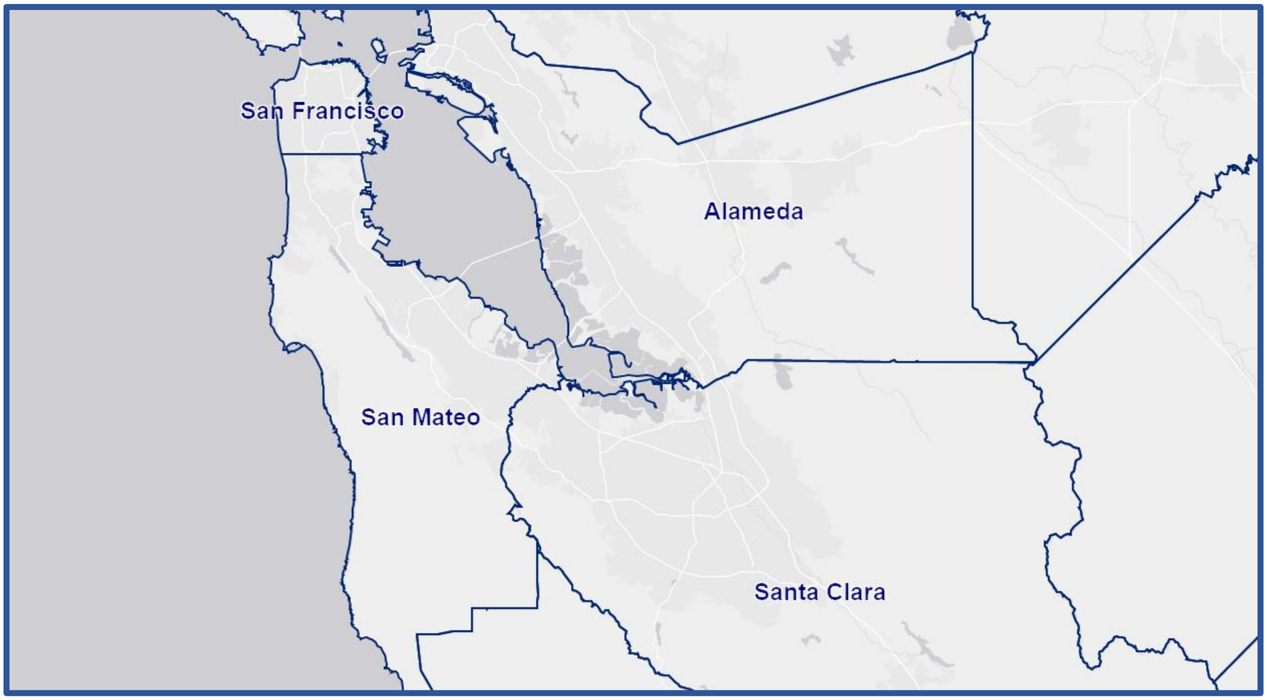


INDIVIDUALIZED CHILD CARE SUBSIDY PILOTS IN CALIFORNIA

February 2017

Santa Clara County
Office of Education

Table of Contents

List of Tables

List of Figures

Executive Summary

Background on Assembly Bill 2368

In 2016, the Santa Clara County Office of Education and Kidango co-sponsored a child care and development services bill (Assembly Bill 2368) authorizing Santa Clara County to develop and implement an individualized child care subsidy plan from January 1, 2017 to January 1, 2022. The bill grants the County limited flexibility in the management of child care subsidy funds which may include but is not limited to:

- Adjusting initial and ongoing eligibility thresholds that determine whether or not families are eligible for subsidized child care;
- Adjusting reimbursement rates for subsidized child care providers;
- Re-allocating contracts away from participating providers that are not earning their full share of contract slots to those that are and can accommodate additional children; and
- Defining the re-certification timeline for families that initially qualify for subsidized child care.

These strategies are intended to provide much needed support to families that reside in Santa Clara County who, despite earning incomes that exceed the eligibility threshold for subsidized child care, struggle to meet the economic demands of living in a "high cost" county. Current criteria for subsidized child care eligibility, contractor reimbursement rates, and lack of flexibility in contract management among Title 5 providers contributed to the estimated $9.3 million in subsidized child care funds that were unused by the County in 2015. The amount of funds relinquished to the state equates to roughly 1,100 children that could have been served by quality child care providers.

Characteristics of Counties Implementing Individualized Child Care Subsidy Pilots

County Profiles

Including Santa Clara, individualized child care subsidy pilot programs have been approved in four counties. Other counties include San Mateo, San Francisco and Alameda. All four counties are considered "high cost". To meet self-sufficiency standards (SSS) in San Mateo, San Francisco, Alameda or Santa Clara, a family of four must earn $86,400 or more annually with over 50% of that income allocated to housing and child care costs.

According to data from the 2014 U.S. Census, approximately 60% of families residing in these counties earn a median income of $75,000 or more annually. Approximately 13% earn a median income between $50,000 and $75,000. Families that fall in this range have the potential to be the most affected by changes to subsidized child care eligibility thresholds. It is estimated that over 60% of households in pilot counties require child care. In Santa Clara County:

- The annual income a family of four needs to earn to meet SSS is $95,508;
- 51% of annual SSS income is required for housing (21%) and child care (30%) expenses;
- 65% of families earn a median income of $75,000 or more annually;
- 13% earn a median income between $50,000 and $75,000 annually; and
- An estimated 67% of households require child care.

Pilot Characteristics

San Mateo and San Francisco have the longest running pilots which began in 2004 and 2005 respectively. Alameda County implemented its pilot in 2016. Details of the Santa Clara County pilot plan will be finalized in the 2016/2017 fiscal year with plans to implement on July 1, 2017. The San Mateo, San Francisco, and Alameda pilots address income eligibility thresholds, contractor reimbursement rates, and define the timeline families must use to re-certify. Initial eligibility for subsidized child care has been increased from 70% to 80% of state median income (SMI) in San Mateo and San Francisco. The adjusted income cutoff in Alameda sits a little higher at 85% SMI. Increases in contractor reimbursement rates vary by county and provider type. California State Preschool Program (CSPP) and Center-Based Child Care (CCTR) provider rates were increased by 8% in San Mateo County, 6.5% in San Francisco County, and by 7.4% and 6.8% respectively in Alameda County. Families residing in San Mateo and San Francisco are required to re-certify for subsidized child care annually whereas Alameda County families re-certify every two years.

Pilot Success

Counties that have received approval for implementation of individualized child care subsidy pilots must meet certain reporting requirements. Though the exact language may vary from county-to-county, Assembly Bill no. 2368 stipulates that Santa Clara County "shall annually prepare and submit to the Legislature, the State Department of Social Services, and the department a report that summarizes the success of the county's plan, and the county's ability to maximize the use of funds and to improve and stabilize child care in the county". Santa Clara County has contracted Mission Analytics Group, Inc., a non-advocacy consulting firm based in San Francisco with extensive experience in the planning and monitoring of pilot implementation and success, to assist in the development of measures to track the success of its pilot over time and that, where possible, match those of other pilot counties.

As of 2016, evaluations of pilot success are limited to San Mateo and San Francisco Counties. Alameda and Santa Clara County have yet to submit their first annual reports. The San Mateo and San Francisco pilots share three goals:

- Increase the retention of Title 5 direct and developmental service contractors;
- Increase the aggregate child days of enrollment among participating contractors; and
- Maximize utilization of child care and child development subsidy allocations.

San Mateo has established two unique goals:

- Increase the median family income of families with children that remain in care yet are at-risk of becoming income ineligible; and
- Maintain stability of child care placement for children of families that qualify after re-certification.

San Francisco has established five unique goals:

- Increase the number of families that are eligible for subsidized child care after re-certification;
- Make contractors more efficient in the management of contracts through submission of projections spreadsheets;
- Reduced relinquished funds among contracts receiving intensive technical assistance;
- Maintain prioritization of services to families that fall below 50% SMI; and
- Reduce the amount of time children are waitlisted for subsidized child care placement.

San Mateo County

San Mateo has been relatively successful in achieving its goals. Since 2004, the pilot has retained 91% of participating contractors, has consistently exceeded the 2% increase in number of child days of enrollment over baseline, and has achieved a 50% reduction in funds that are relinquished back to the state. In addition, the pilot has achieved a 62% increase from 2014 in the number of children that remained with the same contractor 1-year later and have families with income at or above 65% SMI upon their last re-certification. Despite efforts, the pilot has not succeeded in increasing financial stability of families at risk of becoming income ineligible.

San Francisco County

The San Francisco pilot has had mixed results. Since 2005, the pilot has retained 87% of participating contractors, has met or exceeded the 2% increase in number of child days of enrollment in only 2 of 10 pilot years, and, with the exception of two years (2011/2012, 2012/2013), has relinquished a larger amount of direct service funds relative to baseline. Greater success has been achieved on goals that are exclusive to the San Francisco pilot. More children, approximately 245, remained eligible for subsidized child care at re-certification in 2015 compared to the year prior. Efforts to monitor the impact of practices introduced in 2011 demonstrate further success. Contractors that received intensive technical assistance (TA) relinquished fewer funds (in dollars) than contractors that were not provided with this service. Initiation of a centralized eligibility list known as SF3C has resulted in a 4 percentage point increase in the number of qualifying children that are placed within 1-year of being waitlisted as well as made it possible for the pilot to target families with incomes that fall below 50% SMI.

Lessons Learned

Pilot Implementation

Success experienced by the San Mateo and San Francisco pilots can be attributed to a number of factors. In San Mateo, the pilot strengthened the role of the Local Child Care Planning Council (LPC). The LPC is charged with the responsibility of brokering cooperation and facilitating communication between early learning organizations and child care providers as well as providing contract management assistance to participating contractors struggling with financial, programmatic and quality issues. The LPC is engaged outside of the pilot. For example, LPC co-chairs serve as members of the County Board of Supervisors and the County Superintendent of Schools. These responsibilities position the LPC as trusted and knowledgeable resource within the county. The San Mateo pilot also benefits from a tiered contractor reimbursement rate. A higher rate is provided to contractors that agree to share out child enrollment and certification data, share out Desired Results Development Profile (DRDP) data, and survey parent satisfaction. These practices have implications for contractor participation and quality of care.

In San Francisco, greater pilot success was achieved through several new practices that were introduced in 2011. Title 5 contractors are now provided with the flexibility to make ongoing adjustments between California State Preschool and Center-Based Child Care contracts throughout the fiscal year which allows for ready transfer of child days of enrollment within programs serving children from infancy to school-age. By providing intensive technical assistance, the San Francisco pilot removed the burden of labor intensive and costly contract management responsibilities from contractors and placed it in the hands of an outside consultant. Participating contractors can now focus on meeting the terms of full reimbursement and completing essential service projections. Lastly, use of a centralized eligibility list introduced efficiencies and standardized the re-certification process thereby reducing waitlist times and allowing for the continued prioritization of services to lower income families.

Pilot Planning

Interest in individualized child care subsidy pilots is increasing as more and more counties are struggling to meet the demand for affordable child care. Other counties interested in passing their own bills are advised to start the planning process early. It took eight months from the time Assembly Bill 2368 was introduced in the House for it to be approved by the Governor. The following actions are recommended:

- Meet with state senators or assembly members well in advance to garner interest and establish need. A state senator or assembly member must be persuaded to author the bill.
- When establishing need, do not focus solely on high cost of living within the county or the amount of unearned funds that are relinquished to the state. Calculate estimates for (a) the number of children within the county that went without quality child care due to income ineligibility, and (b) the number of contractors within the county that are no longer in operation as a result of increased operational costs.
- Letters of support are essential and have the potential to influence the decisions of policymakers. Be prepared to engage and garner letters from those in and outside of the early learning field, such as child care providers, members of the business community, and state and local early learning advocacy groups.
- Be proactive in addressing questions and concerns. If presented with a Letter of Opposition, provide a timely and convincing response.

Prospective bill sponsors can benefit greatly by building relationships with authors and co-sponsors of existing bills. Bill authors and co-sponsors, in particular LPCs in pilot counties, can provide a wealth of information on pilot planning and implementation.

Introduction

The short and long term benefits of consistent, high-quality child care have been well documented.[1,2,3,4] Many studies have found long-term impacts on outcomes that include: improved achievement test scores, decreased rates of special education and repeating grades because of failure, and increases in completion of secondary school and post-secondary education. Long-term effects have been found for social development including reductions in classroom behavior problems, delinquency, and crime. These developmental results translate into very long-term improvements: increased employment and earnings, decreased dependence on public welfare, decreases in risky behaviors like teen pregnancy, smoking and drug use, and improved mental health[5].

Background

California's commitment to early childhood education and child development spans five decades and continues to promote a positive child- and family-focused philosophy. Service to low-income families remains a priority, and state program goals demand that high-quality child development programs and services be made available.[6]

Still, too many children in California do not have access to affordable, high-quality early childhood care and education during their first five years of life. For example, a December 2015 report from the California Budget and Policy Center found that only one in seven California children who qualified for subsidized child care received services from state programs in that year[7]. Of the state's estimated 1.5 million children – newborns to 12-year-olds – who are eligible for subsidized child care, only 218,000 were enrolled in programs that could accommodate working families for "more than a couple of hours a day and throughout the entire year", the report states.

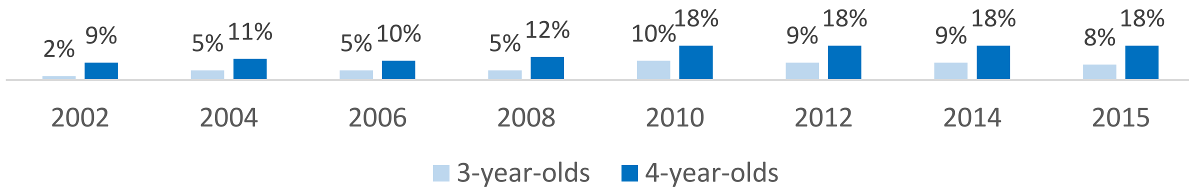
> *In California, more than two out of three families with children who are living in poverty include someone who is working. Yet, in 2015 the cost of child care for an infant and school-age child in a licensed center was equal to 99 percent of the annual income for a single mother and two children living at the federal poverty line ($19,096).*

The data also show that this large discrepancy did not arise only recently. According to an annual report by the nonpartisan National Institute for Early Education Research (NIEER), the state served only 18 percent of 4-year-olds and only 8 percent of 3-year-olds in its 2015 pre-K programs[8]. As shown in Figure 1, these low percentages have remained relatively constant since at least 2010.

