

# San Mateo County Individualized Child Care Subsidy Pilot Project Brief



Fiscal Year 2016-2017

# Introduction

The San Mateo County Child Care Subsidy Pilot Project (the Pilot), implemented in October 2004, was conceived to explore solutions to the problems high-cost counties face in utilizing the state's "one-size-fits-all" child care subsidy system. The Pilot seeks to demonstrate that providing local control and flexibility in government-sponsored child care can improve family self-sufficiency and help stabilize fragile child care infrastructure.

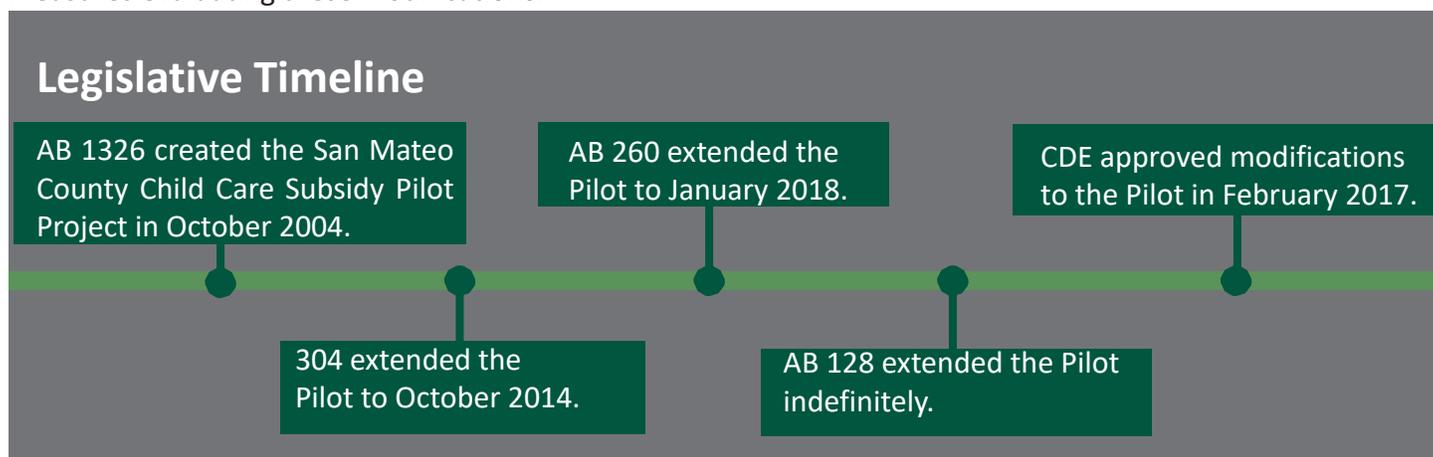
The Pilot has enabled San Mateo County to address two fundamental concerns: first, that families barely earning enough to meet the high costs of housing in the county were nevertheless considered too high-income to qualify for child care subsidies; second, that the state reimbursement rates for child care providers authorized under Title 5 of California's Code of Regulations were so low that contractors could not cover their costs and therefore were unable to utilize their full allocation of state and federal child care and development funds. San Mateo was the first county in California to design its own pilot. Child care pilot projects modeled after San Mateo County's work have been implemented in Alameda, San Francisco, and Santa Clara. Several counties (Contra Costa, Fresno, Marin, Monterey, San Benito, San Diego, Santa Cruz, Solano, and Sonoma Counties) have been authorized to implement an individualized child care subsidy pilot and are in the process of developing their plans and receiving approval from the California Department of Education (CDE) Early Education Support Division.

In February 2017, CDE approved modifications to the San Mateo County Pilot. These changes include:

- The income eligibility threshold for entering CSPP, CCTR, CHAN, CAPP, CFCC, and CalWORKs Stages 2 and 3 moves from 70% of SMI to 85% SMI.<sup>1</sup>
- After families are certified as eligible, they will have no less than 24 months of eligibility (unless the need is seeking employment) as long as they abide by the rules of the program and their income does not exceed 85% of SMI.
- If the need for child care is based on seeking employment, the eligibility time frame increases from 60 days to 12 months.
- California State Preschool agencies can serve children who will turn 3 years of age on or before December 2nd.

Because these changes are in the early stages of implementation, this report will not include measures evaluating these modifications.

