

Solano County

Individualized Child Care Subsidy Pilot

Local Child Care Policy and Evaluation Plan

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SUMMARY

Assembly Bill 377 authorizes an individualized child care subsidy plan (the Pilot Plan) for the County of Solano to ensure that funding for child care subsidies addresses local needs and priorities. The Pilot Plan tackles two main concerns:

- Solano County contractors typically underutilize state funding.
- Reimbursement rates for direct service providers are well below market rates in the county.

The Pilot Plan has two main goals. First, the pilot will better meet the early education and child care needs of families in Solano County through policies that support low-income families and promote stable care. Second, the pilot will expand subsidized care by implementing policies that improve reimbursement rates for contractors (year 2), promote contractor retention, and reduce unearned contract funds. A summary of components is included below.

Pilot Components



1. Increase income threshold for initial eligibility for subsidized care to the exit threshold provided by the California Department of Finance (DOF).



2. Restore the age eligibility for CSPP contracts to 2.9 years old as of September 1st of the fiscal year.



3. Incorporate additional changes to meet the needs of low-income families in Solano County such as authorizing 6.5 hours of services to families seeking employment or housing.



4. Establish a family fee schedule to set fees at approximately 10% of family income following any changes in the state fee schedule and any annual updates to the income threshold.

Solano County plans to apply for a plan modification in year two (FY19/20) to request increased pilot rates and an associated redistribution of unearned funds once the impact of the state and pilot policy changes can be accurately assessed. At that time, Solano County's LPC will provide Early Education and Support Division (EESD) at the California Department of Education with recommended contract terms for participating pilot contractors, including maximum reimbursable amounts, child days of enrollment, and the pilot reimbursement rate.

LOCAL CHILD CARE SUBSIDY PLAN GOALS AND COMPONENTS

Subsidies for quality early education and child care services are important supports for low-income families, helping parents gain and maintain stable employment and promoting healthy development and school readiness for children. This Pilot Plan seeks to address two major breakdowns in the child care subsidy system as currently exists in Solano County. First, families barely earning enough to meet the high costs of housing in the county are too high income to qualify for child care subsidies under existing regulations and those that do qualify can easily lose subsidies with small increases in their income. Second, difficulties in finding, certifying and recertifying children as eligible for subsidies, combined with very low reimbursement rates, make it difficult for providers to utilize their full allocation of state and federal child care and child development funds. Thus, fewer children are subsidized through these providers, and funding goes unused in the county.

Recognizing these challenges, Pilot Plan components will address two goals:

1. To better meet the early education and child care needs of families in Solano County through policies that support low-income families and promote stable child care.
2. To expand subsidized care by implementing policies for child care contractors that increase earned child days of enrollment, improve reimbursement rates for contractors, reduce contractor administrative burden, reduce unearned funds, and promote contractor retention.

These policies are incorporated in four components where the local approach will differ from statewide regulations. For each component, we provide a conceptual overview, note whether the component is consistent with pilots in other counties, note relevant California Education and Welfare Code citations, and provide additional notes for background or clarification. Solano County is including CalWORKs Stage 2, CalWORKs Stage 3, and the Alternative Payment program in the Pilot. Pursuant to Section 8350 in Article 15.5 of the California Education Code, nothing in this Pilot Plan should be construed as reducing any benefits afforded to Stage 2 or 3 programs that provide a greater benefit to participating families than is provided for in local policy.



1. Increase income threshold for initial eligibility for subsidized care for contractors to the exit threshold provided by the California Department of Finance (DOF).

Families will be eligible for subsidized care if their income does not exceed the exit threshold (85% of the state median income (SMI)) as provided by the California DOF. The same pilot income threshold will apply for both entry (initial enrollment) and exit eligibility.

