff, level of skill of staff required, physical resources used, etc.). These studies of "true costs" are then used to place procedures on a scale relative to one another - some procedures may have a "cost" that is twice that of another, for example. Individual doctors then select a single "multiplier" for all of their services, and thus the price for any service is the multiplier times the assigned relative value of the service. RBRVS' have been used in different forms at different times in publicly funded medical care programs. However, it is important to note that the idea of relative value scales in medical care have been heavily criticized by experts, who say it tries to measure something that can't be measured, and that, generally, the "scientific underpinnings of RBRVS are weak" (Frechs, p.30).

This method has some potential for use in child care. For one, it is an example of a move towards a more "cost-based" system. Such a system would be likely to increase payments to providers, as many charge less than their costs. This would increase the supply of care, but would also increase the cost to government. However, the downside of this approach makes it seem inappropriate for use in the

child care area. For one, this type of system require a substantial investment of resources, if the experience of the Hsiao and Dunn is any example. In addition, the child care market doesn't have the same distortions as the medical market, so price is probably a more reliable indicator of cost than in medicine. One reason the child care market is probably less distorted than the medical care market is that isolated monopolists are much less likely in child care. This is because the non-subsidized child care market, which is about three-quarters of the market in California, is competitive, and therefore unlikely to contain isolated monopolists, who could only survive if subsidized care comprised most of the market and information was not readily available. While there are certainly some information problems in the child care market, they are not in conjunction with a market that is distorted in other ways as is the medical market. In addition, there are also probably simpler ways to adjust payments for child care, which is a much simpler field then medical care, to make them more in line with costs. While the idea of a more cost-based system has appeal, and is worthy of examining more closely, the RBRVS approach seems unlikely to provide a good example for such a system.

Foster care

The field of foster care was also examined for potential insights into alternative methods for child care funding and payment. It has some similarities to child care in that it also utilizes multiple types of providers and has to address some of the problems surrounding working with children and families. However, after looking into the California foster care system, it was found that it is a very muddled system that was built up in a haphazard way without a strong coherent policy foundation. Since the goal of this project is moving child care away from some of those very characteristics, it did not seem that foster care would prove to provide a good example. Thus, foster care did not show promise for providing examples of how to make child care more coherent and user-friendly.

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Task V

Community Waiting Lists

Work Group Report

By

Teresa O'Donnell-Johnson

Research gathered in Phases I and II of the PACE California Cares study revealed inherent difficulties with the current use of waiting lists for California's CDE subsidized child care system. In order to maximize their chances of securing a subsidy or subsidized slot for their child, parents must sign-up on a waiting list for each program they are considering. Multiple children in a single family may require parents to sign-up on several lists for programs providing care for particular age groups (e.g., infant care; preschool care; school-age care). Further, there is usually no coordination between waiting lists for center-based contracted child care and care funded through Alternative Payment/certificate programs. Figure 1 illustrates the complexity and confusing nature of the present use of waiting lists.

Lack of coordination between county welfare departments administering AFDC-related child care programs and CDE direct services and Alternative Payments contractors place AFDC families at a distinct disadvantage. There are no common waiting lists or regular exchange of information about programs available to AFDC families from CDE. As a result, many eligible families remain uninformed about their subsidized options.

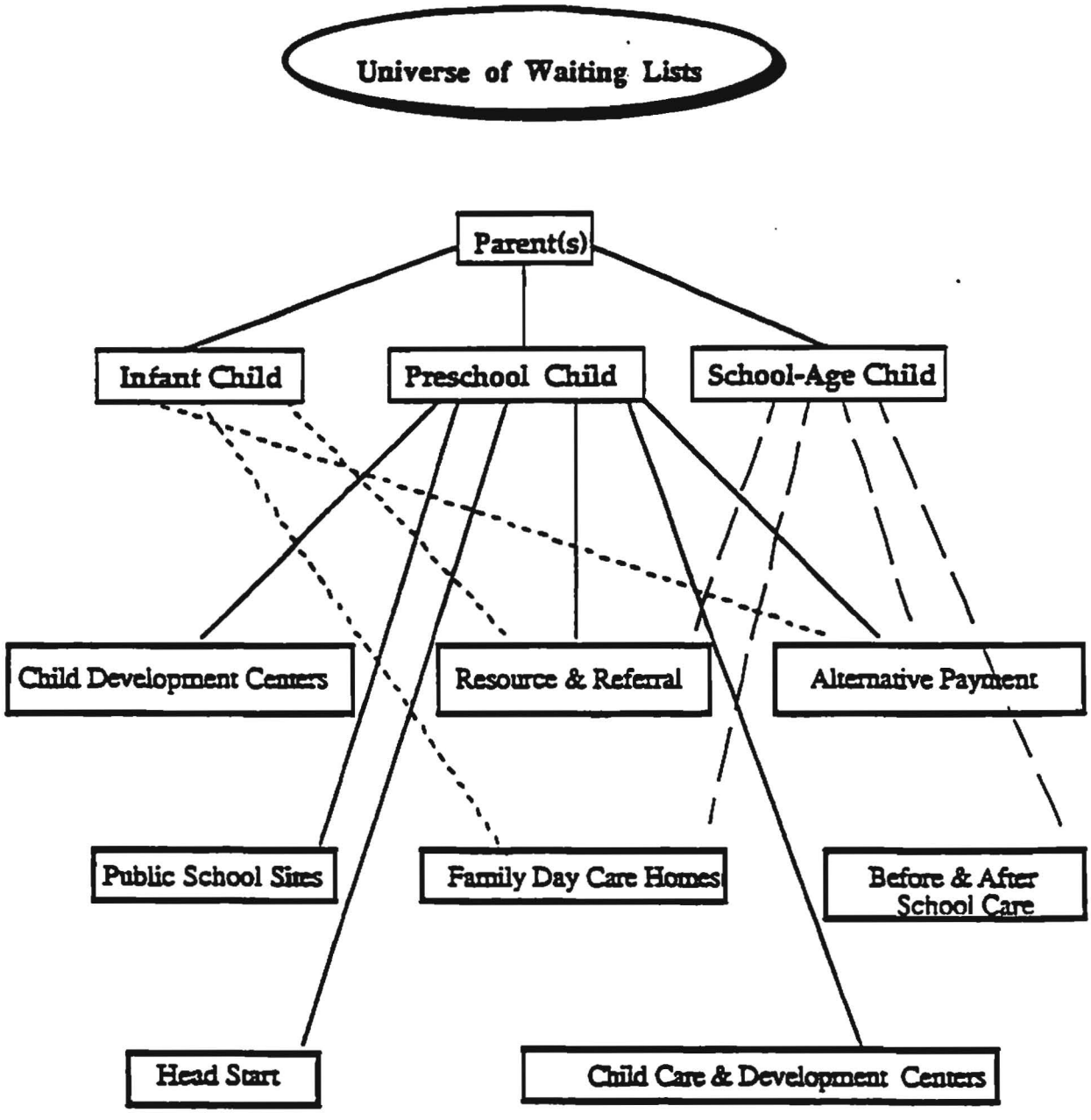
Parent participants in focus groups conducted during PACE's Phase II, produced recommendations to improve the present subsidized child care system. Three of these recommendations reflect the need for community waiting lists:

1. Make information about child care and development possibilities and options available at a central location.

2. Publicize widely the availability of information.

3. Insure that county welfare department representatives who have contact with parents have information about child care assistance, or at least can direct parents to the sources of such information.

FIGURE 1. Current Waiting List System In California



NOTE: - - - - - - Child Care for Infants

——— Child Care for Preschool Children

— — Child Care for School-Age Children

Background

Previous studies confirm problems identified in the PACE research. They report that income eligible families are unaware of services available to them or do not sign up for waiting lists, while existing information on waiting lists becomes outdated or duplicated. Further, access to subsidized care for parents becomes exacerbated by the need to sign up for care on waiting lists at multiple locations. Moreover, multiple funding streams (e.g., vouchers, contracts and entitlements) make the interface of subsidies and care for parents, especially AFDC families, daunting. Finally, these reports underscore the reality that much of the frustration with waiting lists is rooted in inadequate funding for subsidized child care.

Two California studies have addressed subsidized waiting lists. The most recent of these reports, the California Department of Education's 1991 *Waiting List Survey*, estimated demand for subsidized services at approximately 255,650 children. This report, however, incurred numerous problems with data collection impacting its accuracy. These included duplications, inaccuracies, out of date information, and an inability to gather comparable data across agencies.

In *Caring for the Future* (1992), the Child Care Law Center (CCLC) made several recommendations regarding waiting lists for subsidized care in California:

- Provide a single point of entry for families. CCLC suggested that this single point of entry would ideally provide parents with information about available child care and subsidies. Further, they envisioned this single point of entry becoming "the place" to learn about child care. "The place" would be an agency small enough to be responsive to and informed about local child care needs.

- Provide parents with assistance in choosing child care, eligibility determination and re-certification for various programs .

- Develop a single form for multiple programs describing all potential sources of subsidy (p. 84).

- Develop a centralized waiting list to facilitate access, placement priorities, needs assessment and data collection and accounting (p. 85).

- Use data collection capabilities to assist in determining efficiency and effectiveness of existing programs.

While the CCLC report highlights the benefits of "the place" to find child care, it neglects recommendations for multiple access points. While a single point of entry enhances seamlessness, low-income families in need of subsidized child care struggle with transportation problems. Moreover, these families face the need for their children to accompany them on their quest to become informed child care consumers.

A Search For CWL Models

Other States. Data gathered from other states for PACE's Phase I and II reports underscored the uniqueness of California's history and governance of subsidized child care. Unlike California, most state departments of education play a minor role in subsidized child care. Moreover, a look at community waiting list systems in New York, Massachusetts, Illinois and Florida highlighted a continued lack of coordination among funding agencies (i.e., Department of Social Services, Head Start, Department of Education, etc.). Most of the computerized systems were virtually tracking systems for the various funding streams. The Health and Human Services agencies contacted revealed they had developed plans to coordinate waiting lists between funding streams but, due to impending Federal Welfare Reform efforts, refused to share their plans. The rationale for this unwillingness stems from their view that plans may be irrelevant when welfare reform passed.

Florida offered the most relevance to our current task of developing a community waiting list. They have developed "child care central agencies," which serve the combined function of eligibility, resource and referral and waiting lists. Currently, these agencies are designing pilot projects for collaboration grants at the state level. The collaboration intends to combine waiting lists for all programs under the Department of Education, Head Start and Health and Human Services. Since these programs are in their infancy they do not provide California with a working model for developing community waiting lists.

Community Waiting Lists in California

A call for proposals for pilot projects by CDE to implement community waiting lists occurred in 1993. Although the intent of the projects centered on seamlessness, unrealized pilot projects outlined waiting lists for CDE programs and vouchers only.

Several counties within California, however, are in the talking stages of implementing a computerized, community waiting list. In particular, Ventura County has begun working with their local planning councils to establish buy-in from their major stakeholders for a community waiting list. Ventura County's Resource and Referral Agency is in a unique position for coordination as they also serve as the local delegate agency for Head Start.

San Mateo County is in its second year of developing a computerized, CWL. The purpose of their project was to coordinate efforts between the Child Care Coordinating Council of San Mateo County (the Council) and the San Mateo County Welfare Department to develop a community waiting list. This waiting list was aimed at assisting AFDC families and all income eligible families with a single point of entry for subsidized care. Coordinated efforts would enhance information about available child care options as well as increased access for low income families.

With moneys from their local planning council, the Council, in cooperation with the San Mateo county welfare department, conducted a need's assessment of existing waiting lists and CDE contracted providers. Their data indicated providers have variable computer capabilities and unsystematic waiting list procedures. Providers also expressed a reluctance to relinquish control of their internal waiting lists. Of chief concern to providers is fear that a CWL may cause down time between openings resulting in a loss of funding. Moreover, centralization of waiting list functions may result as a loss of administrative dollars for providers.

The Council developed a software system, updated existing waiting lists and implemented a one-page, application form for parents to fill-out. At present, the computerized system does not provide multiple access points nor downloading from the county welfare department.

Community Waiting Lists Work Group

The AB 2184 Community Waiting Lists (CWL) Work Group's charge involved developing a plan to implement a centralized, computerized waiting list throughout California. The work groups' composition included representatives from Alternative Payment Programs (2), Resource and Referral Agencies (2), County Welfare Departments (2), the Governor's Office (1), California Department of Social Services (2), California Department of Education (1) and PACE (1). Agency representatives reflected both rural and urban settings throughout the state, from Humboldt County to San Diego County.

The CWL work group set out to identify favorable elements as well as barriers that could impede centralization of waiting lists. Pros and cons for a community waiting list fell in to categories of Access, Governance, Cost and Quality.

ACCESS. On the positive side, the CWL work group felt a computerized community waiting list would:

- allow parents a single point of entry with multiple access points;
- pool a range of families (i.e., working poor and AFDC families);
- support seamlessness for AB 2184;
- allow parents a connection to the whole child care system;
- provide a vehicle for information dissemination to parents ;
- provide more accurate waiting lists, thereby decreasing the amount of time spent on the lists.
- serve lowest income/highest need (e.g., CPS cases in need of child care) first.

The CWL perceived access would impeded by barriers such as:

- inaccuracies in the information collected;
- differences in funding priorities;
- failure to secure parental consent to release CWL information.

GOVERNANCE. The issues of governance for CWL closely paralleled issues being explored in the local governance, eligibility and data collection tasks undertaken by PACE. Although discussions of governance issues ensued, recommendations in this area constituted the domain of other work groups.

COST. Cost issues centered on implementation of the community waiting lists. Cost savings are difficult to estimate. In the short term, computerization encompassing all stakeholders would be a cost incurred. In the long term, the CWL was confident that cost savings to parents would occur. Administratively, between the various agencies and providers, costs could conceivably remain the same. The CWL work group felt that a community waiting list would promote:

- time savings for intake and management of information;
- a centralized data base for other data analysis reports;
- cross referencing within CWL system to protect funding agencies from parents who double-dip between funding streams;
- multiple sorting capabilities to provide contractors with applicable children that fit their enrollment openings.

Cost barriers would entail:

- excessive cost burdens that prohibit major stakeholders from participating (i.e., Head Start, providers, etc.);
- maintenance of CWL exceeds administrative funding;
- costly nature of implementing a new, computerized state-wide CWL system.

QUALITY. The CWL work group defined quality as improved service delivery to families waiting for subsidized child care. The CWL would: provide more accurate counts by avoiding duplications;

- support seamlessness;
- decrease confusion for parents with single point of entry;
- provide parents with on -going child care information and education.

- decrease mismanaged centers' propensity to blame enrollment gaps on inaccurate waiting lists.

Barriers to quality would include:

- increased administrative time for providers;
- an *uneven* playing field throughout the state due to demographics; relationship between funders and providers; contract interpretations, and allocation of dollars;
- time lapses for filling enrollment may result in a decrease provider contracts.

Proposed Community Waiting List System for California

Computerization. Critical to a fully integrated implementation of the community waiting lists is computerization. Computerization could easily eliminate pitfalls that concerned CWL work group members. Modem access would decrease issues of computer capability and software compatibility for stakeholders. A computerized CWL also allows for built-in access clearance and protection to ensure CPS confidentiality[24]. The system could ideally provide agencies and contractors with a means to access families' preferences such as location of child care desired, program type, and need for care outside residence location. A computerized system allows for building in "rules" for moving up on the waiting list. Critical to maintaining an updated waiting list is the establishment of "purge guidelines" (e.g., when do you delete a family from the waiting list?).