## Legislative Timeline



<sup>1</sup>As of January 1, 2016, the exit income threshold was increased from 80% to 85% in San Mateo (<https://www.cde.ca.gov/sp/cd/ci/icccsubsidyplan.asp>). As of July 1, 2017, the exit income threshold for income eligibility for these programs statewide is 85 percent of SMI (Management Bulletin 17-09).

# Introduction

This report evaluates the Pilot in Fiscal Year 2016/2017 based on demographic data from participants and enrollment and fee information from families in April 2017. This review of the Pilot considers the following five goals that were established in the original Pilot Plan:



## Goal 1

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Increase the **retention** of Title 5 center-based child care (CBCC) and development services contractors (DSC).



## Goal 2

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Increase the aggregate child days of **enrollment** in subsidized care in San Mateo County.



## Goal 3

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Increase the ability of low-income families to move toward **self-sufficiency** through higher earnings.



## Goal 4

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Increase the **stability** of care placement for children whose families would otherwise become income-ineligible for child care subsidies.



## Goal 5

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Maximize the take-up of San Mateo County's child care and child development subsidy **allocations**.

# Characteristics of Children Served

## Number of Children Served

Of the 3,493 children served by Pilot Programs, CSPP Programs served 62 percent of children receiving care.

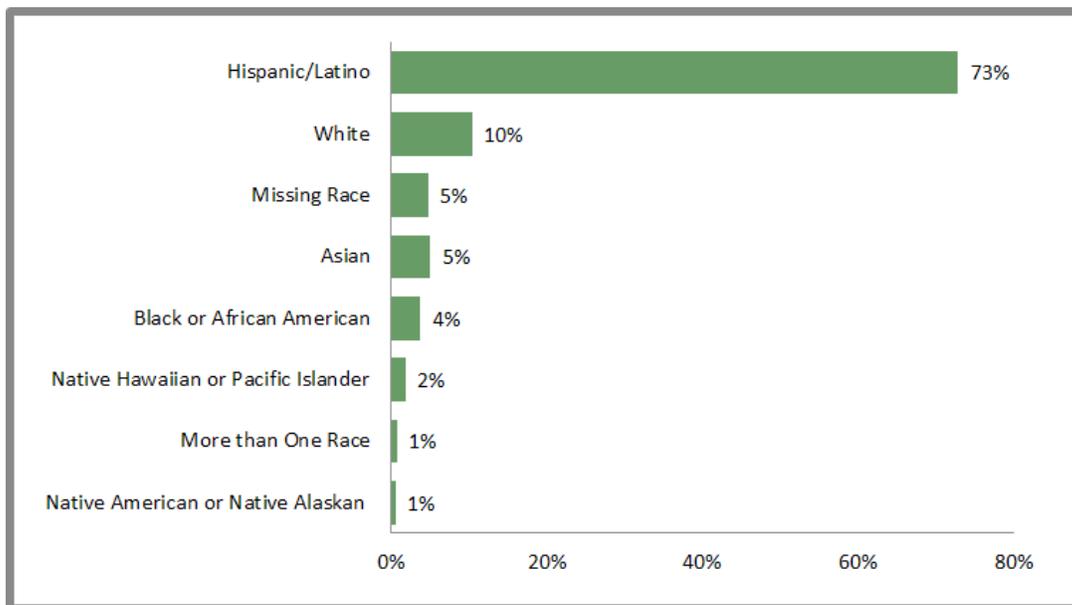
**Table 1: Number of Children Served by Contract Type**

Contract Type	Number of Children Receiving Care	Percent of Children Receiving Care
AP	841	24%
CCTR	502	14%
CSPP	2,150	62%
<b>Total</b>	<b>3,493</b>	<b>100%</b>

## Race/Ethnicity

Hispanic/Latino children made up almost three-quarters of children served.