Matched to Other Pilots	Relevant State Regulations	Notes
<input checked="" type="checkbox"/> Alameda <input checked="" type="checkbox"/> San Francisco <input checked="" type="checkbox"/> San Mateo <input checked="" type="checkbox"/> Santa Clara	Education Code (EC) Section 8263.1 (a) states that a family's adjusted monthly income must be at or below 70% of the SMI. The entry income threshold for the pilot deviates from the entry income threshold established in the EC.	As needed, the County will seek modification of this threshold to ensure that the pilot income eligibility is the maximum allowable under federal guidelines. This component applies to Title 5, CalWORKs Stages 2 and 3, and AP programs.



2. Restore the age eligibility for CSPP contracts to 2.9 years old as of September 1st of the fiscal year.

Serving children aged 2.9 to age 5 in CSPP will allow children to receive two years of state preschool before moving into TK. It will also allow contractors to fill CSPP classrooms at the beginning of the school year.

Matched to Other Pilots	Relevant State Regulations	Notes
<input checked="" type="checkbox"/> Alameda <input checked="" type="checkbox"/> San Francisco <input checked="" type="checkbox"/> San Mateo <input checked="" type="checkbox"/> Santa Clara	This would adjust the definition of "three-year-old children" in EC Section 8208 to include children who will have their third birthday on or before December 1st in the fiscal year in which they are enrolled in a CSPP program.	



3. Authorize families for 6.5 hours of services if their only need is seeking housing or seeking employment.

This additional component will assist in meeting the needs of families in the county and help contractors maximize enrollment.

Matched to Other Pilots	Relevant State Regulations	Notes
<input checked="" type="checkbox"/> Alameda <input checked="" type="checkbox"/> San Francisco <input checked="" type="checkbox"/> San Mateo <input checked="" type="checkbox"/> Santa Clara	Services for families seeking employment are outlined in EC Section 8263 . The plan allows 6.5 hours of services per day instead of 6 hours per day for families seeking housing or seeking employment.	This component applies to Title 5, CalWORKs Stages 2 and 3, and AP programs.



4. Establish a family fee schedule to set fees at approximately 10% of family income following any changes in the state family fee schedule and any annual updates to the income threshold.

The family fee scale will match those in the other pilots and will be updated following any changes in the state fees schedule and when the income threshold is updated annually.

Matched to Other Pilots	Relevant State Regulations	Notes
<input checked="" type="checkbox"/> Alameda <input checked="" type="checkbox"/> San Francisco <input checked="" type="checkbox"/> San Mateo <input checked="" type="checkbox"/> Santa Clara	The EC sections 8273 and 8447(f) requires the State Superintendent of Public Instruction to establish a family fee schedule for families receiving child care services, subject to the approval of the schedule by the California Department of Finance.	This component applies to Title 5, CalWORKs Stages 2 and 3, and AP programs. It will not take effect until and unless a modification to the income threshold under component 1 results in a pilot income range that exceeds the state eligibility threshold.

The following is the list of contractors who have agreed to participate in the pilot:

- | | |
|---|--|
| 1. Benicia Unified School District | 5. Vallejo City Unified School District |
| 2. Circle of Friends CDC, LLC | 6. Solano Family & Children's Services |
| 3. Fairfield-Suisun Unified School District | 7. Vacaville Unified School District (Pending Agreement) |
| 4. Solano Community College | |

LOCAL ECONOMIC AND CHILD CARE MARKET CONDITIONS

In developing this plan, Solano County stakeholders assessed the local child care market, economic conditions for working families, and the needs for and costs of child care. This review included consideration of:

- Level of need for various types of subsidized child care services
- General demographics
- Income eligibility levels for subsidized child care and family fees
- Trends in the County's unemployment and housing affordability index
- County's self-sufficiency income level
- Cost of providing child care
- Standard reimbursement rates and regional market rates
- Current supply of available subsidized child care