---

[1] https://georgetown.app.box.com/s/q43pgptmzzm6h3zjcosk93ucnh1k4o9e
[2] http://www.hamiltonproject.org/assets/files/long_term_impact_of_head_start_program.pdf
[3] http://www.nber.org/chapters/c13489.pdf
[4] http://irle.berkeley.edu/policybriefs/IRLE-Revisiting-the-impact-of-Head-Start.pdf
[5] http://nieer.org/video-webinar/quality-pre-k-an-investment-in-equality-and-growth
[6] http://www.cde.ca.gov/sp/cd/op/cdprograms.asp
[7] http://calbudgetcenter.org/resources/1-2-million-california-children-eligible-subsidized-child-care-not-receive-services-state-programs-2015/
[8] http://nieer.org/state-preschool-yearbooks/the-state-of-preschool-2015

Figure 1. The Percent of California Three- and Four-Year-Old Children Enrolled in State Subsidized Pre-Kindergarten Programs from 2002 through 2015



Recent years have seen bipartisan support for subsidized child care at the federal level. In 2014, Republicans and Democrats worked together to reauthorize the Child Care and Development Block Grant (CCDBG) – the primary source of federal funding for subsidized child care. This reauthorization included reforms to ensure the health and safety of children, enhance the quality of programs, and simplify families' access to and retention of services. However, this reauthorization did not provide sufficient federal funding to fully implement these new provisions.

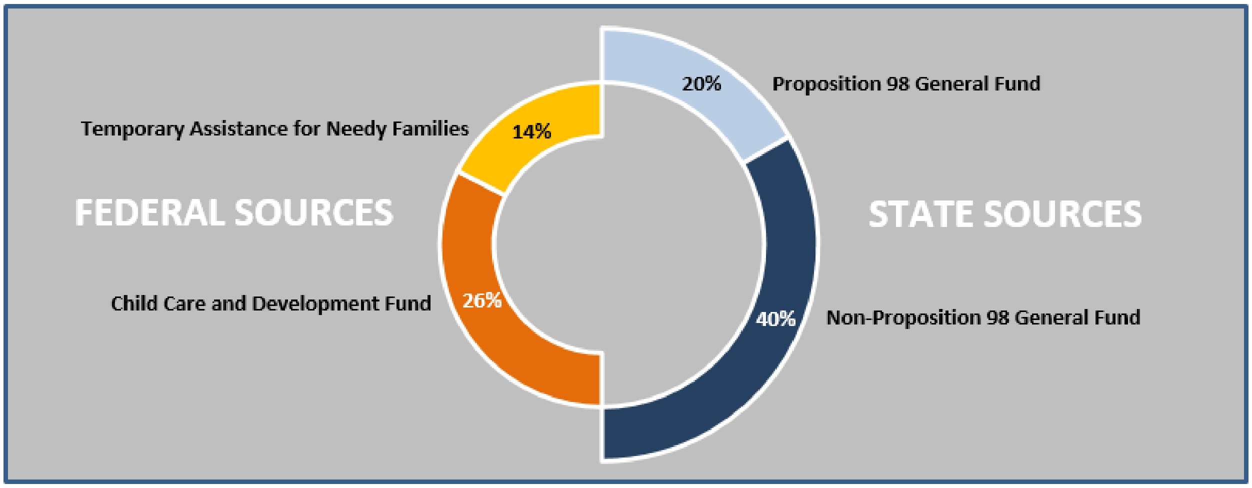
Both state and federal policymakers must increase public investment in subsidized child care and development programs. Affordable child care is critical to supporting low- and moderate-income families while parents are at work and is vital to helping families achieve economic security.

State Subsidized Programs

Subsidized child care supports the gainful employment of working families. Subsidized child care in California is funded by a combination of state and federal money, which includes state General Funds and about $570 million a year in federal Child Care and Development Block Grant funding, according to the governor's state budget summary for 2016-17[9]. A report[10] published by the Legislative Analyst's Office estimates the federal contribution at 40% with the state contributing 60% to child care and development programs (see Figure 2). Federal support is provided through Temporary Assistance for Needy Families (TANF) and the Child Care and Development Fund (CCDF). The CCDF blends with state funding sources to provide general support for child care programs. CalWORKs Stage 1 child care programs are funded primarily through TANF. State funding sources include the Proposition 98 General Fund and non-Proposition 98 General Fund. Proposition 98 mandates a minimum of 40% of California's general fund be spent on K-14 education. Non-Proposition 98 General Fund refers to all other monies that may be allocated to other state policy areas such as higher education, natural resources, health and human services, and corrections and rehabilitation.

[9] http://www.ebudget.ca.gov/2016-17/Enacted/BudgetSummary/BSS/BSS.html
[10] http://www.lao.ca.gov/reports/2014/education/child-care/restructuring-child-care-system-040414.pdf

Figure 2. Federal and State Funding Sources for Subsidized Child Care Programs in California



Source: Restructuring California's Child Care and Development System, Legislative Analyst's Office, April 4, 2014. Retrieved on January 11, 2017 from http://www.lao.ca.gov/reports/2014/education/child-care/restructuring-child-care-system-040414.pdf.
Notes: (1) Percentages for funding sources are approximations based on funding for child care and development programs in the state of California in 2013-14.

The state provides subsidized child care through a variety of programs, administered largely by the California Department of Education. Families can access child care either through a collection of providers who contract directly with the state, or through a voucher they give to a provider who best meets their needs for care. These programs vary in minimum program requirements, in the method of provider reimbursement, and in the flexibility offered for parents who work non-traditional hours[11].

The Budget Act of 2015 appropriated $2.4 billion for the California Department of Education's (CDE) Child Development Programs and approximately 1,300 contracts are dispersed through 713 public and private agencies statewide to support and provide services to almost 400,000 children[12]. The CDE subsidized child care programs include:

- *General Child Care and Development* – Programs that use centers and family child care home networks operated or administered by either public or private agencies and local educational agencies. These agencies provide child development services for children from birth through 12 years of age and older children with exceptional needs.
- *Migrant Child Care and Development* – Programs that provide services to families who earn at least 50 percent of their total gross income from employment in fishing, agriculture or agriculturally related work during the twelve month period immediately preceding the date of application.
- *California State Preschool Program* – This program consolidated the funding for State Preschool, Prekindergarten and Family Literacy, and General Child Care center-based programs serving eligible three- and four-year-old children to create the California State Preschool Program, the largest state-funded preschool program in the nation.

[11] http://www.ebudget.ca.gov/2016-17/pdf/Enacted/BudgetSummary/Kthru12Education.pdf
[12] http://www.cde.ca.gov/sp/cd/op/cdprograms.asp

- *Severely Handicapped Program* – Programs that provide care and supervision, age and developmentally appropriate activities, therapy, youth guidance, and parental counseling to eligible children and young adults from birth to 21 years of age. Recipients of these services must have an individualized education plan (IEP) or an individualized family service plan (IFSP) issued through special education programs.

- *Alternative Payment Program* – Alternative payment programs (APPs), offer an array of child care arrangements for parents, such as in-home care, family child care, and center-based care. The APP helps families arrange child care services and makes payment for those services directly to the child care provider selected by the family.

- *CalWORKS Child Care* – Recipients of the California Work Opportunity and Responsibility to Kids (CalWORKs) grant program are required to engage in work or work preparation activities and provides families an array of welfare-to-work services.

Santa Clara County Office of Education Programs

The Santa Clara County Office of Education (SCCOE) is the largest early learning provider in Santa Clara County, offering a variety of programs for young children, families and districts, including Head Start, Early Start, and State Preschool, which prepare students for kindergarten and academic success throughout their school careers.

Head Start and Early Head Start are federally funded comprehensive child programs primarily for children of very low-income families. Head Start and Early Head Start promote the school readiness of children from birth to age five by enhancing their cognitive, social, and emotional development. Head Start programs provide a learning environment that supports children's growth in many areas such as language, literacy, and social and emotional development.

The SCCOE is the Head Start grantee for Santa Clara and San Benito Counties with funded preschool enrollment of 2,064 children. The Head Start/Early Head Start Program is funded through an annual grant from the Federal Department of Health and Human Services. The program directly serves 1,466 children in 45 classrooms at 21 sites in the two counties. The remaining 598 children are served through partnerships with state funded programs operated by non-profit agencies, school districts, and the SCCOE State Preschool Program.

Children in foster care, homeless children, and children from families receiving public assistance in Santa Clara County are categorically eligible for Head Start and Early Head Start services regardless of income. Other families must meet income eligibility requirements in order to qualify for participation[13], as shown in Table 1.

[13] https://www.benefits.gov/benefits/benefit-details/1899

Table 1. Head Start and Early Head Start Eligibility Requirements Based on Household Size and the Maximum Allowable Annual Income Level

Household Size*	Maximum Income Level (Per Year)
1	$11,880
2	$16,020
3	$20,160
4	$24,300
5	$28,440
6	$32,580
7	$36,730
8	$40,890

*For households with more than eight people, add $4,160 per additional person

The California State Preschool Program, the largest state-funded preschool program in the nation, provides both part-day and full-day services that provide a core class curriculum that is developmentally, culturally, and linguistically appropriate for the children served. The program also provides meals and snacks to children, parent education, and referrals to health and social services for families. In Santa Clara County, the program is administered through the SCCOE to 700 low-income children, ages 18 months to five years, at eight locations in San Jose[14].

Eligibility is based upon age and family income. A demonstrated need for child care (full-time participation in work or school/ training) is also required for participation in full-day programs[15]. Table 2 shows the income eligibility requirements for participation in California State Preschool[16]. The full-day state preschool daily rate is $38.53 per child day of enrollment or $9,632.50 annually based on 250 days of operation[17]. As of 2016, The Santa Clara County Office of Education is one of 28 California State Preschool Providers (CSPP) with sites located in Santa Clara County. A full listing of CSPP providers with sites located in Santa Clara County, contract amounts, and the number of children providers must serve annually to fulfill their contracts is provided in Appendix A.

[14] http://www.sccoe.org/depts/students/early-learning-services/Pages/State-Preschool.aspx
[15] http://strongstart.sccoe.org/about/StrongStart%20Documents/Strong%20Start%20Brochure.pdf
[16] http://www.4c.org/parent/needing_help/index.html
[17] http://www.cde.ca.gov/sp/cd/op/factsheet15.asp

Table 2. California State Preschool Eligibility Requirements Based on Household Size and the Maximum Allowable Annual Income Level

Household Size	Maximum Income Level (Per Year) *
1-2	$39,396
3	$42,216
4	$46,896
5	$54,408
6	$61,908
7	$63,312
8	$64,728

*Maximum gross monthly income is listed by the state for eligibility, the monthly figures were multiplied by 12 to create annual levels for this table.

Income Eligibility in Santa Clara County

According to a 2014 U.S. Metro Economies report prepared for the United States Conference of Mayors, the San Jose-Sunnyvale-Santa Clara metro area in Santa Clara County has the highest median household income in the nation at $93,500[18]. This same report shows that while 45.5 percent of county households have a median income of $100,000 or more, 11.9 percent are in the $75,000 to $99,999 range, 13.3 percent in the $50,000 to $74,999 category, 15.4 percent in the $25,000 to $49,999 range, and 13.9 percent are below $25,000. This income disparity greatly impacts the availability of affordable childcare for low-income families.

California *Education Code Section 8236.1* sets the income eligibility and exit thresholds for child care subsidies at 70 percent of the 2005 State Median Income (SMI) as of July 2011[19]. Under the current family fee schedule, a family of four would become income ineligible for state subsidized child care at a monthly income of $3,908, or $46,896 annually. In some cases, this low threshold forces families to choose between career advancement and higher pay or simply maintaining eligibility for their children's care while working[20].

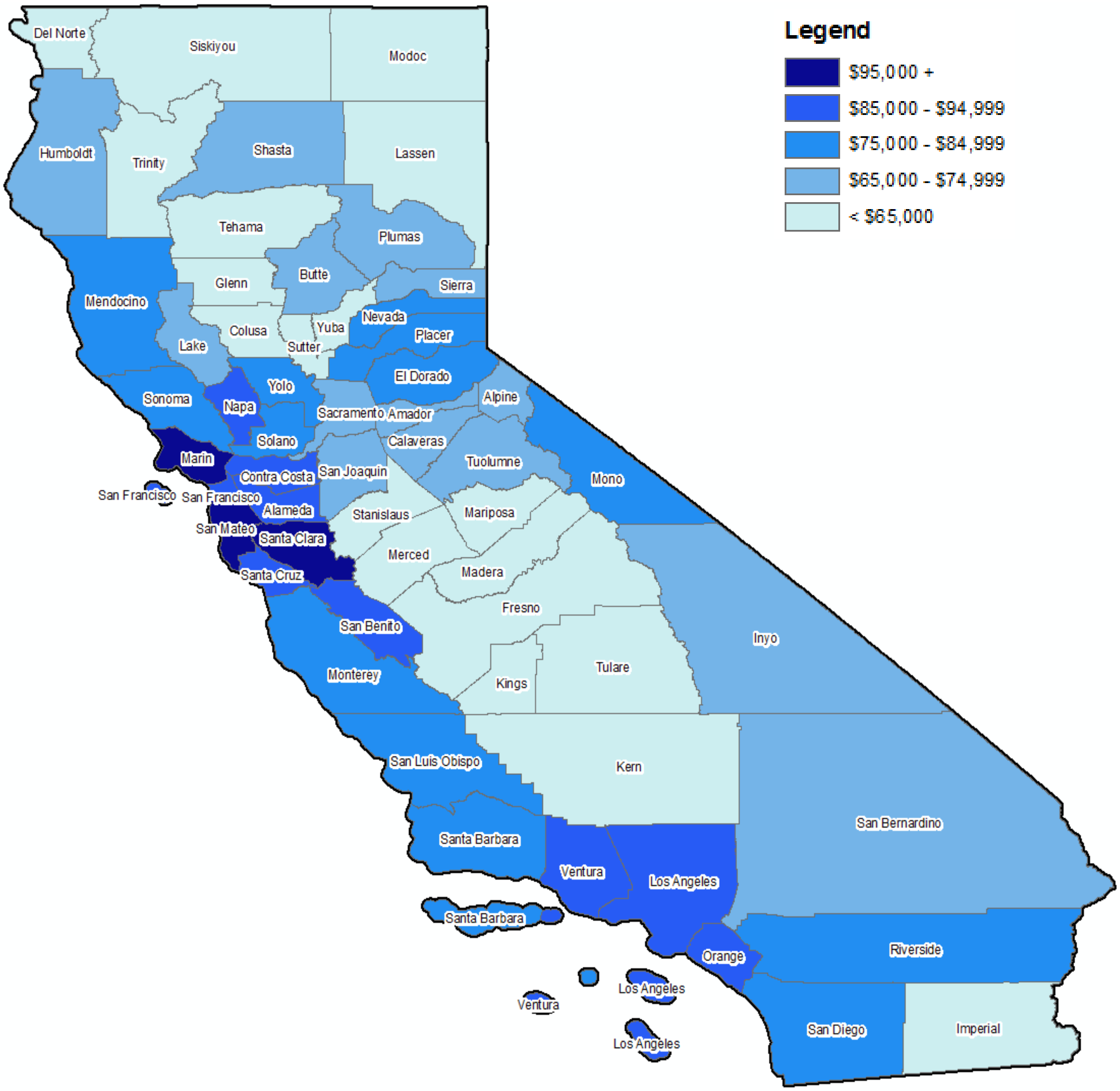
Combined with the often unfeasible definitions of low income that set eligibility for subsidized child care in a high cost county such as Santa Clara County, affordability issues serve as barriers that make even widely offered programs unattainable for struggling local families.

