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1424 SHESS DAY CARE-CORRESPONDENCE - MISCELLANEOUS

## **THE CHILDREN'S SERVICES MONITORING TRANSFER CONSORTIUM**

The Children's Services Monitoring Transfer Consortium was established in October 1980 with encouragement and financing from the Department of Health and Human Services (HHS) to demonstrate the feasibility of transferring exemplary components of children's services monitoring systems from state to state. Initial members of the Consortium are California, Michigan, Pennsylvania, Texas, and West Virginia.

Child day care is the primary focus of the Consortium and of instrument-based program monitoring, but the transfer of monitoring components for other social service areas is believed to have considerable potential. As lead state in the Consortium, Pennsylvania applied for and received an HHS grant and has contracted with Peat, Marwick, Mitchell & Co. for technical assistance to the Consortium.

### **INSTRUMENT-BASED PROGRAM MONITORING SERIES**

This Guide is Volume 1 in a series of documents that describe in detail the concept and practical applications of instrument-based program monitoring as exemplified by the State of Pennsylvania's program monitoring system. Volumes 2 through 4 in this series describe in detail how Pennsylvania's system operates, how it can be adapted by other states, and how it can be successfully implemented. The titles of the other volumes are:

- Volume 2: Implementation Guide for  
Instrument-Based  
Program Monitoring**
- Volume 3: Guide for Developing the  
Indicator Checklist**
- Volume 4: System Documentation for  
Pennsylvania's Instrument-Based  
Program Monitoring System**

Volume 3 is currently available from the Consortium. Volumes 2 and 4 are forthcoming. A videotape entitled "Improving Instrument-Based Monitoring for Child Care: The Indicator Checklist" is also available to accompany Volume 3.

# **An Instrument-Based Program Monitoring System:**

## **A New Tool for Day Care Monitoring**

**Volume 1-Guide For Policymakers**

**Richard J. Flene  
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**CHILDREN'S  
SERVICES  
MONITORING  
TRANSFER  
CONSORTIUM**

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# I. INTRODUCTION

## Purpose of the Guide

Instrument-based program monitoring (IPM) is an innovative approach to state management of human services. The advantages of the approach are particularly relevant as states reassess their role in day care and other services in the current volatile fiscal environment. These advantages include:

- cost savings to states in financing services;
- better state allocation of resources;
- improved information for policy decisions; and
- enhanced quality of programs.

This Guide defines a methodology for monitoring that uses an instrument to collect data and discusses positive results that Pennsylvania has achieved by implementing IPM in the field of child day care services. Although IPM has been developed and applied in day care, there is great potential for extending IPM to other human services.

The Guide provides sufficient information for most states to decide whether it is worthwhile to explore the feasibility of adopting the IPM approach. It also presents practical considerations for implementing such an approach to monitoring.

## For Whom Is the Guide Intended?

This Guide is the first of three volumes of the complete documentation of Pennsylvania's monitoring system that embodies the IPM approach. It provides an overview of the approach and highlights aspects that are important to state government officials responsible for top level policymaking in day care and other human services. These officials include: top executives in state human service organizations; legislators and legislative staff members who must formulate policy concerning the objectives and system-wide costs and benefits of human services programs; state budget staff; and managers with responsibility for designing information systems to support human services management.

## What Is An Instrument-Based Program Monitoring System?

Instrument-based program monitoring systems incorporate three important characteristics:

- **Instrument-Based.** IPM utilizes checklists or special kinds of question-

naires to structure monitoring interviews and site visits. Highly specific questions incorporate pertinent state regulations in a simplified format that is easily completed and shows both providers and state agencies just how well the provider is complying with requirements. An integral feature of IPM is a system of assigning weights to the questions or items so that scores reflect the relative importance of the regulations. Pennsylvania's system, for example, includes assigning weights based on the degree of risk to children while they are in day care.

- **Program Monitoring.** In this Guide, monitoring is a broad term describing the management process of reviewing and controlling the delivery of program services according to predetermined criteria, with the intention of taking corrective action to assure and increase program quality and management efficiency. As such, monitoring encompasses a continuum of management activities, from licensing, contract compliance reviews and program quality assessments to corrective actions, technical assistance, and training.

- **Systems Approach.** A system is a group of related and coordinated procedures that are used to accomplish a given task. In this instance, the task is to monitor day care providers according to state regulations. The Guide permits integration of data collected through monitoring with financial information and subsequent corrective action.

An IPM system differs substantially from the more common approach to monitoring: narrative site visit reports. Typically, narrative reports describe a site visit to each provider and summarize not only observations but also interpretive and evaluative comments about the monitor's findings. These reports are useful if the monitor is well trained and adept at reporting. Even the best monitor, however, has biases that are reflected in both the selection of topics covered in a report and the degree to which the topics are covered. Site visit reports are often difficult to summarize succinctly for policymakers and even more difficult to use in comparing different providers or describing the general trends in day care in the state. Further, they

Do all hallways, stairways (including landings) permit passage of two adults walking side by side?	1	3	No Hallways
Do all exit doors have only one locking or latching device which can be unlocked from the inside at all times?	1	3	
Do all exit doors swing in the direction of exit travel?	1	3	
Are all exits and exit routes unobstructed?	1	3	
Do all exits and exit routes bypass hazardous areas such as boiler rooms and kitchen cooking equipment?	1	3	
	Yes	No	

GENERAL INDOOR SITE OBSERVATION

ITEM	CHILD #1		CHILD #2		CHILD #3		CHILD #4		CHILD #5		CHILD #6	
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
CHILD'S DETAILS (copy)												
BIRTHDATE (copy)												
ENROLLMENT DATE (copy)												
IS CHILD UNDER SURVEILLANCE OF HEALTH CARE PROVIDER? (check code)	1	3	1	3	1	3	1	3	1	3	1	3
HEALTH INSURANCE COVERAGE INFORMATION (write MA/DPA; private; no insurance or no information)												
FOR INFORMATION												

**SAMPLE INSTRUMENT FOR DAY CARE MONITORING**

Purposes of Pennsylvania's instrument for monitoring day care centers are reproduced below. The first purpose pertains to health records and illustrates the sampling approach used in several parts of the instrument. The second purpose concerns questions on site safety.

**GENERAL PURPOSES:** Data is needed to monitor the quality of care provided in day care centers. The instrument is designed to provide information on the quality of care provided in day care centers. The instrument is designed to provide information on the quality of care provided in day care centers. The instrument is designed to provide information on the quality of care provided in day care centers.

value and applicability of IPM systems for their states:

- How do instrument-based systems improve day care monitoring?
- How well has Pennsylvania's IPM system performed?
- How can I evaluate my state's need for an IPM system?

At the back of the Guide is a list of resources containing more detail about the conceptual foundations of the system for individuals who want to pursue these issues further.

The Guide includes a series of illustrations (see box below) showing how Pennsylvania's top administrators have made use of the reports generated by the state's IPM system to evaluate policy questions that are of central importance in the management of state human services programs.

**Overview of the Guide**

The sections of the Guide follow the major questions that policymakers might raise about the instrument.

Several states currently use instrument-based systems for licensing day care providers. In Pennsylvania, licensing standards include both requirements for protecting the health and safety of children and requirements designed to promote child development. Systems like Pennsylvania's include reviews of program quality and they provide a basis for states to make fundamental judgments about the relative child development benefits to be gained from particular levels of funding. Such judgments are increasingly important in today's world of declining resources, increased community demands for services, and a more litigious legal environment.

Often take longer to prepare than questionnaire summary reports, and they may be more difficult to use as evidence in court if legal action against a non-compliant provider is necessary.

## II. HOW DO INSTRUMENT-BASED SYSTEMS IMPROVE DAY CARE MONITORING?

### How Is Instrument-Based Program Monitoring Performed?

Instrument-based program monitoring relies on the use of a detailed questionnaire or checklist based on explicit state regulations to determine how well a day care provider is meeting state requirements. When the assessment and questionnaire are completed, the results are scored using a common scoring manual for all providers of a given type (for example, day care centers), and coded for entry into an information system, either manual or automated. The results are used to determine whether the state needs to intervene in order to improve conditions at specific provider sites. The providers' scores on the questionnaires are also used to support state decisions concerning the granting and renewal of licenses and state funding. Aggregate, statewide scores can be used as a basis for broad policy decisions directed at improving the general quality of day care and setting state funding levels.