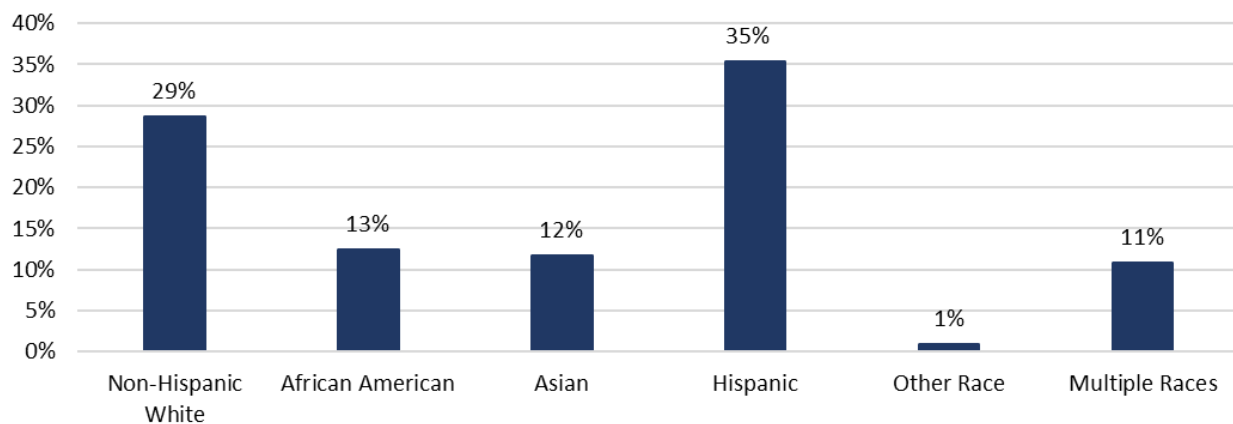
Solano County officials have reported that the cost of living and housing is predicted to increase due to an influx of higher income individuals, putting greater stress on lower income residents. Without stabilizing measures, Solano County may see higher rents pushing individuals out of the County.¹ The increase in entry eligibility to 85% of the state median income can provide subsidized care to lower income families nevertheless considered too high income for state subsidies, providing an extra degree of stability in the form of child care.

Solano County faces high levels of contractor under-earnings, with \$1,791,849 in funding having been returned to the state between 2012 and 2015. Under-earning may be attributed partly to the high cost of care. Since Title 5 regulations make care more expensive to provide, contractors may hire fewer teachers and enroll fewer children. This may cause contractors to return much of their maximum reimbursable amounts (MRAs) to the state. In an effort to enroll to full capacity and reduce unearned contract funds, Solano County is planning to propose an alternate reimbursement rate (the Pilot Reimbursement Rate) in a modification of the plan in year 2.

Figure 1: Race/Ethnicity of Solano County Children, 2016

¹ Forces of Change Summary Report for Solano County (2015),
<http://www.co.solano.ca.us/civicax/filebank/blobdload.aspx?BlobID=26699>

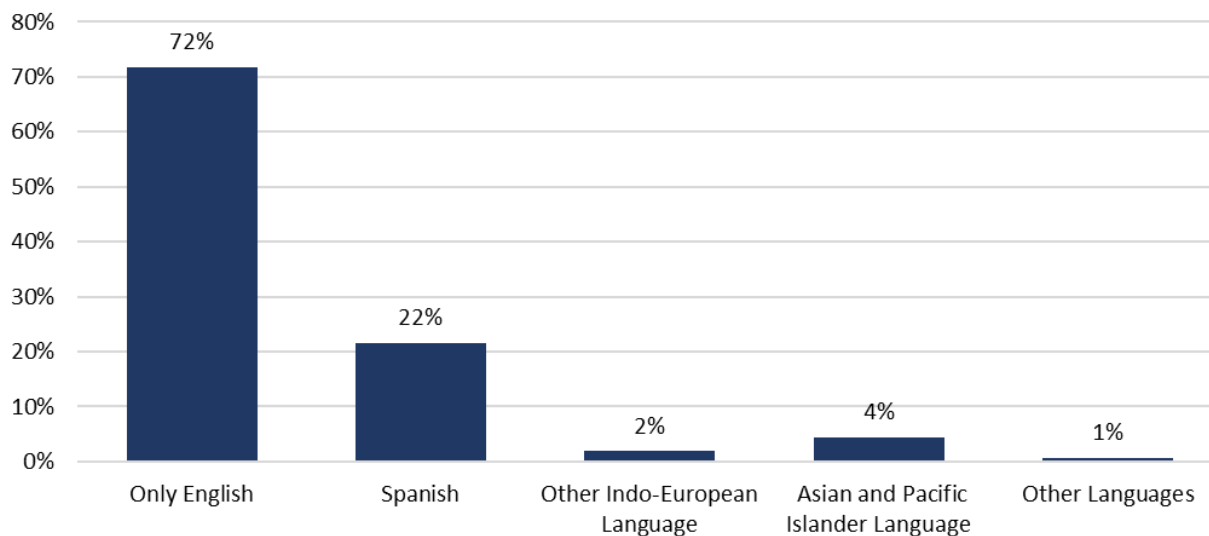
Hispanic/Latino children represent the largest share of children in Solano County, with Non-Hispanic White children representing the next highest share.