**Figure 1: Race/Ethnicity of Children Served**

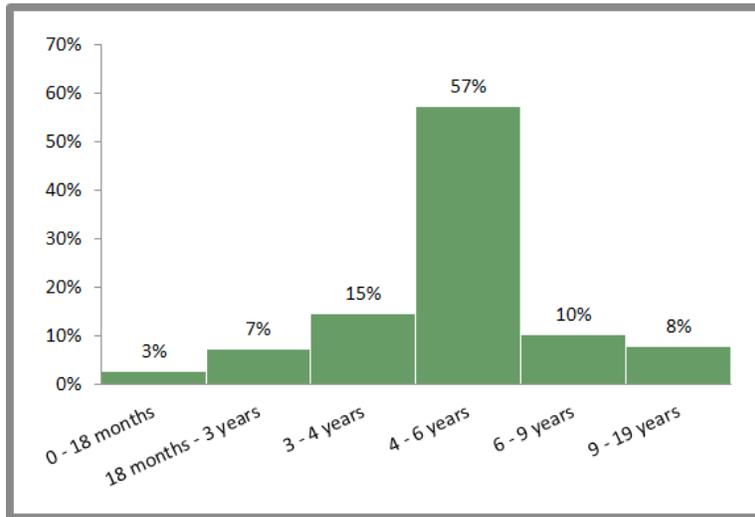


# Characteristics of Children Served

## Age

Over half (57 percent) of children served were between the ages of four and six.

**Figure 2: Children Served by Age**

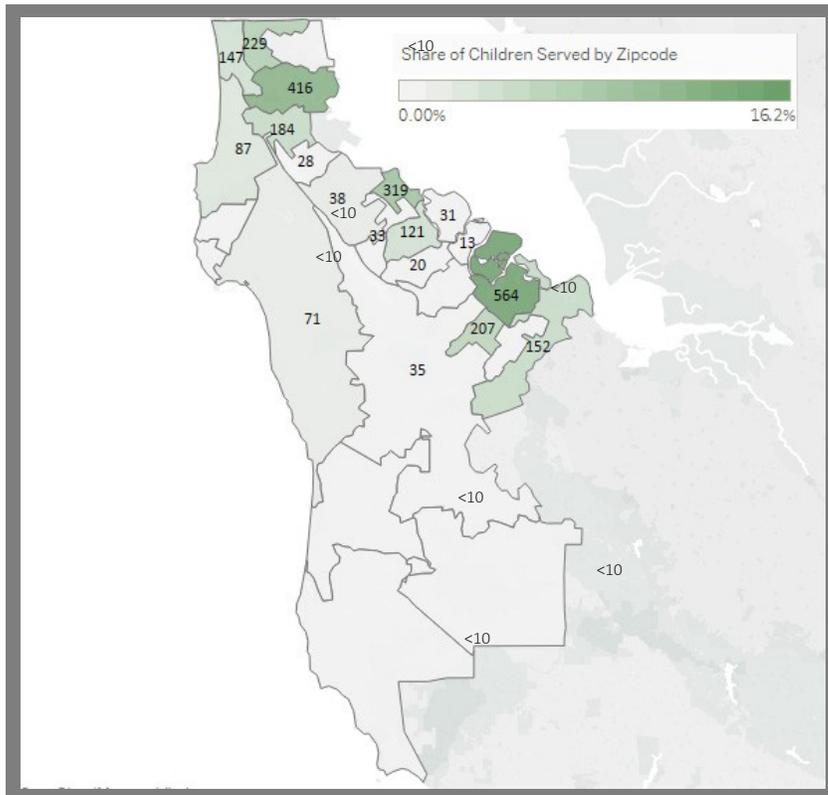


# Characteristics of Children Served

## Location of Children

37 percent of children served resided in three zip codes – 94063, 94080, 94401 – covering parts of Redwood City, South San Francisco, and San Mateo.

