

## EXECUTIVE SUMMARY

The Child Nutrition and Women, Infants, and Children (WIC) Reauthorization Act of 2004 (Public Law 108-265) authorized a demonstration pilot of the Child and Adult Care Food Program (CACFP) in rural areas in Nebraska.<sup>1</sup> The Nebraska Rural Area Eligibility Determination for Day Care Homes Pilot (NeRAED Pilot) made it easier for family day care home providers in rural Nebraska to qualify for higher rates of reimbursements for meals and snacks provided under the program.

This report presents the findings of an evaluation of the NeRAED Pilot. The evaluation was designed to determine whether lowering the threshold for area eligibility increased the number of rural family day care homes participating in the CACFP in Nebraska and, if so, by how much. It also was designed to assess any differences between the characteristics of providers brought into the program as a result of the pilot and all other providers, as well as differences in the characteristics of children served.

### Background to the Pilot

The CACFP subsidizes nutritious meals and snacks to participants in child care centers, day care homes, and adult day care centers nationwide. In fiscal year (FY) 2006, the family day care home (FDCH) component of the program subsidized over 638 million meals and snacks at a cost of \$1.9 billion.

Family day care home providers can apply to participate in the program by contacting an approved CACFP “sponsoring organization” within their State. Sponsoring organizations provide oversight, training on program requirements, claims administration, technical assistance, and monitoring of family day care homes.

Federal subsidies to participating family day care home providers are based generally on the number and types of meals served to children and whether or not the children are from low-income families.<sup>2</sup> Meals served to children of low-income families are reimbursed at a “tier I” rate that is higher than the “tier II” rate established for children from higher-income families. Family day care home providers who reside in low-income areas qualify for tier I reimbursement rates regardless of the income levels of the families of the children they serve. Program regulations specify that low-income areas may be either: (a) areas served by a school enrolling elementary students in which at least 50 percent of the total number of children enrolled are certified eligible to receive free or reduced-price (FRP) meals in the National School Lunch Program (NSLP); or (b) census tracts in which at least 50 percent of the children residing in the area are members of households whose incomes meet eligibility guidelines for FRP meals in the NSLP. Family day care home providers also may qualify for tier I status based on their own income being below the 185-percent threshold.

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<sup>1</sup> Public Law 108-265 authorizes the Nebraska demonstration pilot by amending Section 17 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766).

<sup>2</sup> “Low-income families” are those with household incomes at or below 185 percent of the Federal income poverty guidelines.

A continuing concern regarding the CACFP, as in other entitlement food programs, is that eligible children in rural areas are disproportionately less likely to participate than eligible children in urban areas. Several factors affecting the demand and supply of child care may contribute to this difference. On the demand side, rural families needing child care services may have difficulty traveling to existing child care centers or family day care homes, given the longer distances and lack of public transportation in rural areas compared to denser, urban areas. On the supply side, it may be harder for child care centers and family day care homes to operate efficiently in rural areas because of difficulties in recruiting enough children from nearby communities. This issue of efficiency may affect sponsoring organizations as well. Sponsors are required to visit their family day care providers several times each year for training, technical assistance, and monitoring functions. It may not be cost effective for a sponsor to travel to a distant, rural community to visit only one or two providers during a day, whereas visiting a group of three or four providers in one day may be cost effective, even if they are distant from the sponsor's office.

Concerns about sponsor management of family day care homes and the demand for and supply of child care services formed the impetus for testing a change in the program's eligibility threshold. By lowering the threshold for area-based higher reimbursement rates, it was hoped not only that more day care providers would become interested in participating in the CACFP,<sup>3</sup> but that sufficient concentrations of such interested providers would make it more attractive for sponsoring organizations to operate in more rural areas.

In 2004 Congress authorized a pilot to test a lower eligibility threshold in Nebraska and specified that it was to be implemented in fiscal years 2006 and 2007. The Nebraska Department of Education (NDE) conducted the two-year pilot between October 1, 2005 and September 30, 2007.

## **Research Methods**

The findings presented in this report rely on an analysis of several data sources: (1) CACFP administrative records maintained by the Nebraska Department of Education (NDE); (2) administrative records maintained by the program's sponsoring organizations in Nebraska; (3) a Statewide survey of a random sample of 588 family day care home providers in the last quarter of 2007; (4) interviews with program officials in the NDE and the sponsoring organizations; and (5) focus groups with providers and parents of children attending family day care in Nebraska.

As noted above, family day care home providers may qualify for tier I status through any one of several means, including their own income; the income levels of the families for whose children they provide care; residence within the boundaries of a census tract in which at least 50 percent of children are in households with income at or below 185 percent of the Federal poverty level; and residence within the boundaries of a school that meets the 50-percent threshold for FRP meals or, for the two years of the pilot, the 40-percent threshold for schools in rural areas.