Source: Kidsdata.org from California Dept. of Finance, Race/Ethnic Population with Age and Sex Detail, 1990-1999, 2000-2010, 2010-2016; U.S. Census Bureau, Current Population Estimates, Vintage 2015 (Jun. 2016)

Figure 2: Language Spoken at Home of Solano County Children, 2016

Almost 30% of children in Solano County speak a language other than English, with 22% of all children in Solano County speaking Spanish.



Source: 2016 American Community Survey Data (Table B16007)

Table 1: Solano County Children with Working Parents, 2016 Estimates

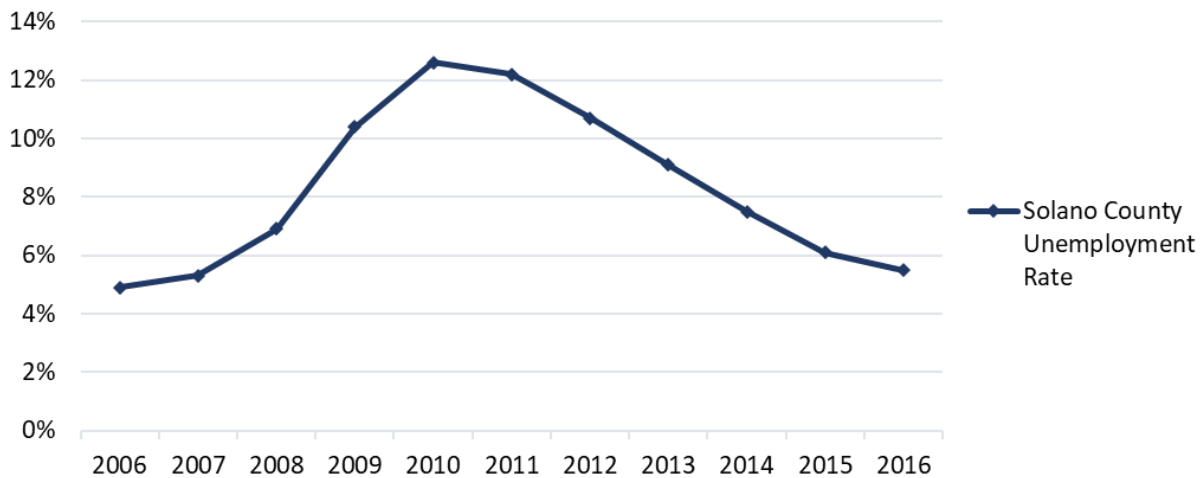
About 30,500 children in Solano County are under the age of 6, with a majority of children in this age group - and overall - in households where all parents work.

Age Category	Number of Children in Solano County	Number with All Resident Parents in Workforce	Share with All Parents Working ²
Under 6 years	30,524	20,200	66%
6 to 17 years	60,750	42,101	69%
Total	91,274	62,301	68%

Source: 2016 American Community Survey 1-Year Estimates (Table C23008)

Figure 3: Average Annual Unemployment Rate in Solano County, 2006-2016

The average unemployment rate in Solano County is about 5.4% by the most recent estimates.



