

ORANGE COUNTY

ORANGE COUNTY
DEPARTMENT OF SOCIAL SERVICES

CHILD CARE SUBSIDY

DAY CARE TASK FORCE REPORT AND
RECOMMENDATIONS FOR CHILD CARE
SUBSIDY FUNDING

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Orange County Child Care

DAY CARE TASK FORCE REPORT AND RECOMMENDATIONS FOR CHILD CARE SUBSIDY FUNDING

INTRODUCTION

In June of 2004 The Orange County Board of Commissioners (BOCC) set aside “\$100,000 from the social safety net and designate[d] it for child care subsidies” (Attachment 1). Dee Gamble, then Chair of the Orange County Department of Social Services Board, created a task force in July of 2004 to respond to the request by the County Board of Commissioners, to study issues and needs for day care subsidies in Orange County in order to advise the DSS Board and the BOCC on the dispersion of the \$100,000. The Task Force members include Margaret Brown representing the BOCC, Michele Rivest from the Partnership for Young Children, Kate Sanford from the Orange County Child Care Coalition , Nancy Coston and Kathy Sneathen from the Orange County Department of Social Services (DSS), Teresa Derrick from the Child Care Services Association, Sharon Hinton from the Orange County Manager’s Office and Dee Gamble. This Committee represented the broad spectrum of knowledgeable stakeholders who have advocated for quality child care in Orange County. Diane Reid, Director of Economic Development, provided information on economic issues needed by the Task Force. Lindsey Shewmaker from Orange County DSS provided staff support.

The Task Force reported to the DSS Board on three occasions, keeping it informed of the process and potential recommendations. It also reported to the BOCC on December 18 to provide a preliminary report, at the same time requesting that these funds be placed in a trust fund for child care subsidies. At that time the BOCC released \$50,000 to be encumbered for child care subsidies, with the remaining \$50,000 to be considered for release after receiving the final report.

This report provides a broad picture of the significant contribution that child care subsidies make to working families receiving them, to the children who benefit directly from the care, and to the economic well-being of the county as a whole. It also contains discussion of the issues examined, documents that describe the current resources and current needs for child care subsidies, and a description of the considerable economic advantage for both families and businesses that child care subsidies provide. Finally, this report provides recommendations for how best to use the \$100,000 trust fund set aside by the BOCC for child care subsidies.

NEED, RESOURCES, STRUCTURES AND CURRENT POLICIES

Why is Child Care Necessary?

Child care is an important and necessary part of the lives of most working families in Orange County. Parents or guardians may utilize child care for a variety of reasons. The parent(s) may work full or part-time, attend school, have an illness necessitating child supervision, or require a break from the demands of child care. Without available child care, a parent/guardian may be in danger of losing a job or forced to leave a child in less than ideal conditions. For the majority of families there are relatively few options for safe and secure child care. Families may utilize

relatives, babysitters, and neighbors, but most tend to seek more permanent solutions in the form of licensed child care centers.

Types of Child Care

There are several types of licensed child care available; the type of care appropriate for one family may not be the best for another. A child care home is licensed to care for five or fewer preschool age children, and an additional three school age children. Licensing as a center is required when six or more children are cared for in a residence or when three or more children are in care in a building other than a residence. Additionally, many schools, both public and private, offer before and after school care.

In order to increase the quality of child care in North Carolina, in September 2000, the Division of Child Development issued star rated licenses to all eligible Child Care Centers and Family Child Care Homes.¹ The star rated license is a voluntary licensing system where a child care program can earn points in three different areas:

- Program Standards
- Staff Education
- Compliance History with Child Care Regulations

Programs that are meeting higher standards can receive recognition for their efforts, and families can use this information to search for a child care program. (For more information on the star system see Attachment 2)

Orange County Child Care Resources

In Orange County there are 54 licensed centers and 51 licensed homes, providing care for over 2,000 children. Roughly 89% are enrolled in child care centers, and 11% are enrolled in family child care homes.

Of the 105 total licensed programs in Orange County, 86% of them are 3, 4, or 5 star rated, compared to the statewide average of 68%. Of the total, 55% are four or five star rated. Ninety-three percent of preschool children enrolled in child care are in 3, 4, or 5 star rated programs. Sixty-eight percent are enrolled in 4 or 5 star programs.¹ These numbers accentuate the high quality of care found in Orange County's child care centers.