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<sup>3</sup> The financial incentive to qualify as a tier I provider can be substantial. A hypothetical tier II day care provider serving an average of three meals (breakfast, lunch, and PM snack) a day to six children would have received a reimbursement of about \$207 a month at the start of the Nebraska pilot. A tier I provider serving the same meals to the same number of children would have received about \$432 each month.

It is not possible for the evaluation to distinguish among providers who qualify for tier I status based on their own income, the incomes of the families of all the children under care, or by their residence in a 50-percent threshold area. It is possible, however, to separately identify providers who qualified for tier I status by residing in a 40-percent threshold area because the sponsoring organizations maintained separate lists of these providers at the request of FNS, NDE, and the evaluation contractor. This final report therefore uses the following nomenclature when identifying providers:

- “**40% providers**” – family day care home providers residing in rural areas served by schools serving elementary school children in which the percentage of students certified for FRP meals is less than 50 percent but equal to or greater than 40 percent—all 40% providers are tier I providers;
- “**non-40% providers**” – family day care home providers with tier I status that are not 40% providers (i.e., providers in 50-percent areas plus providers who are income-eligible for tier I status regardless of location);
- “**tier II providers**” – family day care home providers with tier II status;
- “**mixed-tier providers**” – family day care home providers with some, but not all, of their children under care income-eligible for tier I reimbursement; and
- “**not-tier I providers**” – family day care home providers with either tier II or mixed-tier status.

Table ES-1 summarizes the membership conventions for the provider groups in rural areas. The “non-40%” and “not-tier I” provider groups exist within urban areas as well.

**Table ES-1: Membership within Provider Groups**

Provider Types	Provider Group		
	40%	Non-40%	Not-Tier I
Tier I, income-eligible	x	x	
Tier I, area-eligible (50%)		x	
Tier I, area-eligible (40%)	x		
Tier II			x
Mixed-tier			x

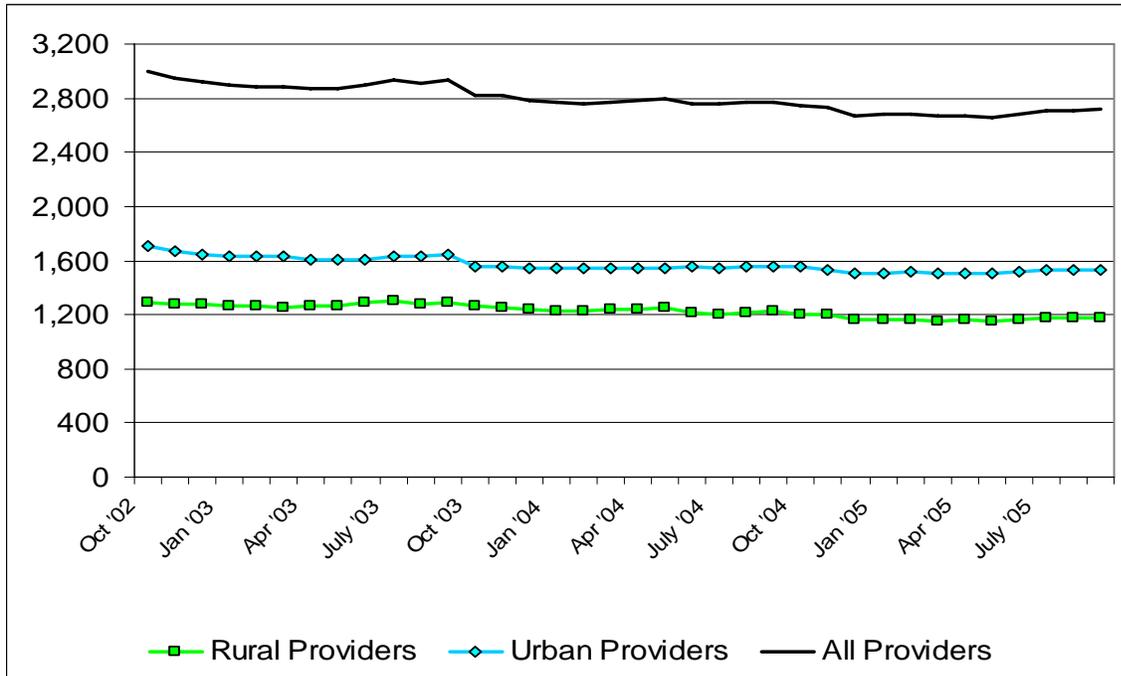
## Research Findings

### *Implementation of the Pilot*

In the three years prior to the pilot, the total number of family day care homes in Nebraska had been declining. In October 2002, there were 2,818 family day care homes participating in Nebraska’s CACFP. By September 2005, the month prior to the start of the Nebraska Pilot, the

number of family day care homes had declined by 3.7 percent to 2,715. As shown in graph ES-1, the program had more providers in urban areas than in rural areas. Although the monthly patterns of change for urban and rural providers appear similar, the number of rural providers dropped by 6.6 percent during this period, compared to a 1.2-percent drop for urban providers.