**Figure 3: Map of Children Served in San Mateo County**

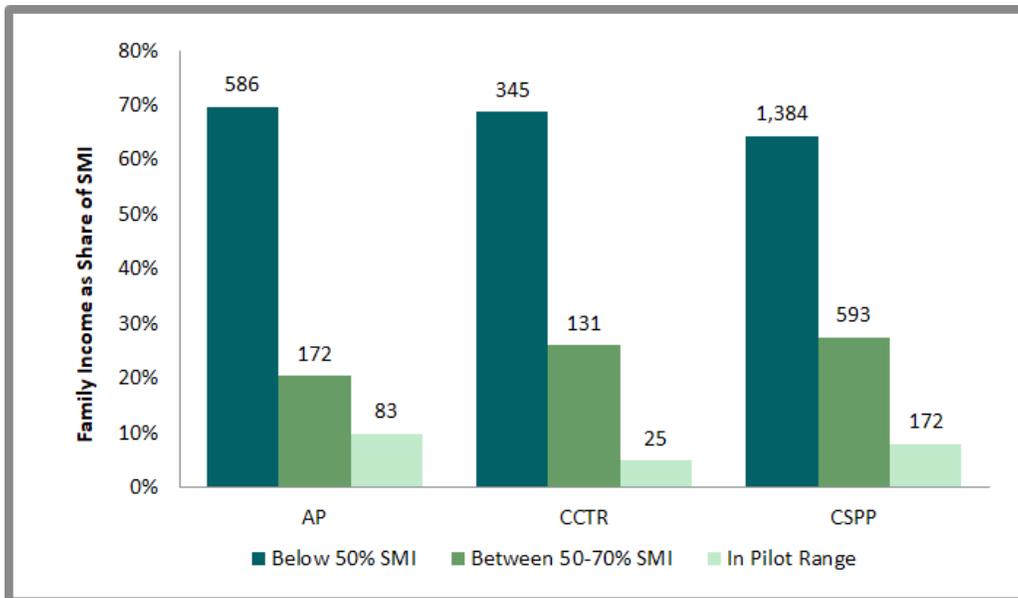


# Characteristics of Children Served

## Family Income

Of the 3,492 children served by Pilot contractors, 66 percent were from households under 50 percent of the SMI; 8 percent were in the Pilot range.

**Figure 4: Number of Children Served by Family Income**



# Goals and Measures



## Goal 1: Increase the retention of Title 5 center-based child care and development services contractors.

**Measure: The number of active direct service child care and development services contractors in San Mateo County.**

Table 2 below shows the number of DSCs in San Mateo and neighboring counties as of June 30, 2004 and June 30, 2017. Though San Mateo has experienced fluctuations in contractors over the years of the Pilot, the County has made up for losses in contractors by adding additional programs. Over the history of the Pilot, San Mateo has lost two contractors who were only funded by the Latchkey (CLTK) contract due to state budget reductions, experienced a merger between two organizations (Peninsula Family Services and Bayshore), and gained two new contractors, the City of Menlo Park and Jefferson School District, both of which will operate under San Mateo County Office of Education subcontracts. San Mateo has managed to retain most contractors since the genesis of the Pilot.

**Table 2: Direct Service Contractors in San Mateo and Neighboring Counties**

Year	Marin County	Alameda County	Santa Clara County	San Mateo County
FY 03/04	8	41	32	22
FY 16/17	9	33	29	21
<b>Share Lost</b>	-	<b>24%</b>	<b>10%</b>	<b>5%</b>

Source: California Department of Education, Child Development Division

# Goals and Measures



## Goal 2: Increase the aggregate child days of enrollment in subsidized care in San Mateo County.

**Measure:** *The aggregate number of child days of enrollment among participating DSCs in San Mateo County.*

The aggregate child days of enrollment is calculated using the baseline contracted child days of enrollment from FY 02/03 and adjusting for the current evaluation period. The revised baseline for FY 16/17 is calculated by dividing the FY 16/17 contracted child days of enrollment by the FY 02/03 baseline and multiplying by the FY 02/03 revised baseline. The revised baseline for FY 16/17 is 498,252 child days of enrollment. In FY 16/17, the total contracted child days of enrollment was 86% of the FY 02/03 baseline contracted child days of enrollment.

**Table 3: Earned Child Days of Enrollment for Participating Direct Service Contractors<sup>2</sup>**

Year	Revised Baseline	Earned Child Days of Enrollment	% of Revised Baseline
FY 15/16	497,609	507,944	2.1%
FY 16/17	498,252	496,016	-0.4%

Source: Contractor-submitted attendance and fiscal reports and contracts.

Pilot legislation requires that the earned child days of enrollment be at least two percent higher than the revised baseline each fiscal year. This year, the Pilot was unable to meet its goal of two percent for several reasons. While the economy in San Mateo County has been strong, leading to higher wages for families, the cost of housing, child care and transportation is far outstripping family wages. According to the American Community survey (2015), approximately 45 percent of families in San Mateo County earn below the self-sufficiency level required for their family size and composition. For those families who qualify for child care subsidy at 70 percent of SMI, a large part of family budget is often consumed in paying for housing. Housing costs are among the highest in the state and many cannot find housing they can afford.