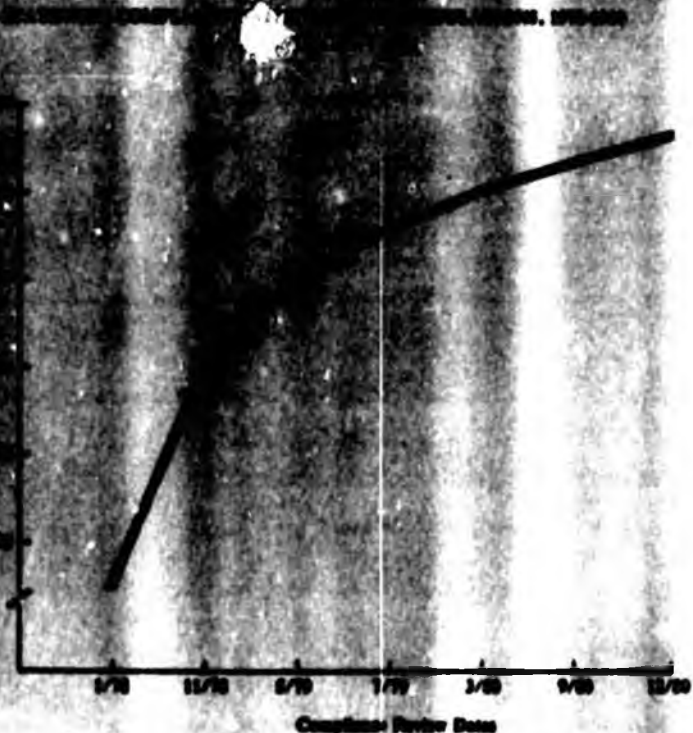
### Objectives and Characteristics of the IPM Approach

IPM systems are more comprehensive, objective, and consistent than the narrative report approach. They are also easier to read and understand. They are ideally suited to achieve the following objectives of a day care monitoring system:

- Ensure equitable, enforceable monitoring of day care to meet a desired level of child health and safety. Most states have requirements concerning the health and safety of day care centers. It is essential that health and safety standards be clearly specified, clearly understood by providers, easily evaluated, and consistently enforced by the state.
- Ensure that day care promotes child development. Typically, a state is concerned that children who are served by publicly funded day care providers (or all providers in some states, such as Pennsylvania) receive positive experiences from their day care in terms of their individual growth and development.

The most basic question that state day care administrators must address is whether efforts to improve compliance with state requirements are producing desired results. The Pennsylvania Department of Public Welfare, Division of Child Development, has provided information on how the state's IPM system is used to monitor compliance with state regulations. This information is available in a report titled "Monitoring Compliance with State Regulations: An Instrument-Based Approach" published by the Pennsylvania Department of Public Welfare in 1978.

These results have provided support for the IPM system at all levels of the state government and have been effective in persuading policymakers to maintain current day care monitoring efforts.



- **Provide for efficient and cost-effective funding and monitoring procedures.** States need to achieve the benefits of monitoring as efficiently as possible and at the minimum necessary cost.

- **Permit sound policy decision making.** States are concerned that their funds are spent in a way that ensures the best possible day care services. To address this concern, state policymakers need consistent, objective, quantifiable indicators of how many individuals are being served by day care and what funding levels are required to serve these individuals at different levels of program quality. Further, policymakers require an information base for deciding how policy should evolve in the future and for developing and maintaining appropriate legislation, regulations and policy guidelines.

Achieving these objectives requires timely, reliable, concise information about a state's day care program. An IPM system can provide this kind of information and has the following additional beneficial characteristics:

- **Quantitative and Objective.** Using a program monitoring instrument produces clear, specific, and objective information about programs. The use of highly structured questions and records of on-site observations minimizes ambiguous results and biased observations. Questionnaire items lend themselves to quantitative analyses and produce readily summarized and easily interpreted data that are of value to policymakers.

- **Easily Administered and Consistent.** The questionnaires can be administered by monitors with varying academic backgrounds who have been trained to gather information quickly and with a minimum of interference with the ongoing activities of the provider. While much of a questionnaire may deal with evaluative and programmatic information, responses from various providers and monitors are highly consistent.

- **Supportive of Providers.** Many providers welcome the use of such instruments because they know what specific areas are

covered and they can structure their programs to meet state expectations. Involvement of providers in developing the questionnaire further ensures that the questions will be comprehensive without being burdensome. The use of questions that explicitly cover all regulations, and establish a uniform set of requirements, increases the providers' perception that the requirements are equitable, necessary, and desirable with respect to improving day care.

- **Focus on Results.** The design of the questionnaire reduces undesirable bias that may result from differences in temperament and child care philosophy between the provider and the state monitor. The IPM focus is entirely on the services provided and how they affect children.

- **Based on State-of-the-Art Child Development Research.** The questionnaire items can be designed to reflect current 'best practice' in day care. In this way, the questions may be used to encourage providers to experiment with and adopt successful approaches that have been shown to be effective in research in child development. IPM can be used to improve day care, and not just regulate it to ensure that minimum requirements are met.

- **Easy to Modify and Improve.** The questionnaire format with specific and unambiguous responses is easily adapted to changing developments in child care practices and state policy requirements. State requirements can be easily communicated to funded providers by incorporating new or revised questions on which assessments will be made. It is also easy to incorporate any federal requirements that may exist.

### **Desirable Results From Using IPM: Pennsylvania's Experience**

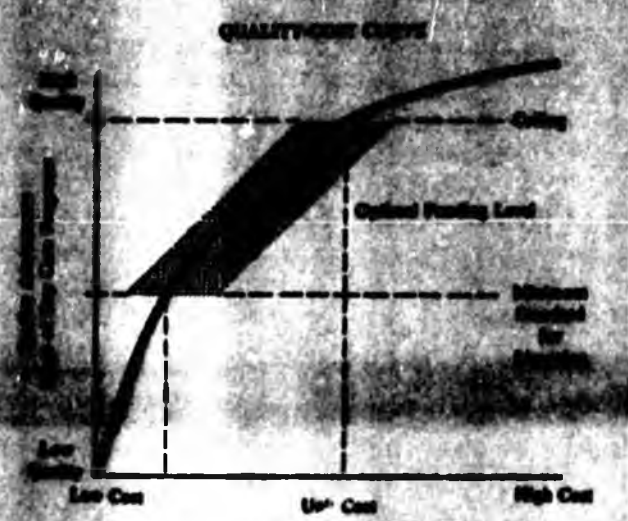
The positive features of IPM that have been described above may have particularly beneficial results for a state, if Pennsylvania's experience is a guide. Since Pennsylvania's system was introduced in 1978, it has produced the following improvements:

**IT COSTS LESS TO FUND HIGH-QUALITY CARE**

As state funds become more scarce, officials must confront the providers of day care services provided to children. The costs associated with declining quality are considerable to expect that as quality declines, costs will not clear that quality is important. Most states are unable to do this, however, and must often make decisions regarding or political lobbying.

Using the IPM system, Pennsylvania addressed the quality-cost trade-off directly. Early research also found that cost-cutting is not always a particular level of cost-per-hour of services above the cost figure below.)

The state moved quickly to limit the unit level of care at which a provider receives funding. The move saved Pennsylvania nearly \$5 million that was then re-directed to improve the day care programs of lower cost providers that met state standards.



• **Cost Reductions.** By linking the results of their IPM to the state's information system, officials in Pennsylvania have been able to identify high-cost, publicly funded providers who offer services only marginally better in quality than those of lower-cost providers. The state was able to set a ceiling on day care funding that did not jeopardize program quality, and used the funds that were formerly given to high-cost providers to improve services of other providers on a targeted basis. The state saved approximately \$5 million in day care funds while maintaining the quality of day care services, and it did so without major resistance from the provider groups.

• **Improved Program Performance.** Providers' scores on the monitoring questionnaire have improved over time as providers focus on meeting the state's clearly defined expectations. Because these expectations reflect both program quality and basic licensing standards, these improved scores indicate that the state-funded day care services have become markedly better in a short period.

• **Improved Regulatory Climate.** By involving providers in all stages of the development and improvement of the questionnaire, and by using the questionnaire to create clear expectations of providers, officials responsible for day care monitoring have reduced the tension and legal conflicts that often arise in regulated industries. Providers are satisfied that the questionnaires are fair and that they are administered consistently and without special treatment given to particular providers.

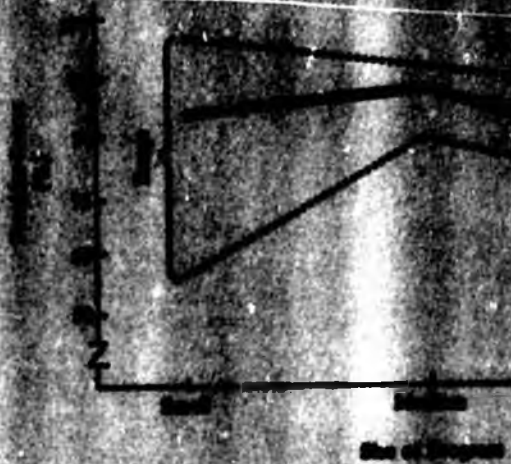
• **Improved Information for Policy and Financial Decisions.** By linking the results from the IPM system to information systems that provide financial and statistical information on day care, officials in Pennsylvania have been able to make financial decisions about cost ceilings without much of the conflict that usually accompanies such decisions. The state is also in a strong position to complete the implementation of unit costing and competitive procurement systems in a way that explicitly considers program quality. Ultimately, the information provided could be used to answer such basic policy questions as: "Does state-funded day care really enhance the development of children for whom it is provided?" In the meantime, policymakers are receiving concise, quantitative, useful, and timely information to support difficult decisions with respect to trade-offs among state services in a period of tight resources.

Having described the advantages of the IPM approach, it is useful to examine the features of a successful, currently operating system to get a more concrete idea of the costs and operating characteristics. In the next section, Pennsylvania's Child Development Program Evaluation System is described briefly as a working example of IPM systems.

Top Pennsylvania administrators have been reporting which the use of a fully accredited program of child care, was related to the quality of care. In the IPM studies, the state began to decrease after a point even though the quality, as measured by the scores, was not as high as in state centers.

This finding of some decrease in the quality of care provided has been identified by several researchers (e.g., O'Connell, et al., 1972). These other researchers have hypothesized that as centers become very large, the complexity and stress the center staff face on the day-to-day staff. These strains are common to all child care, in the form of less parental attention and less attention to details in compliance areas.

Pennsylvania administrators used the results of the study as the basis for shifting state-administered funds from large to smaller centers.