**Graph ES-1: Monthly Counts of Rural and Urban Providers Prior to the Start of the NeRAED Pilot**

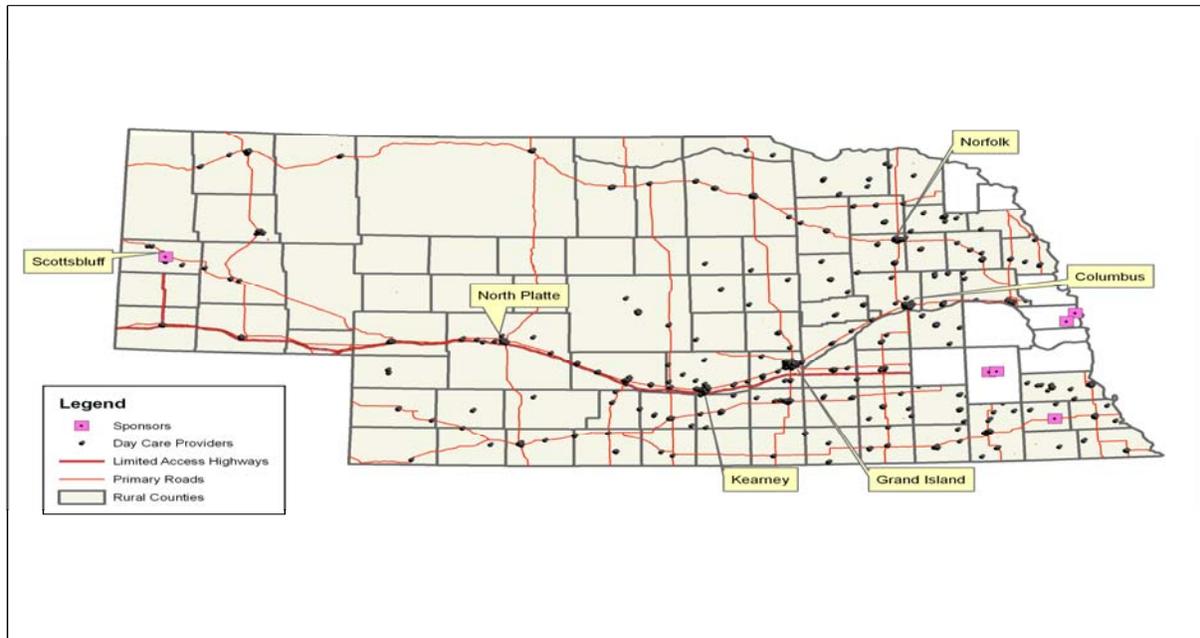


Source: NDE administrative data, 2002-2005.

Map ES-1 shows the geographic location of the rural providers relative to population centers and the transportation network. The blue lines in the map show county boundaries. The red line crossing east-west is Interstate 80. Primary and secondary roads are shown as indicated in the legend. Several of the larger towns and small cities in rural Nebraska are marked. The nine urban counties in the eastern part of the State have been blanked out because only rural areas were eligible for the pilot, and the NDE defined rural areas as non-metropolitan counties.

Upon notification of the upcoming pilot, the Administrator of NDE undertook several major tasks to ensure a smooth integration of the pilot into CACFP operations. The NDE chose to include as rural areas only complete counties that were not part of either the Lincoln, Omaha-Council Bluffs, or Sioux City Metropolitan Statistical Areas (MSAs). It also continued its use of elementary school district information to identify areas eligible for tier I reimbursement. NDE staff used data on FRP meals from the 2004-2005 school year to identify rural areas meeting the 40-percent to 50-percent threshold at the beginning of the pilot. Thereafter, updated information on percent of children certified for FRP meals became available each January.