A "high cost" county is one where, despite the fact that incomes are relatively high, families earn barely enough to cover living expenses. According to data from the University of Washington's Center for Women's Welfare, a family of four that consists of 2 adults, 1 infant and 1 preschool-aged child must

[18] http://usmayors.org/metroeconomies/2014/08/report.pdf
[19] http://www.cde.ca.gov/sp/cd/ci/icccsubsidyplan.asp
[20] https://edsource.org/2016/california-bill-would-change-law-governing-eligibility-period-for-subsidized-child-care/567867

earn $95,508 annually to meet the costs associated with basic needs (i.e., housing, child care, food, transportation, health care and taxes) in absence of private or informal assistance (see Figure 2).

Figure 3. California Annual Self-Sufficiency Standard (SSS) Family* Income by County



*Family defined as 2 Adults, 1 infant and 1 preschool aged child

Source: Self-Sufficiency Standard for California (2014), Center for Women's Welfare, University of Washington. Retrieved December 22, 2016 from http://selfsufficiencystandard.org/self-sufficiency-standard-state.

The gap between this self-sufficiency income and the income at which a family becomes ineligible for subsidized child care is nearly $50,000.

The Santa Clara County Office of Education, the largest early learning provider in the county, and Kidango, an organization providing early education and child development services in the San Francisco Bay area, co-sponsored Assembly Bill 2368 to help ease affordable child care access to many of these families who reside in the "high cost" county of Santa Clara.[21]

Assembly Bill 2368

Assembly Bill 2368 (AB 2368), authored by Assemblyman Rich Gordon and signed by Governor Jerry Brown on September 24, 2016, authorizes the County of Santa Clara to develop and implement a county-wide individualized child care subsidy pilot plan. In an effort to address the realities of living in a high-cost county, the intent of this pilot project is to increase access to child care for low-income families by waiving certain state rules thereby allowing the county local control and flexibility in determining family eligibility criteria for subsidized child care, family fees, contractor reimbursement rates, and methods of maximizing the efficient use of subsidy funds.

According to the author:

> Santa Clara County serves approximately 12,600 children in state subsidized child care programs. Unfortunately, the fiscal reality of living in a high-cost county means that many families are deemed ineligible for subsidized child care and that provider reimbursement rates are insufficient to cover the cost and, as a result, child care subsidy funds allocated to Santa Clara County are not fully utilized or expended. In fact, according to Santa Clara County's Local Early Education Planning Council, approximately $9.3 million under the Title 5 state subsidized child care contracts has been returned to the state. This roughly translates to 1,100 children who could have been served in the county.[22]

The pilot plan is to be implemented without utilizing any additional funds. Only unearned and unallocated funds from existing contracts and CDE Early Education and Support Division (EESD) funding streams may apply. The bill requires that:

1. The plan be submitted to the local planning council and the Santa Clara County Board of Supervisors for approval;
2. The CDE-EESD must review and approve or disapprove the plan and any subsequent modifications; and,
3. The County of Santa Clara to annually prepare and submit a report that contains specified information relating to the success of the county's plan to the Legislature, the State Department of Social Services, and the State Department of Education.

The details of Santa Clara County's individualized child care subsidy pilot plan will be finalized in the 2016/2017 fiscal year with plans to implement on July 1, 2017. The Santa Clara County Office of Education's Local Early Education Planning Council (LPC) is now coordinating planning meetings with California State Preschool (CSPP) and California General Child Care Center-Based (CCTR) contractors. The LPC Coordinator is working with prospective contractors on an individual basis to complete Pilot Participation Agreements. Though still under development, the terms for the Santa Clara County pilot

---

[21] http://www.sccoe.org/news/NR/Pages/news092616-AB2368.aspx
[22] https://cappa.memberclicks.net/assets/PublicPolicy/2016/Legislation/ab%202368%20fact%20sheet.pdf

will be based largely on those from existing pilots which are discussed in greater detail in the following section. Further, The Santa Clara County Office of Education has contracted Mission Analytics Group, a non-advocacy government consulting firm with extensive experience conducting program monitoring and evaluation services for existing pilots, to prepare the pilot plan.

County Profiles

Including Santa Clara County, as of 2017, four counties in the state of California have successfully passed legislation for individualized child care subsidy pilot projects. These counties are San Mateo, San Francisco, and Alameda. San Mateo's pilot is the longest running. It was authorized by Assembly Bill (AB) 1326 in October 2003 and first implemented in 2004/2005. San Francisco's pilot started one year later. It was authorized by Senate Bill 701 which passed in September 2005 and was implemented that same year. Alameda's pilot was authorized by AB 833 which was passed in September 2015, approximately one year prior to authorization of the Santa Clara pilot. It was approved for implementation on October 7, 2016. Details on Alameda's pilot plan can be found on the Alameda County Early Care & Education Planning Council website[23]. All pilots address the same need: to more effectively utilize state allocations for high quality, subsidized child care thereby serving more low-income families.

In this section, demographic information is presented for each of the four pilot counties. Race/ethnicity and income distributions are provided along with comparisons on family structure and employment and information on maximum reimbursement for child care and households with children that are below self-sufficiency standards. The section concludes with a comparison of pilot characteristics.

Demographics

Race/ethnicity distributions for each county are summarized in Table 1. San Mateo and San Francisco County have the smallest total populations. They are approximately half the size of Alameda and Santa Clara County. San Mateo, San Francisco and Alameda County are predominantly White whereas Santa Clara County has roughly equivalent proportions of Whites (34%) and Asians (33%). Also notable, Santa Clara County has the largest Hispanic population (27%), followed by San Mateo (25%), Alameda (23%) and San Francisco County (15%).

[23] http://www.acgov.org/ece/

Table 3. Race/Ethnicity, 2014 Estimates

	San Mateo County	San Francisco County	Alameda County	Santa Clara County
Total population	739,837	829,072	1,559,308	1,841,569
Hispanic or Latino (of any race)	25%	15%	23%	27%
White alone	41%	41%	33%	34%
Black or African American alone	3%	6%	12%	2%
American Indian and Alaska Native alone	0%	0%	0%	0%
Asian alone	26%	33%	27%	33%
Native Hawaiian and Other Pacific Islander alone	1%	0%	1%	0%
Some other race alone	0%	1%	0%	0%
Two or more races	3%	3%	4%	3%

Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

Data on income earned in the past 12 months for families in the Alameda, San Francisco, San Mateo, and Santa Clara are presented in Table 2. While Santa Clara County has nearly the highest median family income and percentage of families earning $75,000 or more, second to San Mateo County at $106,401 and 65% respectively, nearly 10%, or 41,000 families, earn less than $25,000 annually.

Table 4. Income in the Past 12 Months for Families (2014)

	San Mateo County	San Francisco County	Alameda County	Santa Clara County
Total	175,308	159,647	362,173	440,578
Less than $10,000	1.80%	3.10%	3.50%	2.70%
$10,000 to $14,999	1.20%	2.70%	2.50%	1.70%
$15,000 to $24,999	3.90%	7.40%	6.20%	4.90%
$25,000 to $34,999	5.20%	6.60%	6.30%	5.40%
$35,000 to $49,999	7.90%	8.70%	9.30%	8.00%
$50,000 to $74,999	13.60%	13.30%	14.30%	12.80%
$75,000 to $99,999	12.50%	10.70%	12.40%	11.50%
$100,000 to $149,999	19.70%	17.40%	19.90%	19.70%
$150,000 to $199,999	11.90%	10.80%	11.40%	12.70%
$200,000 or more	22.40%	19.30%	14.30%	20.70%
Median income (dollars)	108,088	93,391	90,822	106,401
Mean income (dollars)	152,569	134,953	115,583	138,271

Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

Table 3 provides data on the number of children requiring child care and education services within each county. It should be noted that the number of children with both parents working serves as a best approximation and that the inability to account for things such as the possibility of parents having alternative work schedules or other special caregiver situations (e.g., care for children by other members of the family, a babysitter or nanny) may result in an overestimation of demand. Alternatively, failure to account for single parent households with children may result in underestimation. That stated, there are almost 287,000 children living in Santa Clara County with potential child care and education needs, the highest among all pilot counties. When divided by the number of family households, an estimated 67% of households require child care, followed by 64% of households in Alameda, 62% of households in San Mateo, and 53% of households in San Francisco County.

Table 5. Children in Need of Child Care and Education Services, 2014 Estimates

	Number of Children	Share of Children 0-17	Share with all Parents Working	Number of Children Needing Care	Number of Family Households
San Mateo County					
Under 6 years	55,060	35%	70%	38,302	--
6-17 years	100,948	65%	69%	69,929	--
Total	156,008	--	--	108,231	175,607
San Francisco County					
Under 6 years	43,932	40%	70%	30,581	--
6-17 years	65,164	60%	75%	48,918	--
Total	109,096	--	--	79,499	151,029
Alameda County					
Under 6 years	115,187	35%	65%	74,297	--
6-17 years	218,099	65%	69%	150,796	--
Total	333,286	--	--	225,093	352,423
Santa Clara County					
Under 6 years	142,222	34%	64%	91,616	--
6-17 years	279,630	66%	70%	195,382	--
Total	421,852	--	--	286,998	426,824
California					
Under 6 years	2,895,155	33%	61%	1,751,677	--
6-17 years	5,826,633	67%	66%	3,816,587	--
Total	8,721,788	--	--	5,568,264	8,642,473

Source: 2014 American Community Survey 1-Year Estimates

Provider reimbursement ceilings for children up to 5 years old that attend child care centers or family child care homes on either a full-time or part-time basis are summarized in Table 4. Across all four counties, family child care home ceiling rates are lower than child care centers as are rates for older children when compared to younger children. These data suggest that family child care homes that provide services to children ages 2-5 may be less likely to participate in subsidy pilots. For full- and part-time family child care homes in Santa Clara County, the maximum reimbursement is lower than those in San Francisco and San Mateo.

Table 6. Maximum Reimbursement for Child Care by Center Type and Age Group

	Child Care Centers		Family Child Care Homes	
	Full-time Monthly	Part-time Monthly	Full-time Monthly	Part-time Monthly
San Mateo County				
Birth to 24 Months	1,521.58	1,122.20	1,107.75	926.14
2 through 5 Years	1,124.64	739.54	1,052.46	885.87
San Francisco County				
Birth to 24 Months	1,662.14	1,104.25	1,210.51	915.81
2 through 5 Years	1,169.26	818.64	1,034.00	860.97
Alameda County				
Birth to 24 Months	1,409.63	983.25	942.13	798.64
2 through 5 Years	1,029.53	708.18	861.65	737.75
Santa Clara County				
Birth to 24 Months	1,579.93	1,171.97	1,080.48	889.35
2 through 5 Years	1,155.59	758.70	989.81	837.27

Source: California Department of Education, http://www3.cde.ca.gov/rcscc/index.aspx.

Table 5 provides data on average monthly housing and child care costs within each county as well as the annual Self-Sufficiency Standard (SSS) income needed to cover those costs. The SSS is more properly defined as the amount of income necessary to meet basic needs (including taxes) without public subsidies (e.g., food stamps, Medicaid, child care, public housing) or private assistance such as free babysitting by a relative or friend or commodities provided by food banks. County SSS incomes are calculated by the University of Washington's Center for Women's Welfare. According to these data, between 37-42% of families across counties are below SSS. Over 50% of income earned by families in Santa Clara, Alameda, San Francisco and San Mateo goes to housing and child care costs.

Table 7. Self-Sufficiency Standards (SSS); Two Adults, One Infant and One Preschooler (2014)

	San Mateo County	San Francisco County	Alameda County	Santa Clara County
Housing	$2,021	$1,896	$1,441	$1,649
Child Care	$2,480	$2,466	$2,421	$2,438
Annual SSS Income	$99,008	$92,914	$86,400	$95,508
Households with Children Below SSS	42%	38%	38%	37%

Source: http://www.selfsufficiencystandard.org/node/4

Comparison of County Pilot Characteristics

Table 6 summarizes pilot characteristics across counties. San Mateo and San Francisco have the longest running pilots, each extended twice through assembly bills since implementation in 2004 and 2005 respectively. As of 2011, each of the three pilots currently underway (excludes Santa Clara County) have a prior income cutoff for subsidized child care eligibility set at 70% state median income (SMI)[24]. Through the pilot, San Mateo and San Francisco have increased the family eligibility criteria to 80% SMI while Alameda County's sits a little higher at 85%. All county pilots increase local control and contractor flexibility in contract management, assisted by their Local Child Care and Development Planning Councils (LPCs). This allows for ready transfer of allocated funds away from contractors that are having trouble filling child care slots to contractors that can and are in need of additional slots. In addition, all county pilots have increased reimbursement rates for California State Preschool Program (CSPP) and California General Child Care Center-Based (CCTR) contractors. As shown in Table 6, the reimbursement rates vary across counties, ranging from 6.5% increases for CSPP and CCTR contractors in San Francisco to 8% increases for CSPP and CCTR contractors in San Mateo. Lastly, Alameda County is the first among pilot counties to successfully approve a 24-month re-certification timeline for qualifying families. This has important implications for continuity of care. In San Mateo and San Francisco families must re-certify every 12 months.