### III. HOW WELL HAS PENNSYLVANIA'S SYSTEM PERFORMED?

#### Overview of Pennsylvania's Day Care Monitoring System

The instrument-based program monitoring system developed by Pennsylvania is known as the Child Development Program Evaluation (CDPE). The system was implemented in day care centers in 1978 and has been used continuously since then as the principal basis for licensing all centers in the state.

Pennsylvania is one of a handful of states that requires both private and publicly funded day care centers to comply with a single set of state requirements in order to be licensed. The CDPE thus includes both items that are designed to ensure compliance with basic health and safety requirements (covered under licensing requirements in many states) and items that focus on program criteria (described under program development in many states).

The CDPE questionnaire measures compliance with state regulations in Pennsylvania. The regulations are very specific with regard to required practices and standards and are grouped into seven categories: administration, nutrition, social services, transportation, health, child development and environmental safety. The complete instru-

ment, which consists of 279 items that are each clearly linked to a particular regulation, is administered annually to all day care centers. Each of the items on the CDPE is assigned a weight based on its importance in reducing risk to children. The questionnaires are precoded for easy scoring and entry into a computerized data processing and information system, or for manual processing.

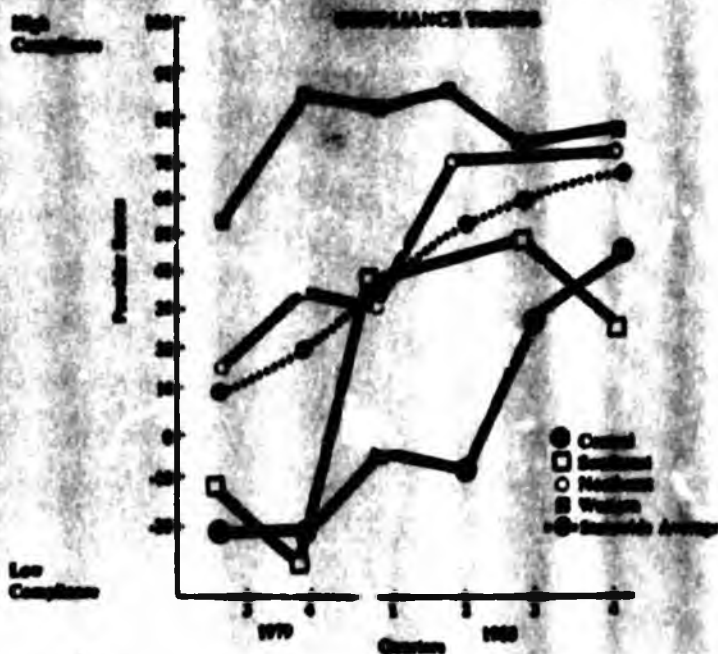
Recently, Pennsylvania has developed a shorter version of the CDPE, referred to as an indicator checklist, which includes selected items from the complete questionnaire and can be used to predict performance. The short form that is now being tested contains only 18 items. It is anticipated that the indicator checklist could be used on an alternating basis with the comprehensive instrument, that it would be a good predictor of program performance, and that it would reduce monitoring costs to the state. Pennsylvania's experience with developing the indicator checklist has indicated that similar methodologies can be applied to reduce the length of many different types of state licensing and monitoring questionnaires, while preserving the validity of the questionnaire's measure of compliance and program quality.

Pennsylvania is particularly advanced in having linked the CDPE system with the state's financial and statistical reporting systems. The beneficial effects of this linkage have already been described in terms of Pennsylvania's ability to make sensitive policy decisions and reduce costs based on accurate and timely information.

WHAT IS THE REGIONAL COMPLIANCE PICTURE?

An IPM can provide readily available, quantitative information for analyzing compliance trends for various (e.g., regional) within a state. Using compliance scores from IPM system reports, Pennsylvania was able to demonstrate substantial improvements in the quality of care provided by day care centers. (See figure.)

Having regional scores grouped by component area (e.g., administration, environmental safety), the state was able to target training in health for day care center staff in the Southeast region and in both health and administration for providers in the Central region.



## Components of the CDPE

The CDPE system has five basic components that are described in detail in Volume 2 of this series. The components are:

- Pennsylvania's day care regulations;
- The CDPE questionnaires (long and short versions)
- CDPE coding manual;
- Pennsylvania's system for assigning weights to specific CDPE items; and
- forms for reporting CDPE results.

These components are all essential features of the CDPE system. The items on the questionnaires are, in many cases, simply rephrased from particular regulations. The coding manual is used to score the CDPE responses from a day care center and to ensure consistency in the way the CDPE is administered. The weighting system is used to score the responses; weights reflect important policy considerations with regard to items on the CDPE, such as those pertaining to safety, that can not be compromised and which are sufficient grounds for denying a day care license. The reporting forms drive the system and make monitoring possible by pro-

viding regular measures for program quality, health, and safety at both the provider and regional/state levels.

## Types and Level of Information Generated

The CDPE system generates three levels of information:

- provider information;
- regional information; and
- statewide information.

Basically, the system produces information needed to make all of the monitoring decisions about a particular provider. Provider information includes scores for each of the seven categories of regulation covered by the CDPE and a composite score on the CDPE. It is possible to obtain historical trends for the performance of a particular provider and to perform analyses of the extent to which performance in one category (e.g., social services) is correlated to performance in others (e.g., child development).

The CDPE also generates summary information on category scores and composite scores by region. Comparisons among providers are possible

An IPM system facilitates the breakdown of compliance data by compliance area (e.g., health, safety, administrative practices) so that important areas for improvement can be targeted. Pennsylvania used its IPM system to determine which particular regulatory items in the area of environmental quality, safety, and sanitation were in need of attention by day care centers. IPM reports such as the one here were used by top administrators as a basis for selecting the key areas to be monitored more intensively.

To reinforce more intensive monitoring, the state provided training for day care center staff. In its request for proposals from outside firms to conduct the training, Pennsylvania was able to use excerpts from the report illustrated here.

Compliance Area	Questionnaire Item No.	Description	Percent of Approved Centers (Pennsylvania)	Regulatory Authority (Pennsylvania Regulation Reference)
Environmental Safety	00-4-001	The supervisor of the licensed center is female.	100%	00R 100.01
	00-4-017	Food preparation practices: description of the method used for food handling, including those used to prevent contamination: 1. discarded meat 2. other waste stored 3. stored in a cooling area for the time specified on the label 4. steam air dried	100%	00R 100.02
	00-4-020	All approved packages of dry food are stored in either a 1/2 inch moisture barrier or plastic container.	100%	00R 100.01(a)
	00-4-100	Non equipment was labeled with appropriate	100%	2-0A-100
	00-4-100	All children and staff were vaccinated and immunization records kept for at least 10 to 15 months.	100%	2-0A-100
	00-4-100	All rooms surfaces that may be touched were free of crawling insects or flies, spiders and bats.	100%	2-0A-110 2-0A-100
	00-4-210	Outdoor play equipment had no exposed leads or other parts to which a child's finger could be caught.	100%	2-0A-120
	00-4-200	Outdoor play areas had no plants where stagnant water could be held.	100%	2-0A-100
	00-4-200	Outdoor play areas had no broken glass under sharp protrusions.	100%	2-0A-100

both by type of provider (e.g., non-profit, for-profit) and by general statistics for the region (e.g., score ranges, average scores by category).

Statewide category scores and composite scores provide perspectives on whether providers are improving in general and on the effects of changes in regulations and policy. Relative improvements in monitoring efforts in various regions can be observed. When CDPE results are linked to financial and statistical information systems, an even broader range of policy questions can be addressed.

Each of these levels and types of information is readily available to the state staff who make use of the information. For example, monitors at the regional level may obtain rapid feedback on performance of particular providers. Regional managers have a basis for evaluating the performance of providers in their region as compared with those of other regions. Central office staff, state budget personnel, and legislators have convenient access to general state levels of performance as these change over time.

### **The Implementation Process in Pennsylvania**

Use of the CDPE questionnaire began in 1978. The implementation process, however, is ongoing, with constant improvements being made in the basic system. Pennsylvania staff estimate that it took roughly 18 months to establish a functioning system. The total cost for developing Pennsylvania's system has been estimated at \$400,000, including the development of data processing systems. This development cost could be substantially reduced for a state interested in transferring Pennsylvania's technology and methodology and adapting them to its own requirements.

Pennsylvania's cost of monitoring day care using the CDPE is estimated at \$400,000 per year. This figure includes costs related to the state's entire system, such as staff, travel, data processing, report production, and maintenance of the CDPE in light of policy and regulation changes. These costs will vary substantially for another state, depending on the caseload size, the background and training of the monitoring staff, frequency of monitoring visits, size of the state, travel time to reach provider sites, and, of course, the number of providers in the state. Each of these cost areas requires important policy decisions that must be made by legislators and administrative decisions made by central-office day care managers.

These annual monitoring costs represent a saving compared to Pennsylvania's costs before the CDPE was introduced. Further improvements to the CDPE are likely to reduce these costs even more. For example, if the short version of an instrument like the CDPE is used, additional cost savings would occur.

In addition to the time and costs involved, two factors were especially critical in Pennsylvania's implementation process: the involvement of providers and the level of state commitment to implementation. From the very beginning of the project it was felt that development of the system required the involvement of providers and state, regional and central office program staff. The involvement of providers served both to enhance the quality of the items on the questionnaire and to minimize the suspicion and distrust that are often aroused when major administrative and regulatory changes are made. Continuous participation of providers in designing the questionnaire, assigning weights to items, and conducting field trials helped to ensure a high level of acceptance when the questionnaire was first used for licensing and funding purposes.