Although full computerization is optimal, if cost were too great a barrier, a minimal community waiting list system for California could be accomplished with computerization at and between all CWL locations, county welfare departments, resource and referrals and alternative payment programs. If these agencies could not "talk" to each other, the system as purely paper and pencil would be cumbersome, inaccurate, and more costly in man-hours. However, in light of minimal computer capabilities for many providers, hard copy application forms

[24] For example, systems already in place at most universities allow students to enroll in courses and update addresses, etc. Professors, financial aid officers, the registrar, bursar, and other relevant staff can charge or add to the students records. The student can review this information, but is unable to make changes (i.e., grades, tuition, library fines, etc.).

could be quite workable. In fact, they may be instrumental for some families to complete initial applications and updates to the CWL.

Application From the parents' perspective the CWL could be accessed by means of a single application form. This form would include information on each parent in the family:

- name
- address
- phone number- work and home
- employment/training status/other need criteria
- seeking employment
- AFDC status
- number in household, two-parent household
- gross monthly income (all sources)

Information about children needing care would include:

- each child's name, date of birth
- whether or not each child needs child care
- hours of care needed (i.e., full-time/part-time/nights/weekends)
- does the child have special needs
- any children receiving subsidized care at present

Parents would need to specify their limitations for travel and care preferences (i.e., near home, near work/training, anywhere in their CWL geographic location, out of the CWL area, in a particular city, or at a specific child care program). Parents would also be requested to sign a *consent to share information* with the multiple access cites as well as between CWL locations to better serve the parents child care needs.

The CWL application could be obtained by calling the CWL location directly. Since CWL contractors may be listed by their various agency names, the CWL work group proposes a single, 800 phone number for the entire state to access the community waiting list (CWL). The system design for this phone number would allow for an automatic re-routing to the closest CWL in the caller's area. The caller (e.g., parent), would be able to speak to a CWL counselor. If a CWL counselor was not available or if the call was made outside of business hours, the parent could leave a message. If the parent needed additional assistance due to language difficulties, a CWL counselor proficient in the caller's language would contact them. An application form would be sent to the parent to be filled out. Completed CWL applications could be sent, faxed, or brought into the CWL location.

Determination of Eligibility Determination of income eligibility would be most expeditious if verified at the time the CWL application is filed. This would be quite easy for AFDC families who access the CWL through their county welfare case worker. However, because some CWL access points may lack knowledgeable personnel to assist applicants, eligibility could be verified by the CWL contractor. This may be a very daunting process and could be streamlined by use of the mail. Overall, it is felt that if an initial eligibility determination is verified by the CWL contractor, service would be expedited for families seeking care.

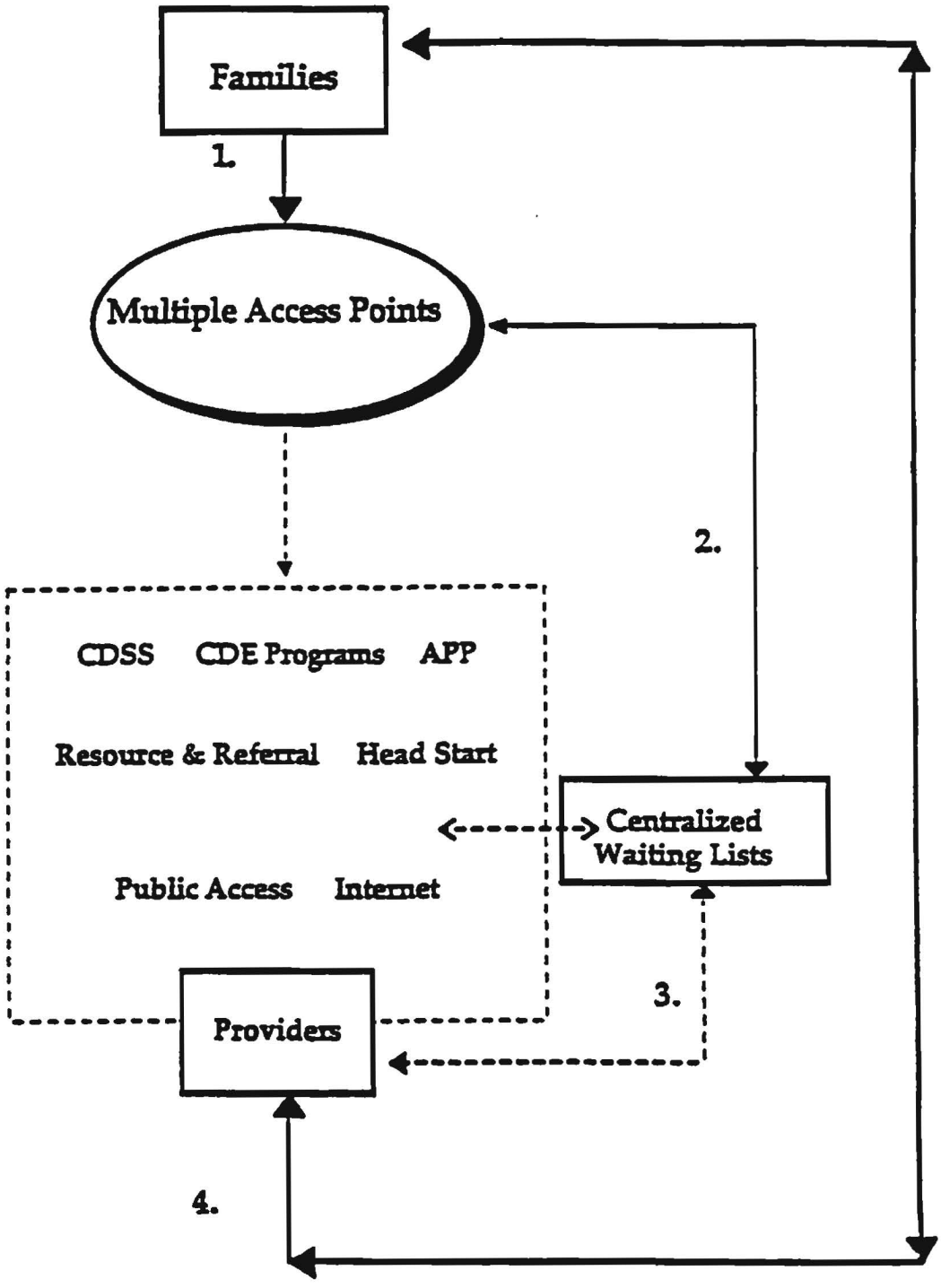
Multiple Access Points. The CWL should have multiple access points. Requesting a CWL application and then filling it out at home may not be the most expedient means for some families to be placed on the CWL. Multiple access points would allow parents entry into the system through a variety of means. The CWL will include AFDC families as well as other income eligible families. Parents would be able to access the CWL at places such as county welfare departments, subsidized child care centers, libraries and other public buildings, Head Start, and agencies providing alternative payment and/or resource and referral services. A consent to share information form would need to be secured from parents who access the CWL application via a computer.

At CWL multiple access points, in addition to the application form, parents would be able to receive information about subsidized child care options in their area. Information would include Alternative Payment Programs, Federal Block Grant funding, CDSS entitlement programs; tax credits; employer sponsored child care benefits; and CDE programs. This information could be made available via a

computer access point, any agency serving as a multiple access point or sent to the parents from the CWL contractor.

The CWL process for parents. Figure 2 outlines a four-step process that illustrates the CWL process from a families' first filing of the waiting list application to securing a subsidized slot and the enrollment of their child in a child care setting.

FIGURE 2. Overview of Ideal Centralized Waiting List System



1. Families need a subsidy for child care and believe they may be eligible.

2. Through multiple access points of a community waiting list, these families fill out a single page application form. This CWL form allows parents to list all possible forms of care desirable for all children in their family.

3. With the completion of the CWL form, the application is forwarded to the CWL location via computer or the mail. The CWL contractor verifies eligibility. The family is now on the community waiting list for their area or multiple areas.

4. When a subsidized slot or funding becomes available, a provider or funding source (i.e., Alternative Payment voucher) accesses the CWL for the next eligible child. The provider or funder contacts the next eligible family from the CWL of an opening/voucher. The family either accepts the opening offered or remains on the CWL.

From the parent's perspective, the proposed CWL reduces the amount of confusion and duplication of effort the current system imposes (refer to Figure 1). Once the family has filed a CWL form, their next step requires waiting to hear and accepting an opening for their child(ren). Of course, updating CWL information is critical for the system to work but should require no special efforts on the part of the parent.

The CWL work group felt it critical that the CWL provide stake holders with an opportunity to gather information from families as they wait for placement, as well as provide parent education through newsletters and annual CWL update requests.. An on-going parent education component would allow the CWL contractor to assist parents with all the available options for off-setting child care costs. Moreover, assistance in how to choose quality child care could be provided to these parents.

<u>The Provider Perspective</u> From the provider's perspective, the CWL may not be viewed as a panacea. The CWL would require all providers with CDE contracts to participate in the CWL, thus eliminating the need to have "in-house" waiting lists. Currently, providers have difficulty maintaining waiting lists and providing a systematic means for filling openings. The CWL promotes "lowest income, highest need" priorities for service. If providers maintain there own lists, families

who are the lowest income or highest priority may not be on that provider's internal waiting list. Thus, the next eligible family would not be served.

Sentiments among the CWL work group expressed concern for providers. Providers express a reluctance to place the next eligible family in their program over a family on their internal waiting list. Providers will need consensus building incentives during the tiered implementation stages of the CWL to promote buy-in. The CWL suggested a grace period be included during the initial stages of the CWL. Without computer access, providers will need more time to ascertain eligible families from the CWL. The ability to down load waiting list information at the provider level via computer modem may eventually decrease some of the need for a grace period.

Additionally, from what we know about parental need to be fully informed about their child care options, the grace period would allow for parents' visitations to child care programs offering enrollment. Parents could turn down openings resulting in providers need to contact a new, eligible family.

CWL Work Group Recommendations on Implementation and Oversight

Keeping the priorities of high access for parents, inter-agency coordination of efforts, and streamlining administration where possible, the Community waiting lists Work Group moved forward with consensus on several recommendations. In addition, there were issues where consensus could not be achieved.

1. Tiered Implementation. To work out possible problems with the CWL, select CWL sites should occur first before statewide implementation. Initial CWL sites should represent different geographic/demographic locations to maximize trouble-shooting the system. Computer simulations during initial implementation will serve to reveal an information base for building a uniform, flexible statewide model.

2. Selection of CWL Manager. The CWL needs to be "housed" locally at the county/regional level. Whatever entity "houses" the CWL, there should be a review process. The CWL contract should be at the state level with performance expectations built into their contract. The CWL work group could not reach consensus on which state entity should be responsible for this function. Some group members expressed concern that a competitive bidding

process would exacerbate existing local tensions among key stakeholders. Moreover, they expressed additional concern over an out of state company coming in to handle the CWL contract. More agreement was reached within the work group for a competitive bidding process if the process included certain provisions:

- Selection criteria would include a plan to demonstrate buy-in by local stake holders with written memos of understanding, and a detailed descriptions of how a bidder would carry out CWL duties (i.e., compiling and maintaining the waiting lists, referrals for child care and support services, parent education component, etc.,).

- Selection procedures should include trained reviewers; state determination of contract awards; and a fair, properly managed process, inclusive of local players.

With these added provisions we had consensus with the CWL work group except one member.

3. CWL Assessment Component. The CWL work group felt strongly that an assessment or evaluation component should be part of the CWL contract. Depending upon state and local governance recommendations, assessments could be at the local and/or state level.

Other Issues. Complete agreement did not occur for the recommendation for a competitive bidding process for the CWL contract. Additionally, several issues, not within the scope of the CWL work group's charge, were felt to have an impact on the workings of the community waiting lists. These included the recommendations made by the local and state governance, data analysis, and eligibility work groups. The CWL work group felt that fewer rankings more broadly defined would increase placement rates for eligible families. The work group expressed concern over who would do eligibility for non-AFDC families and how often re-certification would occur.

In conclusion, the recommendations in this report center on the implementation of a state-wide, community waiting list. It is hoped that these recommendations will be weighed in view of related recommendations from other PHASE III work groups.

Task VI

Report on Income Eligibility Standards

By

Lynn DeLapp

During Phases I and II of the California Cares project, inconsistent income eligibility requirements were presented as one source of "seams" in the child care and development system. State agencies and child care and development providers raised two major issues:

- Should there be uniform income eligibility requirements for program entry and exit among all child care and development programs?
- Are current entry and exit standards appropriate and realistic, given current levels of state and federal funding? If not, what should the standards be?

In Phase III, PACE was asked to collect data on the income levels of families entering and currently receiving CDE-subsidized services to determine whether current income eligibility criteria for child care and development programs administered by the California Department of Education were set at appropriate and realistic levels.

Current income entry and exit eligibility standards for CDE-administered programs are shown in Table 1.

Table 1

Program	Maximum Income for Program Entry	Maximum Income for Program Exit
State Preschool	60% of State Median Income (SMI) by family size	None
Federal Block Grant	75% of SMI by family size	75% of SMI by family size
General Child Care, AP, SACC, IV-A At Risk, Campus, Migrant	84% of SMI by family size	100% of SMI by family size
SAPID, CPS, severely handicapped	None	None

Program eligibility for subsidized child care and development programs administered by CDE is determined by matching applicants' family income to a table of eligibility ranks (Appendix A); families with lower incomes (by family size) are given lower ranks and placed higher on program waiting lists than families with higher incomes. CDE eligibility ranks roughly correspond to percentiles of state median income (SMI) by family size table. Fifty percent of the state median income is equal to Rank 41, 75% of the SMI equals Rank 66, and 84% of the SMI equals Rank 75.

In order to get a better understanding of how CDE ranks and percentages of the SMI correspond to AFDC income eligibility and federal poverty standards, we applied these income measures to a families of two, three and four, described in Table 2. The AFDC income cutoff represents the highest income (earned and unearned) a family may have in order to receive AFDC benefits.

All dollar amounts indicate monthly income.

Table 2

Family Size	AFDC Cutoff/ CDE Rank	100% Poverty/ CDE Rank	150% Poverty/ CDE Rank	175% Poverty/ CDE Rank	200% Poverty/ CDE Rank
2	$1087/31	$836/22-23	$1257/38	$1463/45-46	$1672/53-54
3	$1350/39	$1042/27-28	$1563/45-46	$1824/54-55	$2084/63-64
4	$1602/41	$1263/30	$1895/50	$2210/60	$2526/70

Looking at the same data slightly differently, for a family of three, the federal poverty level is $1042 per month, the 50th percent of the State Median Income is $1350, and maximum monthly income for AFDC eligibility is $1350.

Currently, no data is compiled by the state on the income of families participating in CDE-administered child care and development programs. In order to determine whether entry and exit eligibility standards are realistic and appropriate, it was necessary to survey direct services and Alternative Payment (certificate) agencies under contract with CDE to provide child care and development services. PACE surveyed ten direct services contractors, and the California Alternative Payment Program Association (CAPPA), in cooperation with PACE, surveyed their 74 Alternative Payment (AP) members.