The high cost of living has led to demographic shifts in some communities where low-income residents have been forced to move due to high rents. Some communities that have traditionally had long wait lists for subsidized child care slots in their state centers now find that fewer families qualify for those slots as fewer families earning 70% of SMI are able to live in the area. In other communities, the service model of part-day, part-year State Preschool that was formerly successful in meeting family needs and center enrollment no longer meets the needs of low-income families that must work multiple jobs to afford to live in the county. The incremental increases to the Standard Reimbursement Rate have led to an increase in the Pilot Reimbursement Rate; however, this rate is still 40 percent below the average rates for child care in the county, as reflected in the Regional Market Rate (RMR). As a result, direct contractors are not able to raise wages for teachers. Teacher turnover in state-contracted centers is high, leading to classroom closures and under-enrollment. These conditions led the county to request the Pilot Plan modifications described above. The county anticipates that the new modifications, particularly increasing income eligibility to 85% of SMI and 2-year family eligibility, will help more families access care.

<sup>2</sup> Percent of revised baseline is calculated by subtracting the revised baseline from the earned child days of enrollment and dividing the quantity by the revised baseline.

# Goals and Measures



## Goal 3: Increase the ability of low-income families to move toward self-sufficiency through higher earnings.

**Measure:** *The changes in monthly income of families at risk of becoming ineligible for child care subsidies.*

Children of families with incomes at or above 65 percent of the SMI at the time of last recertification prior to April of the fiscal year in question are considered “at risk” for “incoming-out” of subsidized care. As of April 2016, 400 children were at risk. About 38 percent of these children were still enrolled in April 2017.

**Table 4: Number of Children in Families at Risk of Incoming-Out**

Children Enrolled as of	At Risk of Incoming-Out	Number of Children Still Enrolled 1 Year Later
April-15	480	195 (41%)
April-16	400	151 (38%)

Source: Census submitted by contractors

Child care providers in high-cost counties have expressed the concern that families near the income ceiling for subsidized care may choose to forego wage increases to remain eligible for benefits. The 38 percent of children who remained in care as of April 2016 may reflect, in part, families who chose subsidized care over an increase in wages.

The table below shows the average one-year income change among the families of at-risk children. The number in parentheses is the number of at-risk children that stayed in care one year later. In the early years of the Pilot, families experienced income losses of over \$200 by the next year. Losses have decreased in recent years. Families of children at risk of incoming out of the Pilot in April 2016 experienced, on average, a decrease of \$170 in monthly income by April 2017.

**Table 5: Average One-Year Income Change among Families of Children at Risk of Income Ineligibility, But Who Are Still Enrolled One Year Later**

Children Enrolled as of	Direct Service	AP	Overall
April-15	-\$151 (113)	-\$114 (82)	-\$137 (195)
April-16	-\$260 (92)	-\$29 (59)	-\$170 (151)

Source: Census submitted by contractors

# Goals and Measures



## Goal 4: Increase the stability of care placement for children whose families would otherwise become income-ineligible for child care subsidies.

**Measure: One-year retention rates for children in families at risk of becoming income-ineligible for child care subsidies.**

The stability of at-risk families is measured by calculating the share of at-risk families (at the last recertification period) in direct service who are still in care with the same child care provider 12 months later. Only 12 children of the 151 who stayed in care from 2016 to 2017 switched to different child care contractors. Excluding children expected to exit due to aging out or beginning kindergarten, 80% of children at risk of incoming-out were still enrolled one year later.

**Table 6: Child Care Status among Subsidized Children at Risk of Becoming Ineligible Due to Income.**

	2015	2016
Number of Children at Risk	480	400
Still Enrolled a Year Later	41% (195)	38% (151)
Switched Contractors	8% (16)	8% (12)
No Longer Enrolled	59% (285)	62% (249)
Expected Exiters	74% (210)	85% (212)