Pennsylvania's level of commitment to implementation was high, and the degree of commitment was a key element in the success of the implementation process. The substantial costs and the long duration of the implementation effort required careful planning and execution on the part of day care staff and trust on the part of state legislators and executives. The establishment of the CDPE was clearly not a quick panacea but a comprehensive and thoughtful solution to particular concerns that Pennsylvania faced in its monitoring effort. A lower level of state commitment would have endangered the entire concept of an IPM system.

Pennsylvania's experience with the CDPE suggests many of the issues that other states will need to address in implementing an IPM. These issues are presented briefly in the next section.

## **IV. HOW CAN I EVALUATE MY STATE'S NEED FOR AN IPM SYSTEM?**

An instrument-based program monitoring system is a useful tool for policymakers, but not all states need such a system. An interested state may follow five steps to assess whether an IPM system is appropriate and to initiate the development process if the state decides to proceed. These steps are outlined below.

### **1. Evaluate the State's Social Services Environment**

Pennsylvania's motivation for establishing its IPM was a response to changes in the social services environment, such as increased federal and state funding of day care, the revision of the Federal Interagency Day Care Requirements, expansion in the number of day care facilities, and the establishment of a formal organization of day care providers. The need for regulatory accountability, the large amounts of public funds committed to day care, and a potentially larger and more politically active group of providers were major concerns to Pennsylvania that may be shared by other states.

A state's view of its role in day care monitoring is of fundamental importance in decisions about whether to implement IPM systems. States that provide little funding for day care have relatively less need for state monitoring in any form. The IPM approach typically assumes that the state will take an active role in program monitoring, including visits to providers in order to assess the quality of programs.

A third set of circumstances that IPM can address is the increasing costs for states that intend to take an active role in monitoring. As discussed above, making monitoring more consistent and efficient may help to reduce both direct costs (e.g., cost of monitors' time) and other costs (e.g., costs of litigation that may arise as a result of inconsistent monitoring of providers.)

To decide whether it needs an IPM system, a state will have to examine both its current situation and future directions in its approach to monitoring.

### **2. Review Materials on IPM and the Experience of Other States**

The concept of IPM is new, and the best descriptive materials available are a series of articles that explain how Pennsylvania's system works and the underlying framework of child

development research on which it is based. Similarly, Pennsylvania's experience provides the best example of what the IPM approach can accomplish. Interested states may wish to arrange for consultation with the Pennsylvania staff who have implemented the concept successfully.

### **3. Evaluate Costs and Potential Benefits of the IPM Approach**

The costs and benefits that Pennsylvania has realized from its implementation of an IPM have been described above. Each state will need to base cost and benefit estimates on the particular design of its own planned system and on its budget for developing new systems. In particular, costs may be reduced if a state has easily adaptable regulations, positive relationships with provider organizations, and well developed computerized information systems.

### **4. Make a State Commitment to Implement the IPM System**

The level of state commitment must be sufficient to support the implementation process through potentially difficult periods. Typically, the commitment must be made by top officials in the state's departments that are concerned with day care monitoring (e.g., Department of Public Welfare, Department of Human Services, Department of Education), and supported by legislative bodies that are responsible for budget approval. Often, coordination is required among several subdepartment organizations, such as program development, management information systems, and operations units.

### **5. Assess Regulations and Legal Requirements**

A successful IPM system must be supported by explicit regulations that can be easily translated into questions on the monitoring instrument. Some work to improve the presentation and specificity of regulations may be required for designing the questionnaire and implementing the system.

Similarly, a state must address basic legal and policy issues such as:

- Will the system cover all providers or only those who are publicly funded?
- How will a new system be 'grandfathered or phased in? and
- Will system scores be used to deny public funding to low-scoring providers or serve only as a basis for technical assistance

and comparisons among providers that compete for public funding

Such legal considerations must be resolved by the top policymakers in the state's government before implementation begins.

## **6. Formulates an Implementation Plan**

The successful implementation of an IPM system is largely dependent on having a clear, well organized implementation plan that includes the following:

- clear objectives that specify what is to be accomplished, why the state is developing an IPM, and what issues are likely to arise that will influence the development effort;
- clear assignments of specific responsibilities to the individual staff members who will perform the implementation;
- a schedule for implementation that shows all of the tasks to be accomplished, their sequence for completion, critical completion dates, and the timing of progress reports; and
- budgets that cover the allocation of staff time and other resources to particular implementation tasks.

When the plan is complete, it should be reviewed and approved by all state officials who have control over the work to be done and the resources needed to accomplish the tasks. The plan should be reviewed periodically in the course of implementation, and necessary revisions should be made and agreed upon by all managers and staff involved. By formulating and adhering to the plan, a state has a greater chance of anticipating potential problems and ensuring a higher degree of satisfaction with the IPM system that is produced.

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\*Publications available from Dr. Richard Fiese, Pennsylvania Office of Children, Youth, and Families, 1514 North Second Street, Harrisburg, PA 17122.

**Further Information:**

Copies of Consortium publications, the videotape presentation, and additional information on instrument-based program monitoring are available from:

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**SAMPLE**

**NAEYC - South East Alaska**

**F**our 2 1/2-year-old has been stuttering rather severely lately. This really surprises us, because her speech has been so good until now. We haven't said anything to her about it yet, but my husband says we should have her slow down and think about what she wants to say before talking. It's really beginning to annoy us. What should we do?

Somewhere between the time a child first uses sentences and about 5 or 6 years of age, there's a good chance his speech will hit some rough spots. We usually refer to this phase as "normal non-fluencies", rather than true stuttering.

The difference? In the early years, it is common to stumble on words, repeat, hesitate, or fill in the gap between words with extra sounds. Some children do this more severely than other. One child may have a period of non-fluencies (that is, the speech is not fluent) for only a day or two, while another child's speech may go on like this for months.

The key point in interruptions in the smooth flow of speech are normal, and this is how you should deal with them.

Making an issue of her difficulties won't help her; your daughter is already doing everything in her power to talk as well as she can. Telling her to stop, start over, slow down, or think first may just add one more problem of becoming anxious. And more anxiety means more non-fluencies.

This doesn't mean you should do nothing. Try to look at the circumstances when she has the most trouble.

Is she tired? Overly excited? Is she competing with brother or dinner preparations for your attention? Is her schedule too busy?

At this stage in her development, the best way you can help her is by indirect means. Make sure she's well rested (and well fed). Provide enough quiet time (turn off the TV) and try to make yourself available as much as possible.

If she's having a particularly rough day, try not to require a lot of talking. Ask yes/no questions, and give her easy, enjoyable activities that won't be frustrating. Watch your own body language when you listen to her. Be sure you aren't showing her that you're anxious, displeased or overly concerned.

Keep in mind that your child has not been talking for very long, and she has a lot of new material to deal with. A child may learn up to 1,000 new words by the age of 2, and an-

other 500 words a year for the next few years. She's also learning how to put all of those new words into sentences. The pronunciation of all these new words requires a lot of thought and effort in a young child, and some of the sounds she has to make may be quite difficult for her.

Now, with all of this new material, consider that she has to make split-second decisions to come up with a sentence that tells you what she's thinking. It may just be too much for the child who's excited or fatigued. Normal non-fluencies are also quite common for the child who has had a very rapid growth in language in a short period of time.

So try not to get too frustrated yourselves. This is one time when a "wait and see" approach is best. Chances are, your daughter's ability to put it all together smoothly will soon catch up with her new and extensive language skills.

**Q.** My 18-month old son is a good natured child, but sometimes when he is apparently very happy, he will bite me very hard on the neck or arm. I have tried biting him back. Is this the best way to handle biting?

**A.** Probably no phase of childhood baffles and enrages parents more than the biting stage that many children reach anywhere between 14 months and 3 years old, before a child is verbally proficient enough to express feelings.

It is important to try to see things from the child's point of view. When exuberance and love fill the little short life, he gets all mixed up in his feelings and his reactions. He has had very little experience in expressing his warmth and affection. Believe it or not, your son is expressing his overwhelming emotion of love when he bites you in this manner. "Thanks a lot," you say, "I can do without that." So, you must teach him how to express his love. Tell him that it hurts when he bites you and

that you don't like it. Say it with feeling! You might say, "You may bug me right like this (demonstrated), but you may not bite me."

Remember: that you are your child's model. If you bite him back, he will think, "Oh, that's the way adults handle their feelings, too!"

The National Association for the Education of Young Children South East Alaska is continuing a drive for more regionalized membership. They are involved in investigating the possibility of certification of early childhood teachers and are discussing strategies for effecting legislative actions on local early childhood issues. By sending representative members to local organizations such as the Women's Coalition, they are creating a network of individuals concerned about Young Children.

The next meeting is Nov. 4, 8-9pm in Juneau. The meeting will be on the teleconference network and hopefully will be available in Ketchikan, Sitka, Petersburg, Hoonah, Wrangell, Kake, Yakutat, and Craig. For more information contact: Dr. Margie Fields, University of Alaska, 11120 Clacior Highway, Juneau, Ak. 99801 789-2101.



# DCAP BUDGET

1981 \$3,199,400

GOV. BUDGET-1982 \$4,760,400

3206 - Pat Monroe Family & Youth Ser.