Nine direct services contractors responded to the PACE survey, including:

Options, E. Los Angeles County

Humboldt Child Care Council, Humboldt County

Los Angeles Unified School District

Community Development Center, Carson (LA County)

San Joaquin County Office of Education

Child Development, Inc., Campbell (Santa Clara County)

Santa Clara County Office of Education

San Diego City Unified School District

Educational Enrichment (San Diego)

Although these contractors do not provide a statistically representative sample and may not be indicative of the entire state, they were selected to provide a range of large and small, public and private non-profit providers in various geographic areas of the state. Significantly, these contractors were also selected because the Department of Education indicated that they had data systems which could provide the data needed.

CAPPA surveyed its membership of 74 agencies which operate 77 programs in California. Fifty-one agencies, representing 57 programs responded to the survey, for a response rate of 74%. In all, 54% of the 95 agencies which contract with California Department of Education responded to the survey. Contracts held by responding agencies represent 62% of all Alternative Payment funds. Almost all of the respondents were local education or non-profit agencies; only two respondents were identified as county social services departments.

Income Levels at Program Entry: What is the income level of families entering subsidized programs?

In order to obtain information on income levels of families entering subsidized care, both surveys asked contractors to indicate the eligibility rank of the family most recently enrolled in each program. Both AFDC and non-AFDC families were included in these data. Table 3 shows the for AP programs.

Table 3

AP Program	Rank 1-16 ≤25% SMI	Rank 17-41 ≤50% SMI	Rank 42-66 ≤75% SMI	Rank 67-75 ≤84% SMI
General Fund	24 (77%)	4 (13%)	2 (6%)	1 (3%)
Federal Blk Grant	33 (72%)	10 (23%)	3 (5%)	0
IV-A At-Risk	11 (26%)	22 (52%)	8 (19%)	1 (2%)

Ninety percent of the AP agencies responding indicated that their most recent enrollee in the General Fund program had a family income below 50% of the State Median Income. Similarly, 95% of these agencies reported that their most recent enrollee in the Federal Block Grant program had a family income below 50% of the SMI, as did 81% for Title IV-A at-Risk slots.

Similar responses were provided by administrators of direct services, shown in Table 4.

Table 4

Direct Services Contract Programs	Rank 1-16 ≤25% SMI	Rank 17-41 ≤50% SMI	Rank 42-66 ≤75% SMI	Rank 67-75 ≤84% SMI
General Fund	4 (44%)	4 (44%)	1 (12%)	0
FBG	1 (100%)	0	0	0
IV-A At-Risk	3 (43%)	3 (43%)	0	1 (14%)
State Preschool	4 (66%)	1(17%)	1(17%)	0
School-Age Comm. CC	1(20%)	4 (80%)	0	0

It seems reasonable to infer from this data that most families currently entering CDE programs have incomes below 50% of the state median income.

Income Levels of Current Participants; Exit Income Levels

To determine whether exit income levels are set at realistic levels, it was necessary to determine the income level of all families enrolled in CDE subsidized programs. Both the PACE and CAPPA surveys asked contractors to report the level of family fees, if any, families were required to pay. These levels are convertible to family income levels and to percentages of the SMI. (No data was collected for State Preschool, since parents are not required to contribute to the program.) The results,

which tabulate the numbers of families paying each level of family fee, are shown in Tables 5 and 6.

Table 5

AP Program	No Family Fee ≤50% SMI	$1.00-4.55 PT $2.00-9.10 FT 50-75% SMI	$5.00+ PT $10.00+ FT 76-100% SMI
General Fund (N=1991 families)	1335 (67%)	522 (26%)	134 (7%)
Fed. Blk. Grant (N=6781 families)	5207 (77%)	1574 (23%)	NA
IV-A At-Risk (N=2657 families)	1140 (43%)	1222 (46%)	295 (11%)

Alternative Payment contractors responding to this question reported that two-thirds of families enrolled in General Fund/AP programs, and three-quarters of those enrolled in Federal Block Grant/AP programs have incomes below 50% of the State Median income. Around one-quarter of families fall in the range of 50%-75% of the SMI. Only 7% of families enrolled in General Fund/AP have incomes above 75% of the State Median income. (Seventy-five percent of the SMI is slightly higher than 200% of poverty for a families of two and three, and slightly lower for a family of 4.)

A lower, but still significant percentage of families enrolled in the At-Risk/AP program also fall below 50% of the State Median Income. Almost 90% of families in this program have incomes below 75% of the SMI. More than 80% of families in General Fund and Federal Block Grant Programs, and 64% of families in IV-A At-Risk have incomes below 50% of the SMI. Five percent or fewer have incomes above 75% of the SMI.

Table 6

Direct Services Contract Program	No Family Fee ≤ 50% SMI	$1.00-4.55 PT $2.00-9.10 FT 50-75% of SMI	$5.00 + PT $10.00 + FT 76-100% SMI
General Fund (N=12,244 families)	9734 (80%)	2130 (17%)	380 (3%)
Federal Block Grant (N=108 families)	90 (83%)	18 (17%)	N A
IV-A At-Risk (N=1495 families)	953 (64%)	472 (31%)	70 (5%)

Direct services contractors reported that more than 80% of families in General Fund and Federal Block Grant programs, and 64% of families in IV-A At-Risk programs have incomes below 50% of the State Median Income. Five percent or fewer have incomes above 75% of the SMI.

Waiting Lists

Currently, families in need of care are placed on a waiting list if their incomes fall below 84% of the SMI. As spaces in programs become available, families with the lowest incomes receive priority for services. In order to determine how many families on the waiting list had a reasonable expectation of receiving services, administrators of AP and direct services programs were asked how long their waiting lists were, and how many families were within four ranks of the rank at which they were currently enrolling families in General Child Care. Both AP and direct services contractors reported that they have very long waiting lists, often including several hundred families.

Direct services contractors counted between 16 and 1021 families, or between 2 and 18 percent of their entire waiting lists, within four ranks of the rank they are currently enrolling in the General Child Care programs. (See Table 7) Unless there are significant increases in funding, or reductions in demand for services, both of which are highly unlikely, most families on the waiting lists will never receive services.

Table 7

Direct Services Contractor	# on Waiting List for General Child Care	# within 4 Ranks	% within 4 Ranks
1	1065	84	7
2	153	30	16
3	10661	1021	9
4	501	110	18
5	575	60	9
6	864	16	2
7	328	27	8
8	570	76	12

The AP data on the number of families within four ranks was not used due to problems with definitions of data.

Recommendations

1. **Entry Income Eligibility**
   The actual income levels of almost all families enrolling in child care and development programs are well below the current maximum 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 have enrolled most recently 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.

Given current levels of funding for child care and development services, PACE recommends that consideration be given to authorizing CDE/CDSS to administratively adjust entry income levels as necessary to reflect levels of funding and supply of care. At this time, based on our examination of available data, and the likelihood that there will be an increase in demand for services among very low income families as a result of welfare reform, it appears that the entry income eligibility level should be set at 50% of the state median income, with possible adjustments for geographic areas with higher costs of living.

PACE further believes, however, that the entry eligibility level should never be set so low that it precludes participation of families who are fighting to stay off public assistance, or those who are transitioning off of welfare who continue to need child care services. Thus, we recommend that the Task Force consider establishing a floor below which entry eligibility standards cannot fall. We would recommend that the floor be set at 50% of the SMI.

2. **First Come, First Serve.** Currently, in order to serve the neediest families first, families with the lowest income receive priority for enrollment in CDE programs. However, if the maximum entry income eligibility level were to be dropped as low as the 50% of the State Median Income, there seems to be less reason to distinguish one family with a very low income from another family with a similar income. Moreover, if fewer income distinctions were made, families on the waiting list would have greater assurance that they would eventually receive services. For these reasons, PACE recommends that, if the entry income is lowered to 50% of the SMI, families be placed on the waiting list in two clusters, representing 0-25% and 26-50% of the SMI. Families with incomes in the 0-25% cluster would receive higher priority for enrollment than those in the higher cluster, but no income differentiation would be made within the clusters.

3. **Exit Income Eligibility.** Currently, families are permitted to stay in subsidized care until their family incomes equal either 75% (for Federal Block Grant) or 100% of the State Median Income by family size. Very few families actually reach 100% of the SMI; Alternative Payment Programs counted only about 300 families who had "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.

   As demand for child care increases due to welfare reform, there will be a need to balance the need to assist families attempting to become self-sufficient (whether or not they have been on AFDC) with the need to increase more slots. In any case, there seems to be little justification at this time for allowing families to stay in programs until their incomes reach the 100% cut-off .

   Based on current experience as well as current funding levels, PACE recommends that consideration be given to permitting CDE/CDSS to administratively lower the exit eligibility level for all programs to the 75th percentile of the Median State Income. This level should give families a reasonable level of support while they strive for self-sufficiency, without cutting off families who truly need the support. It will also open up a few additional slots to meet increased demand. As with the entry eligibility level, PACE believes that this reduced standard should be established as a floor below which maximum exit eligibility levels should not be set.

Admission Priorities

For Fiscal Year 1993–94

Effective 3/15/94

Rank	Family Size										
	1 - 2	3	4	5	6	7	8	9	10	11	12
1	267	287	318	369	420	430	439	449	458	468	478
2	294	315	350	406	462	473	483	494	504	515	525
3	321	344	382	443	504	516	527	539	550	561	573
4	348	372	414	480	546	559	571	583	596	608	621
5	374	401	446	517	588	602	615	628	642	655	669
6	401	430	477	554	630	645	659	673	688	702	716
7	428	458	509	591	672	688	703	718	733	749	764
8	455	487	541	628	714	730	747	763	779	795	812
9	481	516	573	665	756	773	791	808	825	842	860
10	508	544	605	701	798	816	835	853	871	889	907
11	535	573	637	738	840	859	879	898	917	936	955
12	562	602	668	775	882	902	923	942	963	983	1003
13	588	630	700	812	924	945	966	987	1008	1029	1051
14	615	659	732	849	966	988	1010	1032	1054	1076	1098
15	642	688	764	886	1008	1031	1054	1077	1100	1123	1146
16	669	716	796	923	1051	1074	1098	1122	1146	1170	1194
17	695	745	828	960	1093	1117	1142	1167	1192	1217	1242
18	722	774	859	997	1135	1160	1186	1212	1238	1263	1289
19	749	802	891	1034	1177	1203	1230	1257	1284	1310	1337
20	775	831	923	1071	1219	1246	1274	1302	1329	1357	1385
21	802	859	955	1108	1261	1289	1318	1346	1375	1404	1433
22	829	888	987	1145	1303	1332	1362	1391	1421	1450	1480
23	856	917	1019	1181	1345	1375	1406	1436	1467	1497	1528
24	882	945	1050	1218	1387	1418	1450	1481	1513	1544	1576
25	909	974	1082	1255	1429	1461	1494	1526	1559	1591	1624
26	936	1003	1114	1292	1471	1504	1538	1571	1604	1638	1671
27	963	1031	1146	1329	1513	1547	1581	1616	1650	1684	1719
28	989	1060	1178	1366	1555	1590	1625	1661	1696	1731	1767
29	1016	1089	1210	1403	1597	1633	1669	1705	1742	1778	1815
30	1043	1117	1241	1440	1639	1676	1713	1750	1788	1825	1862
31	1070	1146	1273	1477	1681	1719	1757	1795	1834	1872	1910
32	1096	1175	1305	1514	1723	1762	1801	1840	1879	1918	1958
33	1123	1203	1337	1551	1765	1805	1845	1885	1925	1965	2006
34	1150	1232	1369	1588	1807	1848	1889	1930	1971	2012	2053
35	1177	1261	1401	1624	1849	1891	1933	1975	2017	2059	2101
36	1203	1289	1432	1661	1891	1934	1977	2020	2063	2106	2149
37	1230	1318	1464	1698	1933	1977	2021	2064	2109	2152	2197
38	1257	1347	1496	1735	1975	2020	2065	2109	2154	2199	2244
39	1284	1375	1528	1772	2017	2063	2109	2154	2200	2246	2292
40	1310	1404	1560	1809	2059	2106	2153	2199	2246	2293	2340
41	1337	1433	1591	1846	2101	2149	2197	2244	2292	2339	2388

Admission Priorities

For Fiscal Year 1993–94

Effective 3/15/94

Rank	Family Size										
	1 - 2	3	4	5	6	7	8	9	10	11	12
42	1364	1461	1623	1883	2143	2191	2240	2289	2338	2386	2435
43	1390	1490	1655	1920	2185	2234	2284	2334	2384	2433	2483
44	1417	1518	1687	1957	2227	2277	2328	2379	2430	2480	2531
45	1444	1547	1719	1994	2269	2320	2372	2424	2475	2527	2579
46	1471	1576	1751	2031	2311	2363	2416	2468	2521	2573	2626
47	1497	1604	1782	2068	2353	2406	2460	2513	2567	2620	2674
48	1524	1633	1814	2104	2395	2449	2504	2558	2613	2667	2722
49	1551	1662	1846	2141	2437	2492	2548	2603	2659	2714	2770
50	1578	1690	1878	2178	2479	2535	2592	2648	2705	2761	2817
51	1604	1719	1910	2215	2521	2578	2636	2693	2750	2807	2865
52	1631	1748	1942	2252	2563	2621	2680	2738	2796	2854	2913
53	1658	1776	1973	2289	2605	2664	2724	2783	2842	2901	2961
54	1685	1805	2005	2326	2647	2707	2768	2827	2888	2948	3008
55	1711	1834	2037	2363	2689	2750	2812	2872	2934	2995	3056
56	1738	1862	2069	2400	2731	2793	2855	2917	2980	3041	3104
57	1765	1891	2101	2437	2773	2836	2899	2962	3025	3088	3152
58	1792	1920	2133	2474	2815	2879	2943	3007	3071	3135	3199
59	1818	1948	2164	2511	2857	2922	2987	3052	3117	3182	3247
60	1845	1977	2196	2547	2899	2965	3031	3097	3163	3229	3295
61	1872	2006	2228	2584	2941	3008	3075	3142	3209	3275	3343
62	1899	2034	2260	2621	2983	3051	3119	3186	3255	3322	3390
63	1925	2063	2292	2658	3025	3094	3163	3231	3300	3369	3438
64	1952	2091	2324	2695	3067	3137	3207	3276	3346	3416	3486
65	1979	2120	2355	2732	3109	3180	3251	3321	3392	3462	3534
66	2006	2149	2387	2769	3151	3223	3295	3366	3438	3509	3581
67	2032	2177	2419	2806	3194	3266	3339	3411	3484	3556	3629
68	2059	2206	2451	2843	3236	3309	3383	3456	3530	3603	3677
69	2086	2235	2483	2880	3278	3352	3427	3501	3576	3650	3725
70	2112	2263	2515	2917	3320	3395	3470	3546	3621	3696	3772
71	2139	2292	2546	2954	3362	3438	3514	3590	3667	3743	3820
72	2166	2321	2578	2991	3404	3481	3558	3635	3713	3790	3868
73	2193	2349	2610	3027	3446	3524	3602	3680	3759	3837	3916
74	2219	2378	2642	3064	3488	3567	3646	3725	3805	3884	3963
75	2246	2407	2674	3101	3530	3609	3690	3770	3851	3930	4011

Task VII

Local Governance

Work Group Report

By

Lynn DeLapp

Background

Child care governance and administration is bifurcated at the state level and fragmented at the local level. There is no well-defined unified, local governmental role for governance, planning, coordination of services or program administration

California Department of Social Services - Child Care as a component of Title IV-A Public Assistance Programs

The eight child care programs operated by the California Department of Social Services (CDSS) are components of federal/state-governed, county-administered public assistance entitlement programs. The primary goal of the child care programs is to fund safe care for children in order to increase the number of current, former, or potential welfare recipients who are employed. Eligibility, reimbursement, data collection, auditing and funding for child care vary among the programs but are driven primarily by complex state and federal requirements governing Aid to Families with Dependent Children (AFDC), and by state licensing standards for health and safety.