Table 8. Summary of Pilot Characteristics

	San Mateo County	San Francisco County	Alameda County	Santa Clara County
Year first implemented	2004	2005	2016	2017
Income cutoff prior to pilot	75%[A]SMI	75%[A]SMI	70% SMI	TBD
Adjusted income cutoff	85%[B]SMI	85%[B]SMI	85% SMI	TBD
Contractor reimbursement rate increase				
California State Preschool Program (CSPP)	8%	6.5%	7.4%	TBD
Center-Based Child Care (CCTR)	8%	6.5%	6.8%	TBD
Re-certification timeline	12 months	12 months	24 months	TBD

Source: 2014/2015 San Mateo County Individualized Child Care Subsidy Pilot Project Annual Report published by Mission Analytics; Fiscal Year 2014/2015 San Francisco County Individualized Child Care Subsidy Pilot Project 2.0 Annual Report; Mission Analytics Group (Apr, 2016). Alameda County Individualized Child Care Subsidy Pilot Local Child Care Policy and Evaluation Plan; Alameda County's Individualized Child Care Subsidy Pilot (Oct, 2016) presented to the Interagency Children's Policy Council.
Abbreviations: **NA** = Not Applicable, **SMI** = State Median Income
A Effective July 2011, the state threshold was from 75% to 70%
B In response to the reduction in the state threshold, pilot eligibility was reduced from 85% to 80%
Notes: The reimbursement rate for San Francisco Unified School District (SFUSD) was set at $41.43, a 20.5% increase over the non-pilot daily reimbursement rate.

The pilots also share limitations. First, participation by contractors is not mandated. Those that do not join voluntarily at the beginning of the project cannot join at a later date. Second, while families with children serviced by Alternative Payment (AP) contractors may benefit from changes to the income eligibility threshold, AP contractors do not benefit from increases to reimbursement rates. Also noteworthy, no new money exists for pilot implementation. Plans must rely on existing funds. This adds a layer of difficulty to pilot implementation as contractors are required to increase the number of children served while regularly collecting and submitting data needed to monitor and evaluate project progress. The latter is discussed in greater detail in the following section.

[24] Baseline SMI at the time the San Mateo and San Francisco pilots started was the 2000 SMI determined by the California Department of Finance. This benchmark was revised to 70% of the 2005 SMI in 2011.

Pilot Success

Pilot Goals

As indicated above, in addition to Santa Clara, individualized child care subsidy pilot projects have been approved in three other California counties: Alameda, San Francisco and San Mateo. The San Mateo and San Francisco pilots are the longest running projects. Both have demonstrated utility in meeting project goals which aim to increase the number of families that qualify for subsidized child care, increase the number of families that continue to qualify for subsidized child care upon recertification, retain participating direct service child care contractors from year-to-year and, ultimately, return fewer, unused allocations for subsidized child care back to the state. Progress on these and other goals within San Mateo and San Francisco is detailed in the following section. As of 2016, details on Alameda and Santa Clara County pilot effects are not yet available.

San Mateo County

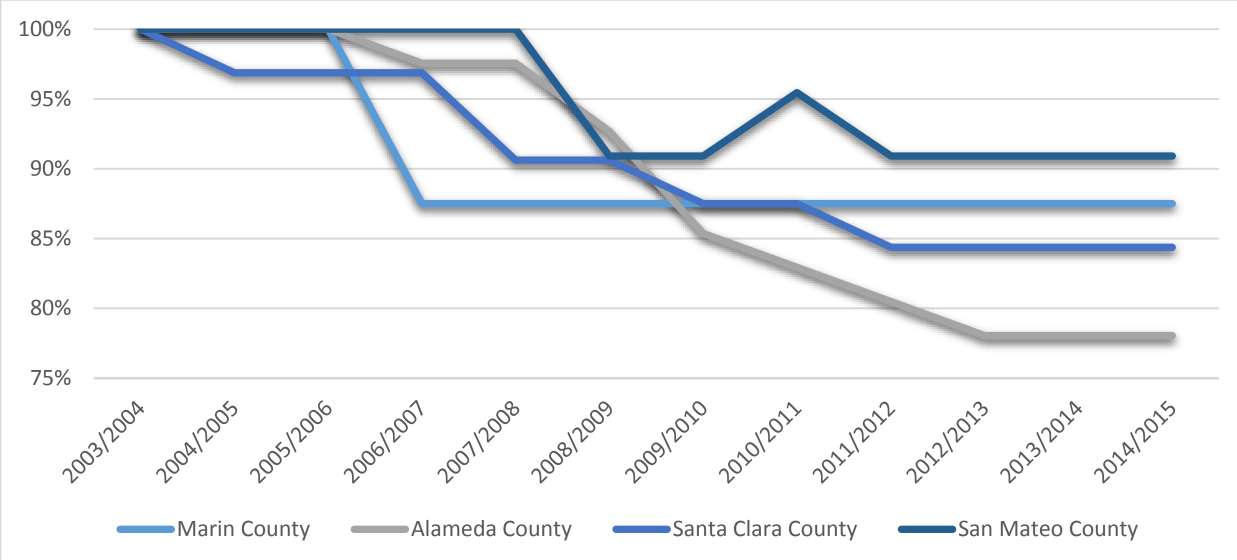
San Mateo County's pilot project has been very successful, accomplishing the majority of its five goals every year since 2004. The goals, corresponding measures and progress to-date are described in greater detail below. Goals 1, 2 and 5 are considered the three most important evaluation elements. All data presented are from the 2014/2015 San Mateo County Individualized Child Care Subsidy Pilot Project Annual Report published by Mission Analytics Group.

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

Goal 1 is measured by **the number of active direct service child care and development services contractors in San Mateo County**. In 2004, direct child care and developmental services were provided by twenty-two Child Development Division (CDE) and two Latchkey (CLTK)-only contractors (i.e., CDE contractors that provide supervised care with adult directed activities for children before and after regular school hours). By 2015, twenty of the CDE contractors were retained. The two CLTK-only contractors ceased to be a part of the pilot effort in 2009 due to state budget cuts.

The loss of two CDE contractors from 2004 to 2015 resulted in a 91% retention rate for San Mateo County, a rate higher than that of neighboring counties (see Figure 1). In contrast, Alameda County lost 22% of its contractors from 2004 to 2015.

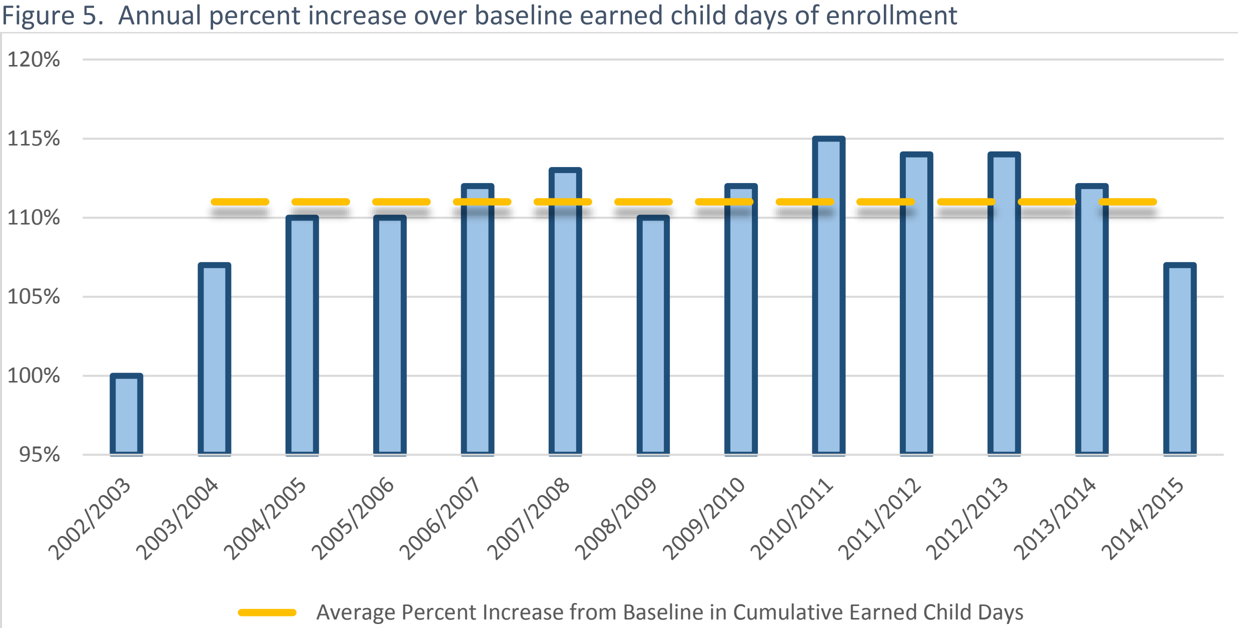
Figure 4. Direct Service Contractor Rates for San Mateo and Neighboring Counties (2004-2015)



Goal 2: Increase the aggregate child days of enrollment (CDEs) in subsidized care in San Mateo County

Goal 2 is measured by **<u>the aggregate child days of enrollment among participating direct service contractors in San Mateo County</u>**. In 2003 (i.e., baseline), the cumulative earned child days of enrollment at participating direct service contractors was 582,432 days. Since 2003, the percent increase in earned child days of enrollment has consistently been 7% or more, well over the mandated goal of 2%. Figure 2 provides a summary of the annual percent increase over baseline of earned child days since 2003. The baseline is revised on an annual basis to account for the effect of CDE contract fluctuations per recommendations by the Early Education and Support Division (EESD). The average annual percent increase over the cumulative earned child days of enrollment at baseline is 11%.

Figure 5. Annual percent increase over baseline earned child days of enrollment



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

Goal 3 is measured by **the one-year change in monthly income for families at-risk of becoming income-ineligible for child care subsidies**. To be more specific, the plan defines this measure as the average one-year change in monthly income for families who were subsidized and had income at or above 65% of the state median income[25] 12 months prior to their most recent recertification or follow-up assessment.

Table 9. Average one-year income change among families at-risk of becoming income ineligible yet are still enrolled one year later

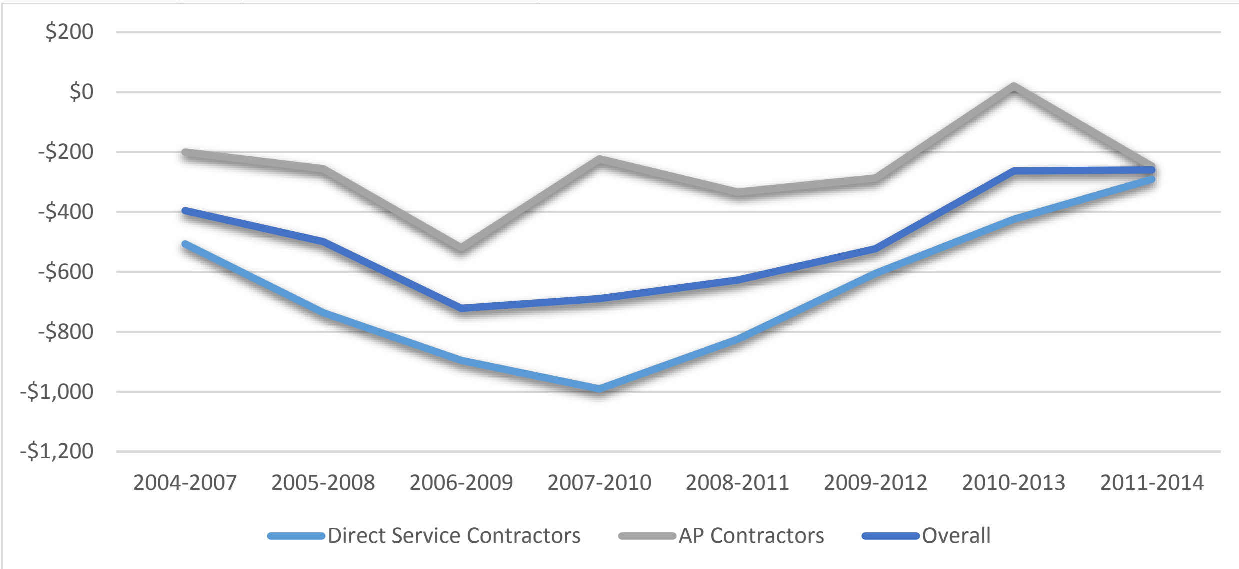
Families Enrolled as of:	Direct Service Contractors	AP Contractors	Overall
April 1, 2004	-$412	-$33	-$274
April 1, 2005	-$190	-$298	-$237
April 3, 2006	-$253	-$310	-$284
April 2, 2007	-$1170	-$158	-$786
April 1, 2008	-$1333	-$258	-$688
April 1, 2009	-$824	-$1351	-$1128
April 1, 2010	-$636	+$877	-$154
April 1, 2011	-$505	-$602	-$538
April 1, 2012	-$455	-$72	-$270
April 1, 2013	-$101	-$119	-$90
April 1, 2014	-$102	-$197	-$140

The average change in one-year family income for families at risk of becoming income ineligible for child care subsidies yet are still enrolled one year later has fluctuated over time (see Table 7). Despite project efforts, earnings are consistently diminished for returning families. The only exception being those serviced by AP contractors as of April 1, 2010. Reductions in monthly income range from over $1,000 to as low as $33 annually. It should be noted that the loss of income for families serviced by direct service contractors was substantially lower in 2013 and 2014 than in the previous years. Further, the percent of children in families at-risk of becoming income-ineligible (i.e., incoming-out) that are still enrolled one year later was 49%, the highest in the history of the pilot.

The variability in annual loss of monthly median family income makes it difficult to observe potential upward and/or downward trends. Calculation of four-year averages of change in income provide a solution while controlling for undue influence of individual observations. Figure 3 illustrates four-year averages in change of monthly median family income from 2004-2007 to 2011-2014. The average loss in monthly income is lowest for families serviced by AP contractors. At the beginning of the pilot, families serviced by direct service contractors fair the worst with annual losses in monthly income at approximately $500 from 2004-2007 to $991 from 2007-2010. Annual losses in monthly income steadily improved from 2007-2010 to 2011-2014.

[25] At-risk families are identified as those with incomes at or above 65% of the 2005 state median income.