CENTERS	LICENSED SLOTS
---------	----------------

94	4,449
----	-------

278	1,290
-----	-------

## JUNEAU DCAP

157 Children (March)

34 INCREASE

\$41,681 MONTH COST

## DAY CARE PROVIDERS

Sister Elaine - St. ANN'S

586-6640

\* Pat Marlin - Wee Cottage <sup>789-2611</sup>

JUNEAU DAY CARE PROVIDERS

Alice Verelli - Ch. Comm. Center

Bruce Leszaway - 6-1359

Board Children's Community Center

Judy Hall - Parent Bd.

St. ANN'S

6-1445

Joan Hurst

279-3551

Campfire 326 H ST.

ANCH., AK. 99501

Viki Thelma Parcel Day Care

543-2840 / 543-3447

DAYCARE

Misc.

LETTER OF INTENT

It is the intent of the Community and Regional Affairs Committee that the money appropriated for the Day Care Assistance Program by CSSB 518 (C&RA) be used to raise the maximum rate paid to day care providers to \$15 per day for children and \$19 per day for infants. It is also the intent of the Committee that the subsidy schedule be adjusted so that eligible families will not bear any portion of the rate increase.

The Committee recommends that the Commissioner of the Department of Community and Regional Affairs hold yearly hearings on rate setting for the Day Care Assistance Program with parents and providers to maintain a reasonable relationship between inflation and day care assistance rates.

\_\_\_\_\_  
Don Gilman, Chairman

\_\_\_\_\_  
Robert Ziegler, Vice Chairman

\_\_\_\_\_  
Frank Ferguson

\_\_\_\_\_  
Mike Colletta

\_\_\_\_\_  
Arliss Sturgulewski

**THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE**

**FISCAL NOTE**

**I. REQUEST**

Bill/Resolution No. CSSB 517 (C & RA)  
 Title An Act relating to child care and day care assistance.  
 Requested by Senate C & RA Committee Date May 19, 1981

**II. FISCAL DETAIL**

Agency Affected Department of Community and Regional Affairs  
 Program Category Affected Social Services  
 BRU, Program, or Subprogram(s) Affected Day Care Assistance Program  
 (Note: If more than one budget component is affected, separate line item amounts and funding for each component in the analysis section.)

**EXPENDITURES** (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		37.5	41.5	45.6	50.2	55.2
200 TRAVEL		4.0	4.4	4.8	5.3	5.8
300 CONTRACTUAL		104.3	4.7	5.2	5.7	6.3
400 COMMODITIES		.2	.2	.2	.3	.3
500 EQUIPMENT		2.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.		1862.9	2049.2	2254.1	2579.5	2727.5
<b>TOTAL</b>		<b>2010.9</b>	<b>2100.0</b>	<b>2309.9</b>	<b>2541.0</b>	<b>2795.1</b>

**FUNDING** (Thousands of Dollars)

	2010.9	2100.0	2309.9	2541.0	2795.1
<b>GENERAL FUND</b>					
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-
OTHER (Specify Fund Source)	-0-	-0-	-0-	-0-	-0-

**POSITIONS**

	1	1	1	1	1
<b>FULL TIME</b>					
<b>PART TIME</b>	-0-	-0-	-0-	-0-	-0-
<b>TEMPORARY</b>	-0-	-0-	-0-	-0-	-0-

**III. ANALYSIS** (See Fiscal Note Preparation Instructions, Section III)

Line 700 - Breakdown of Grant Costs

**DIRECT COSTS**

- \$ 500.0 Administrative costs to be paid to municipalities per Section 3.
- \$ 365.9 Cost of 107 new subsidized child slots and 27 new subsidized infant slots which we expect to be created in response to the availability of 10% administrative fees (134 new unsubsidized slots also expected). New slots are expected primarily in the Mat-Su and Kenai Boroughs.
  - 107 children x \$9 State cost x 264 attendance days = \$254,232
  - 27 infants x \$11 State cost x 264 attendance days = 78,408
  - + 10% administrative costs to municipalities = 33,264

IV DATE May 19, 1981

PREPARED BY Mckie Campbell  
 A ENCY Department of Community & Regional Affairs  
 PHONE: 465-4735

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

INDIRECT COSTS

\$ 997.0

It is understood that a Letter of Intent will accompany CSSB 517 which will call upon the Department of Community and Regional Affairs to raise the rate authorization \$3 per subsidized slot and to pay the total difference between the old and new rates.  
( $\$997.0 = 1,259 \text{ slots} \times \$3 \times 264 \text{ attendance days}$ )

+  
\$1862.9

Total Grant Costs

Projected Grant costs are increased by 10% a year to allow for program growth and inflation.

Line 300 - Contractual includes \$100.0 for a study on the full cost of Day Care.

Lines 100-400 reflect the funds required for the Department of Community and Regional Affairs to hire one additional Field Training Officer necessary to handle the additional administrative load imposed by this bill. Excluding the \$100.0 mentioned above for a rate study, these lines total \$46.0

Line 500 is a one-time equipment cost.

4-8-81

# Day care

## State program to benefit families

By HEIDI EKSTRAND  
Daily News Staff Writer

Recent changes in the state day care assistance program will allow more families to receive day-care assistance. The changes will also boost the percentage of assistance that many families already receive.

The policy change adds median income families, not just low income, to the list of those eligible for day-care assistance. By June 1, a person with a monthly adjusted net income of up to \$1,975 will be eligible for the state funds. In that case, the state will pay 10 percent of the day-care costs. The individual will pay the balance.

At the other end of the scale, a person making \$1,975 a month or less is eligible for a 100 percent subsidy.

Essentially, the addition of median income families, who receive the lowest percentage of assistance, adjusts the scale to allow lower salaried families to receive a larger percentage of the state money.

"The subsidy scale for the day-care assistance program is being revised to include median income families, thus

... lowest income families further up the state share scale for payment of day care," according to a memo from the Department of Community and Regional Affairs.

Judy Wright, who administers the state day-care assistance contract for the Ketchikan Gateway Borough, said the change will allow all but one of her clients to receive a 100 percent subsidy. It will also increase the state's portion of daycare subsidy from about \$7,000 to \$12,000 at the local level.

Statewide, the addition of median income families is expected to add 700 additional families, or 1,007 children to the program. Mrs. Wright said she isn't sure how many additional families will be added at the local level.

Also included in the state's policy change is an increase in the amount of money scheduled for infant day care. That rate will be raised from a maximum of \$200 to \$250 per month.

Also, maximum payment of a \$25 registration fee to cover the initial enrollment of a child with a facility will be authorized. Like other costs, the registration fee will be paid by the state on a percentage basis, dependent on the individual's income.

**DAY CARE FUNDING STUDY**

**February 20, 1981**

**Prepared for:**

**STATE OF ALASKA  
DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS**

**Prepared by:**

**MOEBIUS CORPORATION  
1426 H Street  
Anchorage, Alaska 99501**

**Project Director: Gordon Harper  
Researcher: David H. Blanchett  
Day Care Specialist: Kalen Saxton  
Computer Programmer: Geoffery Stuart  
Research Assistant: Denise Prosser**

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SUMMARY

Low income parents have a difficult time making ends meet. If, in order to work, they must pay child care costs, it may be impossible to afford even necessities. Consequently, the State of Alaska provides the Day Care Assistance Program (DCAP), which subsidizes day care fees, so that low income families can obtain adequate care for their children and continue to work.

However, establishing an equitable rate of subsidy is complicated:

- The potential number of program participants is unknown
- The budget is finite
- Family incomes vary
- The cost-of-living varies between regions, so families with the same gross income have differing amounts of available money.
- Differing qualities of care are provided by day care facilities
- The cost of providing equal care differs by region

The legislature wished to estimate what the program costs would be if eligibility for the program was raised to the State median income level.

This report questioned day care facilities and government agencies to determine the potential number of DCAP participants and the projected costs of changes. The theoretical potential number of participants is 26,860 children statewide. However, this number would not ever be served because of limiting factors such as only 5,211 spaces in licensed day care facilities.

Actual use of DCAP is much smaller, approximately 1,352 children (November 1980, average). Projections are made in this

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report using this figure as a base. The problems reiser. above, and others, were studied to find program changes offering a solution. Budget implications for these changes were calculated.

Raising eligibility by raising the level of income, would add an insignificant amount, \$1,267 per year, to the budget. This is caused by people at higher income levels participating at consistently lower numbers and, receiving smaller subsidies (see page 23).

Raising eligibility by increasing the income eligibility level of regions with higher costs of living than Anchorage, would, for the same reason, add only insignificantly to the budget (see page 27).

Adding new areas of the State to the DCAP would increase the costs by \$314,982. Because the major areas are already contracted, an additional 133 participants could be expected (see page 28).

Raising the base subsidy for facilities which experience higher costs because of regional differences, would add \$39,048 per year to the budget, if the cooperative extension services rates are used (see page 29).

Subsidizing centers and homes, based upon the quality of care they provide, would add some incentive for facilities to improve care. This would not have a cost impact on the parents, and would benefit the facility directly. The projected costs would be \$124,225 (see page 45).

The State currently subsidizes care for infants (under 2 years old) at 125 percent of the child rate. However, the costs for caring for an infant, as required by law, can be 200 percent of

## Moeblus Corporation

the child rate. This study recommends an infant rate 150 percent of the child rate, for a projected budget increase of \$122,285 annually (see page 45).

This study found insufficient data regarding a difference in home or center care. No recommendation is made as to differential rates. However, a genuine cost difference may exist, so different subsidies could be warranted. The information in this report was too preliminary to this judgment (see page 47).

The formula currently used to determine eligibility categories is arbitrary. This report offers a new formula which relates all variables together in a consistent pattern. The formula provides a simple means of accommodating change of variables or their relationships (see page 53).