With the exception of the At-Risk Child Care Program, which is operated by the Department of Education under an inter-agency agreement, Title IV-A child care programs are administered by local social services agencies as one facet of their AFDC or Greater Avenues for Independence (GAIN) programs. Responsibility for child care administrative activities within social services agencies varies among the counties: in some counties, child care is one of a family AFDC caseworker's many responsibilities; other counties have established separate offices for families on the GAIN program or for those transitioning off public assistance. Still other counties have designated special caseworkers to handle all child care responsibilities. Finally, a few counties have contracted with Resource and Referral or Alternative Payments programs to operate one or more child care programs.

It is very difficult to separate child care administrative costs from the overall AFDC programs because of the intertwined nature of the programs, as well as the wide variation in county-level program administration. CDSS estimates, however, that

administrative and support activities together account for approximately 20-25% of total child care costs.

California Department of Education - Child Development Programs Governed from the State Level

The California Department of Education's (CDE) state and federally-funded child care and development programs are, for the most part, governed separately, only partially integrated with the Department's K-12 education program. These programs have a dual focus: to provide a 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. Administered almost entirely at the state level, the 14[25] CDE programs are controlled by extensive state laws and regulations establishing program criteria, target populations, eligibility standards, and reimbursement levels Planning, program, allocation, funding, monitoring, and compliance decisions are made by the Department of Education, and implemented through contracts with direct services providers and agencies operating certificate programs. Except in their role as service providers, there is virtually no identifiable administrative role for local government or education agencies.

A variety of contract agencies carry out administrative and support functions for CDE child care and development programs. Eligibility determination, waiting list maintenance, collection of parent fees, attendance monitoring, data collection and reporting are handled by all direct services contractors and Alternative Payments (certificate) agencies. Some direct services contractors with multiple sites conduct all administrative activities except attendance monitoring from a central office, while others delegate these functions to each site. Direct services contractors are permitted to use up to 15% of their contracts for administrative services, and Alternative Payment programs are entitled to 15% above charges for provider payments.

All CDE contractors are also required to provide parent education, referrals to community services, and other support services, although the extent of services varies widely in practice. Support services are not separately itemized in direct services contracts; certificate programs are permitted to charge up to ten percent above provider payments for all programs except Federal Block Grant. Under the Federal Block Grant, total administrative and support services may be no more than 20% above provider payments.

Specialized services are provided by a variety of agencies under contract with CDE. Parent referrals, consumer education about, and some provider recruitment and

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[25]Depending on the criteria used to define CDE child care and development programs, there are between 6 and 20 separate programs. We have chosen to use 14 here, based on the *March 1996 Child Care Program Information* fact sheet published by the Child Development Division, California Department of Education.

training activities are provided by child care resource and referral programs. Peer review and quality improvement activities are provided by groups of child development providers, and provider training is often provided through consortia organized by community colleges, or by Family Day Care Associations.

Administrators of both CDE and CDSS programs find that administration of the multiple eligibility standards, payment provisions, program standards, reporting rules and audit requirements are confusing, time-consuming, labor-intensive and highly duplicative.

Local Coordination and Planning

Until recently, there has been little local coordination either among CDE contractors, or between social services departments operating AFDC-related child care programs and CDE contractors. As a result, there has been very little attention paid to the breadth of local child care and development needs among low-income families in the community, and few attempts to reduce duplicative or redundant administrative activities. Moreover, in most communities there is scant local government knowledge of the supply, demand or funding requirements for child care. As community efforts have emerged over the last few years to better serve high-risk children and families, child care and development services frequently have been forgotten, not because child care is less important than other services, but because no agency is at the table representing these services.

In 1991, AB 2141 created a limited local government role in child care by authorizing county boards of supervisors and county offices of education to establish local child care planning councils to assess local child care and development needs and develop funding priorities for the new federal Child Care and Development Block Grant. Although no planning monies were available, all 58 counties developed federal funding priorities. Since 1991, some local planning councils have undertaken community-wide planning and financing efforts for subsidized and non-subsidized child care. They have also become the voice for child care and development services in county-wide planning for education and children's services. Other councils, which had little or no support from local government or the private sector, became dormant. Although planning councils have received a boost since 1994 with small grants from the Department of Education, their lack of consistent funding and limited scope of decision-making have left most local planning councils with only minor influence over local child care governance and administration.

Local Governance Work Group

The AB 2184 Local Governance Work Group addressed the following issues:

- What should be the role of local public and private agencies in the governance and administration of child care and development? What should be the relationship between state and local roles?
- Which agency(ies) should take the lead role for local governance? What should be the relationship between state and local governance agencies?
- How can local administrative activities be made more efficient?
- For what outcomes, if any, should local governance bodies be held accountable?

The Local Governance Work group was composed of individuals with many years of experience managing child care at the local level. The group included two representatives of county social services agencies, including a welfare director; the child care coordinator of a large county; an officer of the California Child Care Resource and Referral Network; a child care center director and an individual with many years of experience working with Alternative Payments and Head Start programs. In addition, state agency representatives brought knowledge of policy and program administration.

The group based its discussion on the Guiding Principles and Definition of Seamless Child Care and Development adopted by the AB 2184 task force (Appendix A), and several operating assumptions:

--There would be a single plan for the utilization of all child care and development dollars, including both federal and state funds. These funds could be spent on a variety of target populations, using various types and modes of care.

--There would be a unified set of eligibility standards and fee requirements for all child care and development programs.

--A joint CDE/CDSS child care and development management team would be responsible for state-level program administration.

--Administrative activities should be made as efficient as possible.

Local Governance Issues and Recommendations

The Local Governance Working Group had wide-ranging discussions of each of the issues described below. On most issues, consensus was reached. Where consensus was not possible, the various points of view are presented.

1. **Additional Funding.** Although the local governance group was not specifically asked to deal with state budget issues, many members felt that increased levels of state and federal funding for child care and development were more critical to meeting the needs of children and families than changes in governance or other reforms undertaken by the AB 2184 Task Force. For this reason, the Local Governance Group strongly recommends that additional state or federal funds be allocated to child care and development programs in order to meet the child care and development needs of children and families in the eligible population, as well as the increased demand for services anticipated as the result of federal/state work participation requirements.

2. **Local governance role.** What should be the role of local agencies in the governance and administration of child care and development? What should be the relationship between local and state governance?

General Division of Responsibilities Between State and Local Agencies. The Local Governance Group reviewed the current division of responsibilities for child care and development between state agencies (CDE and CDSS) and local entities, and agreed that local governance agencies should assume responsibility for planning and recommending funding allocations for the combined CDE/CDSS funds, and partial responsibility for quality improvement, supply building, and administrative and support activities. They agreed that state agencies, (stipulated as a joint CDE/CDSS team) should determine eligibility standards for child care and development programs and determine the amount of state and federal child care and development funds for which each county is eligible.

a. Local Plans and Priorities for Funding.
County-level local child care councils, or consortia of two or more counties, should be required (and funded) to devise plans for the distribution of all child care and development subsidies in their counties (including existing funds). Plans should show the extent to which current needs for child care and development services are being met throughout the county by state and federal programs (including Head Start.) They should also identify funding priorities for new and existing funds to address the most urgent needs for subsidized care. Priorities must reflect needs identified in well-developed, comprehensive local needs assessments. Plans should reflect the presumptions that over time, levels of service and funding should relate to the level of need throughout the county, and that some funds may need to be shifted. However, plans should also ensure continuity of care for families

currently receiving services, and, where feasible, preserve current services and existing infrastructure, as long as they are effective. Thus, any funding shifts required to establish care in underserved areas should be phased in over time.

County priorities for the allocation of new and existing funds should be reviewed and approved by county boards of supervisors and county offices of education, and then by the state.

CDE and CDSS should work with counties to develop protocols for needs assessment, and cooperate with the counties in data collection activities. The full planning process should be phased in over several years, based on county capacity to undertake these functions.

Each county's plan must include:

- A general description of the demographic features of the county which might affect the supply and demand for child care and development services.

- A description of the need for and supply of subsidized care. The needs assessment, which should cover all geographic areas within the county, should include the age of children (infants/toddlers, 3-5 year-olds, school-age children); special populations (abused or neglected children, teen parents, children with disabilities, and migrants); type of care (centers, family day care homes, exempt care); and extent of part-time, evening, and weekend care.

- A description of facility needs for child care centers and family day care homes serving children of subsidized and non-subsidized families.

- A list of county priorities for new money or shifts of funding. Each priority must be justified by showing how it relates to identified needs and the existing supply of care.

- A description of how the proposed distribution of services will enable public assistance recipients to meet work participation requirements.

- A description of how the proposed distribution of services will serve low-income, working parents who are not on public assistance.

- A description of how the proposed distribution of services promotes child development and school readiness.

- A description of the extent to which child care and development services are offered in conjunction with other child and family services, such as

child abuse prevention or intervention, youth development, family support programs, regional centers, etc.

b. Support for Local Child Care Councils.
Additional state support, in the form of funding and technical assistance must be provided if Local Child Care Councils are to undertake the duties described above.

c. Local Quality Improvement/Supply Building Activities.
State/federal funds for quality improvement and supply-building activities should be divided among the state and Local Child Care Councils. Local funds for quality improvement and supply building activities should be allocated by the State on the basis of from proposals submitted by Local Child Care Councils. Activities should include but not be limited to the following:

- Outreach, orientation, training, or mentoring programs to increase the knowledge of health and safety and child development for all licensed providers, as well as license-exempt providers and participants in child care co-ops;

- Innovative efforts to provide training in child development for exempt and licensed providers serving infants and toddlers.

- Innovative efforts linked to kindergarten programs, aimed at improving school readiness for center-based and family day care providers serving 3-5 year old children.

- Innovative programs which meet the needs of school-age children, particularly those over the age of eight.

- Provider training to meet the child care and development needs of children with special needs.

3. Selection and Funding of Contractors.
The group did not agree which level of government should select and fund direct services providers and certificate programs. Many members argued that the state should select and fund contractors, for the following reasons:

- The current contractor selection process at the state level is perceived to be objective and fair. If this function were moved to the local level, there was concern that contractors would be selected on the basis of political factors and local influence.

- The capacity of local planning councils to assess need and determine priorities varies widely; many counties have little experience with these functions. Local planning functions should be strengthened and funded before additional duties are added.

Those supporting local selection and funding of contractors argued:

- Local contracting would give local agencies more flexibility and control over the programs, assuring that they addressed local needs.

- There is no justification for retaining a state-operated child care system when all other child and family services are administered through local government or education agencies.

4. Centralized, Consolidated Administrative Functions.
The group agreed in principle that some administrative functions should be centralized and consolidated (handled by a single agency) at the county, or in large counties, sub-county-level. This agency would report to the Local Child Care Council. One purpose of consolidation and centralization would be to ease administrative problems for families who are seeking care or are enrolled in programs. Other purposes would be to shift administrative burdens from individual sites, standardize activities, and, over time, realize cost savings.

To a large extent, group members believe that cost-effective centralization and consolidation of administrative functions is contingent on implementation of automated data systems with multiple points of input from contract agencies and social services offices. Thus, there was agreement that any centralization or consolidation should be phased in, dependent on adequate technology and county-level capacity to handle these functions.

Specific Functions Two distinct issues were raised (and frequently confounded) during this discussion: centralization and consolidation. The group came to only partial consensus on both issues.

There appeared to be general agreement that planning, data collection, waiting lists, and initial eligibility determination should be both centralized and consolidated; there was no agreement on centralizing re-certification of eligibility or collection of family fees. Moreover, although there was general agreement that consumer education, referrals to providers, provision of technical assistance, and certificate program management should be handled centrally, there was no agreement that they should be consolidated within a single agency.

Arguments opposing centralization and consolidation included:

- Some members believed that individual contractors could more sensitively handle administrative activities concerning the families they served than a centralized office.

- Some members believed that although the current system was administratively burdensome, the problems did not warrant significant overhaul of the system.

- There was concern that if functions were shifted away from contractors, administrative funds critical to program operation would be removed.

- There were fears that in counties where agencies currently operate separate Resource and Referral or Alternative Payment programs, or where there are multiple Resource and Referral or Alternative Payment programs, that some agencies would be displaced if the programs were consolidated.

The group discussed, but did not reach consensus on, a proposal that Local Child Care Councils be given the authority to propose an administrative plan, to be approved by the state, to serve all child care and development programs in the county. Arguments in favor of and opposing this proposal reflected the issues described above, as well as the concerns noted in the discussion of selecting and funding contractors.

5. Local Lead Agency Which agency(ies) should take the lead role for local governance? What should be the relationship between state and local governance agencies?

Local Authority and Council Composition After significant discussion about balancing the needs of child and families, and the influence of welfare, child protection agencies and education agencies, the Local Governance group agreed that legal authority, appointment power, and plan approval for local child care councils should be shared by County Boards of Supervisors and the County Offices of Education. They also agreed that council composition be required to be the same as now authorized for local child care planning councils in AB 2141 of 1991 (with minor wording changes in regard to local social services departments and licensing). The state should approve council composition, as well as county plans. Councils should have a formal connection (joint membership, sub-committee status, or other linkage), with other county-level children's services collaboratives, such as Children's Coordinating Councils, Healthy Start, Family Preservation and Family Support, AB 1741 Councils, Child Abuse Councils, etc.

Conflict of Interest The group recommended that potential conflicts of interest on the council should be addressed by requiring council members to expose potential

conflicts of interest, and recuse themselves from voting on issues in which they may have a financial interest.

6. Outcomes. For what outcomes, if any, should local governance bodies be held accountable? The group agreed that program evaluation based on outcomes was necessary to substantiate the value of child care and development programs, and identify effective (and ineffective) programs. They believed, however, that there was not adequate time left in the AB 2184 process to identify specific outcomes and indicators. Instead, the group recommended that a new, joint state/local child care council task force should be established to set outcomes which should address the needs of children of various ages, in various care settings. The group recommended that the outcomes address school readiness and success, child protection and family support, and family success in leaving public assistance and achieving self-sufficiency. Once outcomes and indicators are established, programs should be evaluated based on results.

7. Exempt Care Although not formally part of the task of the Local Governance Group, there was widespread concern about the unknown level of quality in license-exempt care and its effects on children. The group recommended that a joint CDE/CDSS team conduct research on the prevalence, characteristics, and quality of license-exempt care. This study should include the following questions:

- Who uses exempt care, and why have they selected this type of care? Does it meet specific needs unmet by licensed care?

- Should there be additional regulation for exempt care (i.e. registration; orientation; requirements to provide Social Security numbers; training in child development, CPR or first aid, etc.)

- Are current reimbursement levels and payment systems appropriate for exempt care? How widespread are "overcharges" or other reimbursement abuses?

- Should the state provide resources for voluntary "basic training", orientation, or incentives for licensure?