Figure 6. Four-year averages of change in one-year income among families at-risk of becoming income ineligible yet are still enrolled one year later (2004/2007 to 2011/2014)

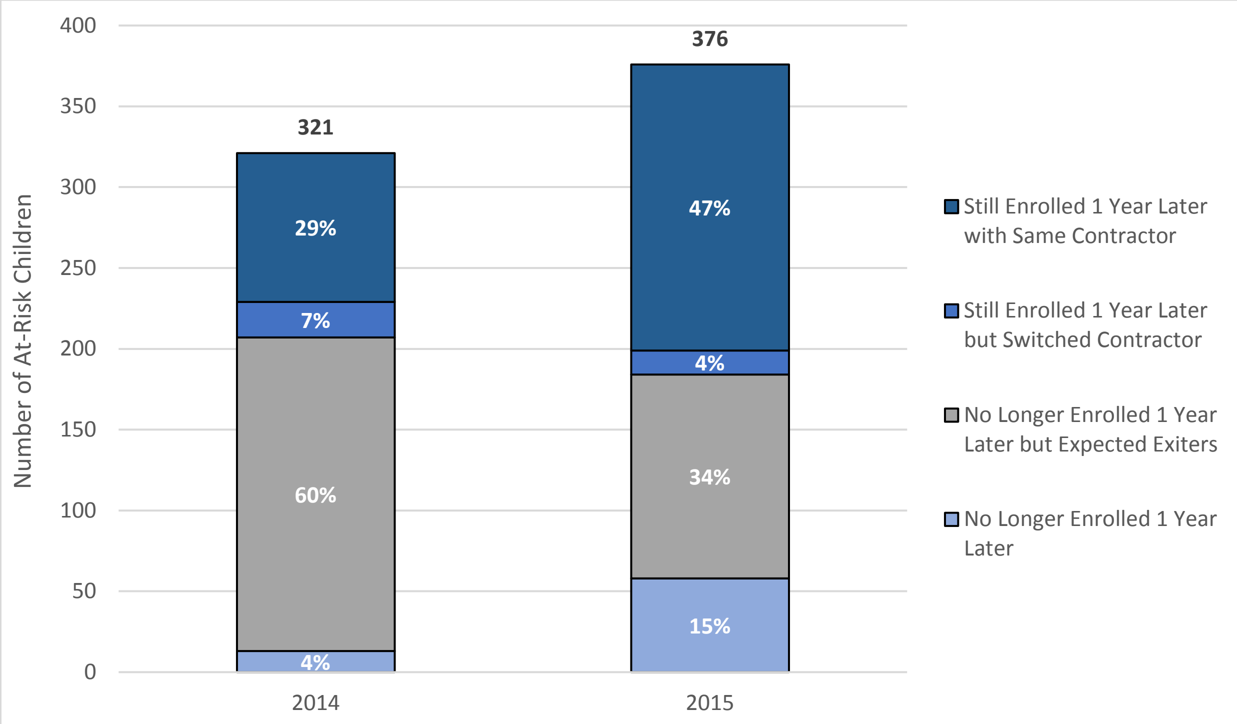


Goal 4: Increase the stability of care placement for children whose families would otherwise become income-ineligible for child care subsidies

Goal 4 is measured by **<u>the number of children who were served in subsidized direct service slots at participating contractors and whose families had income at or above 65% of the state median income at their last re-certification that remained with the same child care and development service contractors 12 months later</u>**.

Data submitted by direct service contractors in 2015 indicates that more children at-risk for becoming income-ineligible remained with the same contractor 1 year later than in the previous year (see Figure 4). In 2015, 47% of at-risk children had stable care placement, up 18 percentage points from 2014. While the percent of at-risk children that were no longer serviced by direct service contractors decreased from 2014 to 2015, the percent of children no longer serviced and not considered “expected exiters” (i.e., children that were expected to start Kindergarten or age out of the state subsidy program) quadrupled from 2014 to 2015. In 2015, 15% of at-risk children no longer enrolled were unexpected compared to just 4% in 2014.

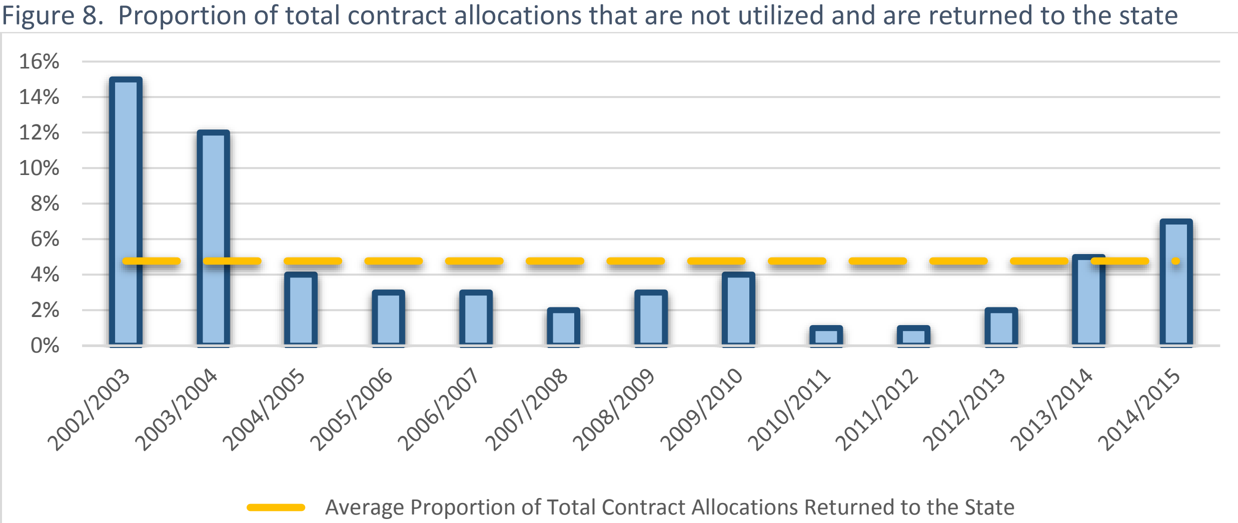
Figure 7. Distribution for stability of direct service contractor care among at-risk children (2014-2015)



Goal 5: Maximize the take-up of San Mateo County's child care and child development subsidy allocations

Goal 5 is measured by **the proportion of total contract allocations during a fiscal year that are not utilized and are returned to the state**. In the 2002/2003 fiscal year, 15% of total contract allocations were not earned by participating contractors. From 2002 to 2004 the share of funds returned to the state dropped from 15% to less than 5% where it remained until 2013 when it rose to 5% (Note: The average proportion of total contract allocations not utilized from 2002 through 2014 is 5%). The increase in returned funds over the past two years are partly attributed to increases in the cost of providing services coupled with inadequate reimbursement rates for contractors.

Figure 8. Proportion of total contract allocations that are not utilized and are returned to the state



San Francisco County

San Francisco County's pilot project was implemented in 2005. It adopted much of the same language, outcome measures and strategies as the San Mateo pilot which was implemented one year earlier. When extended in 2011/2012 with Assembly Bill 260, the CDE Contractor's Committee, a group comprised of participating CDE Child Development Division Title 5 contractors charged with problem-solving and planning for the stabilization of subsidized child care in San Francisco County, took the opportunity to modify the original pilot in light of state budget reductions and lessons learned in the first five years[26]. Unlike San Mateo which established five goals, the success of San Francisco's pilot is measured through its performance on four goals, each with two sub-indicators. The goals, corresponding measures and progress to date are described in greater detail below. The data presented come from two reports by the Mission Analytics Group: (1) the Fiscal Year 2014/2015 San Francisco County Individualized Child Care Subsidy Pilot Project 2.0 Annual Report, and (2) the 2011/12-2013/14 San Francisco County Individualized Child Care Subsidy Pilot Project Pilot 2.0 Evaluation Overview.

Goal 1: Increase the stability of Title 5 center-based child care and development services contractors and the families they serve

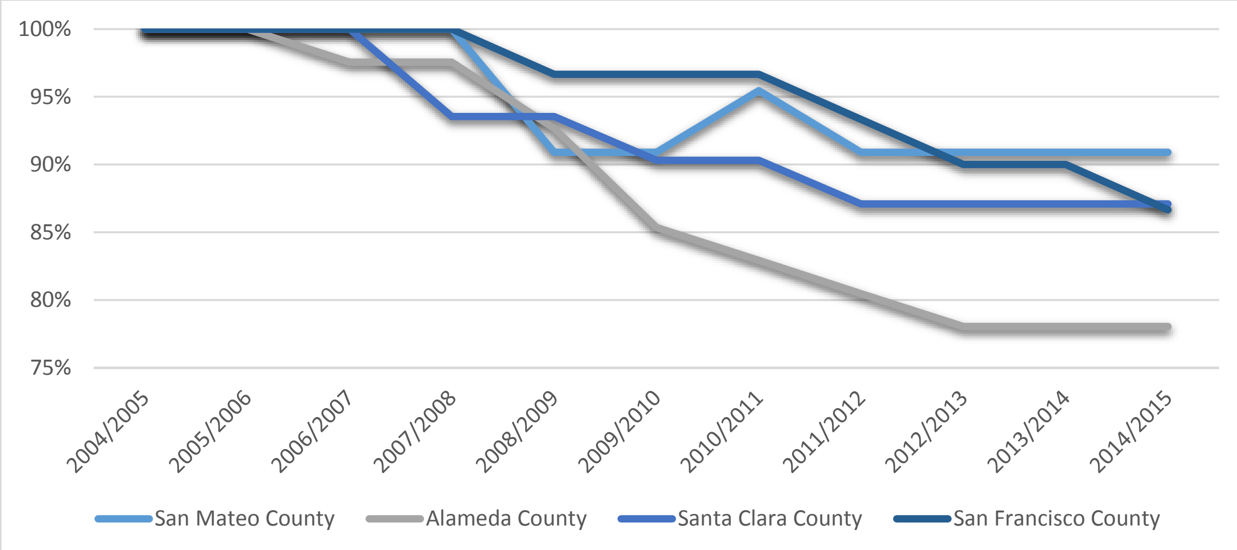
Performance on goal 1 is measured by (a) **the number of active direct services child care and development services contractors in San Francisco County** and (b) **the number of children still eligible at recertification due to the pilot income threshold**.

Stability in direct services child care and development services contractors in San Francisco County

At baseline, thirty direct service contractors participated in San Francisco County's pilot. At the end of Pilot 1.0, 97% remained. The number further reduced to 87% of the baseline count by 2015. In all cases, relinquished contracts were absorbed by other San Francisco direct service contractors preventing loss of county resources and limiting the burden on eligible children and their families. Rates for the number of direct service contractors relative to baseline in San Francisco and neighboring counties from 2005-2015 are summarized in Figure 6. The trajectories for loss of direct service contractors in San Francisco and San Mateo County are roughly equivalent over time. The retention rate for Alameda County provides insight into the loss of direct service contractors that is possible absent individualized child care subsidy pilot projects.

[26] The first five years of the pilot (2005/2006 to 2010/2011) are referred to as Pilot 1.0. San Francisco's Pilot 2.0 began in the 2011/2012 fiscal year.

Figure 9. Direct Service Contractor Rates for San Francisco and Neighboring Counties (2005-2015)



Children still eligible at recertification due to the pilot income threshold

Since the start of Pilot 2.0, service has been provided to over 1,800 children who would otherwise not be eligible for subsidized child care due to incoming-out. Between 2011/2012 and 2013/2014 this includes 501 children in California State Preschool, 394 children in California Center-Based General Programs, and 298 children receiving care through Alternative Payment contracts. A summary of the number of children who have family incomes above 70% of the state median income (SMI) threshold that remained eligible for subsidized child care in 2015 can be found in Table 8. Two-thirds of children that remain eligible after recertification are served by California State Preschool and Center-Based General Programs.

Table 10. Children with family incomes above 70% SMI still eligible for recertification in 2015

Contract Type	Number
California State Preschool	237
California Center-Based General Programs	203
Alternative Payment	203
Total	643

Goal 2: Increase the percentage of contracts earned by providing funding flexibility

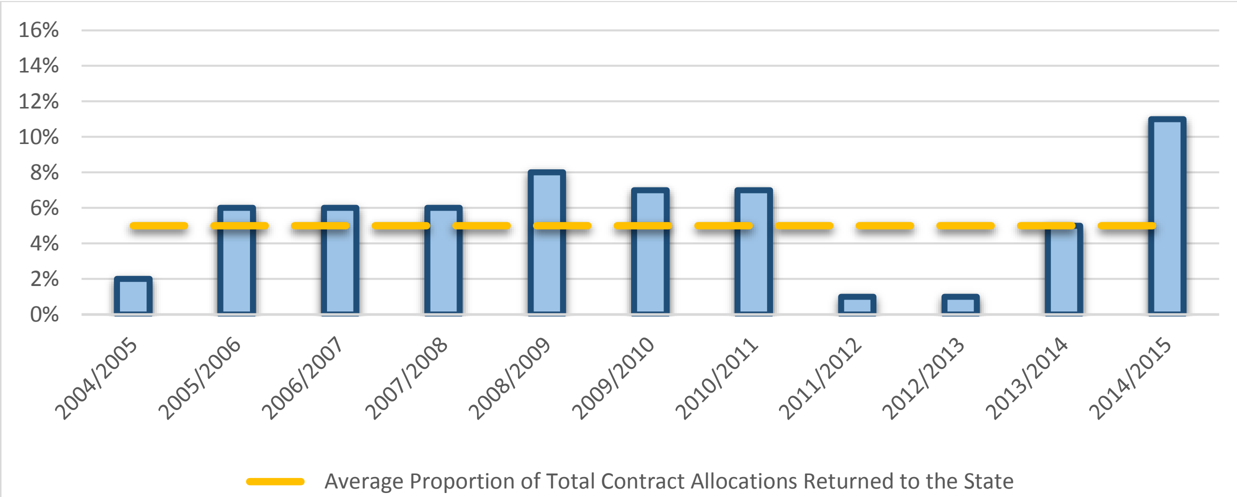
Performance on goal 2 is measured by (a) **the amount of unearned direct service contract funds returned to the California Department of Education** and (b) **the aggregate adjusted pilot days of enrollment among Pilot contractors**.

Reduction in total contract allocations during a fiscal year that are unearned and relinquished

In 2004/2005, a total of $945,328 direct service funds were relinquished to the California Department of Education. Though the amount relinquished has varied over time, averaging 5% of total allocations since 2004, in 8 of 10 pilot years more than two million dollars went unearned (see Figure 7). Fiscal year 2014/2015 marked the greatest proportion (11%) of funds returned in the history of the pilot due in part to unique circumstances facing three of twenty-six contractors. For example, Wu Yee Children's Services applied for additional state funds to extend wraparound full-day preschool for children in Head

Start, however, did not anticipate that a substantial number of Head Start children would not be eligible for California State Preschool because their parents were not working or attending school. Wu Yee Children's Services' return accounted for 41% of unearned direct service funds in 2014/2015.