Quality child care is very expensive to provide. In a good program there are low child to staff ratios. The environment is clean, safe and stimulating, with many fun, child-oriented and age-appropriate toys and activities, and lots of space for children to move around. Well-trained and compensated teachers, toys and equipment, space and nutritious meals add up to high costs. Families can spend over \$1,000 a month per child for full-time day care.³ In our society, most of the responsibility of paying for child care falls on parents. Orange County has the highest rates for child care of any county in the state. Many families cannot afford the cost of care on their own.

¹ Division of Child Development, 10/2004

Federal, State and County Subsidy Resources

Because of the high costs, many working families have difficulty affording quality day care for their children. A parent making less than a prescribed income, and meeting certain eligibility criteria may be eligible for help to pay part of their child care costs. North Carolina's Division of Child Development uses a combination of state and federal funds to provide subsidized child care services to eligible families through a locally administered state-supervised voucher system. Annually, each county Department of Social Services receives a combination of state and federal funding from the Division of Child Development for subsidized child care services. The amount of funding allocated to each county is determined by legislation. This enables increased access to child care for low income families.

Orange County is one of only a few counties in the state that has a dual subsidy system. Both Child Care Services Association (CCSA) and the Orange County Department of Social Services (DSS) handle child care subsidies, and the two agencies have different but complementary roles. The funding sources for the programs differ, as do eligibility criteria and waiting list priorities (See Attachments 3 & 4). DSS provides the majority (more than 60%) of all child care subsidies in Orange County. These funds are federal, state and county. Eligibility guidelines are determined by the state and are listed in Attachment 4. CCSA is a county as well as national organization, and provides subsidies from funds provided by Smart Start, The University of North Carolina, the towns of Chapel Hill and Carrboro, and private donations. The largest source of subsidy at Child Care Services Association is Smart Start, and the amount of those funds as well as the eligibility criteria are established by the Orange County Partnership for Young Children. Subsidy eligibility for CCSA is designed to extend the subsidies provided by DSS. Eligibility rules differ in part because of different funding sources, and in order not to duplicate efforts. In a county with great need and high quality resources, flexibility is required to provide subsidies for the greatest number of people in need. In addition to subsidies and intensive family referrals in Orange County, CCSA also engages in a range of professional development initiatives for child care providers including training, health insurance, and salary supplements across North Carolina and in twenty-one states.

Additional sources of subsidy come from specialized funding that may target specific groups. Examples of this type of funding are Smart Start, More at Four, and the UNC Chancellor's Fund. For additional examples and further detail, see Attachment 5.

Waiting Lists and Priority Applicants

If the county department of social services or other local purchasing agency does not have enough funding to serve all families who apply for subsidized child care, the agency may establish priorities for services. For example, an agency may choose to give priority to working parent(s) or families who need child care to support child protective services, and may change the priorities at any time.

In Orange County, when insufficient funds are available to meet demand, waiting lists are implemented by the Department of Social Services and Child Care Services Association, and are coordinated between the agencies. As funds become available, names are taken from the top of the waiting lists for services. Each agency has targeted priority groups that move to the top of the waiting lists and receive services first when funds become available (See Attachment 4).

Waiting List numbers periodically experience large fluctuations. The Division Of Child Development requires that people on the Department of Social Services waiting list be surveyed

at least every six months to determine if they are still in need of child care subsidy. People who fail to respond to the survey, or are no longer eligible for subsidy are deleted from the list. Historically there is a poor response to waiting list surveys. In November 2004, Social Services staff mailed waiting list surveys to 257 parents. Only 41 surveys were returned. This resulted in the names of 288 children being deleted from the waiting list. Historically, many of the families deleted from the waiting list will contact the agency again and be placed back on the waiting list. Child Care Services Association also periodically purges their waiting list to be certain that those on the list still require subsidy and are still eligible. This is done to maintain accurate waiting lists, but causes the number of children reported as waiting to change significantly based on the date waiting list numbers are reported.