## RECOMMENDATIONS

While this study has discovered inconsistencies in the application of the DCAP, and major differences in day care services, the overall worth of the program is beyond question. The recommendations below are to reduce the inequities caused by administrative facets of the program. This program has made it possible for parents of young children to work or train when they can not otherwise afford child care.

### Potential Participant Numbers

The potential number of day care participants is immense and the cost and practical limitations on its being met are prohibitive. This report recommends that the program projections be based on present usage and adjustments that can be made to make it more equitable and cost-effective.

This study recommends that the State investigate the classification of applicants into adjusted income categories. The present method, for example, does not allow for differential costs that are incurred by families with more than one adult but with the same income. Factors to be considered are higher FICA (for double income) more transportation and food costs, and lower babysitting and housekeeping costs.

### 1. Expansion of Eligibility

- A. This study was to determine the projected costs if the income level of families was raised to that of the median income in the State. Adoption of this recommendation would result in program increases of \$1,267 using actual participation levels. This method of projecting costs is the most likely correct of the methods used, and also happens to be the low-

est. Using 20 percent or 10 percent minimum participation, additional projections of \$26,864 or \$17,844. These additional figures are based upon equal usage for all income groups, in order to project a maximum, but there is little reason to suspect the increase would be that high. Of these, the first is not only less expensive, but is more equitable, and is therefore recommended as the best of the two alternatives. However, adoption of the new formula, listed later in Item V, would make this choice needless.

- B. The eligibility levels of the family's maximum income are currently set between regions by the ratios established for the State Department of Administration. Two other ratios outlined in the findings provide quite different results. This study opts to recommend, as a compromise, the middle one of the three sets of ratios; the one established by the Cooperative Extension Service.

The additional annual cost to DCAP would be \$96,120, or \$1,267, depending on the assumptions. This study recommends use of the second, lower figure.

- C. An additional increase of program participation due to changed eligibility can also come from adding areas not presently contracting with the DCRA.

Using existing ratios, 133 participants would be eligible if all areas with licensed slots were brought into the DCAP, for an annual budget increase of \$314,982.

Because the decision to participate is made at the local level, DCRA should be asked to encourage statewide participation, and offered supplemental funds, as any new areas initiate a contract. The benefits of this program should be available to all Alaskans.

II. Regionalization of Base Rate

There can be no question that the cost of providing day care differs between regions of the State. This study has developed three alternate methods of calculating what rate differentials could be. Each method would increase the present \$3,199,400 annual budget by \$285,060, \$399,048 or \$639,252.

This study recommends the adoption of the middle option, which is based on cooperative extension's ratios for regions of the State.

III. Differential Subsidy for Quality of Care

The issue of whether or not to raise the rate of subsidy and by how much if it is raised, affects day care providers, parents, and the budget of the State.

Many centers and homes are not providing minimally adequate levels of care, some because they can't afford to, some because they don't know how to, some because they don't choose to. Other centers and homes are trying to provide a better quality of care, but are losing money and may have to go out of business.

If centers and homes raise their rates it will exceed some parents ability to pay, and they will be "priced out of the market", or will be forced to choose more affordable but less quality of care.

The State of Alaska attempts to assure minimal standards of care through licensing -- but this does not measure quality of care. The State does not have a mechanism to increase the quality of care for young children, other than licensing for custodial (minimum) care.

Therefore, it is recommended that the State not provide more day care assistance funds to centers and homes that barely meet minimal standards; that the State not become the "de facto" rate setter by which centers and homes set their rates, that the State not increase the costs to the parents who are paying some or all of their child's day care costs, because centers raise their rates.

Instead, it is recommended that a system of payments to centers and homes be made on the basis of quality of care levels. This idea is barely more than a concept and will need more thought than permitted by the limited scope of this study. The following recommendations are a framework from which to fully develop this idea. Credit for this concept should go to Joan Hurst, Executive Director of Campfire for Alaska.

The following are proposed steps for quality of child care subsidy:

1. Community and Regional Affairs Day Care Assistance Program will develop a "Quality of Care Rating Inventory" to be completed by homes and centers that choose to receive a quality of care "bonus".
2. Centers and homes will fill out the forms by checking off the degree by which they exceed the minimally licensable standard. For example, the average center in this study had 39 sq. ft. per child. Minimum is 35 sq. ft. A range of numbers would be listed after Square Feet Per Child 40, 50, 60, 70, 80, and 90. If 40 were circled, score one point; if 60 were circled, score 3 points in the sq. ft. per child category.

**Moebius Corporation**

3. Centers or homes will sign a statement that all the information is true to the best of their knowledge, and they will continue to maintain the identified levels of care throughout the year.
4. These statements will be kept on file at the DCAP office of Community and Regional Affairs.
5. DCAP staff will visit programs to review the Quality of Care Inventory with providers. Through technical assistance, they will encourage programs to move to the next level of care. If many centers choose to apply for a quality of care bonus it may mean the hiring of one additional staff person trained in Early Childhood Education.
6. It is not expected that many programs will be interested in, or qualify for the quality of care bonus. If 24 centers and 40 homes are involved next fiscal year it is estimated to cost \$116,496 annually, if no other changes are made in DCAP rates.

A model for quality of care could be devised that could, based on the total points earned on the point scale, classify facilities. For example,

- |           |  |
|-----------|--|
| Level I   | 20 points qualify center or home for bonus payments of 5 percent                                 |
| Level II  | 40 points qualify center or home for bonus payments of 10 percent                                |
| Level III | 60 points qualify center or home for bonus payments (Maximum possible - 72 points) of 15 percent |

It is possible that the legislature may want to consider a way to use the quality of care inventory and a system of bonus payments to assist centers with costs for children not being subsidized by DCAP.

IV. Altering the Differential Between Infant and Child Subsidy

The difference between the infant reimbursement rate and that for children two years and above is not sufficient to cover the increased costs incurred by facilities caring for children. It appears that increased costs for infants are up to twice (200 percent) the rate for children, but this report recommends an increase to one and one half (150 percent). This more closely represents real costs.

V. Altering Subsidy Between Home and Center

This study could not document reliable cost differences between centers and homes. Therefore, a different rate to each is not seen as warranted at the time.

While this study could not document significant differences, there is not adequate data to assure none exist. The precise determination of the scope of these differences was beyond the capabilities of this study. The preliminary data in this report could be used to develop a more thorough study, if the difference in costs between centers and homes is to be used for funding ratios.

VI. Revision of DCAP Subsidy Determination Formula

This report has shown the costs related to alteration of the current day care assistance formula. Because the existing formula is not equitable and not easily adjustable, this study has developed a new formula.

The revised formula was obtained by making the family income categories smaller, by weighting the categories for ability to pay, and by formalizing the method of updating the eligibility figures.

Its adoption is recommended because it formalizes the method of computation, eases alteration due to changes in variables, and is more equitable than the current calculations.

Summary of Recommendations

I. Expansion of Eligibility

There are three ways to expand the eligibility for program participation.

A. Raise, to Median Income, Eligibility for Subsidy.

This is not recommended.

	# Additional Children Subsidized	Additional Annual Costs
1. 20% Subsidy		
Projected Usage	2	\$ 1,267
Uniform Usage	655	\$ 26,864
2. 10% Subsidy	655	\$ 17,844

B. Raise Eligibility Levels by Region. Option #1 is recommended.

	# Additional Children Subsidized	Additional Annual Costs
1. Cooperative Extension		
Projected Usage	2	\$ 1,267
Uniform Usage	34	\$ 96,120
2. Ability to Pay		
Projected Usage	2	\$ 1,267
Uniform Usage	103	\$287,650

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C. Contract with Additional Areas in the State - Recommended

	<u># Additional Children Subsidized</u>	<u>Additional Annual Costs</u>
1. Maximum	133	\$314,982

II. Raise Base Rate for Regions

There are three optional ways to calculate differing costs of care by region. Option B is recommended.

	<u># Additional Children Subsidized</u>	<u>Additional Annual Costs</u>
A. Dept. of Administration	0	\$285,060
B. Cost-of-Living	0	599,048
C. Ability to Pay	0	639,252

III. Quality of Care Support Payments

This report estimates the number of facilities qualifying for a proposed quality of care bonus.

	<u># Additional Children Subsidized</u>	<u>Additional Annual Costs</u>
Care Bonus	0	\$116,496

IV. Increase Infant to Child Subsidy Difference

This report recommends an increase in the differential.

	<u># Additional Children Served</u>	<u>Additional Annual Costs</u>
Raise to 150%	0	\$165,464

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V. Alter Ratio of Home to Center Subsidy

No change is recommended.

VI. Revise Subsidy Formula

The formula would have several possible effects, depending on the variables established by the State.

	<u># Additional Children Served</u>	<u>Additional Annual Costs</u>
A. Projected Usage	0	(\$ 83,152)
B. Uniform Usage	0	(\$1,150,738)

No change is recommended in the base subsidy payment for the base region.