**Map ES-1: Location of Family Day Care Home Providers in Rural Nebraska Prior to the Start of the NeRAED Pilot**



NDE informed its sponsoring organizations about the pilot by e-mail and at its regularly scheduled quarterly meetings with the sponsors. Sponsors, in turn, informed eligible providers via mail and newsletters of the upcoming changes in reimbursement. Several recruiting efforts occurred during the two-year period of the pilot. Sponsoring organizations advertised the pilot when it was first announced by sending flyers to about 70 towns it affected (i.e., towns having schools with from 40 to 49.9 percent of students certified for FRP meals). Information about the pilot also was published in local newspapers and sponsor letters. Subsequently, five of the six participating sponsoring organizations<sup>4</sup> collaborated and formed the Nebraska Sponsors Expansion Consortium, pooling their financial resources to create an extensive public relations campaign, including television and radio ads. Outreach letters were sent out to school principals, and flyers were published and distributed to parents and the general community. The Consortium also worked closely with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to inform their clients about the CACFP and the NeRAED Pilot.

At the start of the pilot in October 2005, sponsors reclassified the tiering status of all their family day care home providers who resided in rural school boundary areas meeting the new 40-percent threshold. A total of 220 providers were classified as 40% providers that month. The number of 40% providers grew to a maximum of 291 in March 2007 and then dropped to 284 at the conclusion of the pilot in September 2007.

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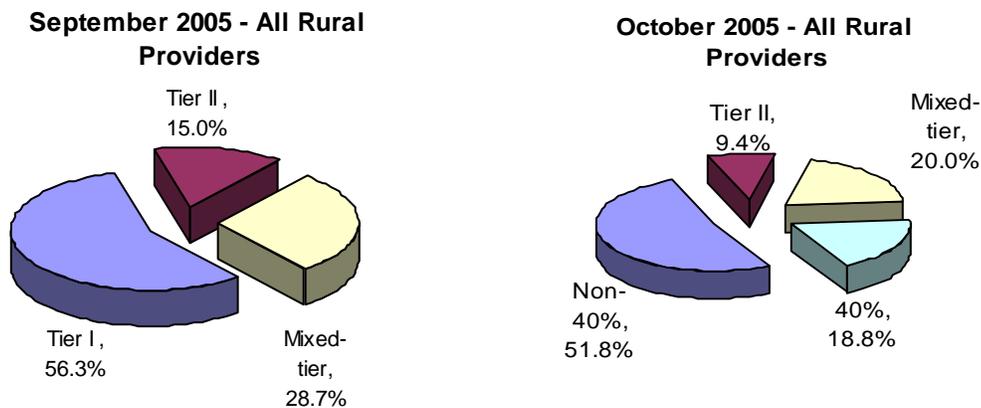
<sup>4</sup> There are seven CACFP sponsoring organizations in the State of Nebraska with six that are participating in this pilot. The Offutt Air Force Base Child Development Center is not a participant because the base is located in an urbanized area not affected by the pilot.

## Key Findings

### ***Impacts on Number of Family Day Care Homes Participating in the CACFP***

***Immediately upon implementation, the pilot increased the relative proportion of tier I providers operating in rural areas of Nebraska, but did not affect the total number of providers.*** In September 2005, the month prior to the start of the NeRAED Pilot, the NDE database had 1,181 rural providers listed as active: 56.3 percent were tier I; 15.0 percent were tier II; and 28.7 percent were mixed-tier. The next month there were only 1,171 active, rural providers: 51.8 percent were non-40%; 9.4 percent were tier II; 20.0 percent were mixed-tier; and 18.8 percent were in the new category of 40% providers. Graph ES-2 shows these percentage compositions as pie charts. Together, the tier II and mixed-tier providers (i.e., the not-tier I providers), represented 43.7 percent of the September providers and 29.4 percent of the October providers.

**Graph ES-2: Composition of Two Groups of Providers**



Source: NDE Administrative data, 2005-2007.

The changes in provider group membership reflect the following actions taken by sponsoring organizations to implement the pilot on October 1, 2005:

- 87 providers who were already tier I were reclassified as 40%. These 87 providers represented 40 percent of the total group of 220 providers in the 40% group.
- 46 tier II providers were reclassified as 40% (representing 21 percent of the total group)
- 80 mixed-tier providers were reclassified as 40% (representing 36 percent of the total group), and
- There were 7 new providers (representing 3 percent of the total group).

***During the term of the pilot, the total number of family day care homes in rural Nebraska increased by 10.5 percent.*** After the 6.6-percent decline in the number of family