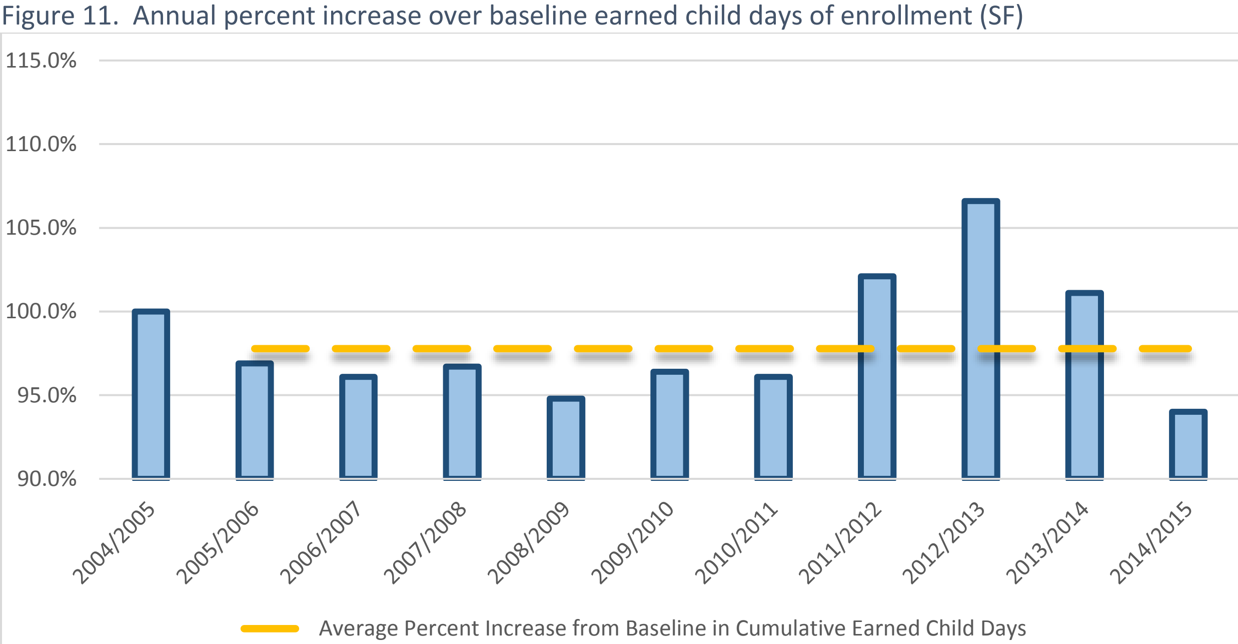
Figure 10. Proportion of total contract allocations not utilized/returned to the state (SF)



Increase in child days of enrollment relative to baseline number

Consistent with the San Mateo pilot, the legislation requires that the San Francisco pilot achieve a 2% increase in child days of enrollment relative to baseline annually. Further, data provided by the Early Education and Support Division was used to re-calculate the baseline days of enrollment for each pilot year to account for fluctuations in CDE contracts. Rates indicate that San Francisco County achieved the 2% increase twice since the pilot began in 2005, averaging -2% over time (see Figure 8). The percent increase in child days of enrollment was lowest (-6%) in 2014/2015.

Figure 11. Annual percent increase over baseline earned child days of enrollment (SF)



Goal 3: Increase the ability of contractors to efficiently manage their contracts and maximize enrollment though enhanced technical assistance

Performance on goal 3 is measured by (a) **the share of contractors projecting earnings and the share of contractors adjusting contracts based on projections** and (b) **change in the share of unearned funds among contractors receiving enhanced technical assistance**.

Share of contractors submitting projections spreadsheets to the technical assistance consultant

This measure is unique to San Francisco Pilot 2.0. In response to the call for improved implementation, since 2011 San Francisco County has hired Children's Collabrium as an outside consultant responsible for providing enhanced technical assistance to direct service contractors. Children's Collabrium decreased contractor burden by assisting in the completion of fiscal year contract adjustments and periodic transfer of funds between California Center-Based Child Care and California State Preschool contracts. Contractors were to supply monthly spreadsheets of earnings projections to inform this process. Evaluations conducted since 2011 provide that 100% of contractors submitted projections quarterly.

Change in unearned funds among contractors receiving intensive technical assistance

A total of five direct service contractors received intensive technical assistance in 2014/2015. Combined, these contractors relinquished 1.2% of contract allocations. While the percent of contract allocations that were unearned by these contractors increased by 0.4% since 2009/2010, the corresponding dollar amount decreased by nearly $100,000.

Goal 4: Use SF3C to maximize enrollment to serve families of highest need

Performance on goal 4 is measured by (a) **the income of enrolled subsidized families in San Francisco compared to those in San Mateo County** and (b) **the amount of time needed for contractors to enroll new families**.

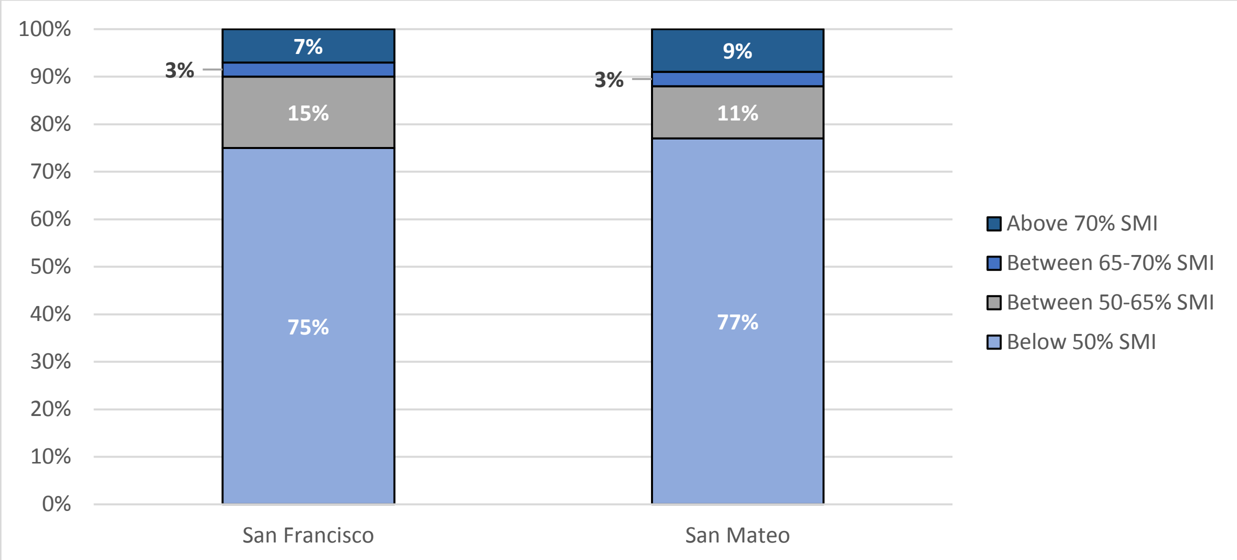
Income of direct service children enrolled in subsidized child care slots in San Francisco County

In 2011 San Francisco County introduced an enhanced Centralized Eligibility List (CEL) called the San Francisco Child Care Connection (SF3C). Staff within SF3C participate in an augmented CEL process that involves active child care case management for highly eligible families (i.e., those with family incomes below 50% SMI) in addition to need and eligibility verification for families prior to or at the time of enrollment. Among the top priorities, the SF3C is designed to:

1. Reduce the lag time for contractors to enroll eligible families;
2. Ensure that the most eligible families are prioritized;
3. Mitigate the number of waitlisted families no longer eligible for subsidized child care;
4. Standardize the processes for family recertification and state regulation/local policy quality assurance; and,
5. Allow for a county-wide centralized child care eligibility and enrollment system.

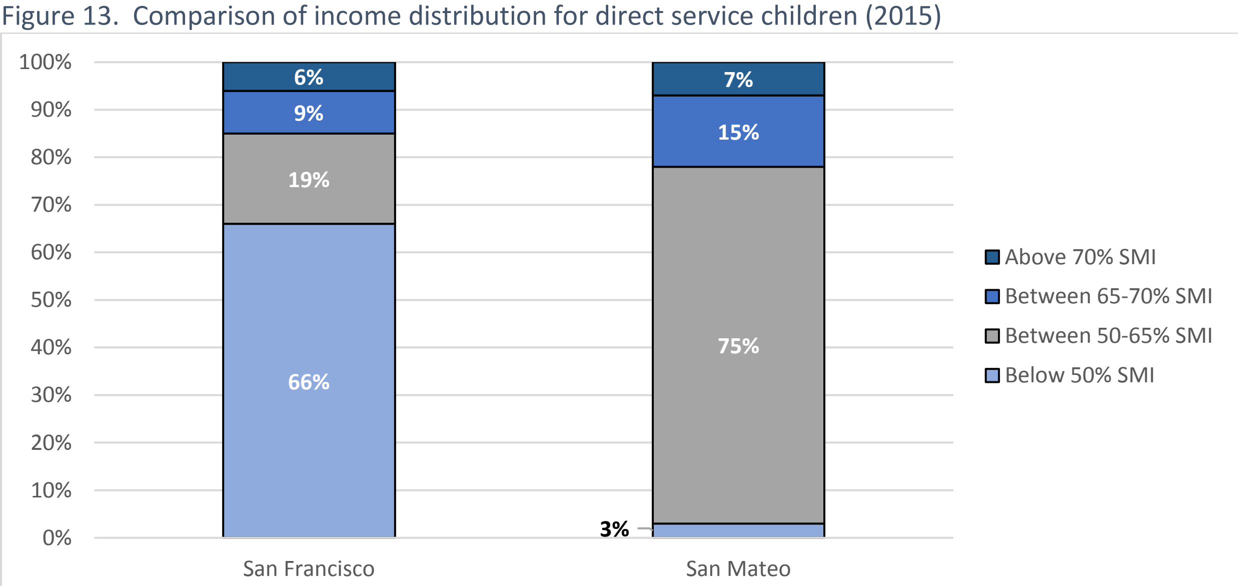
In 2010, a CEL was firmly established in San Francisco and San Mateo. Figure 9 provides a comparison of income distribution among families of direct service children in 2010 in both counties. Income distributions for families in both counties are similar. That is, both served roughly equivalent proportions of needy children, with three-quarters below 50% of state median income (SMI).

Figure 12. Comparison of income distribution for direct service children (2010)



By 2015, four years after implementation of SF3C, notable shifts in income distribution among families of direct service children are apparent (see Figure 10). The percent of families below 50% SMI decreased, from 75% in 2010 to 66% in 2015 in San Francisco County. In stark contrast, San Mateo County saw a 74 percentage point reduction in service to children of families below 50% SMI during this same time period.

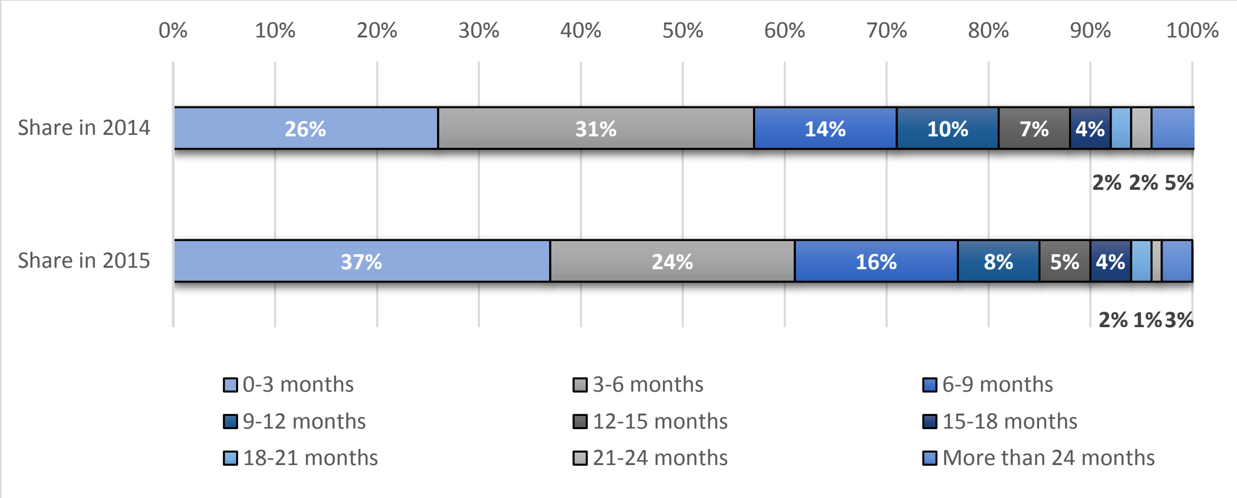
Figure 13. Comparison of income distribution for direct service children (2015)



Typical time for contractors to enroll new families

The SF3C database allows San Francisco County to accurately monitor the number of months eligible children are waitlisted. In 2014, 26% of children were placed within three months of being waitlisted (see Figure 11). In 2015, the percent of children placed within three months increased to 37%. Further, 2015 saw a 5% reduction in the number of children placed after 12 months. These findings indicate that children are being placed more quickly.

Figure 14. Percent of children waitlisted by months



Summary of Findings

A qualitative assessment of pilot performance for San Mateo and San Francisco Counties is provided in Table 9. As indicated in the previous section, San Mateo and San Francisco differ slightly in terms of stated goals. Both counties share three goals, the definitions for which and applicable targets are identical. There are two goals that are exclusive to San Mateo and five goals that are exclusive to San Francisco.

Among shared goals, the San Mateo pilot experienced greater success. Ninety-one percent of contractors were retained over the course of the pilot compared to 87% for San Francisco. San Mateo exceeded the 2% increase over baseline child days of enrollment every year since its inception whereas San Francisco met or exceeded the 2% target in only two of ten pilot years. With regards to subsidized child care allocations that were unused and returned to the state, San Mateo achieved a 53% reduction since 2002. On average, the amount of funds returned by San Francisco were 250% higher than the baseline proportion.

Goals that were exclusive to San Mateo included (1) increasing the median family income of families that remain in care despite being at-risk of becoming income-ineligible and (2) maintaining stability in child care placement for children of families that successfully re-certified. Despite pilot efforts, continuing families that were identified as at-risk for incoming-out generally experienced a loss of income each year of the pilot with the greatest loss occurring in the aftermath of the 2008 recession. The San Mateo pilot was very successful in improving stability of care among qualifying families. In 2015, 47% of children were enrolled with the same contractor after one year; a 62% (18 percentage point) increase from the previous year.