Summary

	<u># Additional Children Served</u>	<u>Additional Annual Costs</u>
Raise Eligibility by Region	2	\$ 1,267
Add Municipalities	133	\$314,982
Raise Base Rate by Region	0	\$399,048
Add Quality of Care Payments	0	\$116,496
Increase Infant Rate	0	\$163,464
Revise Subsidy Formula	<u>0</u>	<u>(\$83,152)</u>
TOTALS	<u>135</u>	<u>\$912,105</u>

Adoption of the entire list of recommendations would increase the DCAP budget from \$3,199,400, to \$ 4,111,505 or by 28.5 percent. It is important to note, however, that

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the increased costs are based on the increases generated by changing only the variable in question. Adoption of two or more variable changes might cause additive changes that exceed the total of the projections for the variables involved. For example, the projected increase of \$122,285 from changing the infant to child ratio would be higher still if the regional base payment was raised as well (projected at \$399,048). This is because the infant rate change is built upon, and thus affected by, the regional base rate. Projecting how much the cumulated costs would be was a complex calculation, but estimates of the total increase is \$1,076,712, on top of the projection above or \$1,988,817. This would increase the DCAP budget to \$5,188,217, or by 62 percent.

## INTRODUCTION

This study was commissioned by the Department of Community and Regional Affairs to assess the equity of their rates for subsidy and to project costs if eligibility for the program were raised.

Limitations of time were severe. The entire project including the survey, research, and writing was completed in a month and a half.

Because of this limitation, some assumptions were necessitated. For example, no provision is made in the projections for major changes that might occur in the Alaskan population, such as would follow construction of the gas pipeline.

Additionally, the limitations of time and money meant that computerized projections of variable changes could not be done. Alternate ways to distribute existing funds, and projections of how many new participants could be served, were not possible to the extent that would have optimized decision-making.

Systems could be developed to implement the recommendations outlined herein. Notably, the supplementary materials that makes application of the new formula easy for the facility operator and the DCRA. However, development of these materials, and streamlining existing record systems was beyond the scope of the study.

One other item should be noted. Most social programs are viewed differently, depending on one's perspective. Day care appears to be included in this category. First, the report "A Woman's Place", a survey of homemakers, in Anchorage, found that 12 percent of all respondents had children in day care. Reasons given for why they chose to put their child in care

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were primarily that it was good for the child to be with others; secondarily, that it gave them some time to do things without children. Reasons given for why they chose particular centers were: Good facilities, good teachers, convenient location, church affiliation, and reasonable cost. If they were satisfied with the place where their child was being cared for, 52 percent said it was because of the caregivers, 22 percent said it was because of the facilities, and 22 percent because the child was happy.

When asked what specific problems of homemakers were being ignored, the responses were varied, but the third most frequent mentioned was the cost of and lack of sufficient day care. When asked for suggestions to alleviate the problems the most frequent response was for less expensive day care and more available.

On the other hand, this study heard from day care owners who self-reported that costs did not meet expenses. A sample of these responses are:

If we raised rates to what they should realistically be, we would have enough money for a building, proper equipment and salaries comparable to the workload.

Constantly -- people are working inhuman hours at slave wages. We are reluctant to charge more, but we must raise rates or lose valuable staff.

We must further increase tuition to break even. We anticipate a 20% increase at a minimum. The owner has funded deficits from personal savings and cannot any longer do this.

We no longer accept drop-ins as we are working for a family atmosphere as much as possible. Plus, it is very hard to maintain a sensible staffing pattern and keep our 1-5 and 1-7 staff-child ratio.

Whether or not these business losses are attributable to poor management, or high cost of living would be the subject of further research. It is a fact that it is happening. Some of the

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centers that are trying to provide better quality of care such as more nutritious food in sufficient quantity, better educated and trained staff, better wages so staff don't leave, more space for kids and staff, and more durable and age appropriate equipment, are the centers that have the hardest time financially. Five centers are examples:

1.	27 FTE* children	\$18,000 projected deficit
2.	28 FTE children	16,000 projected deficit
3.	24 FTE children	7,000 projected deficit
4.	33 FTE infants & children	19,000 loss 1979, and a 2,800 loss 1st quarter 1980
5.	79 FTE children	15,800 loss 1979

Day care is not a profitable business to be in. Even the non-profits have to manage their business well enough to continue to exist. Parents need affordable care of sufficient quality that they don't have to worry about whether their child is safe and happy. Children deserve better than minimally safe places to be, with little variety, barely adequate nutrition, and such limited staff that the caregiver uses management behavior rather than social interactions. Management behavior, commanding and correcting, is what is used by a playground supervisor or lunchroom supervisor. Social interaction with children includes questioning, responding, instructing, praising, and comforting. Caregivers working with children in smaller groups are able to give this kind of care. Caregivers in larger groups spend more time observing and correcting.

\* Full-time equivalent.

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**STATEMENT OF THE PROBLEM**

Child care costs can represent a large percentage of disposable income, especially for families with lower incomes. The percentage is often so large that it means that an individual working for low wages and paying child care makes less net income than an individual staying at home and drawing Aid to Families with Dependent Children (AFDC), and an amount that is clearly inadequate.

Monthly Gross Pay @ Minimum Wage	\$662
Less 30% for Taxes and Deductions	<u>(199)</u>
Take Home Pay	\$463
Less Unassisted Child Care	<u>(264)</u>
NET INCOME	<u>\$199</u>

Since obtaining day care was so essential to low and middle income parents, the State of Alaska's 1975 legislature passed a bill (A.S. 44.47.250.310) that set up the Day Care Assistance Program (DCAP). This program assists a significant number of families to obtain adequate child care. Furthermore, it is a cost effective program, as it costs the State less to provide DCAP subsidies than AFDC. The intent was to ease the financial burden of child care costs, particularly for low income individuals. By using a graduated scale, the State pays 100 percent of the child care cost for the lowest income categories, thus allowing the parent to earn enough to provide for the family's basic needs. In some cases, this results in avoidance of AFDC. In other cases, it allows families with marginal income a better opportunity to have a higher quality of life.

Establishing subsidy payments and day care rates is a complex matter because there are a variety of factors that should be considered. Some of these factors are:

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- A. The unknown size of the potential number of families for daycare assistance. Many parents are unaware of the existence of the program. Determining how many participants the program could and should subsidize is obviously critical for budget setting.
- B. A finite amount of funds is available for DCAP. The resources, being limited, must be distributed in the most equitable way, including fair payment to those entering the program after the beginning of the fiscal year.
- C. The income of parents varies. This variable is currently used as the basis for determining differential DCAP subsidies. Unfortunately, data upon which to set these differentials is not up-to-date. This can result in an inequitable assessment of rates.
- D. The cost of living varies within the State. On top of the need to stagger payments to centers on the basis of parents income, the income must be adjusted to the cost-of-living for the location, because a higher cost-of-living reduces the money to pay for child care.
- E. Differing qualities of care by the facilities. The range of care from minimal (providing only safety and comfort) to developmental (providing a range of services to help each child develop its potential) is filled with a continuum of care levels provided by the centers in the State. Because it costs more to provide developmental care, fees to the centers should be graduated to compensate for higher quality care.

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- F. The costs of providing day care differs between facilities. This is due to higher regional costs, and other factors beyond the control of the facility. To be equitable, DCAP should consider the possibility of making the costs incurred a factor in setting the level of payments to the center.

In addition to the complications above, assessment of DCAP rates must allow for easy change, because the data in the variables constantly alters, and the rate structure must periodically be updated.

The legislature wished to project costs of changing eligibility so that parents whose income is at the State median, would receive some assistance. Two other areas were requested of this study. One was to project costs for the program if the base rate allowed for day care facilities was indexed to the difference in cost of providing care in specific areas of the State. The other was to project costs and develop a formula to propose differential allowances to facilities for better quality of care provided.

Consequently this study was commissioned to ascertain facts and make recommendations on these three components:

- I. Expand eligibility by raising upper level of eligible income to the State median income.
- II. Revise the regional cost-of-living differentials.
- III. Propose a method for differential payments to day care centers to cover costs of providing higher quality care.

FINDINGS

Determination of Potential Audience

While it is possible to estimate the maximum number of children who are theoretically eligible for DCAP funds, there are some natural limitations to the maximum use:

- Some municipalities do not contract with DCRA;
- Some areas do not have licensed facilities,
- Requests for subsidy may exceed budgeted funds
- Families use alternate arrangements;
- Families do not know about DCAP.

Some areas of the State do not have a local government entity that has contracted with Community and Regional Affairs to administer this program in their area, even though there are licensed facilities there. Other areas lack a contract because they do not have licensed facilities. There is a limited number of licensing staff working for the Division of Children and Youth, so additional licenses may not be imminent. Even in areas where there is a contract, the licensed slots may be full, so the potential DCAP participant must wait for available space. Additionally, some areas of the state, can experience shortages of DCAP funds, such that no new participants can be admitted to the program. (This situation occurred in Anchorage and Fairbanks, but the backlog was removed in FY80 by line items in HB 60). Finally, families that are theoretically eligible to participate may elect not to, because they have child care arrangements other than licensed care. In Anchorage there are 4,100 households where all parents are employed full time with at least one child who needs day care. This does not include parents in training. There are 2,675 spaces available for full time care in licensed homes and centers. Obviously some families are not using licensed care. (Statistics sup-

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plied by the Anchorage Urban Observatory, phone conversation, Dr. Richard Ender, August, 1980.) The report "A Woman's Place, A survey of Anchorage Homemakers" published in December 1979, notes that 90 percent of the women interviewed had worked outside the home. 35 percent has immediate plans to return to work or had just gone back to work. 29 percent were working in their homes, and of this group one-third were doing child care.

The potential audience is estimated below to be 26,860. The actual DCAP usage is 1,352\*, or 5 percent of the potential audience.

