

EXECUTIVE SUMMARY

PURPOSE

To identify vulnerabilities and barriers to effective implementation of States' child care certificate systems under the Child Care and Development Fund which is administered under the Child Care and Development Block Grant Act.

BACKGROUND

Child Care a Priority

Difficulty in obtaining affordable and safe child care is widely recognized as a major barrier that prevents families from leaving welfare and entering and remaining in the workforce. The Administration has made ensuring safe, accessible and affordable child care for low-income families a top priority. The Congress has also given attention to this area.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 repealed the existing Title IV-A child care programs (AFDC/JOBS Child Care, Transitional Child Care, and At-Risk Care) and created two new child care funds (matching and mandatory). The funding for these programs is now folded into the Child Care and Development Fund (CCDF). Program goals include the following: promoting parental choice; encouraging States to provide consumer education to parents; and helping States implement health, safety, licensing, and registration standards. The program is currently funded for a total of \$20.9 billion for Fiscal Years 1996-2002.

Use of Certificates

The Child Care and Development Fund (CCDF) requires States to give eligible families the option of enrolling their children with an eligible provider that has a grant or contract or receiving a child care certificate (also called a voucher) with which they can purchase child care. During the last few years, certificate use has become the primary method of financing care. Approximately half of parents using certificates obtain care from informal providers -- neighbors or relatives. Most of these informal providers are license-exempt - they operate legally outside of the States' regulatory framework.

Parental choice, the primary goal of the certificate system, presents additional challenges to meeting the other goals of the CCDF, such as consumer education and health and safety. States need to place additional emphasis on the provision of consumer education and the enforcement of health and safety standards in a system where many parents choose license-exempt providers.

Methodology and Scope

Our study is not meant to be a definitive evaluation of States' certificate systems. Rather, it is intended to provide a baseline of information upon which to build knowledge of this complex system. In that vein, in order to gain knowledge and understanding of any barriers to the use of certificates in implementing the CCDF, we interviewed State Child Care administrators in all 50 States and the District of Columbia and collected data regarding their child care subsidy systems. In addition, in six States (California, Georgia, Illinois, New Jersey, Oregon, and Texas) we performed a more intensive review. We interviewed State lead agency staff, certificate/voucher management agency staff (either from private or public State contracted agencies), child care resource and referral agency staff, and parents and providers in structured discussion groups.

FINDINGS

ACCESS: In the child care certificate system, parental choice may be restricted by low provider payment rates and high co-payment rates.

Without equal access to appropriate care, low-income families will not have the range of care that is adequate to support their work schedules and needs of their children. If providers are not reimbursed at rates that enable them to serve subsidized children, parents' access will be restricted and their ability to choose limited.

- Twenty-nine out of 51 States do not make payments to child care providers that are based on the 75th percentile of the market rate. (Title IV-A Child Care regulations in effect before October 1996 required that States make payments to providers caring for children using subsidies based on the 75th percentile cost of such types of care in the local areas. The preamble to the current proposed rule sets forth this same benchmark, not a requirement.)

If family co-payments are too high, families will not be able to access more expensive regulated care. These families will have no choice but to find less expensive care, which is often from a license-exempt provider.

- In at least 22 out of 51 States, many families eligible to receive child care subsidies are subject to co-payments that exceed 10 percent of their income. (The Administration for Children and Families sets forth the 10 percent benchmark in the preamble of the proposed rule. In addition, most experts believe 10 percent to be the limit of affordability. We use this as the standard for our analysis.)

CONSUMER EDUCATION Child care consumer education appears limited.

- States face multiple constraints providing adequate consumer education. These include: large caseloads; long waiting lists; multiple functions of Child Care Resource and Referral agencies; and reliance on printed materials.

- Families using child care subsidies face multiple constraints accessing consumer education. For those families not linked to the welfare system, access to consumer education is particularly limited. Individual practical constraints, such as time and transportation also restrict access. Lastly, families that have a provider prior to entry receive minimal consumer education.

HEALTH AND SAFETY: State efforts may not be sufficient to ensure that health and safety standards are met, particularly for license-exempt providers.

- Minimal on-going and professional monitoring of providers may not ensure that basic health and safety standards are being met. Forty-three States rely on self-certification of license-exempt providers.
- Only 12 States report screening all providers. Screening of providers for criminal background and child abuse and neglect history is lacking in some States, particularly for license-exempt providers.

RECOMMENDATIONS

With regard to access, our analysis highlights the funding constraints within the child care certificate system. We recognize that hard choices need to be made about child care spending versus other important social needs. The responsibility for adequately funding the child care certificate system involves Federal, State, local and private resources. Funding allocation decisions are legitimate issues that cannot be addressed in our study. However, we make several recommendations regarding the other issues highlighted in our report.

The Administration for Children and Families should:

- Set forth the goal that States monitor all providers (including relatives) through professional inspections of all child care settings (i.e. in-home, family homes and centers) and know the backgrounds of all providers through criminal background and child abuse history registry checks.
- Help States establish intrastate and interstate comprehensive child abuse and neglect and criminal background check registries, and toll free numbers to report problems and concerns.
- Disseminate information about effective ways to enhance consumer education.
- Help States devise outcome measures of quality consumer education.

We acknowledge the difficulty of implementing these recommendations and suggest that States look to the Department of Defense model of monitoring and oversight of child care and to States that have already incorporated these provisions into their systems.

We make these recommendations recognizing the Administration for Children and Families' Child Care Bureau's past efforts addressing many of these areas. We urge them to continue efforts to provide technical assistance and guidance to the States.

AGENCY COMMENTS

We received comments from the Administration for Children and Families. The ACF concurs with our recommendations and describes actions they will take in response to our recommendations. The ACF's actions include increased technical assistance and dissemination of information to States on model practices regarding the monitoring of child care providers. In addition, ACF will consult with child welfare to craft solutions to the constraints involved in using child abuse and neglect central registries such as confidentiality, scope of information maintained and allowable uses of that information. The ACF will also continue to disseminate information about effective ways to enhance consumer education. Finally, ACF will develop optional data elements to report the manner in which consumer education is provided to parents. The full text of the Administration for Children and Families comments is in Appendix B.

We acknowledge their efforts and urge ACF to continue to provide support and assistance to States.