Task VIII

Building Bridges:

Linking Child Care and Development with other

Health and Human Services

By

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Section 1

Background and Introduction

Policy Analysis for California Education (PACE), in cooperation with the California Department of Education, Department of Social Services, and Governor's Office of Child Development and Education, has been engaged in a series of studies and analytic activities designed to assist California to create a "seamless" system of publicly supported child care and development. A "seamless" system has been defined as one that "promotes continuity of services between programs as families' income and employment status, aid status, and other relevant characteristics change."[26]

Throughout this project, state agency officials, educators, parents, and providers have referred to child care and development as part of a larger investment in the developmental growth of children and families. The question of the extent to which child care and development services are, or should be, part of an integrated

[26]This defintion was developed by the A.B. 2184 Task Force.

approach to child and family services has been discussed. However, those discussions have not had the advantage of timely empirical data sufficient to promote careful analysis and policy development.

This paper, "Building Bridges: Linking Child Care and Development with Other Health and Human Services," represents PACE's efforts to inform these discussions. "Building Bridges" reports the results of PACE's research regarding the intersection of child care and development programs with the provision of other health and human services for children and families. In particular, the paper explores the extent to which efforts to create a comprehensive and coherent system of services for recipients of state-supported child care and development are able to span individual policy boundaries to encompasses a range of social services.

The Need for a Coherent System of Services

Families, particularly families in fragile economic circumstances, often require multiple and simultaneous kinds of assistance from child care to medical care, job training to housing. Previous research has shown that for these families, many of whom are served by California's child care and development programs, negotiating the maze of service provider agencies can be a bewildering and often frustrating process, not unlike, as has been aptly observed, attempting to "dance with an octopus."

California's health and human services system historically has been plagued by four fundamental structural problems. Identified by PACE in its 1989 publication, *The Conditions of Children in California*, the four problems are: underservice, limited focus on prevention, service fragmentation, and insufficient accountability.

Underservice

Many needy children "slip through the cracks" in the social service system, often receiving less service than that for which they are eligible and to which they are entitled. Problems often go undiagnosed, or are diagnosed too late. Some families successfully avail themselves of service offerings; other families are barely aware of service possibilities.

Limited Focus on Prevention

Social services agencies, as a result of policy preference, fiscal constraints, longstanding tradition, or a combination of all of these factors, tend to employ a triage approach to the problems of children and families. Focus often centers on acute cases; children's problems tend to be viewed as episodic rather than continuous.

Service Fragmentation

The social service system, in general, consists of a series of targeted, categorically funded programs housed in a variety of state agencies. Each of these programs maintains its own sets of eligibility requirements, and its own system of rules and regulations. The result of this fragmented system is that professionals who deal with the same children and families rarely have the opportunity to shape a comprehensive service program that fits the needs of their clients.

Insufficient Accountability

Social service agencies typically focus on inputs rather than outcomes. In other words, emphasis is placed on that which is provided to children and families rather than on the result of the treatment or service. Agencies themselves are structured so that they are able to pay only scant attention to the ways in which the social service system impacts the "big picture," namely the life prospects for children and their families.

The California Response

California policy makers, in recent years, have devoted time, money, and policy attention to grappling with the problems endemic to the state's complex social service system. In particular, the state has focused on mechanisms designed to create systems of integrated services in which social service providers collaborate to develop a single, continuous system of assistance for children and their families.

California's most ambitious statewide effort to promote integrated services was launched in 1991 when the state enacted the Healthy Start initiative. Healthy Start provides money and a set of policy incentives for local communities to establish systems of integrated services which can encompass a range of social service

functions, such as general health care, immunization, vision and hearing screening, family support and counseling, and prenatal care.

Healthy Start embraces the concept of school-based and school-linked services. In other words, schools, or community centers located near schools, serve as the "hubs" of a network of social services for children and families. Child care and development programs are countenanced as part of the Healthy Start collaborative, but Healthy Start is not designed specifically around child care and development, which often serves preschool-age children.

Building Bridges

This paper is designed to serve as an initial snapshot of integrative and collaborative social service programs which take as their center state-supported child care and development agencies. The paper draws from two principal sources of data: 1) a survey conducted among all of the child care and development agencies which have contracts with the state of California, and 2) case studies of four child care and development agencies which successfully meld early childhood programs with other health and human services.

The paper is divided into five major sections. Following this Background and Introduction (Section 1) is a description of PACE's research and analysis methodologies (Section 2). Section 3 presents the results of the statewide survey. (A copy of the survey questions is included as Appendix A to this report.) Section 4 includes the four individual case studies and cross-case analysis. (Interview protocols employed in the case studies are included as Appendix B to this report.) Section 5 offers some concluding remarks.

SECTION 2

METHODOLOGY

Data for this paper were generated from two principal sources—surveys and case studies. This section describes the means by which these data were secured.

Surveys

Survey questions were developed by PACE, in consultation with an informal work group composed of child care and development agency directors and other states leaders in the field. A copy of the complete questionnaire is included as Appendix A to this report.

Surveys were mailed from PACE's Berkeley office on February 21, 1996 to the directors of all 735 agencies which hold contracts for state-supported child care and development programs. The cover letter which accompanied the surveys assured respondents that their answers would be kept confidential. Included with the questionnaire was a stamped return envelope. Completed surveys, which were due by March 15, 1996, were mailed directly to PACE's Berkeley office, where they were tabulated. Nearly half (48%) of the surveys were completed and returned to PACE.

Case Studies

Descriptive (as opposed to evaluative) case studies were conducted at four agencies which receive state child care and development financial support. The four agencies—Charles Drew Head Start in Compton, Elk Grove State Preschool in Elk Grove, Gardner Children's Center in San Jose, and Visitacion Valley Family School in San Francisco—were recommended to PACE as child care and development organizations which successfully integrate a range of health and human services.

These case studies are illustrative of integrated and colloborative services efforts. This purposive sample of four case studies does not purport to be either random or representative of all child care and development agencies. Nor do these case studies reflect the "universe" of early childhood agencies which include other social services as part of their general operating sphere.

PACE researchers visited each of the four case study sites. Data were gathered principally by means of document review and interviews. Researchers reviewed

agency mission and goals statements, intake packets, budgets, interagency agreements, grant proposals, and organization charts.

Interviews were conducted in accordance with protocols developed by PACE. (A copy of the complete set of protocols is included as Appendix B to this report.) Designed to secure information regarding purposes of the agency's program, population served, staffing levels and patterns, funding sources, and the nature of interagency collaboration, interviews were conducted with program (or site) directors, site staff, parents, and staff of non-child care and development cooperating agencies.

SECTION 3

SURVEY RESULTS[27]

Surveys were mailed to directors of all state-supported child care and development agencies. A total of 48 percent of the surveys was completed and returned to PACE.

The survey was designed to provide *baseline* information regarding matters such as the following:

- the extent to which child care and development agencies determine health and human service needs of the children and families the agencies serve;
- the means by which other-than-child-care-and-development needs are assessed;
- the other social service providers with which child care and development agencies most frequently cooperate;
- mechanisms by which information about needs beyond child care and development are communicated to health and human service agencies;
- the specific intersection of health and human services with the mission, funding and governance structures, and general operation of child care and development agencies;
- the structural nature of integration or collaboration; and,
- barriers to developing working relationships between child care and development and other health and human service providers.

Four "headlines" can be derived from survey results:

1. **Child care and development agencies view their professional responsibilities as extending beyond the boundaries of child care and development.**

[27] It should be noted in reviewing the results that follow that responses for an individual question will sometimes total more than 100 percent. This is because respondents were allowed, on several of the multiple choice questions, to select more than one answer.

2. **Child care and development agencies believe collaboration with other health and human service providers is an important dimension of their obligation to the children and families they serve.**

3. **Interagency cooperation is initiated in multiple ways and sustained largely by informal relationships.**

4. **The principal challenges to collaboration include inadequate funding, insufficient staffing, and the relative lack of involvement of child care and development agencies in multi-agency consortia.**

Beyond Child Care and Development

Child care and development agencies view their professional responsibilities as extending beyond the boundaries of child care and development. It is clear from survey results that the "client" is perceived to be both the child *and* the family.

When asked the question, *"As new families and children enroll in your program, does the staff attempt to determine what needs, if any, beyond child care and development these families have?,"* more than 90 percent of respondents (92%) answered, "yes."[28] The most common means of assessing child and family needs is the personal interview. Nearly all survey respondents (98%) indicated that conversations with families, in the form of interviews are used to determine health and human service needs.

More than eighty percent (81%) of child care and development agencies provide a written survey for families to complete. More than three-quarters (78%) also conduct interviews with other community organizations or agencies which already are serving the child care and development clients. More than half of survey respondents (56%) report that they consult with social service case managers as a means to gather relevant child and family information.

Once the child care and development agency has secured information regarding child and family needs, the vast majority of child care providers (93%) makes a

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[28]All reported results, unless otherwise indicated, are *aggregate* results. PACE did disaggregate survey responses by the following categories: urban-rural-suburban (self-described), public school district-private nonprofit agency (the two largest groups of respondents), and number of children served. However, for nearly all question responses, differences among categories were not statistically significant.

referral to the appropriate health and human service agency or program. Fewer than half of survey respondents (47%) report that they make a referral to an interagency consortium.

The family is notified about communication between the child care and development agency and any other agency or program. Communication on this dimension takes the form of a meeting between the family and child care and development agency staff (89%), a phone call to the family (83%), and/or a meeting involving the family, child care and development staff, and staff from other agencies and programs (79%).

The Importance of Collaboration

Perhaps not surprisingly, the vast majority of child care and development agencies view as essential developing and sustaining collaborative relationships with other agencies that serve children and families. More than 90 percent of survey respondents (92%) place in the "extremely important" column the need to create and maintain these interagency alliances. The reason most frequently proffered for building collaborative relationships is that, "...stronger relationships would increase the level of support our agency could offer children and families."

Respondents were presented with a list of potential agencies with which child care and development might cooperate, and were asked to assess the level of involvement between their own agency and these other social services providers. The organizations with which the largest number of child care and development agencies cooperate are local school districts (58%), followed by the Department of Social Services (43%). A difference here can be noted, perhaps not surprisingly, for private non-profit child care and development agencies. More than half of these organizations (51%) report that their most common contact is with the Department of Social Services, followed by Public Health (40%). Local school districts rank third (32%).

Additionally, approximately a third of child care and development agencies maintain significant levels of involvement with adult education and training programs (36%), public health organizations (36%), and county offices of education (33%).

Modest involvement with mental health providers is a reality for nearly a third (32%) of child care and development agencies. Farther down the involvement scale, venturing clearly into the "little or no involvement" category, are collaborative relationships with housing authorities, homeless shelters, substance abuse programs, and recreation and parks departments.

Child care and development agencies express an interest in closer working relationships with some of those agencies with which involvement is only modest or nearly nonexistent. More than half of survey respondents (52%) report that they would be advantaged by additional collaboration with housing authorities, followed fairly closely by substance abuse programs (46%), homeless shelters (46%), mental health facilities (45%), and recreation and parks departments (42%).

Cooperation Is Informal

Interagency partnerships can stem from a variety of sources. Most child care and development agencies (92%) report that *they* initiated contact with other service providers. For nearly three-quarters of child care and development agencies (70%), inter-organizational relationships were initiated by agencies other than child care and development. Close to two-thirds of survey respondents (65%) report that collaboration is a requirement of one or more of their funding sources.

The nature of inter-agency relationships is significant. Much collaboration is sustained by means of *informal* personal and professional associations among child care and development and other agency staff members. Nearly half of survey respondents (41%) report that while collaboration takes place, it does so without benefit of written interagency agreements. Moreover, just slightly more than one-quarter of child care and development agencies (27%) have regular, scheduled meetings with staffs of cooperating agencies or programs.

Challenges Abound

The principal challenges cited to expanding interagency collaboration include insufficient numbers of staff to assume the requisite responsibilities, inadequate dollars to carry out the programs, and the relative lack of involvement of child care and development agencies in multi-agency consortia.

Staffing is a critical issue, and an important piece of the puzzle, regarding interagency collaboration. Nearly two-thirds of child care and development agencies (61%) report that they do not have staff specifically assigned to develop relationships and coordinate activities with other social service providers. Insufficient staff is cited more often (39%) than inadequate resources as a barrier to interagency collaboration.

When asked how interagency collaboration is funded—by the child care and development agency? by other agencies? via a shared cost arrangement between child care and development and other agencies? by means of a special grant?—three-quarters of respondents (75%) replied that collaboration is *not* funded. Yet, when questioned about barriers to interagency cooperation, slightly less than one-third (31%) of child care and development agencies report "insufficient funds" to be a barrier.

There is some knowledge of extramural funds available for interagency work. Half of the survey respondents (51%) indicated that they use "special grant money" for purposes of building and sustaining relationships with other service providers. However, when asked the question, *"Are funds available in your community for developing collaboration among programs that provide services to children and families?,"* the most common response (41%) is "don't know."

Taken as a set, these findings, when combined with the earlier finding that much collaboration is of an informal person-to-person nature, raise questions (the answers to which are beyond the scope of this study) regarding the depth and comprehensiveness of interagency collaboration among child care and development agencies and other health and human service providers. Ad hoc professional cooperation is necessary, and relatively inexpensive. However, the extent to which this sort of affiliation is able to produce a truly collaborative and integrative approach to service provision remains an open question.

Finally, there is the issue of inclusion. More than half of child care and development agencies (51%) report that their own communities have children's services consortia, but, on balance, child care and development does not participate in these. When asked to explain, the most common response is that "child care and development programs have not been invited to participate...."

The next section of this paper presents case studies of four child care and development agencies which collaborate with other service providers.

SECTION 4

CASE STUDIES

This section encompasses case studies of four child care and development agencies which have built and sustained collaborative relationships with other health and human service providers.[29] The four profiled here are the Charles Drew Head Start program in Compton, the Elk Grove Preschool in Elk Grove, the Gardner Children's Center in San Jose, and Visitacion Valley Family Center in San Francisco. All are part of California's network of publicly supported child care and development agencies.

[29]These case studies are overviews. More in-depth and detailed data collection strategies would provide an even richer picture of these four interesting and dynamic organizations. Such study was not possible within the time and budget constraints of this project.

CHARLES DREW UNIVERSITY OF MEDICINE AND SCIENCE

PROJECT HEAD START

The Charles Drew Head Start program is located in Compton, California, an economically depressed community with the lowest school achievement scores in the state and high levels of drug related crime and violence. Historically an African-American community, the influx of Southeast Asian immigrants to Compton is changing the community configuration. With the exception of the services provided by the Charles Drew Head Start program, the community has little access to primary health care, child care, or other social services.

Charles Drew Head Start, affiliated with Charles Drew University and the University of Southern California, is part of a larger community health organization which began in response to the Watts riots in the 1960s. The comprehensive service delivery approach to integrated child development services was developed in order to respond to the need for community-operated services for children and families. Management embodies an entrepreneurial spirit and seems committed to providing comprehensive integrated services for the program's clients.

The Charles Drew Head Start Center serves approximately 1,774 children between the ages of three to five, and provides comprehensive child development and family focused services. Service is provided in 20 preschool centers, with multiple classrooms at each site. Child development services include morning and afternoon sessions operating for three and a half hours.

Charles Drew Head Start maintains agreements with local education agencies to house and operate local Head Start programs on elementary school sites. This allows for children and families to attend Head Start programs within walking distance from their homes. In some situations the space is rented and in other instances it is donated.