Source: Bureau of Labor Statistics; Labor force data by County, 2006-2016 annual averages <http://www.bls.gov/lau/#tables>

² Includes children of working single parents and children in two-parent families where both parents work.

Table 2: Income Distribution of Solano County Families with Children Under 18, 2016

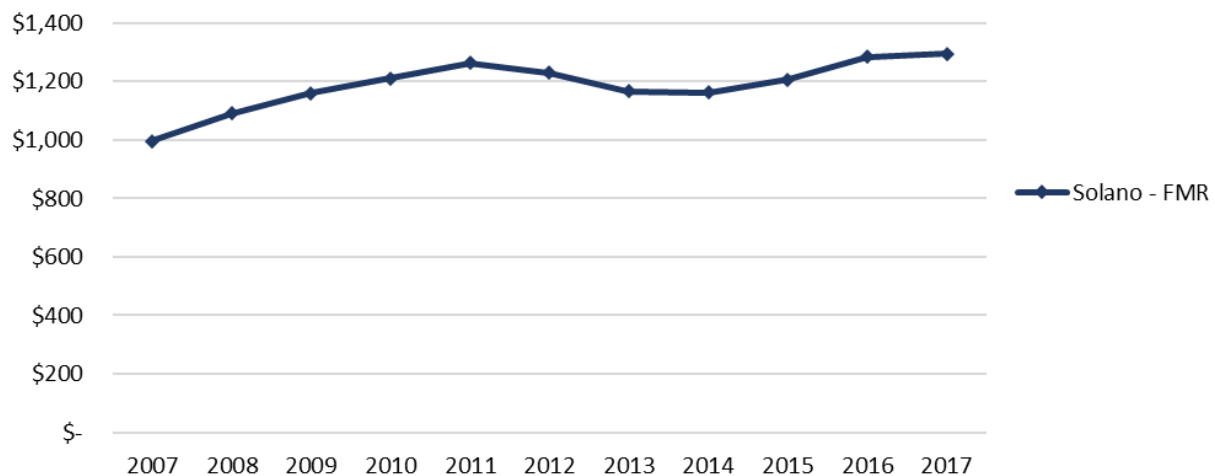
With an annual income threshold of \$58,524 per year, about 42% of families with children under 18 in Solano County qualify for subsidized childcare.

Income Category	Solano County
Up to \$20,000	12%
\$20,000 to \$40,000	17%
\$40,000 to \$60,000	13%
\$60,000 to \$100,000	23%
\$100,000 to \$150,000	20%
\$150,000 to \$200,000	8%

Source: 2016 American Community Survey 1-Year Estimates (Table B19131)

Figure 4: Fair Market Rents (FMR) for 2 Bedroom Apartments, 2007-2017

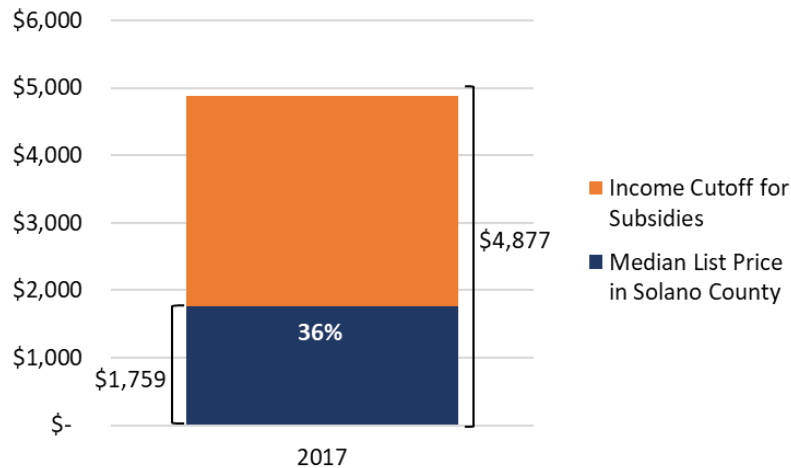
In 2017, Solano County's fair market rent (FMR), the Department of Housing and Urban Development's measure of current costs for available rental housing, for a 2-bedroom unit was \$1,294 monthly, or \$15,528 annually.