Source: Census submitted by contractors \*Direct service only

# Goals and Measures



## Goal 5: Maximize Utilization of San Mateo County's child care and child development subsidy allocations.

### Measure: Unearned direct service contract funds returned to the California Department of Education.

In FY 16/17, DSCs returned 12 percent of contract funds to the state, compared to 15 percent in the Pilot's first year (FY 02/03). Returns have been lower than 12 percent in recent years, but in FY 16/17, the factors described in Goal 2 have caused many contractors to under-earn. These factors include unaffordable high housing costs, low reimbursement rates, and high teacher turnover. While the county continues to use the Voluntary Temporary Transfer process to help redirect funds from under-earning to higher-earning contractors, fewer contractors are over-earning and able to accept more funds. For CSPP, the San Mateo County Office of Education (SMCOE) had the largest share of total unearned CSPP contract funds (40 percent). The SMCOE contract supports thirteen sub-contracting school districts, city organizations, and non-profit organizations across the county to offer CSPP and CCTR subsidized spaces and provides fiscal and programmatic oversight, coaching, and technical assistance to their centers. The most common service model of the sub-contractors is part-day, part-year State Preschool. This model was successful for many years in school district communities, but no longer meets the needs of many low-income families who must work long hours to afford to live in the county. The mismatch has led some subcontractors to under-earn.

SMCOE subcontractors also experienced changes in leadership in 15-16 and 16-17, which contributed to high levels of under-earning as new leaders learned to manage the fiscal and programmatic details of operating CSPP centers. SMCOE reports that it is responding to the under-earning problems of its subcontractors by adjusting subcontracts to match enrollment plans, encouraging full-day programming, and providing increased individual technical assistance and training for agencies. Within CCTR programs, which make up a much smaller part of the county's subsidized child care services, about two-thirds of the \$585,730 in unearned contract funds came from three contractors: City of Pacifica (26%), SMCOE (22%) and Friends to Parents (20%).

**Table 7: Unearned Direct Service Funds as Share of All Direct Service Funds**

Contract Type	Maximum Reimbursable Amount (MRA)	Unearned Dollars as Share of Funds
CCTR	\$ 4,846,803	12%
CSPP	\$ 18,931,886	13%
<b>Total</b>	<b>\$ 23,778,689</b>	<b>12%</b>

Source: Contractor-submitted attendance and fiscal reports and contracts, subject to confirmation by CDFS

# Discussion

**San Mateo County's performance on the Pilot Plan is summarized below.**

## **Goal 1: Increase the retention of Title 5 center-based child care and development services contractors**

As presented in Table 2, San Mateo County has lost a smaller share of contractors when compared to neighboring counties. While contractors have fluctuated throughout the years, San Mateo County has consistently made up for losses in contractors by recruiting new programs. Since the Pilot's inception, no contractors have voluntarily left the Pilot. Loss of contractors can be explained because of the loss of the Latchkey contract due to state budget reductions (-2 contractors) and a merger of two contractors several years ago (-1 contractor, no reduction in slots or sites).

## **Goal 2: Increase the aggregate child days of enrollment in subsidized child care in San Mateo County**

FY 16/17 is the first year since the Pilot's inception when San Mateo County has not met the goal of exceeding the aggregate child days of enrollment by 2% or more. San Mateo County has met or exceeded the 102 percent goal in each of the fourteen prior years of the Pilot. The main reasons for not meeting this goal are:

1. The high combined costs of housing, child care, and transportation impact families' abilities to be self-sufficient in San Mateo County despite higher median incomes that in other parts of the state.
  - a. Due the challenge of affordability in the county, many middle and low-income families are moving elsewhere.
  - b. Families who do remain in the county may have incomes above the eligibility threshold for subsidized child care, but are not earning enough to be self-sufficient.
  - c. In addition, most families require multiple-parent incomes and cannot utilize part-day preschool programs at the same rates as in the past.
2. Contracted programs also struggle to pay sufficient wages to attract and retain staff due to reimbursement rates being below the true cost of providing quality care. Staff vacancies lead to programs not enrolling to full capacity.

In response to these changing circumstances, San Mateo County requested changes to the Pilot Plan in 2017; the county anticipates that the new modifications, particularly increasing income eligibility to 85% of SMI and 2-year family eligibility, will help more families access care.

## **Goal 3: Increase the ability of low-income families to move toward self-sufficiency through higher earnings**

Average earnings among families in both Direct Service and AP care has fluctuated greatly since the Pilot began. Overall, families at-risk of incoming out whose children stayed in care between April 2015 and April 2016 experienced a slight decrease of income. However, the overall loss of income for families was 38% less than in the Pilot's first year and \$958 less than in FY 09/10 when the loss in income was the highest.