Department of Social Services Child Care Subsidy Program

If a family meets the eligibility criteria for the Department of Social Services, a portion of the cost of child care will be paid for them. Parents are free to choose a child care arrangement that best fits their needs as long as the provider chosen participates in the Subsidized Child Care Program. The amount the state pays for child care depends on the family's situational criteria, the family's income, and the cost of the child care provided. (See Attachment 6 for state market rates paid by Orange County). Most families must qualify based on need and income, and are required to pay a percentage of child care costs based on their countable monthly income. The percentage depends on the number of people in the family, but ranges from 8 to 10 percent of income. There is one fee for families receiving subsidized child day care, regardless of the number of children in care. A family may receive child care assistance for one or more of the following reasons if they are income eligible:

- They are working;
- They are in school or in a job training program;
- Their child is receiving child protective services;
- Their child needs care to support child welfare services or because the family is experiencing a crisis; or
- The child has developmental delays.

The Orange County Department of Social Services Board determines target groups and priority applicants for subsidy. The following policy outlines the current priority for payment when a waiting list is in place.

The following children or cases will receive services and will not be subject to the waiting list:

- Child Protective Services
- Foster Care
- Work First/Employment Services Participants
- Teen Parents

The following children or cases will receive services in this order and based on their date of application within each category:

- Full-time employment
- Part-time employment
- Education or training leading to employment
- Children needing care for developmental needs

For more information on the Department of Social Services waiting list policy, refer to Attachment 7.

Families Currently Receiving Subsidies and Currently on the Waiting List at the Department of Social Services

In December of 2004, the Orange County Department of Social Services was serving over 656 children through the Day Care Subsidy Program. Of these children, 40% were school age, 28% were 3-5 year olds, 14% were 2 year olds, and 18% were infants/toddlers.

The families being served by Department of Social Services subsidy at the time broke down in the following way: 79% were being served for employment reasons, 2% for child welfare services, 11% for training leading to employment, 7% for child protective services, and 1% for developmental needs. (See Attachment 8)

Although many families are receiving help to pay child care costs, there are currently 363 children eligible for Department of Social Services (DSS) subsidy that are unserved and waiting. This number is relatively low due to the recent purging of the waiting list. Of those waiting, approximately 25% are school age, 27% are 3-5 year olds, 18% are 2 year olds, and 30% are infants/toddlers.

Of the families waiting to be served, roughly 99% require services to maintain employment, and 1% require services to support training leading to employment.

Waiting for Child Care

While the Orange County Department of Social Services and Child Care Services Association do everything possible to provide all needy families with child care subsidy, there are rarely sufficient resources. Prior to the survey completed in November of 2004, there were over 300 children on waiting lists for child care subsidy, most of whom required child care to maintain employment. The goal of both organizations is to eliminate waiting lists and serve every client as soon as possible. Unfortunately, this is not the reality. Families are often forced to wait for subsidy funds to become available, sometimes up to six months or more.

In Orange County, there have been long child care subsidy waiting lists for the last few years. Smart Start first came to the community in 1993-94 along with a large influx of federal funds to the Department of Social Services. Due to increased funding, the waiting lists were eliminated for a few years and remained relatively short for a few more. Recently, however, the length of the waiting lists has reached the levels that pre-date Smart Start. There are a few reasons for this. While funding to Social Services has increased, the increase is not enough to cover all the families requiring subsidy. The state budget crisis has also affected funds available through Smart Start, causing them to either hold steady or decline in recent years. At the same time, child care providers in Orange County worked very hard to improve their quality by sending more of the staff to school, hiring better educated staff, improving their child-to-staff ratios and earning higher star ratings. To support these changes in quality, they needed to increase their tuition rates for care. Higher tuition rates mean higher payment rates for child care subsidy. Higher costs per child per month without a commensurate increase in funds available has meant that fewer children can be served and waiting lists have increased. It also means that fewer parents are able to afford the costs of care on their own.

Child care subsidy waiting lists are a critical issue for Orange County. They affect both our economy and our ability to ready children for school. Because high quality child care in Orange County costs about \$1,000 per month, many low-income working parents simply cannot afford to pay for it on their own. These families face the choice of not working or placing their children in low quality or potentially unsafe child care arrangements. These decisions have consequences for the children, the families and our community as a whole. (See Attachment 9)

One group of workers that cannot afford the cost of child care on their own is the child care workers themselves. Not having child care subsidy funds available affects their ability to support other workers in the community. As a result, the Orange County Child Care Coalition went before the DSS Board and the Board of County Commissioners in April of 2004 to secure additional child care subsidy funds that would specifically support child care teachers and public school employees. In response to this increased awareness, the Board of County Commissioners appropriated \$100,000 from the social safety net and designated it for child care subsidy. The DSS Board Chair created the Day Care Task Force to examine the issue further and make recommendations for action.