Source: Fair Market Rents (FMRs), huduser.gov

Figure 5: Median Rental Listing Price for 2 Bedroom Apartments in Solano County, 2017

The Median Rental List Price in Solano County in December 2017 was \$1,759. A family earning a monthly income of \$4,877 (the income cutoff for subsidy eligibility) would pay 36% of their income on housing at the median list price, exceeding the U.S. Department of Housing and Urban Development (HUD) 30% standard for affordability.



Source: Median List Price, <https://www.zillow.com/research/data/>

Table 3: Self-Sufficiency Standards for Solano County

California Self-Sufficiency Standards put the monthly income to cover child care in Solano County at \$6,696, more than \$1,800 dollars over the subsidy eligibility cutoff.

Monthly Income for “Basic Needs” for a Family of Four with One Infant and One Preschooler	Solano County
Income Cutoff for Child Care Subsidy (2017)	\$4,877
NLIHC Housing Wage (2017) ³	\$4,313
CBP Monthly Family Budget (December 2017) ⁴	
Without Child Care	\$4,817
With Child Care	\$6,040
California Self-Sufficiency Standards (2014) ⁵	
Without Child Care	\$4,475
With Child Care	\$6,696

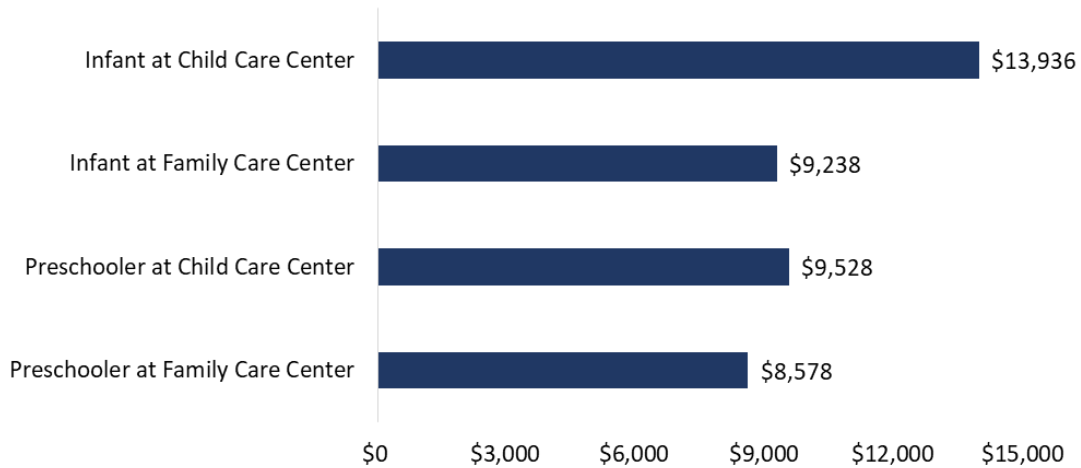
³ Out of Reach 2017: California from National Low Income Housing Coalition. <http://nlihc.org/oor/california#>

⁴ Estimated family budget (for a 4-person family, both parents working) from the California Budget Project (CBP), Making Ends Meet: How Much Does It Cost to Raise a Family in California (December 2017).

⁵ Insight Center for Community Economic Development: Self-Sufficiency Standard Tool for California for a 4-person family with one infant and one preschooler. <http://www.insightcced.org/tools-metrics/self-sufficiency-standard-tool-for-california/>

Figure 6: Average Annual Rate for Child Care in Solano County, 2016

Market prices for child care in Solano County are higher for children at child care centers compared to children at family care centers.



Source: California Child Care Resource & Referral Network, California Child Care Portfolio (Nov. 2016); Cost data are from the Child Care Regional Market Rate Survey, 2016.