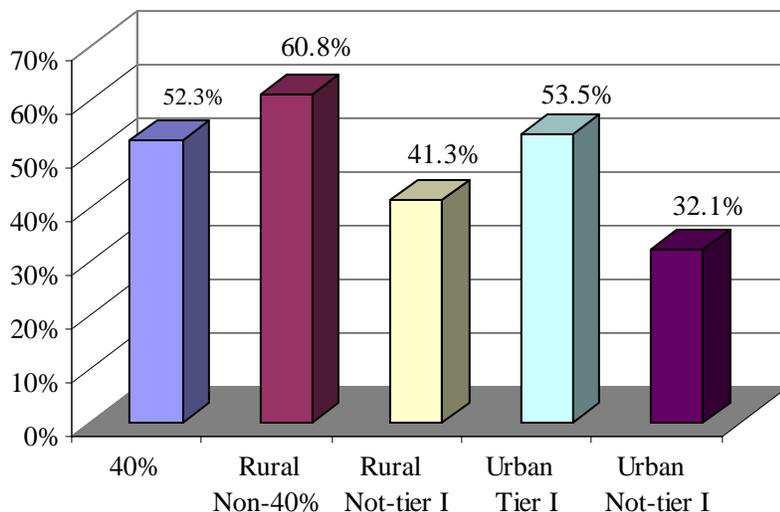
day care homes in rural Nebraska in the three years prior to the pilot, the total number of family day care homes was 1,171 in October 2005. The number held steady through the first nine or ten months of the pilot and then began a steady increase, reaching a maximum of 1,294 in September 2007. This 10.5-percent gain in rural providers contrasts with a 2.9-percent decline in urban providers, whose numbers fell from 1,541 in October 2005 to 1,496 in September 2007.

***The pilot does not appear to have encouraged many new providers to join the CACFP.***

By lowering the percent-FRP threshold for tier I eligibility in rural areas, the NeRAED Pilot was expected to encourage more providers to join the CACFP through two mechanisms. First, by offering higher reimbursement levels for providers, the pilot was expected to increase provider demand for joining the CACFP. In turn, by increasing the number of potential providers in rural areas, the pilot was expected to increase the willingness of sponsoring organizations to sponsor new rural providers.<sup>5</sup>

As shown in graph ES-3, however, the number of family day care home providers in 40-percent areas who joined the CACFP during the 24 months of the pilot was not higher—on a percentage basis—than two other provider groups: other tier I providers (i.e., non-40% providers) in rural areas and tier I providers in urban areas. This suggests that the increase in family day care homes in 40-percent areas was *not* due to an above-normal rate of new providers from these areas.

**Graph ES-3: Percentage of Providers Who Were New During the Pilot**



Note: Percentage of new providers excludes providers who joined the CACFP in October 2005—the first month of the pilot.

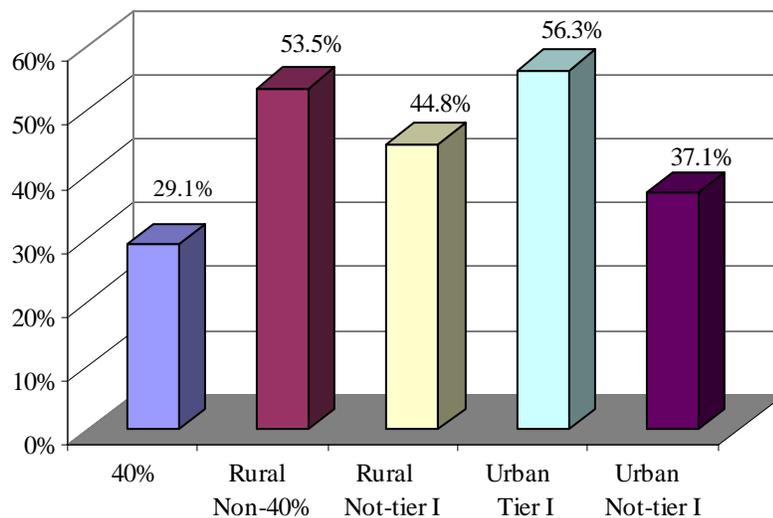
Source: NDE Administrative data 2005-2007.

<sup>5</sup> With more providers located in a given geographic radius, multiple providers could be visited during a single monitoring trip to the area, thereby lowering the sponsor’s administrative costs on a per-provider basis.

***The pilot appears to have kept many previously participating providers in 40-percent areas in the CACFP for longer periods.*** Graph ES-4 shows the numbers and rates of providers *leaving* the CACFP during the pilot, by provider group.<sup>6</sup> The 40% provider group is notable in the graph for its low rate of departures (29.1 percent) relative to *all* other groups, sometimes substantially. For instance, other rural, tier I providers (i.e., the “Rural Non-40%” group) had a departure rate of 53.5 percent, and tier I providers in urban areas had a departure rate of 56.3 percent.

While it cannot be concluded definitively that the NeRAED Pilot *caused* providers in 40-percent areas to remain in the CACFP longer<sup>7</sup>, the evidence in graph ES-4 suggests that providers in the 40-percent areas of rural Nebraska were less likely to depart the CACFP than they would have been had the pilot not been implemented. Table ES-2 provides corroborative evidence in the form of how long providers remained in the program after the start of the pilot. More providers in 40-percent areas (86.2 percent) were likely to remain in the CACFP for the entire 24 months of the pilot than were other rural providers (69.8 percent) or urban providers (67.0 percent). In addition, 40% providers who were active in October 2005 (including those who left the CACFP before the end of the pilot) remained active, on average, for longer periods during the pilot (22.7 months) than other providers who were active in October 2005.