Each Charles Drew classroom is staffed with a head teacher, assistant teacher, and program volunteers from affiliated job training programs. Head teachers have at least 12 units of early childhood education and many at Charles Drew have B.A.

degrees. Head teachers are responsible for either a morning or afternoon session and spend the remaining part of the day planning, conducting home visits, and performing administrative duties. Assistant teachers have between six and twelve early childhood education units and are in classrooms a total of seven hours.

Children are provided with breakfast, lunch and a snack and engage in developmentally appropriate activities throughout the day. Teachers are trained in the High Scope Curriculum[30] and children actively participate in Plan-Do-Review activities. In their small groups children may choose an art project, such as finger painting, work on this activity individually, and return to the group to share their finished project.

Head Start, by statute, is a comprehensive child development program that provides for the direct participation of parents of enrolled children. Parent and community volunteers are an integral part of the Charles Drew Head Start effort. Extensive use of volunteers reduces the child:adult ratio to approximately five to one.

As part of the program, parents receive training and education that fosters their understanding of and involvement in the development of their children. They also become involved in the development and direction of local programs. Additionally, parents are afforded opportunities to continue their education by receiving GED or community college training.

Governance and Funding

Charles Drew University of Medicine and Science is the grantee of the Head Start program, funded by the U.S. Department of Health and Human Services, Office of Human Development Services Administration for Children, Youth, and Families. Charles Drew University is responsible for fiscal administration and oversight of the child development program. The Head Start program operates independently with a director and parent policy council that functions like a board of trustees. Day-to-day operations are planned and conducted by a team of individuals responsible for various program components, including education, health, nutrition, mental health, and parent involvement. Teams are responsible for strategic planning,

[30] High Scope, developed in Ipsilanti, Michigan in the 1960s, is a structured curriculum designed for center-based programs. The core of the program is "Plan, do, and review," offering opportunities for children to engage in developmentally appropriate learning and decision making.

policy development, and program implementation. Developing linkages and collaborative efforts with community service providers is a primary focus for the management team. In addition to responsibilities for program development, each component coordinator has on-going daily contact with classroom teachers, thus ensuring communication and support.

In addition, to generating the required 20 percent match of federal funds, Charles Drew Head Start has secured a number of private and public grants to bring additional resources to the children and families in the community. Grants from private foundations, for example, have allowed Charles Drew Head Start to become a center for community organizing, in collaboration with other local organizations. Particularly impressive is a five-year grant to provide training and technical assistance in the areas of capacity building and resource management to community partners. Program management, in order to increase their ability to bring in outside funds, purposely has hired staff with experience in development and strong writing skills.

Integrating Services

Charles Drew Head Start provides a range of free child development and family-focused services to its primarily low-income clients. In addition to the child development program, Charles Drew Head Start offers :

- In-home and classroom programs for pre-natally drug exposed infants and toddlers 0 - 3 years old,
- Services for disabled children, including speech and physical therapy and psychological assessment services,
- Medical, dental, and immunization services for children enrolled in the program as well as for their siblings,
- Certificated GAIN-approved parent employment training,
- Community referrals, emergency services, and resource information,
- Parent support groups, parenting workshops, and literacy training, and
- Individual family assessment and family service plan.

Integrated services are provided through an extensive network of private and public institutions. Local corporations, such as Mattel, have provided funds for building renovation and on-going staffing of the community health center, allowing all children enrolled as well as their siblings to be immunized and receive primary health care services at the central site. Small businesses provide resources to support community organizing, such as running a voter registration drive in collaboration with Head Start parents.

Collaborative partnerships also exist with local universities and community colleges. Medical and dental services are provided by students in professional schools under the supervision of licensed clinicians. This partnership is a result of the programs affiliated with Charles Drew University of Medicine and Science. Staff describe this collaboration as mutually beneficial in that children and families are afforded access to health care and professional school students are able to gain extensive clinical experience.

Job training, literacy classes and professional development opportunities are provided by community colleges through formal and informal agreements. Charles Drew Head Start has made arrangements for stipends to be available for books and transportation costs through private grant development so that finances and transportation do not impede families' ability to move towards self-sufficiency.

In describing the affiliations they have with other community providers, the management team at Charles Drew Head Start makes a distinction between partnerships and collaboratives. They describe partnerships as formal agreements in which the responsibilities of each agency are clearly delineated and approaches to ensuring accountability are defined. Additionally they describe partnerships as involving a mutually beneficial and reciprocal relationship tied to specific outcomes or products. Collaborative relationships are viewed as loose couplings between agencies and individuals. Collaborative relationships are not clearly defined, frequently based on informal relationships, and do not involve formal agreements and accountability measures. The distinction that the staff draws between partnerships and collaboratives reflects the sophistication of the agency's management team and their approach to integrated services.

Success and Challenges

The staff at Charles Drew Head Start possesses an incredible energy and enthusiasm for the work in which they are involved. When asked to describe the successes and challenges that they face in developing and maintaining partnerships and collaborations, they describe a general climate of retrenchment throughout human services agencies. They attribute this retrenchment to uncertain political and economic times that create fear about individual programs' survival. They firmly believe that, especially in times of diminishing resources, agencies need to look beyond the limited scope of their service mandates and develop cost effective and innovative approaches to integrated service delivery with the intention of reducing duplication and maximizing services available to children and families.

An additional challenge identified by Charles Drew staff is the changing requirements for citizenship. They are concerned about the potentially impending role of "enforcer" that changes in immigration legislation could place on service providers. Particularly of concern for providers of family-focused service delivery are situations in which the child is a citizen and the parents are undocumented aliens. Varying agency responses to service provision to illegal aliens is seen as a threat to existing collaborative relationships and a hindrance to assuring access to needed social services and resources.

A final challenge identified is the dynamic aspect of developing and maintaining collaboratives and partnerships that meet the changing needs of the families and children. Staff describe the provision of integrated services as a "constant hustle" which requires a vigilant awareness regarding other services available in the community and an active pursuit of relationship building. They articulate the need for agencies to act decisively and delineate clear objectives related to service mandates in order for effective and meaningful linkages to be developed. Finally, they place a premium on establishing credibility as effective and successful partners.

ELK GROVE PRESCHOOL

Elk Grove is a growing suburb of Sacramento, approximately 20 minutes south of the Greater Sacramento metropolitan area on Highway 99. The area, which remains quite rural despite its close proximity to California's capitol, is dotted with small farms and ranches. Urbanization is creeping, however. Huge tracts of new single-family homes are being developed for miles in all directions. The area's population, including its child population, is growing and will continue to grow for the forseeable future.

While all the children attending the Elk Grove State Preschool meet the state income eligibility guidelines, the average income for families in the Elk Grove area is higher than for the adjacent poor, inner-city Sacramento communities. The population that the program serves is ethnically and racially diverse and reflects the makeup of the surrounding community. Unlike many State Preschool populations, the Elk Grove program families are not highly transient.

The School Facility and Program

The Elk Grove State Preschool is located in a newly constructed elementary school building. The program has been in existence for nearly 15 years and during this entire time has been co-located with a Sacramento County Office of Education Special Day Class Preschool Program. The center serves approximately 60 children, 40 of whom are enrolled in the State Preschool program and 20 of whom are enrolled in the County's Special Education program. The center operates a morning and afternoon program, each of three and a half hours duration. Children from both the State Preschool and the Special Education program are fully integrated into a single classroom.

The facility itself is clean and modern, well equipped with toys and teaching materials, a kitchen, and specialized equipment for children with special needs. Children are provided with breakfast, lunch, and a snack and engage in developmentally appropriate activities, as well as basic health and hygiene activities.

Elk Grove Preschool teachers are trained in the High Scope Curriculum[31], and children actively participate in Plan-Do-Review activities. In their small groups children may choose an art project, such as finger painting, work on this activity individually, and return to the group to share their finished project. Circle time is held on a carpeted area on the floor, with all children an integral part of the group. Especially impressive is how adept the non-disabled children are at helping the children with special needs participate in songs and language activities. Activities are structured, but have a natural energy and flow that affords opportunities for each child to participate at his or her individual level.

The Elk Grove Preschool classroom is staffed with a head teacher, assistant teacher from the State Preschool program, and a special education teacher and aide from the County program. Both the State Preschool teacher and the special education teacher hold California teaching credentials and are experienced educators.

The Elk Grove program has a strong parent participation component as well as "Grandparent" volunteers from a local senior citizens program. Volunteers are involved in all classroom activities and provide additional opportunities for individualized attention to children. Extensive volunteer recruitment efforts result in a adult:child ratio of approximately one to five.

Elk Grove early childhood teachers maintain active relationships with parents of children enrolled in the program; they are cognizant of family situations and needs. As part of the program, parents have the opportunity to participate in monthly trainings designed to foster understanding of child development as well as increase awareness of the variety of social services available in the community. Child care is available at the training sessions.

Governance and Funding

The Elk Grove State Preschool is funded by the California Department of Education, Child Development Division. The program is operated by the Elk Grove School District which also operates several other State Preschool centers as well as several Head Start centers. The Director for the Elk Grove State Preschool oversees the fiscal

[31] High Scope, developed in Ipsilanti, Michigan in the 1960s, is a structured curriculum designed for center-based programs. The core of the program is "Plan, do, and review," offering opportunities for children to engage in developmentally appropriate learning and decision making.

and regulatory aspects of the program. Day-to-day operations are administered by the State Preschool teacher and her assistant. The trend in Elk Grove is to have all the State Preschool centers operate under the more stringent Head Start performance standards to ensure a continuity of high level services throughout the District.

Because the Elk Grove State Preschool is co-located with a Sacramento County Special Education preschool program, there is a dual governance structure. The County Office of Education Program is funded by the Department of Education's Special Education Division and is one of many preschool special day classes operated throughout Sacramento County. The fiscal and regulatory aspects of the program are administered by the Director of Infant-Preschool Services at the Sacramento County Office of Education. The Special Education teacher, responsible for the daily operation of the program, reports to the county administrator.

Elk Grove State Preschool receives no additional funds, beyond those provided by the state, from outside sources such as private foundations. A kind of in-kind donation results from both the Elk Grove State Preschool and Head Start being jointly administered. Access to a middle management staff responsible for health, social services, and parent involvement is available for the preschool population under this arrangement. Additionally, the affiliation with the Special Education program results in the opportunity to utilize special education resource staff, such as speech therapists and psychologists, at no additional cost.

A Range of Services

Elk Grove State Preschool provides a range of free child development and family-focused services. In addition to the child development program, Elk Grove State Preschool assists families in the following ways:

- Making and/or attending (with the child and family) medical appointments,
- Warm Line Referral Service for community referrals, emergency services, and resource information,
- Home visits with teachers and social service workers as needed,
- Parent advocacy groups,
- Parent support groups, parenting workshops, and literacy training,

- Services for disabled children, including speech and physical therapy and psychological assessment services.

The classroom contains a resource library with books on employment, housing, and parenting classes available. While no one staff member at the school has the official responsibility for coordinating all of the necessary services for the families and children enrolled in the program, the State Preschool or special education teachers essentially serve as "caseworkers," making conscientious efforts to initiate regular contact to ascertain the children's and families' needs.

A unique feature of the program is the administrative coupling of the State Preschool and Head Start programs, which affords state preschool teachers access to the Head Start programs' component coordinators who serve as resources to local program teachers. When additional services are determined to be necessary, the state preschool teacher contacts the appropriate Head Start component coordinator and makes a referral for the family. The coordinator then assists the family to make the appropriate linkages with other agencies or service providers.

If special education services are needed for any of the children enrolled in the State Preschool program, the special educator contacts the appropriate persons at the County Office of Education to make the necessary referral. The teachers report that this arrangement reduces the time necessary for undiagnosed children to begin receiving services. Another added benefit of the co-located program is that children in the State Preschool program who exhibit developmental delays but do not qualify for special education services have frequent and on-going contact with the County specialist.

The Elk Grove State Preschool maintains no formal written memoranda of understanding or interagency agreements with any of the other supporting agencies. The integration of services and development of linkages for families is a result of teachers' individual efforts. The staff paint a vivid picture of commitment to establishing working relationships with a host of other service providers in the area to better serve the needs of children and families in their programs.

Success and Challenges

Integrated services at the Elk Grove State Preschool are primarily provided through informal relationships with other service providers and occur without additional

resources beyond the funding the program receives from the state. Noteworthy are the linkages that the State Preschool Program has developed with Head Start and the County Special Education Program.

The staff at Elk Grove State Preschool are quite committed to providing a developmentally appropriate and inclusive preschool program. The State Preschool teacher and special education teacher have participated in a year-long training designed to help them improve the integration of multiple services.

While the teachers are extremely positive about the integrated program, they lament that the number of children served, 30, is too many for the existing site. They are hoping to solve this problem in the coming year by enrolling the children with disabilities in the State Preschool program so that the class size would be reduced to 20 students.

Providing parent trainings and information seminars hosted by local community service providers is a strength of the program. However, the trainings are held at another school site, thus reducing the level of Elk Grove parent participation due to the distance of the trainings from the families' homes.

Another challenge facing the teachers at Elk Grove is the dual roles they perform as educators and case workers. Teachers believe their personal involvement is important to ensure children access to appropriate care and services, but feel overwhelmed by the responsibility of on-going communication with other service providers and the District's central office. When asked if additional support at the local site would relieve the problem, the teachers reported that an additional layer of bureaucracy would not be the key *unless* services could be streamlined and coordinated. The staff appreciates the role that the coordinator at the District central office plays in assisting to refer children and families to appropriate agencies, but report that those services are still fragmented and duplicative, and the rules for qualifying for aid are extremely complex.

Challenges notwithstanding, Elk Grove has taken an innovative approach to establishing a longterm (and informal) integrated services program by melding State Preschool and preschool special education. The shared staffing arrangement makes available to all students in the combined program a range of services to which they otherwise might not have access.

GARDNER CHILDREN'S CENTER

Gardner Children's Center is a nonprofit organization which provides child care and development services to an ethnically diverse population of low income families who are either working or in training. Located in the Gardner district of San Jose (Santa Clara County), two-thirds of the families served are Latin American. The other third of families is made up of Caucasians (25%), African-Americans (8%), American Indians (0.6%) and Asian/Pacific Islanders (0.6%). A large percentage of these children come from single family homes.

Gardner serves 200 children ranging in age from 6 weeks to eleven years. All services provided at Gardner are bilingual (Spanish/English) and are administered through several programs:

- Gardner's Center-Based Program offers full day child care services to children ages 2.9 years through prekindergarten. Before and after school care and full time care during summers and holidays is provided to children in kindergarten through second grade. Located in a low income area of San Jose, the Center serves predominately impoverished families. The Center is situated, in rented space, on the same grounds as an elementary school, providing convenient access to services for families with schoolage children.

- River Glen School and Gardner Academy Schoolage Programs provide before and after school care for families in all income ranges up to grade 6.

- Gardner's Family Child Care Network includes licensed providers who offer child care to infants, toddlers, and schoolage children in four family care homes. Gardner contracts with these providers, monitors them, and provides materials and resources to them.

Staffing and Funding

Gardner employs 17 staff members, who compose a remarkably stable cadre, with an average tenure of seven years. Six of the employees have been at Gardner for ten or more years. The administrative staff includes two masters level individuals. Six of the coordinators and teachers hold BA. degrees, and three have earned associate

degrees. The remainder of the staff have varying degrees of formal training ranging from a high school degree only to six to twelve undergraduate units.