Table 4: Estimated Costs and Reimbursement Rates for Child Care Centers in Solano County, 2017

Reimbursement rates for direct service providers are well below market rates in Solano County, even though Title 5 regulations make care more expensive to provide.

Age Category	Daily RMR ceiling	Standard Reimbursement Rate (SRR)	% Maximum RMR Exceeds SRR
Full-time Infant (Age 12 months)	\$82.27	\$77.25	7%
Full-time Preschooler (Age 3 years)	\$58.25	\$45.73	27%
Full-time School Age (Age 7 years)	\$55.34	\$45.44	22%

Source: Reimbursement Ceilings for Subsidized Child Care 2017, Fiscal Year 2017-18 Child Care and Development Contract Changes

MEASURING OUTCOMES

Each year Solano County will prepare an annual report on the pilot project for submission to EESD. Each annual report will be submitted in November and will reflect on the previous fiscal year. The first evaluation report will be submitted by November 30st, 2019 and will cover fiscal year 2018/2019. These annual reports will track outcomes on selected measures described below. In addition, each annual report will profile the children and families served under the pilot, including the demographic characteristics of the children. The reports will also describe any major issues that arose in implementation or special challenges affecting specific contractors. Finally, they will identify any modifications in the pilot plan based on the previous year's experiences.

The annual report will draw on the following data sources:

- **801A Data:** A census report of children in services in April of the evaluation year. This report includes date services began, family income, family size, child's date of birth, CalWORKs receipt, and other demographic and care information.
- **Attendance and Fiscal Reports:** Contractor-submitted Attendance and Fiscal Reports (8501 and 9500 Forms) provide information on earned child days of enrollment and family fees.
- **Provider Satisfaction Surveys:** Annual online survey developed by the County to gauge contractor experiences, both positive and negative, and perceptions of the impact on families of the pilot project.
- **Additional Data from EESD:** Data provided by EESD on the number of contractors and the unearned contract funds.

The measures calculated from the data sources above are structured around the two major goals of the pilot: better meeting the needs of families and expanding the supply of subsidized care. See table below for details.

Measure	Source	Purpose	Details
Goal 1: Better meeting the needs of families			
Number and share of children in subsidized care with family income above the state entry income threshold.	April 801A	Examine the effect of a higher income threshold.	Number and share of children from families with initial income eligibility between state entry threshold and exit threshold (85% of the state median income).
Time in services and year-to-year retention for children in subsidized care by contract type.	April 801A	Examine the effect of the longer recertification period.	Days since date child began receiving services and share of children observed each year that were included in prior year's data.
Goal 2: Expanding the supply of subsidized care			
Number of active direct services child care contractors.	EESD	Examine effect of pilot on stability/retention of providers.	Number of child care providers offering subsidized care as of June 30 th of each fiscal year.
The aggregate adjusted child days of enrollment among pilot contractors.	4 th Qtr. Attendance and Fiscal Forms	Examine effect of pilot on child days of enrollment.	Total earned child days of enrollment in the fiscal year (with adjustment factors applied) compared to the baseline year. Legislation requires an increase from the baseline child days of enrollment. ⁶
Value and share of unearned direct service contract funds returned to CDE-EESD.	4 th Qtr. Attendance and Fiscal Forms	Examine effect of pilot on supply of care and utilization of contract funds.	Total contract allocations during a fiscal year that go unearned (not spent). This is the difference between total contract allocations and total dollars earned by participating contractors.

⁶ The baseline is a formula rather than a static number. If contract funds are reduced in a year of the pilot to 85% of the baseline contract funds, the baseline goal for that year would be calculated at 85% of the baseline child days of enrollment. This strategy is used in San Mateo, San Francisco, Alameda, and Santa Clara Counties. It was proposed by EESD staff to offset increases or decreases in funding provided to contractors.

Child Care Planning Council

A partner of the
Children's Network
of Solano County

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on April 4th, 2018.*

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