**Graph ES-4: Percentage of Providers Who Left the CACFP During the Pilot**



Source: NDE Administrative data 2005-2007.

<sup>6</sup> The evaluation has no information on the number of providers who left the CACFP but continued to provide child care versus those that left the day care business altogether.

<sup>7</sup> Such an inference could not be made without a stronger research design than provided by the Nebraska pilot. For instance, if all providers in 40-percent areas had been randomly assigned to either a tier I or a tier II status, then one could better attribute any differences in their behaviors as a result on the pilot.

**Table ES-2: Length of Time that Providers Remained in the CACFP During the Pilot**

Area of State and Provider Status	Number of Providers in October 2005	Average Number of Active Months During Pilot	Percentage Active for Entire 24 Months
<b>Rural</b>			
40%	220	22.7	86.2%
Not 40%	951	19.7	69.8%
All Rural	1171	20.0	72.9%
<b>Urban</b>			
Tier I	837	18.8	61.3%
Not Tier I	704	20.5	73.9%
All Urban	1541	20.3	67.0%

Source: NDE Administrative data 2005-2007.

Although these results are somewhat unexpected, plausible logic supports the hypothesis that the pilot could have a greater effect on reducing the number of departures than on increasing the number of new providers. There are substantial obstacles to starting a family day care home, or to enrolling an existing home in CACFP. Tier I reimbursement rates are more of an economic incentive to join the CACFP than are tier II rates, but even the tier I rates may not be enough of an incentive for some providers to join the CACFP. For providers already in the CACFP, however, the “cost” of staying in the program is relatively low. *In this environment, postponing a decision to leave the CACFP may be more strongly influenced by increased reimbursement rates than the decision to enter the program.*

***The pilot had limited success in encouraging providers from more remote areas of the State to join the CACFP.*** Map ES-2 shows the location of the 213 previously participating providers who became 40% providers at the start of the pilot.<sup>8</sup> It also differs from map ES-1 by including Bureau of the Census information on level of poverty at the census block group level.<sup>9</sup> As indicated in the legend, the three shades of green indicate census block groups with varying percentages of the population living within 185 percent of the Federal Poverty Level (FPL). The deepest shade of green shows areas where 50 percent or more of the population is below the 185-percent FPL threshold, and the medium shade shows block groups where 40 to 50 percent of the population is below the threshold. The lightest shade is for areas with less than 40 percent of the

<sup>8</sup> Because of the proximity of the providers and the scale and resolution of the map, the 55-65 visible dots represent clusters of providers.

<sup>9</sup> A census “block group” is a group of census blocks having the same first digit of their four-digit identifying numbers within a census tract.

population in poverty. Thus, the breakpoints for the shading match the pilot's area-eligibility rules for tier I status.

About 11 of the provider dots in map ES-2 are located in or very near the highest poverty census block groups, and another ten or so are located in or very near the medium-shaded areas depicting 40-50 percent of the population below 185 percent of the FPL. Thus, most of the pre-existing 40% providers (i.e., the remaining 40 or so dots) are located in areas of lowest poverty on the map. Many, however, are located away from the larger population centers in rural Nebraska and therefore served some of the least densely populated areas of the State—a key objective of the pilot.

Map ES-3 shows the locations of the 122 providers in 40-percent areas who joined the CACFP after the start of the pilot. Approximately 50 individual dots may be seen on the map, indicating that many of the dots represent two or more providers. Most of the newly added providers are located close to where the pre-existing providers resided, although there are about 10 provider dots on map ES-3 that have no corresponding pre-pilot dots on map ES-2. Of course, even in areas with CACFP providers prior to the pilot, the addition of more program providers in the same or nearby areas would be of value if demand for day care services in these areas exceeded the supply.<sup>10</sup>

### ***Impacts on Characteristics of Family Day Care Homes Participating in the CACFP***

The evaluation conducted a survey of a random sample of 588 family day care home providers throughout Nebraska in the last quarter of 2007.<sup>11</sup> Based on this survey:

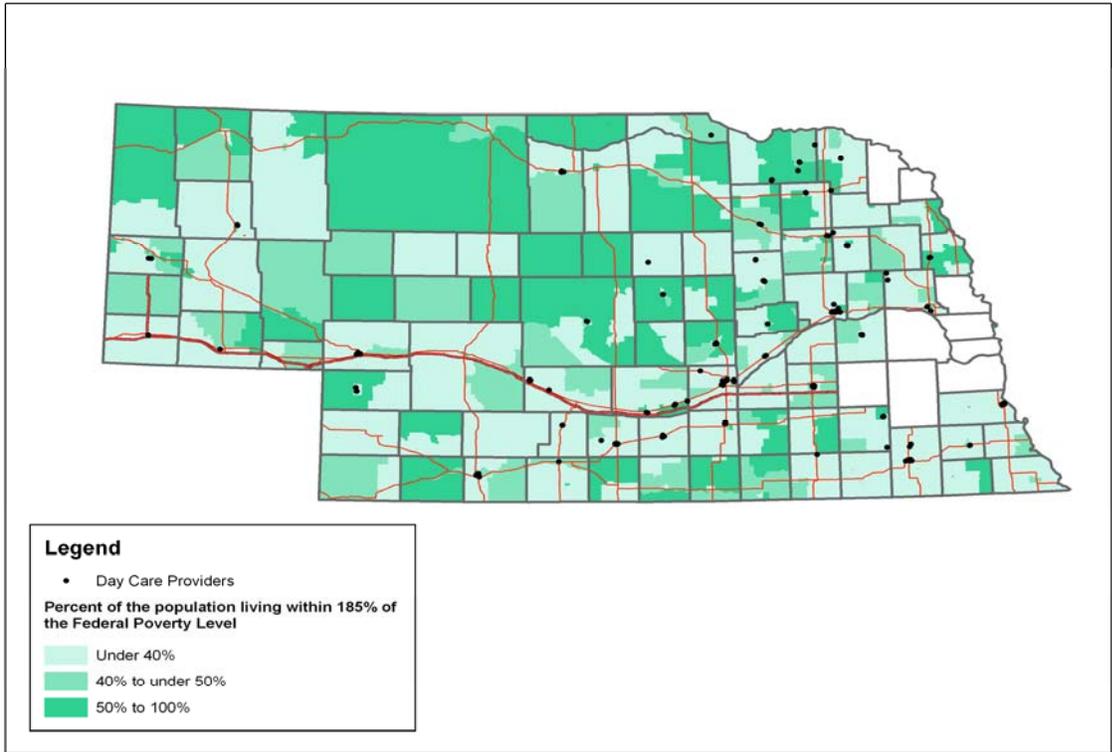
- The average size of family day care homes throughout Nebraska was 8.1 children, with no statistically significant differences in size among provider groups. The 40% providers, however, were more likely than other providers both to be operating at capacity (60 percent vs. 46 percent overall) and to have waiting lists (51 percent vs. 42 percent overall).
- Like other providers, the main reason 40% providers are operating family day care homes is to ensure that their own children receive desired care. Providers in the 40% group were less likely than other providers to cite financial reasons as a main reason, and they (together with not-tier I providers) were less likely to cite helping out a friend or relative as a main reason.
- The 40% providers were more likely than other providers to have their child care certificate (63 percent), to have taken nutrition classes (also 63 percent), and to report having received sponsor training (44 percent).
- Both 40% providers and not-tier I providers were less likely than non-40% tier I providers to be taking care of children in special populations (i.e., special-needs, migrant, bilingual).

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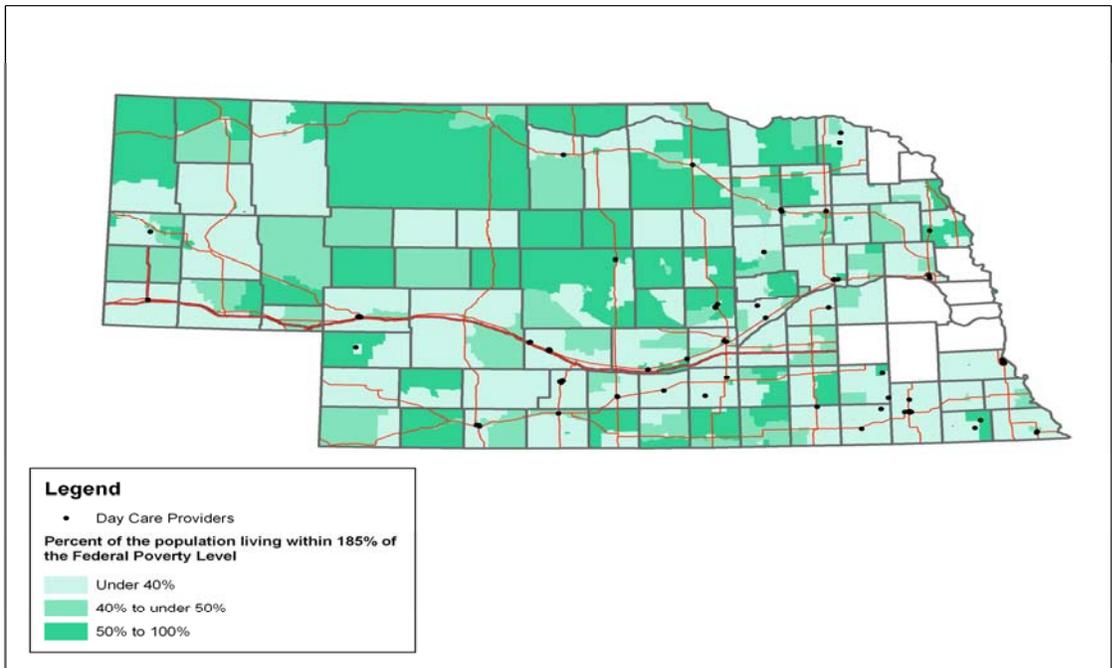
<sup>10</sup> Data from the Provider Survey indicate that 51 percent of all 40% providers near the end of the pilot had waiting lists, demonstrating the demand for day care services in these areas of rural Nebraska.