Unfortunately, San Mateo County's Pilot does not have the resources to collect survey data from enrolled or exiting families due to the unfunded administrative burden this would place on contractors. This makes it difficult to determine how families react to the risk of losing their subsidies or the reasons for exiting care.

# Discussion

## **Goal 4: Increase the stability of care placement for children whose families would otherwise become income-ineligible for child care subsidies.**

While 62 percent of the children at risk of incoming-out in 2016 were no longer in subsidized care the following year, 85 percent of those that exited were “expected exiters” because they were expected to start kindergarten or age out of the state child care subsidy program between 2015 and 2016. Excluding those children expected to exit, 80 percent of children at risk of incoming-out were still enrolled one year later. Additionally, the majority of contractors report that the Pilot has enabled children to remain in their program who would have otherwise incomed-out providing increased stability to those families. In 2016/17, 280 children were served whose family incomes were in the Pilot range.

## **Goal 5: Maximize Utilization of San Mateo County’s child care and child development subsidy allocations.**

The percentage of funds returned to the state has dropped from 15 percent in 2002/2003 to 12 percent in 2016/2017. In addition to the reasons for not meeting the goal for aggregate child days of enrollment described in Goal 2, the full utilization of state allocations has been impacted by leadership changes at many of the contractors’ agencies. New leaders need time to learn how to maximize their contract earnings due to the complexities of administering a CSPP and/or CCTR program. To support new leaders, SMCOE has offered greater training and technical assistance on contract earnings. SMCOE reports that it is responding to the under-earning problems of its subcontractors by adjusting subcontracts to match enrollment plans, encouraging full-day programming, and providing increased individual technical assistance and training for agencies.

In general, contractors overwhelmingly believe the Pilot is necessary in San Mateo County and collectively participate in training and technical assistance to maximize the number of children and families that are served in subsidized programs. The San Mateo County Pilot uses data on a regular basis to monitor Pilot outcomes and to request modifications to the Pilot to best meet the needs of children and families in our county.

# Appendix

## Main Contract Types

- **Alternative Payment (AP):** Vouchers that allow flexibility in choosing in-home care, family care, or center-based care. AP programs are not evaluated using earnings and family fee data. Only demographic data is provided for these programs.
- **California Center Based General Program (CCTR):** Direct service program for infants/toddlers and school-age children.
- **California State Preschool Program (CSPP):** Direct service program for preschool-age children

**Table A: Number of Children Receiving Part-Time Care by Contract Type**

Contract Type	Number of Children Receiving Part-Time Care	Number of Children Receiving Full-Time Care	Percent of Children Receiving Full-Time Care
AP	274	841	33%
CCTR	171	502	34%
CSPP	1,171	2,150	54%

**Table B: Number of Children Receiving TANF/CalWORKS by Contract Type**

Contract Type	Children in Households Receiving TANF/CalWORKS	Number of Children Receiving Care	Percent of Children Receiving Care
AP	<10	841	<1%
CCTR	<10	502	<2%
CSPP	32	2,150	1.5%

**Table C: Reasons for Receiving Services by Contract Type**

# Appendix

Reason for Receiving Services	Number of Children in AP Programs	Number of Children in CCTR Programs	Number of Children in CSPP Programs
Both Employment and Education/Vocational Training	57	10	25
Child Protective Services or At-Risk	<10	<10	<10
Education/Vocational Training	29	31	23
Employment	690	428	905
Parent/Caretaker Incapacitated	49	<10	<10
Part-Day CA State Preschool Program	-	-	1,165
Seeking Employment	15	12	15
Seeking Permanent Housing	0	<10	<10
Missing	0	0	<10

# Appendix

**Table D: Length of Participation by Contract Type**

Participation Length Category	Number of Children in AP Programs	Number of Children in CCTR Programs	Number of Children in CSPP Programs
1-Under 2 years	67	64	78
2-Under 4 years	188	73	80
4-Under 6 years	60	53	30
6 Years or More	78	10	<10
Less than 1 year	168	121	453

**Table E: Mean Length of Participation by Contract Type**

Contract Type	Mean Number of Months Served	Mean Number of Years Served
AP	33	3
CCTR	27	2
CSPP	16	1