The Gardner Children's Center has an annual budget of approximately $900,000 and is funded through federal, state, and county funds as well as parent fees and the United Way. The largest percentage of revenue (44%) is provided by the California Department of Education, followed by parent fees (22%) and the United Way (15%).

Government funds come through Title IVA and General Child Care. As Gardner Director Fred Ferrer explained, however, while these funds are the most reliable for on-going operating costs and direct services to families, they are also the most difficult to use for building infrastructure because there is no carry-over allowed and it is impossible to build a reserve.

Recently, Gardner turned to the Packard Foundation for assistance in meeting the Center's need for a much larger, and improved physical facility. Packard has funded a feasibility study for a new building, which Gardner would like to construct on grounds adjacent to the elementary school. The envisioned new two-story structure has been estimated to cost $4.5 million dollars, money that is not available through government sources. If the building is ever to be constructed, and more children and families served, it will funded through an aggressive capital campaign for which Gardner is now preparing.

In order to build agency strength, develop infrastructure, allow for changes, and support families who do not always fit government eligibility requirements, Gardner has turned to other funding sources, especially the United Way. Various funding streams are blended in order to create a more seamless system of services for families. In this way, a family may come to Gardner at a particular level of need, and needs will be continued to be met as the family's economic circumstances change. In fact, families are seldom aware of the funding sources of their services or how funding sources may change as family circumstances change.

For example, a family with a new baby will receive services at a Family Care Home and be funded through the United Way. Even though government funding is not supporting these services, Gardner uses the same California Department of Education Family Fee Schedule in all programs so that fees remain on a constant scale for parents regardless of the funding source or the type of program.

When this child turns three years old, the family is encouraged to change services to center-based care at Gardner. With this change, the family's funding is changed to government funds (Title IV-A or General Child Care), but parents do not notice the change or suffer the effects of changing fee expectations. They may be required to complete a new form, but they are qualified for services in the same way, and even the forms at Gardner have been made uniform regardless of funding source. The same consistency is maintained when the child enters school and begins before and after school care at a Center or a Family Care Home.

Comprehensive Services Approach

The Gardner Children's Center has made remarkable strides to provide comprehensive services to children and families. The focus of attention is, indeed, on the *family*, rather than on children alone. At Gardner, parents are an integral part of the learning community and are respected as being the most important people in their children's lives. Families are recognized for their strengths, rather than deficits, and receive tremendous support to build on these strengths.

The Parent Services Project: Gardner is one of several California child development centers that is participating in the Parent Services Project (PSP) , a program specifically directed to strengthening families. Initiated in 1980, PSP began in three San Francisco Bay Area counties at four child development centers serving low to moderate income families. Now it represents 30 centers serving more than 2,500 children in California, Florida, and Georgia.

Consistent with Gardner's goals, PSP transforms child care programs into family care programs by offering a spectrum of parent support services that strengthen the entire family. Services include parent respite, family outings, leadership opportunities, stress reduction workshops, parenting education, and social activities. The PSP philosophy recognizes the parent as the most important person to both the child and the teacher because the parent knows the child best. Parents are seen as assets, integral in decision-making for the child. The goal of PSP is to decrease stress, isolation, and loneliness among parents and to expand their self-esteem, confidence, and optimism. This is accomplished by creating a welcoming and inviting atmosphere that is casual and respectful of the family's culture and language, and by including parents in non-hierarchical decision-making. PSP also promotes a "seamless" model of care for families.

The PSP philosophy is impressively evident at Gardner. The respect and inclusiveness afforded parents is evident even in the physical structure of the setting, where the Director's desk is situated close to the front door, easily accessible to parents coming and going. The administrative offices are located literally within earshot of the classrooms. Staff and parents interact on a first name basis. Administrative and teaching staff are well acquainted with families and are acutely aware of what is going on in families' lives.

Interviews with Gardner parents support these observations. The most compelling comments reflect the care and concern given to the families and the children. Not only do parents feel comfortable leaving their children in what they view as a very safe and secure environment, they also relate numerous stories of the great lengths to which staff go to meet families' needs at particularly stressful times. No matter what the family's need, these parents report, they always feel comfortable calling the office or mentioning the issue to a teacher, and their needs are always addressed, either directly or by referral to another agency.

One parent talked about her need for dresses of a particular color for both herself and her daughter, required for participation in a holiday presentation at a time when the family was under particular financial stress. Gardner saw to it that the clothing was provided. Another parent reflected how concerned she was that she would lose child care for her older child when she left her job and went on disability for several months due to a pregnancy. She was assured by Gardner that her older child would continue to have care, and most importantly, would not lose her slot at the Center during the mother's temporary loss of employment.

The ability to meet these varied and changing needs of parents comes from both serious commitment and creative financing. Gardner, for example, has created a scholarship fund that is used primarily to meet the temporary or partial needs of parents in financial stress. These scholarships are not restricted to the lowest income families. Director Ferrer explained that, particularly at the higher income River Glen locations, it is not uncommon in a solvent two parent family for one parent temporarily to lose employment. While these parents typically are employed again within a few months, in his words, the last thing he wants to do is impose additional stress on an already stressed family by having the family lose child care at a time when they are having difficult paying their other bills. In addition, it is difficult for the unemployed parent to find a new position without child care.

Scholarship funds are used in situations like this to provide temporary assistance to the family.

Collaborative Efforts

Gardner provide a communication link between schools and parents in 13 schools in Santa Clara County. In particular, Gardner establishes contact with the children's individual teachers, making them aware of services available at Gardner, including tutoring and homework assistance, and maintains those contacts throughout the year. This is particularly important because Gardner teachers and staff know families and are aware of conditions, changes, and crises that may be affecting the child's schoolwork. In addition, Gardner staff attend all teacher meetings and IEP meetings for children receiving special education services.

Moreover, Gardner works hard to change the stigma that is commonly associated with children who are known to receive subsidized child care. Director Ferrer explained that typically teachers do not want these day care children in their classes—they are often the children who present problems, who fall asleep in class, who do not complete their homework, and whose parents do not appear for meetings.

These children are commonly labeled as "those day care kids." Gardner attempts to change this mindset, so that if a child goes to Gardner, this is considered a real asset, and it is made known that there is support available for both the teacher and the child. Teachers know that Gardner will assist in getting in touch with a parent. Gardner staff support classroom teachers by asking the child about homework, or inquiring where the required note is. They know how to keep parents involved and connected—and they do it.

As previously mentioned, some of Gardner's students are in special education in school and are mainstreamed into the child care program. Gardner assists as liaison between parent and school personnel at special education-related meeting. This is especially important because those meetings are typically conducted in English, are very technical, and can be intimidating to parents, many of whom are immigrants, Spanish-speaking, with limited education, even possibly illiterate. Gardner staff will serve as translators and will explain the proceedings and the results for parents.

Another service provided through the schools is transportation for Gardner children between the Center or Family Child Care Home and the child's school. Because San Jose Unified is a desegregated school district with busing provisions, Gardner is able to access district busing services. Buses provide transportation to and from 13 different elementary schools in the district.

Other Education Connections

Tutorial services are provided to children through the Eastside Project at Santa Clara University. Approximately 100 Santa Clara students, many of them enrolled in child development classes, participate each year. Gardner provides the link between the child's teacher at school and the tutor, arranging for assistance in the appropriate subject areas, and maintains this communication between the school and the tutor. Many of the Santa Clara volunteers for these services are men, providing excellent, and much needed, male role models for the children.

In addition, Gardner has connections with San Jose State University through its work study program, enabling Gardner to employ skilled aides (many of these students are completing internships in areas such as social work) at reduced work study costs.

In a creative funding arrangement, Community Kids to Camp, another local community-based organization, provides day camp for Gardner children in the summer. Swimming and gymnastics become part of Gardner's summer curriculum.

Health Services

Adequate health services are a critical component of comprehensive family services. Gardner arranges for health screenings and immunization for all uninsured children through the East Valley Community Clinic, a health clinic for low income families. If follow-up care is necessary, that is provided by the clinic as well. Reflecting the family model of service, access to health care and preventive care is provided to all family members through a Family Health Project Grant. Not only are initial health services offered, but ongoing, and transportable, family health records are established as well.

Mental health services are available to families through the San Jose Childcare Consortium Mental Health and Wellness Project. Gardner also provides, at no cost, dental, hearing, and vision screenings each year for all of the Center's children. In addition, Gardner regularly arranges for family education programs, such as one recently provided by Planned Parenthood on how to discuss "the birds and the bees" with children.

The Corporate Sector

Gardner Center's well established connections with the corporate sector are evident in the list of members of the Center's Board of Directors. Representatives from Pacific Bell, KNTV, Lockheed, Hewlett-Packard, Apple Computer, Kaiser Permanente, and Ontara Corporations, as well as representatives from local schools and the police department, provide much needed support for Gardner and its many programs and services.

Gardner has enlisted the participation of a number of local corporations in ways that stretch beyond service on the Board of Directors. In particular, Gardner maintains a strong relationship with Hewlett-Packard, which has provided the Center with automated office equipment and computers. The corporation also contributes holiday dinners for Gardner families and staff. Other donations include the Secret Santa project which provides more than 250 people with food, clothing, and furniture; Halloween and holiday parties for children; and financial donations for towels and swimsuits for summer swimming lessons. Silicon Graphics and Santa Clara Water District employees are among those who are active in these efforts.

In addition, Gardner relies on a number of volunteers provided through the Volunteer Exchange Program and the JVC. These volunteers provide tutoring, assist with building repairs and painting, and prepare meals for special events.

Challenges Ahead

The Gardner Children's Center has evolved into a true family service model provider, due in large part to the vision, creativity, savvy, and energy of its director. Funding is a constant struggle, requiring a great deal of attention and effort. Director Ferrer explained that it is essential the programs have subsidized care funded by the government, nonsubsidized care, and corporate and foundation support in order to survive. Gardner's goal is more than survival, of course, and the Center has been

remarkably successful in providing quality care to the children and families it serves.

One of the challenges to continuing to provide these services is represented by the endless paperwork, including attendance records and family fee reporting, required by CDE funding streams. More significantly perhaps, the inflexibility of CDE funding essentially prohibits the type of family service model Gardner has established. If not for the availability of other financial resources, which allow a more flexible use of funds to meet the multiple needs of children and families, Gardner would not thrive.

VISITACION VALLEY

The Visitacion Valley Family State Preschool is located in the Visitacion Valley area of San Francisco. At the turn of the century, Visitacion Valley was inhabited primarily by recent European immigrants. The area thus has a history of operating settlement housing projects. Since the 1960s, the community has been comprised largely of African-Americans, but is currently experiencing an influx of Asian families. According to the school's director the changing fabric of the community is creating a measure of ethnic tension.

The Visitacion Valley Family State Preschool is surrounded by older homes, small neighborhood stores that cater mostly to foot traffic, and a major housing project that has recently been condemned by the federal government, thus displacing many of the community's families. There is no local or chain supermarket within walking distance of Valley residents. However, the area has recently been designated as one of six Enterprise Zones to promote economic development.

The administrative offices of the Visitacion Valley Family School are located in the Community Center building several blocks away from the program site. The Preschool Center is located adjacent to a local public elementary school. Preschool students share a community vegetable garden with the older elementary age students. The recently renovated center is a bright and cheery place with new, large, colorful playground equipment in a tanbark pit in the center of a ring of the classrooms.

The Program

The center director describes the mission of the Visitacion Valley Family School in terms of it serving as a stepping stone to formal education, added socialization, and contributing to positive and supportive relationship with families. The school uses the Creative Curriculum[32]. In accordance with the State regulations, children receive breakfast, lunch and a morning snack.

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[32] This is an approach which uses developmentally appropriate practice as a springboard. Curriculum is not activity-based or organized into thematic units. Rather, teaching builds on the physical characteristics of the classroom and emphasizes various types of instructionally-based interactions.

The site director, in his 16th year at the Visitacion Valley Family School, is a middle-aged African-American man who displays great enthusiasm for his work with the children and their families. As families arrive, teachers greet both parents and children by name, creating a warm and welcoming environment.

The Visitacion Valley Family School serves 104 students between the ages of three and five and has recently undergone an expansion that increased the number of children and families served by almost 100 percent. Historically, staff turn-over has been very low; two of the original ten staff members have been at the Family School for more than 15 years. The staff is also quite diverse. Six men work as classroom teachers or aides and among staff is language facility in Mandarin, Cantonese, Spanish, and English. Three of the staff members have Bachelor's degrees, and three hold AA degrees.

Five classrooms serve the different age groups. Two classrooms run both morning and afternoon sessions, and the remaining three operate full-day programs. Children come to the center via informal referrals and "word of mouth," mostly from other family members. The population of children is quite stable. The site director estimated that approximately 60 percent of the students attend the program for three years.

Governance and Funding

The Visitacion Valley Family State Pre-School is funded by the California Department of Education's Child Development Division. The program is operated by Visitacion Valley Community Center, which has an executive director who oversees all of the Community Center programs. A Director of Youth Programs is responsible for the fiscal, regulatory, and day-to-day operation of the Family School, as well as the other Youth programs. The Family School has a Site Director/Head Teacher who is directly responsible to the Youth Programs Director and oversees the educational program.

In addition to state funds, the school receives money from San Francisco's Proposition J, a voter-approved initiative which sets aside a portion of the city's budget specifically for children's services. In addition, Visitacion Valley is one of four child development programs in San Francisco to receive major grants from the Peter and Miriam Haas Fund in San Francisco. The school's grant, which extends

over a five year period, provides funds for expansion, staff development, program improvement, and coordination with other participating child development programs.

Integrating Services

The Visitacion Valley Family State Pre-School provides a number of free full-and part-time services to low-income children. In particular, the program includes a nutrition component and assists families in coordinating with the following human services:

- City and County Mental Health Services
- Family Resource Center
- Visitacion Valley Community Center
- The Silver Family Health Center
- San Francisco Unified Special Education Program
- CHDP
- Community Recreation Programs
- Local Elementary School
- State University and Community College
- Visitacion Valley Neighborhood Collaborative

The coordination of services and the determination of need for additional services occurs in an informal, but regular fashion. The Director of Youth Programs is clearly the linchpin of the agency's coordination efforts, and individually makes the contacts with other service providers. Referral to services for both children and families occurs throughout the program year.

At the time of enrollment, the site and center directors meet with all of the families to conduct informal needs assessments. The environment that program staff seek to build is one of trust, and they expect that families will "ask for help" throughout

the enrollment process and during the time their children are enrolled in the preschool program. When needs are identified, the response is on a case-by-case basis. The individualized problem-solving approach is spearheaded by the program director, who determines the appropriate referral agency or agencies. The Youth Program Director acknowledges, however, that follow-up with families to ensure that services are accessed is casual.

During the first month that a child is enrolled, teachers conduct a developmental screening. The School calls this the "getting to know you" process. As teachers identify concerns, most of which relate to "adjustment" difficulties caused by language and other developmental delays, they request that the site director come into the classroom to observe. Following the observation, a conference is held among the site director, the teacher, and the Director of Youth Programs. Once needs are identified, the Youth Program Director is responsible for inter-agency coordination and making referral to local agencies. The teachers and site director, from that time on, have little if any contact with outside agencies or service providers.

The Family School is beginning to develop a relationship with the adjacent elementary school. The first efforts have involved developing a community garden. Elementary school students come to the preschool site and plant and tend vegetables with the preschool children. The result is a beautifully tended garden with lush greenery that affords many impromptu educational and social experiences.