<sup>11</sup> The response rate to the survey was about 53 percent, with older and more experienced providers being more likely to respond to the survey than younger, less experienced providers.

**Map ES-2: Locations of Previously Participating 40% Providers**



**Map ES-3: Locations of 40% Providers Who Joined the CACFP During the Pilot**



- Both 40% providers and not-tier I providers were less likely to be providing transportation services for their children than non-40% tier I providers.
- Finally, when asked if they had changed their day care operations during the pilot, 40% providers were more likely to have done so than were other providers, especially in the area of food operations (29 percent vs. 19 percent overall). The 40% providers were more likely than other providers to report providing higher quality food (71 percent vs. 45 percent overall) or greater quantities of food (31 percent vs. 24 percent overall) since the start of the pilot.

**Table ES-3: Summary of Characteristics of CACFP Family Day Care Homes in Nebraska, by Provider Group**

Characteristic	Provider Group			
	40%	Non-40%	Not-Tier I	All Providers
Average number of children in care	8.6	8.3	7.5	8.1
Percent at capacity*	60%	48%	36%	46%
Percent with waiting lists*	51%	40%	42%	42%
Percent citing financial support as a main reason for providing day care*	49%	56%	64%	58%
Percent citing helping a friend or relative as a main reason for providing day care*	24%	33%	23%	29%
Average years of CACFP participation	13.6	11.8	12.6	12.2
Percent licensed as day care provider	95%	88%	96%	91%
Percent with child care certificate*	63%	51%	48%	51%
Percent taking care of special populations*	13%	23%	10%	18%
Percent providing transportation services*	29%	34%	28%	32%
Percent making changes to food operations during pilot*	29%	17%	21%	19%
Of those making changes to food operations, percent offering higher quality food	71%	51%	23%	45%
Of those making changes to food operations, percent offering greater quantities of food	31%	16%	33%	24%

Note: Characteristics marked with an asterisk (\*) have statistically significant differences in value among the three provider groups.

Source: NeRAED Provider Survey, 2007.

## ***Impacts on Characteristics of Children Attending Family Day Care Homes Participating in the CACFP***

***The pilot appears to have had very little impact on the characteristics of children attending family day care homes participating in Nebraska's CACFP. Specifically:***

- Boys and girls attend family day care in Nebraska in nearly equal proportions, and the gender split for children at 40% providers was statistically no different than for non-40% providers or not-tier I providers.
- The age distribution of children at 40% providers is statistically no different than the distributions at other providers. Statewide, about 38 percent of all children in care are 3- to 5-year olds and 27 percent are toddlers. Six- to 12-year olds represent 20 percent of all children, followed by infants (14 percent). Less than one percent of all children in family day care are teenagers.
- Despite the exclusively rural environment of the 40% providers, these providers estimated shorter average distances for their children to travel to day care than did non-40% providers or not-tier I providers. About 22 percent of 40% providers said the children in their care lived within one mile of them, compared to 18 percent for non-40% providers and 13 percent for not-tier I providers.

The findings that the age distribution and gender of children attending 40% providers are no different than for children in other parts of Nebraska are consistent with the finding that the main effect of the pilot was to encourage existing providers in 40-percent areas to remain in the CACFP longer than they would have otherwise. Thus, except for the normal turnover in day care homes as older children left and new ones arrived, and the normal addition of new homes to the program for reasons unrelated to the pilot, there were few or no “new” children as a result of the pilot. Instead, family day care home providers in Nebraska continued to take care of the same types of children they had before the pilot.

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