DISCUSSION

The Day Care Task Force reviewed materials and data from the County DSS Day Care Unit, the Partnership for Young Children, the Orange County Child Care Coalition, the Child Care Services Association and the Orange County Economic Development Office as part of the process of developing recommendations. Some of these materials have been included as attachments to this report. The data reveal that on average nearly 600 children of employed parents receive subsidies and another 500 are eligible and waiting for subsidies in Orange County. Furthermore, over 200 employers in Orange County have employees who receive or are waiting for child care subsidy. The significant economic benefit of child care subsidies on the business community can be found in Attachment 9.

Since the Task Force formation was stimulated by a request from child care providers for relief in the form of subsidies for their teachers, these needs, as well as the needs of other school and government based employees were of particular concern to the Task Force members. Recent information shows that the average pay of child care teachers in Orange County is approximately \$10.80 per hour.² Families that rely solely on the wages of a child care teacher would be eligible for child care subsidies. Low wages and lack of comprehensive benefits have also resulted in significant turnover in the child care field. Additional information on this issue can be found in Attachment 10.

Other information gathered by the task force showed that all working parents with low wages were struggling to meet their child care needs. Employers with 20-75 employees who have child care subsidies include UNC, UNC Hospitals, Chapel Hill/Carrboro City Schools and Wal-Mart. Some parents in low wage service and retail jobs also do not have benefits.

After reviewing all of this information, the Task Force developed recommendations for the \$100,000 Day Care Trust Fund with two goals. First, the Task Force felt it was important to use the largest portion of this fund to reduce the length of time families have to wait to receive the

² Improving the Retention of Child Care Workers in Orange County, Child Care Services Association

available subsidies from state and federal funds. If the waiting time can be reduced significantly through the use of the Day Care Trust Funds, then families will be able to make better plans for their children. The Task Force felt that all working families whose incomes are low enough to qualify for subsidy experience these same hardships. For this reason, it is recommended that children be served in the order they first were added to the waiting list.

A second goal of the Task Force was to recommend the use of a smaller portion of the funds to address the needs of child care teachers or other low-wage workers, at the same time providing a stimulus for additional funds to be generated through scholarships. For this reason, a portion of the funds were recommended to be used to pay half of the costs of the day care for the time period these persons were waiting for subsidy. Since there were many other groups with similar issues, the Task Force recommended this be available for any parents who could find a way to pay the remaining costs.

As long as the amount of available subsidy funds is far below the need in Orange County, there will be hardships for families who are trying to work and to provide appropriate care for their children. Finding a fair way to direct these scarce resources was the primary work of the Task Force. Members of the Task Force were particularly pleased that the Board of County Commissioners recognized this need and hope that its commitment to helping low wage families through child care subsidies will continue.

RECOMMENDATIONS

The county funds appropriated in the Day Care Trust Fund will be used to reduce the amount of time families must wait to receive services. The funds will be managed as follows:

- Social Services will manage requests for child care subsidy under the policies established by the Social Services Board.
- Social Services will maintain a waiting list of all families eligible for subsidy through Social Services and will serve families based on the date they were placed on the waiting list. When Social Services funds are not available to serve these families, the county child care trust funds may be used to pay the portion of care that DSS subsidy would normally pay to the provider for as many children on the waiting list as the funds allow until other subsidy becomes available.
- Up to 10% of the Trust Fund may be set aside as scholarships for eligible families to be matched by a sponsor. To receive these scholarships, these families must meet the same eligibility criteria as established by the Social Services Board and be on the Social Services waiting list. The county Trust Fund will pay 50% of the rate that would have been paid through the DSS subsidy to the provider to assist with the costs. This payment would continue until the family becomes eligible for other subsidies. These families may be served regardless of their relative placement on the waiting list as long as scholarship funds are available.
- The Trust Fund should become a recurring appropriation for future child care subsidies.