With the exception of increasing the number of families still eligible for subsidized child care upon re-certification, the additional goals established by San Francisco County were introduced to monitor the effectiveness of new systems designed to improve delivery of services. These systems include the provision of technical assistance to contractors and an enhanced child care management eligibility list known as SF3C. None of the goals exclusive to San Francisco were unmet. In fact, an estimated 245

Table 11. Qualitative Assessment of San Mateo and San Francisco County Pilot Performance

	San Mateo County	San Francisco County
Shared Goals		
Retention of direct and developmental service contractors	PM 91% of contractors retained	PM 87% of contractors retained
Increase the number of child days of enrollment	E 2% target exceeded annually	PM ≥2% target in 2/10 years
Relinquish fewer subsidized child care allocations to the state	M >50% reduction since 2002	U ~250% increase since 2004
San Mateo-only Goals		
Increase median family income of families that remain in care yet are at-risk of incoming-out	U Consecutive loss of income for families since 2004 (Range: $90-$1128)	NA
Maintain stability of child care placement for children of families that qualify after re-certification	M 62% increase from 2014 in families still enrolled with same contractor	NA
San Francisco-only Goals		
Increase the number of families that are eligible for subsidized child care after re-certification	NA	M ~245 more children remained eligible in 2015 compared to 2014
Improve efficiency of contractors to manage contracts through submission of projections spreadsheets to a technical assistance consultant	NA	M 100% of participating contractors submitted projections
Reduce relinquished funds among contractors receiving intensive technical assistance	NA	M ~$100,000 decrease in returned funds since 2009
Maintain prioritization of service to children of needy families (i.e., those that fall below 50% of state median income)	NA	PM 12% reduction since 2010 in families serviced that are below 50% SMI
Reduce the amount of time children are waitlisted for subsidized child care placement	NA	M 4 PP increase from 2014 in families placed within 1 year

Abbreviations: U = Unmet, **M** = Met, **PM** = Partially Met, **E** = Exceeded, **NA** = Not Applicable, **SMI** = State Median Income, **PP** = Percentage Point

more children remained eligible for subsidized child care in 2015 compared to the number that successfully re-certified in 2014, the share of unearned funds returned to the state by contractors receiving intensive technical assistance was $99,760 less than the funds returned in 2009/2010, priority services were extended to a significantly greater proportion of families of higher need compared to San

Mateo County, and there was modest improvement in contractor placement of waitlisted children within twelve months of waitlist.

Lessons Learned

Best Practices

San Mateo and San Francisco County pilot successes can be attributed to a number of implemented practices. In San Mateo, the pilot increases the role of the Local Child Care Planning Council (LPC). Among key responsibilities, the LPC: (1) coordinates public investments in early care and education, (2) brokers cooperation among early learning organizations, and (3) identifies and provides assistance to programs that are struggling with financial, programmatic and quality issues. The fact that the LPC in San Mateo County exists under the joint auspices of the County Board of Supervisors and the County Superintendent of Schools and that bylaws require that LPC co-chairs be members of the Board of Supervisors and the County Superintendent of Schools positions the LPC as a trusted resource; one that is in "the know" with the state of early education in the county and has timely access to information on contractor earnings and can more readily work to transition funds away from contractors that cannot earn to those that can. These factors not only contribute to participation "buy-in" by contractors, but also help to reassure contractors that pooling unearned funds is within their best interests. The larger the amount of pooled funds, the higher the contractor pilot reimbursement rate.

San Mateo County has noted benefits to continuity of care transfers, due largely to the LPC-brokered increase in communication between CDE contractors. In some cases, children enrolled in California Alternative Payment Programs (CAPP) were successfully transferred without a lapse in care to Title 5 centers when their providers encountered issues with over-enrollment or loss of contracts. Similarly, the LPC was able to broker Alternative Payment and Title 5 school-aged program placement for qualifying children as they aged out of their respective California State Preschool Programs (CSPP). The higher or tiered reimbursement rate awarded to contractors that agreed to participate fully facilitates this process. To be awarded a higher reimbursement rate, contractors agreed to:

- Fully earn their contract with the understanding that failure to do so could result in transfer of contract funds to contractors who could increase enrollment;
- Share out child enrollment and certification data;
- Share out Desired Results Development Profile[27] (DRDP) data; and
- Survey parent satisfaction for quality improvement purposes.

Over the history of its pilot, San Francisco County has struggled to earn its full contract and increase the number of earned child days of enrollment citing the higher cost of providing services in the public agency and an inadequate reimbursement rate as the primary culprits. The cost of providing high quality Title 5 services exceeds the contractor reimbursement rate. Many of the funds that contractors

---

[27] The DRDP is a formative assessment instrument developed by the California Department of Education for young children and their families to be used to inform instruction and program development. More information can be found at http://www.cde.ca.gov/sp/cd/ci/documents/drdp2015preschool.pdf.

receive are extended to staff salary and benefits, which are highly competitive (Note: Staff members receive union wages and full health and retirement benefits). There is simply not enough money left over to meet the requirements for full contract earnings which require the completion of earnings projections and project monitoring throughout the year. These problems aside, the San Francisco County pilot, in an effort to improve, introduced three new practices in 2011 that have produced positive results. Figure 14 provides a summary of these new practices and their positive effects measured through selected outcomes. A comparison is provided for each measure before implementation (Pilot 1.0) as well as after implementation (Pilot 2.0).

Figure 15. San Francisco Pilot 2.0 New Practices and Performance Measures

Source: 2011/12-2013/14 San Francisco County Individualized Child Care Subsidy Pilot Project Pilot 2.0 Evaluation Overview, Mission Analytics Group, Inc.

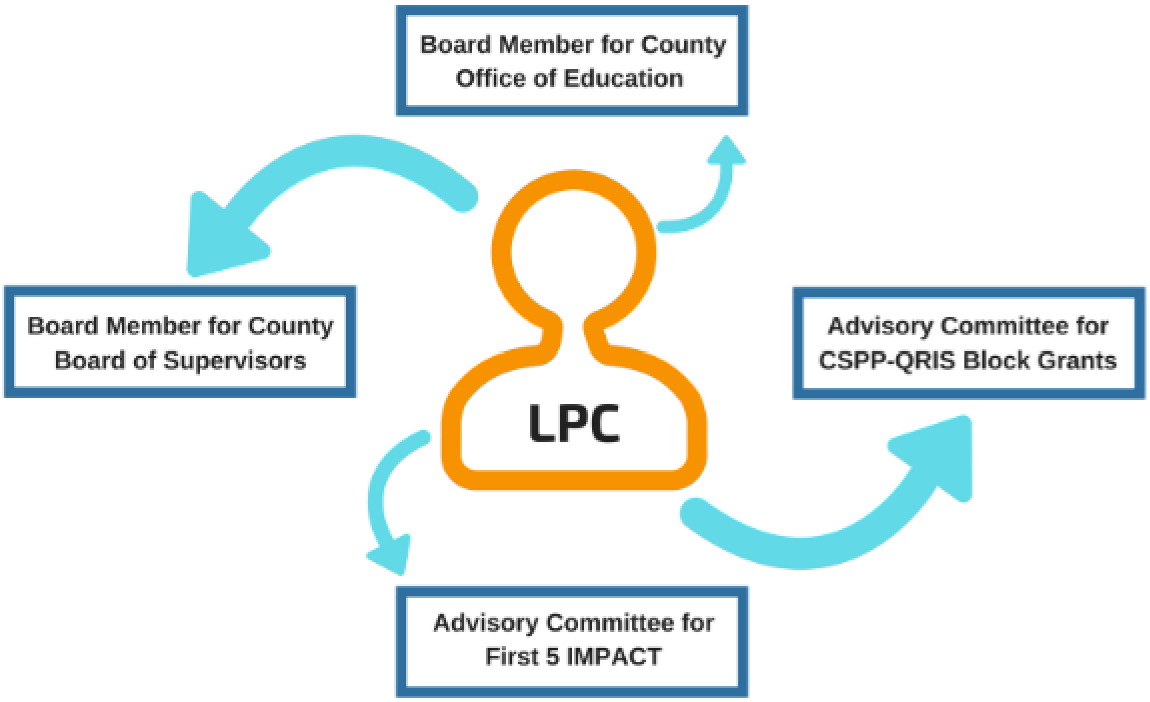
Specifics related to the new practices implemented in the San Francisco pilot were highlighted in the previous section. By providing Title 5 contractors greater flexibility in contract management they are now able to make ongoing adjustments between CSPP and General Child Care and Development (CCTR; i.e., Center-Based) contracts throughout the fiscal year. This allows for ready transfer of child days of enrollment for programs serving children from infancy to school-age. By providing enhanced technical assistance and training to contractors through an outside consultant the San Francisco pilot was able to decrease the burden on selected contractors to meet the terms for qualification of full reimbursement and complete ongoing projections. Lastly, among the many benefits, by instituting SF3C the San Francisco pilot standardized the process for re-certification, quality assurance and compliance with state and local regulations while reducing the amount of time certified children remained on waitlist for contractor placement and prioritizing services to families at higher levels of need.

Recommendations for Pilot Implementation

Drawing from best practices, the San Mateo and San Francisco County pilots provide that setting a higher reimbursement rate for contractors that agree to participate fully as a way to encourage pilot participation, strengthening the role of the LPC, providing extensive technical support to contractors, giving contractors the flexibility to make regular contract adjustments, and implementing a centralized eligibility list as methods that can improve pilot success. The following recommendations may also prove beneficial.

At the local county level, it is recommended that LPC Coordinators be engaged outside of the pilot. Key stakeholder relationships that have the potential to facilitate communication within the county are listed in Figure 15. In San Mateo County, bylaws require LPC participation in the Board of Supervisors and the County Superintendent of Schools. Local Child Care Planning Council participation can be extended to advisory for CSPP-QRIS block grants and First 5 IMPACT. First 5 IMPACT is a partnership between First 5 California and counties interested in increasing the number of high-quality early learning settings and engaging families in the early learning process.

Figure 16. Opportunities for LPC Engagement Outside of Individualized Child Care Subsidy Pilots



With quality of care in mind, counties can seek permission to pay a higher rate to CAPP and CalWORKs providers that complete health and safety and child development trainings. Counties can also explore options to pay higher reimbursement rates to contractors that join QRIS. Related to continuity of care, counties can set timeline-to-re-certification at 24 months instead of twelve months. This reduces the burden on contractors while ensuring that children in families that initially qualify for subsidized child care receive care for an extended period of time. The Alameda County pilot was the first to implement the 24-month re-certification timeline. For accountability purposes, it is recommended that counties that successfully pass bills for subsidized child care pilots maintain a common set of measures for monitoring pilot implementation and success. This will increase comparability across counties.

Recommendations for Pilot Planning

Since Assembly Bill 2368 was passed the Santa Clara County Office of Education (SCCOE) Local Early Education Planning Council (LPC) has been contacted by LPCs from other counties who are interested in passing similar bills and want to learn more about the process leading up to pilot approval. Listed below are recommendations for pilot planning from the SCCOE LPC:

- Work to ensure your bill receives widespread political support. Political backing is essential. As with all other bills, a state senator or assembly member must author the bill. Start early to build a case.
- If applicable, when establishing need, do not focus solely on the high cost of living within your respective counties. Demonstrate that unearned funds, whatever the amount, can be utilized. Provide concrete estimates of the number of children that could be served with funds that are

relinquished. Determine the number of contractors within your county that are no longer in operation as a result of increased operational costs.

- Be proactive in addressing questions and concerns. Be prepared to visit the capitol to testify. If presented with a Letter of Opposition, provide a timely and convincing response. Be willing to serve as the point of contact for the Governor's Office, the Department of Finance and the Office of the Assemblyman or Senator authoring the bill.
- Letters of Support are important and should be mailed to the author of the bill and all committee members well before the bill is scheduled to be heard by the ruling committee. Keep in mind that it takes a majority vote of the full committee membership for a bill to be passed.
- Build relationships with assembly members and Senators responsible for passing similar bills. They along with LPCs from counties currently implementing pilots can serve as a valuable resource. San Mateo and San Francisco County have over 10 years of experience in pilot implementation. Both have successfully worked to pass bills extending their original pilots.

Prior to the bill's introduction on February 18, 2016, Kidango and the SCCOE were working to establish political backing and strategizing what was needed for the bill to be successful. This included collecting Letters of Support. One month after the bill's introduction it was referred to the Committee on Human Services. Modifications were requested and the bill was amended and re-referred to the Committee on Human Services who conducted a second reading on April 6, 2016. From there, the bill was referred to the Committee on Appropriations for subsequent readings. A hearing was set on April 27, 2016 and the bill was finally ordered to the Senate floor on May 31, 2016. Once in the Senate, the bill was referred to the Committees on Education and Human Services, then referred to the Committee on Appropriations who ordered the bill to Assembly on August 22, 2016. One week later it was presented to the Governor who approved the bill on September 24, 2016. All committees passed the bill unanimously.

Preparation for pilot implementation began immediately after the bill was signed by the Governor. This included contracting Mission Analytics Group, Inc. to develop a pilot plan that included:

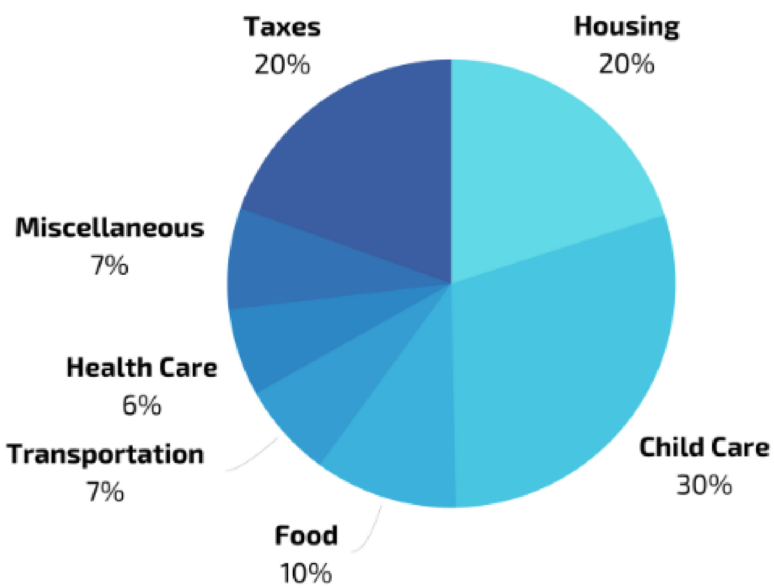
- Compiling data reflecting the required components to be considered in the assessment of goals sections of the plan;
- Working with county representatives to document county goals for its subsidized child care system;
- Analyzing historical data on contractors to identify under-earnings, parent fees and opportunities for additional enrollment;
- Drafting materials for data collection and seeking out participation and sign-off from Title 5 contractors;
- Calculating the recommended Pilot Reimbursement Rate (PRR);
- Adapting the pilot family fee schedule used in other pilot counties for Santa Clara; and
- Developing potential measures for tracking pilot implementation and success.