The School also participates in a Child Development Training Consortia with other child development programs in San Francisco. Faculty from both San Francisco State University and City College of San Francisco provide in-service training for program staff and parents interested in careers in child development.

An additional major partnership includes participation in the Visitacion Valley Neighborhood Collaborative. The Collaborative originated through an effort of the Mayor's office and has become a forum for local service providers to highlight less well known aspects of their programs, join together to reduce duplication of services, and develop united approaches to emerging community issues. The Youth Program Director currently chairs the Visitacion Valley Neighborhood

Collaborative and views it as a component to assisting the community to access much needed services.

Success and Challenges

Connecting children and families with community social services at the Visitacion Valley Family School occurs primarily through informal referral mechanisms established with other individual service providers. Until 1996, these referral services occurred without additional resources beyond the funding received from the state. Particularly given limited staff time, the informal process appears to have been successful. With the generous Haas Fund grant, the Family School expects to formalize the referral process and develop procedures and mechanisms for documentation that will improve both access and follow-up.

The Youth Programs Director and Site Director, in particular, are quite enthusiastic about their work. When asked to describe the successes and challenges they face in developing and maintaining partnerships and collaborations, they report that the sheer size of the San Francisco human service community, combined with the severe and chronic needs of the Visitacion Valley community, create on-going issues of awareness, access, and formal and informal relationship development. They remain committed to continuing to build effective relationships, reduce duplication of services, and will be vigilant about keeping the needs of children and families in the forefront.

CROSS-CUTTING THEMES

Four themes emanate from a cross-case analysis of the child care and development agencies that were subjects of the case studies.

First, these agencies view their mission broadly. They see their role as serving multiple needs of children and families. Moreover, they are able to use their expansively conceived missions as "springboards" to shape expanded communitywide roles for child care and development providers.

Second, each of these agencies is possessed of dynamic leadership. Sometimes this leadership consists of an individual—a particularly charismatic director, for example. In other circumstances, leadership is of the team variety, a group of individuals who act in concert to move a program forward. Regardless of the nature of leadership, some driving force is necessary to sustain momentum.

Third, the agencies which are the subjects of these case studies have found means to act with relative independence and autonomy. Even though each of these programs is bound by the strictures attached to government funding, each has secured or developed sufficient decision making authority such that programs can be tailored to meet the needs of the populations the agencies serve. Each of these agencies actively seeks windows of opportunity as means to continue to develop new program aspects.

Finally, directly related to the third theme, each of these agencies embodies an entrepreneurial spirit and drive. Creative financing and fundraising, innovative staffing, and dedicated community involvement and community building seem to be hallmarks of these agencies.

SECTION 5

CONCLUDING REMARKS

This paper, "Building Bridges: Linking Child Care and Development with Other Health and Human Services," provides an overview of interagency relationships as seen through the lens of early childhood programs. The data are baseline and preliminary. Thus, it would be premature to offer policy recommendations aligned with this theme. However, several observations, derived from survey responses and case studies, provide a framework for additional research and analysis:

1. The child care and development community is amenable—given the proper resources and supports—to a deeper and more comprehensive approach to integrating services for children and families.

2. It is possible for child care and development agencies to serve as focal points for a range of health and human services. Indeed, further examination is warranted regarding the extent to which expanding the integrated services focus at the early childhood level—before children and problems have a chance to mature—might have salutary and long-range benefits.

3. "Integration," "coordination," and "collaboration" as terms applied to interagency alliances remain ill-defined and unclear. Without a set of measurable goals and outcomes, and without reasonable incentives, interagency partnerships are likely to continue to be serendipitous rather than planned.

APPENDIX A

PACE CHILD CARE SURVEY

1. How do families learn of your child care program? Please circle all that apply.

   A. From other parents
   B. From the local public school district
   C. From the Department of Social Services
   D. From a resource and referral agency
   E. From a church or other religious organization
   F. From another child care program

2. How important do you believe it is for your child care program to develop and sustain collaborative relationships with other agencies and programs that serve children and families?

   A. Not at all
   B. Somewhat
   C. Moderately
   D. Very
   E. Critical

3. As new families and their children enroll in your program, does the staff attempt to determine what needs, if any, beyond child care these families may have?

   A. Yes
   B. No

4. If you answered "yes" to #3, what means do staff use to determine families' needs?

   A. Written survey
   B. Personal interview with family
   C. Consultation with social service case manager
   D. Conversations with other community agencies or programs already serving family
   E. Other (please specify) _____

5. If you learn that a family requires services in addition to child care, what do you do with that information?

   A. Make a phone referral to the appropriate agency or program
   B. Make a referral to an inter-agency consortium or roundtable
   C. Place the information in the child's file for future reference

D. Other (Please specify) _____

6. If there is contact about a client between the child care program and another agency or program, how is the family involved?

   A. Notified by mail of the contact
   B. Notified by phone about the contact
   C. Included in a meeting with child care staff
   D. Included in a meeting with child care staff and staff from the other agency or program
   E. There is no particular effort made to involve the family.

7. For each of the agencies and services listed below, please describe the level of involvement of your program with the agency primarily responsible for providing the service. *(Please circle the number that best represent the level of involvement. '1' = no involvement and '5' = intense involvement.)*

A. Local public school district	1	2	3	4	5
B. County office of education	1	2	3	4	5
C. Department of Social Services	1	2	3	4	5
D. Housing Authority	1	2	3	4	5
E. Public Health	1	2	3	4	5
F. Mental Health	1	2	3	4	5
G. Substance abuse programs	1	2	3	4	5
H. Homeless shelters	1	2	3	4	5
I. Recreation and Parks Department	1	2	3	4	5
J. Adult education and training	1	2	3	4	5

8. Now, for each of the services listed in #7, please tell us if, in your judgment, your program's level of involvement is too weak, just about right, or too strong. *(Please circle the number that best represents the strength of your program's level of involvement. '1' = too weak and '5' = too strong)*

A. Local public school district	1	2	3	4	5
B. County office of education	1	2	3	4	5
C. Department of Social Services	1	2	3	4	5
D. Housing Authority	1	2	3	4	5
E. Public Health	1	2	3	4	5
F. Mental Health	1	2	3	4	5
G. Substance abuse programs	1	2	3	4	5
H. Homeless shelters	1	2	3	4	5
I. Recreation and Parks Department	1	2	3	4	5
J. Adult education and training	1	2	3	4	5

9. Are there any services we did not name which your program is involved? Please list the service(s) and indicate the level of involvement.

_____

_____

10. For those agencies and services with which your program has NO relationship, what is the principal reason?

    A. Our clients do not require these services.
    B. The other agencies or programs have not been agreeable to developing a relationship with the child care program.
    C. Resources have not been available to develop collaborative relationships.

11. What services, if any, are NOT provided to children and families in your community but should be?

_____

12. There are a number of reasons child care programs might want to build relationships, or build stronger relationships, with other programs and agencies that serve children and families. Please use the list below and rank order the reasons closer collaboration might be desirable for YOUR program.

    A. A stronger relationship would increase the level of support our program could offer children and families.
    B. A stronger relationship would expand the professional capacity of our program's staff.
    C. A stronger relationship would increase the number of referrals to our child care program.
    D. A stronger relationship would improve the status of the child care program in the community.
    E. A stronger relationship would improve the prospect of our program receiving additional funding.

13. For those agencies and services with which your program is involved, how did the involvement come about?

A. The child care program initiated it.

_____

B. The other programs (or agencies) initiated cooperation with the child care program.

_____

C. Cooperation between child care and other support services came about because it is required by one or more of our funding sources.

_____

D. A local interagency consortium encouraged the establishment of the relationship.

_____

14. What is the principal form of the relationship between your program and other agencies and programs with which you cooperate?

A. Formal written contracts

_____

B. Memoranda of understanding

_____

C. Regular meetings involving staffs of cooperating agencies or programs

_____

D. Personal and professional relationships among child care and agency staff members, but no written agreements

_____

15. Now we would like a sense of the reasons cooperation between your child care program and other agencies and programs serving children and families may sometimes be difficult. In your judgment, what is the principal barrier to these relationships?

A. We have insufficient funds.

_____

B. We have insufficient staff.

_____

C. Cooperation and collaboration with other agencies is not the mission of the child care program.

_____

D. Our staff is not adequately trained to collaborate with other agencies.

_____

E. Other agencies and programs are not interested in cooperating with the child care program.

_____

16. Does your program have staff assigned specifically to develop relationships and coordinate activities with social service agencies?

A. Yes
B. No

17. Are funds available in your community for developing collaboration among various programs that provide services to children and families?

A. Yes
B. No
C. Don't know

18. If funds are available in your community for developing the kind of collaboration described in Question 17, does the child care program receive a share of these funds?

A. Yes
B. No

If your answer is "no," why not

_____

_____

19. Some California communities have developed children's services consortia, such as those under the auspices of Healthy Start and the Family Preservation Act. Does your program participate in such a consortium?

A. Yes
B. No

20. If you answered "yes" to #19, please describe the consortium in which your program participates.

_____

_____

21. If you answered "no" to question #19, what is the reason?

A. The child care program has not been invited to participate in the consortium.
B. The mission and goals of our community consortium do not complement those of the child care program.
C. The child care program does not have the resources to support participation in the community consortium.
D. Our community has no such consortium.
E. Other (Please specify) _____

The next few questions will help us understand a little more about your program.

22. What is the total number of children served by your program?

_____

23. What type of community does your program serve?

A. Urban
B. Rural
C. Suburban

24. In what county is your program located?

_____

25. What population(s) of children does your program serve? Circle all that apply.

A. Infants
B. Preschoolers
C. Schoolage children
D. Preschool or schoolage migrant children
E. Preschool or schoolage handicapped children
F. Other (Please specify) _____

26. Use the choices below to describe the kind of agency or institution of which your program is a part.

A. Public school district
B. Parochial school district
C. County office of education
D. Public nonprofit agency (e.g., Girls' Club, YMCA)
E. Private for-profit venture
F. College or university-based campus center
G. Governmental agency
H. Other (Please specify) _____

And two final questions...

27. What else would you like to tell us about collaboration between child care programs and other agencies and programs that serve children and families?

_____

_____

_____

28. As part of this project, PACE will be conducting a small number of case studies of child care programs which are especially successful at developing collaborative relationships with other child- and family-serving organizations. Please use the space below to nominate a program you believe PACE ought to study and to describe why this would be a good program for us to review.

_____

_____

_____

THANK YOU

APPENDIX B

INTERVIEW PROTOCOLS

Protocol For Program/Site Directors

I first want to ask you a few questions that will help me to understand your program:

1. What geographic area do you serve?
2. How would you describe the population you serve?
3. How many children does your program (site) accommodate?
4. Does your program have a waiting list?
5. How do families learn of your program?
6. What would you say is the mission of your program?
7. Tell me a little about your staff *(numbers, types of positions, background and training).*
8. Now tell me about the administrative structure here. Are you part of a larger agency, etc.?
9. Now I want to ask about funding for your program. *(Try to get at levels and sources of funding; extent to which program is entrepreneurial and raises own funds. This should also elicit examples, where they exist of interagency collaborative funding.)*
10. Tell me a little about service providers in your community. *(Scope, public/private funding, how many?)*
11. When new children and families enroll in your program does the staff take any special steps to determine what needs, if any, beyond child care, these people have? What do you do to determine needs?
12. If you find a child or family has beyond-child-care needs, what procedure do you employ? *(This question is a meant to be a lead-in to the conversation about interagency links.)*
13. How do you know what you're doing is "working" *(e.g., needs are being met)*?

14. What do you think the state's vision is for child care/child development?

As you know, this project is about the relationship of child care and child development programs with other agencies and programs that serve children and families. Your program was selected for this study because we know this program has successfully established links with other agencies. We want to understand why and how your program established these links and what these links "look like." That's what these next questions are about.

15. Tell me the other agencies with which your program has developed relationships? *[probe for names of agencies as well as a little about depth and breadth of relationship]*

16. Who decided on this set of agencies?

17. How was the decision made?

18. Why did your program decide to move beyond the conventional child care/child development boundaries?

19. How were interagency relationships established? How do you keep them going?

20. What is the nature of the agreement with the other programs or agencies? *[Probe for written contracts, etc.]*

21. Describe for me how you and your staff work with the other agencies. *[Probe for cross-staff meetings, individual sporadic phone calls, personal relationships, written referrals, etc.; Here's where we want to try to determine if there is any sort of collaborative decision making structure. Here is also where we can find out if there is any cross-agency followup.]*

22. How is collaboration with other programs and services funded?

23. Is your program part of a communitywide collaboration consortium? *[If "yes," ask them to describe.]*

24. What do you find positive about your relationship with other programs and agencies?

25. What frustrations, if any, do you experience working with other agencies and programs? *[Probe for funding issues, calendar issues, and decision making--authority/autonomy--issues.]*

26. Are there services provided by agencies your children and families need with which you have not been able to establish a working relationship? *[If "yes," probe for reasons.]*

27. If you were to talk with state officials about issues of child care and integrated services, what would you tell them?

28. Finally, thinking about all of the issues we have discussed, describe, using a real example, what happens when a child who has other-than-child-care needs enrolls in your program.

29. Anything else you'd like to tell us?

Protocol For Program/Site Staff

Staff to be interviewed selected by site director. Interviews may be conducted one-on-one or in small focus groups.

1. How long have you worked in this program?

2. What do you see as the most pressing needs of the children you serve.

3. Why did you choose to work in the child care/child development field?

4. How would you characterize or describe the relationship between staff in this program and the families whose children are enrolled here?

5. What would you say is the mission of your program?

6. When new children and families enroll in your program does the staff take any special steps to determine what needs, if any, beyond child care, these people have? What do you do to determine needs?

7. If you find a child or family has beyond-child-care needs, what procedure do you employ? *(Link this to relationships with other agencies and "case work" for families.)*

8. How do you know what you're doing is "working" (e.g., needs are being met)?

9. Are issues of cooperating or collaborating with other health and human service agencies part of discussions of your staff meetings?

10. Does your agency offer training opportunities to assist you to meet the needs of children and families?

11. Do other service providers ever work in or visit your classroom? Who? For what reason? What is your relationship with them?

12. What do you find positive about your relationship with other programs and agencies?

13. What frustrations, if any, do you experience working with other agencies and programs? *[Probe for funding issues, calendar issues, and decision making--authority/autonomy--issues.]*

14. Are there services provided by agencies your children and families need with which you have not been able to establish a working relationship? *[If "yes," probe for reasons.]*

15. If you were to talk with state officials about issues of child care and integrated services, what would you tell them?

16. Anything else you'd like to tell us?

Protocol For Other Agency Staff

1. Whom does your agency serve?

2. What is the mission of your agency?

3. How is your agency funded?

4. We understand your agency has developed a working relationship with _____ _ Program. How did this relationship evolve?

5. What kinds of collaborative efforts does your agency have with the _____ _ Program?

6. How do you perceive decisions are made by the _____ Program to involve your agency with particular children and families?

7. How do you know when or if your collaborative efforts are "working" (e.g., needs are being met)?

8. How is collaboration funded?

9. What do you find positive about your relationship with _____ Program?

10. What frustrations, if any, do you experience working with _____ Program? *[Probe for funding issues, calendar issues, and decision-making—authority/autonomy—issues.]*