Mission Analytics' proposal was received on November 7, 2016. This and all other milestones for Assembly Bill 2368 are displayed in a timeline in Appendix B.

Conclusion

Santa Clara County is in the midst of an economic upswing. As of 2016, the unemployment rate is down to 4%, its lowest level since 2009, the minimum wage has increased as more and more cities strive to adopt Santa Clara County's recommended $15/hour wage by 2019, and an estimated 65% of adults earn an income of $75,000 or more annually[28,29]. Despite economic prosperity, the data presented in this report demonstrates that Santa Clara County is a "high cost" county, one where much of the income that families earn goes towards living expenses. According to the University of Washington's Center for Women's Welfare study on income needed to meet self-sufficiency standards (SSS), a family of four must earn over $95,000 annually to cover living expenses.

Figure 17. Estimated Annual SSS Income Expenditures for Family* Residing in Santa Clara County



*Family defined as 2 Adults, 1 infant and 1 preschool aged child
Source: Self-Sufficiency Standard for California (2014), Center for Women's Welfare, University of Washington. Retrieved December 22, 2016 from http://selfsufficiencystandard.org/self-sufficiency-standard-state.

As depicted in Figure 16, the cost of housing and child care together utilizes approximately 50% of total annual family income. Child care alone utilizes $28.5 thousand annually. Unfortunately, increases in income and employment are making it difficult for lower income families to qualify for much needed child care subsidies. That, in addition to insufficient reimbursement rates for CSPP and CCTR child care providers, contributed to the $9.3 million in Title 5 state subsidized child care contracts returned to the state in the 2015/2016 fiscal year.

The Santa Clara County Office of Education, in partnership with Kidango, co-sponsored Assembly Bill 2368 which authorizes Santa Clara County to conduct an individualized child care subsidy pilot designed

---

[28] State of California, Employment Development Department. Labor Market Info, Links to LMI by County. Retrieved September 20, 2016 from www.labormarketinfo.edd.ca.gov.
[29] U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates.

to better use state allocations for subsidized child care. Though the specifics of the plan have not been finalized, the Santa Clara County pilot will draw from lessons learned from existing pilots. This includes San Francisco, San Mateo and, more recently, Alameda County. All pilots address eligibility thresholds for subsidized child care and contractor reimbursement rates. The exact specifications vary from county-to-county. San Mateo and San Francisco have the longest running pilots, since 2004 and 2005 respectively. The San Mateo County pilot has been very successful in meeting pilot goals and has benefitted greatly by strengthening the role of its LPC Coordinator who, as a result of the pilot, has increased local control and flexibility in contract adjustments. The San Francisco County pilot has also experienced success through implementation of a centralized eligibility list and by providing participating contractors with intensive technical assistance with contract management.

The growing number of counties that are implementing individualized child care subsidy pilots indicates that there is increased need across the state. Santa Clara County is the fourth county to successfully pass legislation. As of January 2017, pilot bills for the counties of Contra Costa, Fresno, Monterey, Santa Cruz and San Benito, have been introduced. The information provided in this report can serve as a resource for counties interested in learning more about current pilot specifications, best practices, and common measures for tracking implementation and success at the county level.

There are several policies that can be introduced at the state level to address the rising demand of organizations working to resolve the issue of affordable child care that is facing their counties. A partial solution lies in Assembly Bill 60 which proposes a two-tier income eligibility threshold where:

1. Initial eligibility (Tier 1) requires a family's adjusted monthly income be at or below 70% of <u>the most recent</u> state median income (SMI) for families of the same size; and
2. Ongoing eligibility (Tier 2) is set at the federal cap of 85% of <u>the most recent</u> SMI for families of the same size[30] [31].

As of 2015-16, income eligibility is set at 70% of the 2005 SMI. Updating the eligibility formula so that it includes the most recent SMI (as opposed to the 2005 SMI) would result in a formula that is more responsive to the effects that other economic policies, such as the recent decision to raise the minimum wage in California to $15 per hour by 2022, have on working families. If passed, Assembly Bill 60 would permit more struggling families, especially those that live in high cost counties where wages are higher, however, taxed by living expenses, housing and child care costs, to receive quality child care and education for an extended period of time.

Adjusting the eligibility criteria for subsidized child care statewide addresses part of the problem. Efforts can also be extended to improve contract management and the quality of care provided by participating contractors. The Governor and the Legislature, through the annual state budget process, can restore adequate funding so that all counties are able to hire a full-time LPC Coordinator who is responsible for proper coordination of subsidy funds, brokering between contractors, and mitigating community stakeholder interests in child care and education. Legislation can be amended so that programs that receive more vouchers such as California Alternative Payment Program and CalWORKs and those with direct Early Education and Support Division (EESD) contracts must join the Quality Rating

[30] http://calbudgetcenter.org/wp-content/uploads/Income-Eligibility-Limit-for-CAs-Child-Care-and-Development_Fact-Sheet_04.29.2016.pdf
[31] http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB60

and Improvement Systems[32] (QRIS) and are required to cooperate at the local level with the LPC by sharing enrollment and earnings data. Participation in the QRIS demonstrates a provider's commitment to quality child care. Currently, of the twenty Title 5 vendors in Santa Clara County with Center Based Child Care (CCTR) contracts, 85% are participating in the QRIS. Fifteen of those contractors have received QRIS ratings. A full listing of early learning CCTR sites in Santa Clara County that are participating in QRIS is available on the First 5 Santa Clara County website[33].

Lastly, policymakers can pass legislation that sufficiently increases reimbursement rates for subsidized child care providers and simplifies the reimbursement rate structure. Currently, there is a bifurcated reimbursement system[34]. Title 5 California Child Development Program (CCDP) reimbursement rates are determined by the Standard Reimbursement Rate (SRR) whereas Title 22 California Child Care Centers and Family Child Care Homes are reimbursed in accordance with Regional Market Rates (RMRs) that vary depending on the county in which a child is served. Both rates adjust for the age and disability status with providers receiving a higher reimbursement rate for younger children and those with disabilities. Both rates are considered inadequate. Increases in reimbursement rates have not kept up with increases in the cost of child care. Failure to adequately adjust reimbursement rates has contributed to a decline in the number of providers, both Title 5 and 22, as well as an increase in the number of Title 22 providers charging at or above the RMR for their respective counties. Data from the California Department of Education indicates that a 16% reduction in the number of CCDP providers and a 10% reduction in the number of Family Child Care Homes occurred statewide between 2008 and 2013.

---

[32] The QRIS is a statewide system that rates programs on the basis of elements linked to positive childhood outcomes such as the quality of teacher-child interactions and teacher education level. A program's QRIS rating can be used to communicate information on program quality to prospective parents and provide a benchmark for quality improvement.

[33] http://www.first5kids.org/early-learning/qris-list

[34] http://www.lao.ca.gov/reports/2014/education/child-care/restructuring-child-care-system-040414.aspx

Appendix A: California State Preschool Providers with Sites in Santa Clara County (2016)

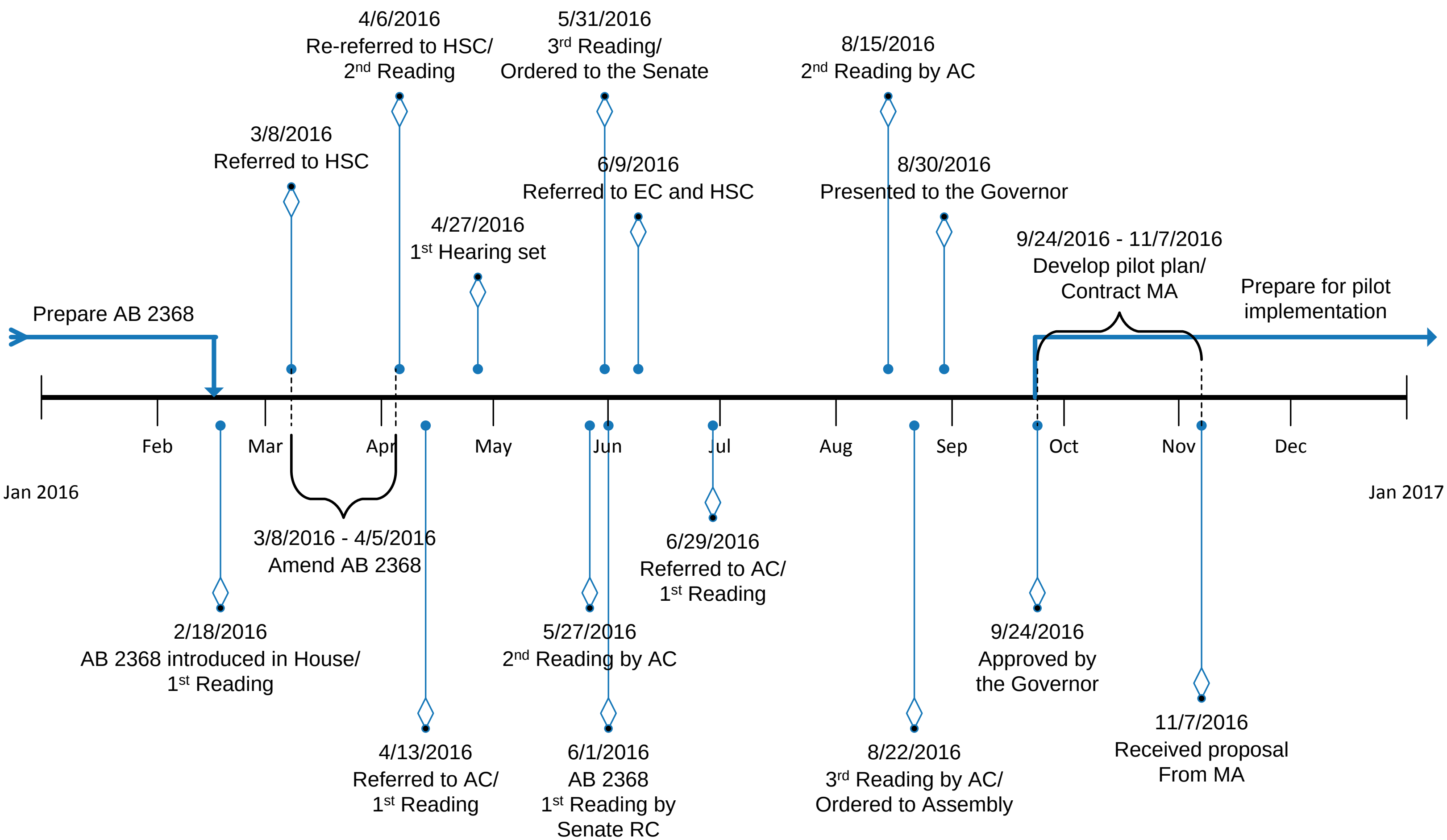
Provider Name	Contract Amount[A]	No. of Children Needed to Earn Full Contract[B]
Alviso, CA		
Martinson Child Development Center Inc.	$227,325	23.98
Campbell, CA		
Campbell Union School District	$2,254,054	237.81
Cupertino, CA		
Cupertino Union Elementary School District	$94,096	13.27
Gilroy, CA		
Gilroy Unified School District	$1,051,157	155.89
Go Kids, Inc.	$2,845,529	297.79
Los Altos Hills, CA		
Foothill-Deanza Community College	$217,563	24.34
Milpitas, CA		
Milpitas Unified School District	$602,686	66.28
Morgan Hill, CA		
Morgan Hill Unified School District	$258,689	37.30
Mountain View, CA		
Mountain View-Whisman School District	$509,210	75.52
Palo Alto, CA		
Palo Alto Unified School District	$158,172	16.55
San Jose, CA		
Associated Student, San Jose State University	$156,701	17.16
Child Development Centers	$6,766,205	702.43
Community Child Care Council of Santa Clara County, Inc.	$1,934,214	204.07
Continuing Development Inc.	$15,166,536	1,574.52
East Side Union High School District	$569,102	61.29
Estrella Family Services	$1,043,251	109.18
Kidango	$14,286,687	1,477.27
Luther Burbank Elementary School District	$728,401	76.23
Moreland Elementary School District	$124,716	18.50
San Jose Unified School District	$2,169,069	312.75
San Jose/Evergreen Community College	$297,537	31.14
Santa Clara County Office of Education	$4,135,172	441.66
SJB Child Development Centers	$2,466,119	260.18
YWCA Silicon Valley	$277,375	29.26
Santa Clara, CA		
Santa Clara County Unified School District	$1,687,276	178.01
Saratoga, CA		
West Valley-Mission Community College	$207,091	22.30
Sunnyvale, CA		
California Young World, Inc.	$328,639	34.67
Sunnyvale Elementary School District	$309,065	44.32

Source: CATS Combined Contract Report (9/22/2016), California Department of Education, Early Education and Support Division

[A] Contract amounts are not specific to Santa Clara County.

[B] Calculation based on provider contract amount, minimum days of operation, and daily reimbursement rate.

Appendix B: Assembly Bill 2368 Timeline



Abbreviations: AB = Assembly Bill, **HSC** = Human Services Committee, **EC** = Education Committee, **AC** = Appropriations Committee, **MA** = Mission Analytics
Source: AB-2368 child care and development services, Bill History, California Legislative Information. Retrieved on December 28, 2016 from http://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill_id=201520160AB2368.

This report is a product of the Santa Clara County Office of Education (SCCOE). The SCCOE provides schools, districts and community organizations with guidance in planning, research, evaluation and development services. Contributing authors include:

Mary Ann Dewan, Ph.D.
Deputy Superintendent
Office of the Superintendent

Jim Pisano, Ph.D.
Director, Special Projects
Office of the Superintendent

Irina Shacter, M.S.
Research Analyst, Special Projects
Office of the Superintendent

David Villegas, Ph.D.
Research Analyst, Special Projects
Office of the Superintendent

Acknowledgements

Throughout the preparation of this report, the SCCOE relied heavily on information provided by individuals with extensive knowledge and experience in the planning and implementation of individualized child care subsidy pilots and early learning programs. Special thanks to:

Michael Garcia
Staff Coordinator
Local Early Education Planning Council
Santa Clara County

Nirmala Dillman
Coordinator
San Mateo County QRIS
Child Care Partnership Council

Graham Dobson
Administrative Analyst for ECE Policy
Office of Early Care and Education
City and County of San Francisco

Melissa Hong
Assistant Director of Early Learning
FIRST 5
Santa Clara County

This report was finalized and was current as of January 2017. This report was released in February 2017.

Santa Clara County Office of Education

1290 Ridder Park Drive
San Jose, CA 95131-2304
www.sccoe.org