### Estimated Potential Day Care Users

Total eligible population can be estimated in order to determine the number of children potentially effected and, consequently, the amount the budget would be increased. The approximate number of children in the State eligible for DCAP is derived by calculating the number of children in families whose income is at or below median income and where no parent remains at home.\*\* This figure is drawn from the following calculations. The total population under twelve is derived from the Alaska population overview<sup>2</sup>, page 30, where it lists:

Table 1  
Total Number of Children

<u>From Ak. Statistical Review</u>		<u>Assuming Equal Distribution</u>	
<u>Age Group</u>	<u>Number</u>	<u>Age Group</u>	<u>Number</u>
0-4	37,803	0-1	18,902
5-9	35,130	2-5	25,927
10-14	36,227	6-11	<u>42,595</u>
		Est. Total 0-11	<u>87,424</u>

\* Average, based on November 1980 reports.

\*\* Parents in training would qualify for eligibility, but no figures are available.

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Assuming half of these children come from families below the median income, the total eligible number of children is halved:

**Table 2**  
**Number of Children Eligible by Income**

<u>Age</u>	<u>Number</u>
0-1	9,451
2-5	12,964
6-11	<u>21,297</u>
<b>Total</b>	<u><u>43,712</u></u>

Futhermore, the total eligible by income is reduced by the number who have one parent not in the labor force. The resulting maximum number of potential eligible children 0-their twelfth birthday, with parents below the State median income and with no parent not in the work force is 29,287.

**Table 3**  
**Maximum Potential Number of Day Care Eligible Children**

<u>Age</u>	<u>Est. No. Eligible By Income</u>	<u>x 19% Single Parent Families</u>	<u>+ Families with Both Parents Labor Force<sup>6</sup></u>	<u>= Total Potential Number Eligible Children</u>
0-1	9,451	1,796	4,536	6,332
2-5	12,964	2,463	6,223	8,686
6-10	<u>21,297</u>	<u>4,046</u>	<u>10,223</u>	<u>14,269</u>
<b>TOTAL</b>	<u><u>43,712</u></u>	<u><u>8,305</u></u>	<u><u>20,982</u></u>	<u><u>29,287</u></u>

**1. Determination of additional budget Requirements for Eligibility Adjustments**

**Estimated Median Family Income**

The estimated median family income for the State in 1982 was \$31,037.<sup>6</sup> Reducing this by 30 percent to account for

<sup>6</sup> U. S. Bureau of Census, Divison of Economic Analysis Federal Register, November 24, 1980, Volume 45.

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taxes and other deductions, provides an adjusted annual income of \$21,726 or \$1,811 per month.

### Average per Child Cost

The total budget for DCAP is \$3,199,400. The total number of children served by this is 1352 (November FY80) for a total average per child cost of \$2,366 annually or \$197 per month.

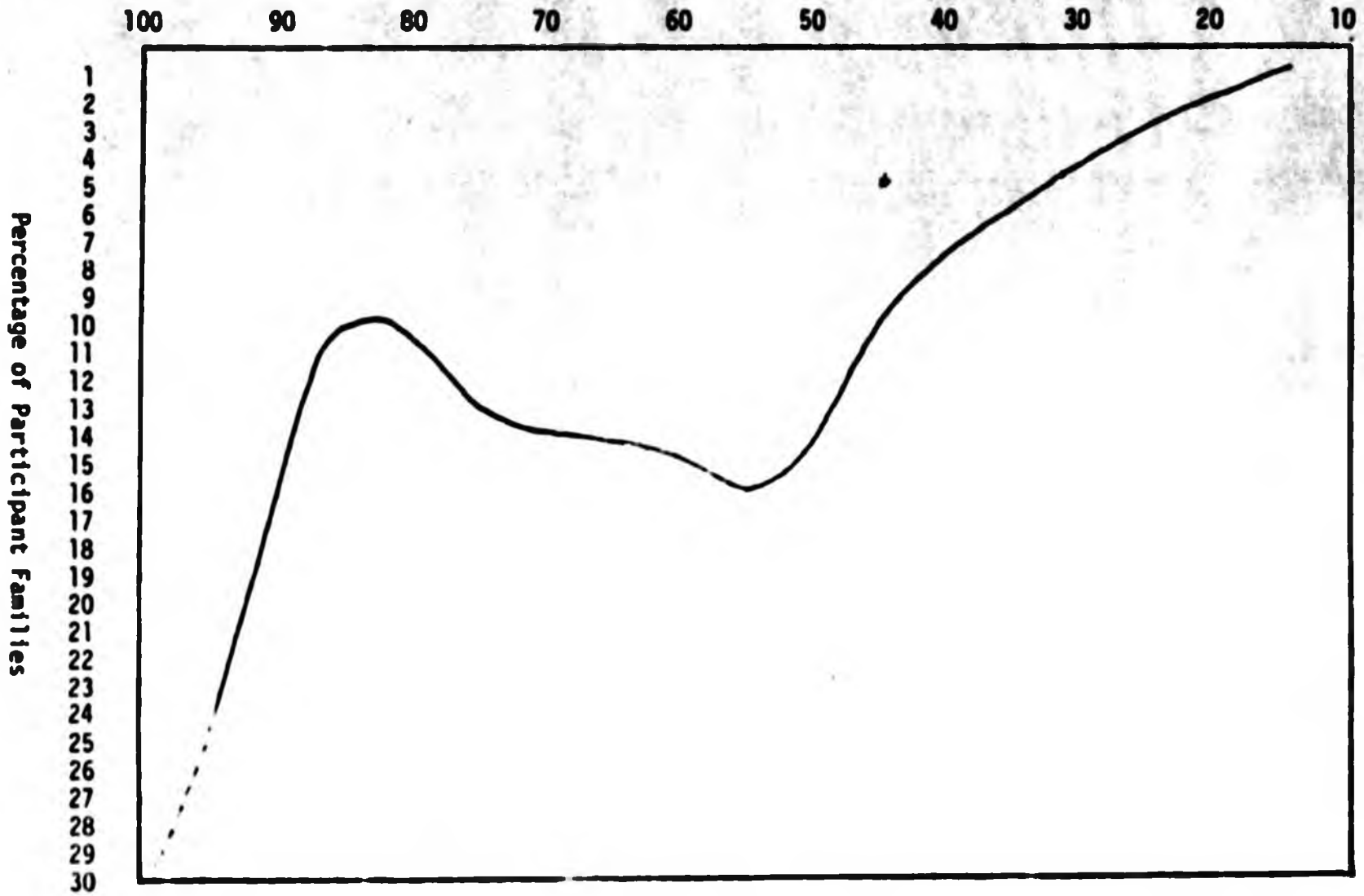
#### A. Projected Budget Increases for Raising Eligibility to Median Income

The additional cost of increasing the number of participants by raising eligibility for subsidy, and no other program changes, is approximately \$106 per month or \$1,267 annually, to serve an additional two children (or two full time equivalents). This figure is low, based on the present participation pattern in the program, where higher income individuals represent an increasingly smaller percentage of the clients. Graph 1 indicates that in the present state-wide participation figures (based on November as an average) 56 children participated in the 40 percent subsidy bracket, 27 participated from the 30 percent bracket, and six participated from the 20 percent bracket. Consequently, extrapolating this trend further indicates a maximum of two children would participate from the 10 percent bracket and none from any higher income bracket would participate. Furthermore, the two children who would participate would be subsidized at the 20 percent level because of high family income. Therefore, two new participants multiplied by \$264 (actual State rate is \$265) per month child care costs multiplied by 20 percent subsidy equals \$106 per month.

Graph 1

PERCENTAGE OF PARTICIPATION BY INCOME GROUPS - STATEWIDE (NOVEMBER AVERAGE)

Percentage of State Subsidy



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The projection may be incorrect because the low income levels may be more "saturated" by potential users, meaning more higher income users would be added in any guideline change. It is possible to calculate the figures without making the same assumptions. If the number of participants in each income category is assumed to be the same, then the number can be estimated by multiplying the number now participating by the percentage of additional population made eligible for the program.

Raising the adjusted income maximum from \$1,333 per month to \$1,811 would increase the population by 36 percent ( $1,811 - 1,333 = 478 \div 1,333 = 36\%$ ). There are a total of 1,352 participants so the increase would be 487. Assuming a 20 percent participation rate, this would mean an annual budget increase of \$27,369 given an average monthly subsidy of \$281 (using the \$530 infant rate, and \$264 child rate, and 25 percent participation by infants).

Median income level families would pay 80 percent of child care costs and the State would subsidize 20 percent, or \$52.80 per month for participants 2 and over in Anchorage, for individuals making up to a gross salary of \$31,037 annually.

A second option (#2) would be to alter the program's administrative guidelines. One such change would be to include minimum State subsidy at the 10 percent level rather than at the 20 percent level. This would mean that in Anchorage for participants over 2, the State would pay \$26.40 per month for full time

care. The cost for this option would be \$33,776\* annually to serve an additional 635\* participants.

Table 4  
Projected Budget Increases to Subsidize Day Care  
For Median Income Families

Current Guidelines (20%)	<u># Children</u>	<u>Total Annual Budget</u>
a. Current Trends	2	\$ 1,267
b. Uniform Income Distribution	635	\$ 26,864
Revised Guidelines (10%)	635 <sup>c</sup>	\$ 17,844

B. The State of Alaska periodically reviews and attempts to adjust the income guidelines of parents situated outside the Region I Base Area.\*\* The present income guidelines are intended to mirror the cost of living. In reality, when compared with studies from two other sources, cooperative extension and Department of Commerce and Economic Development, the Department of Administration's costs by region were discovered to be sharply in contrast as to the percentages regions were over the base.\*\*\* Cost of living showed regional difference ranged between 7 to 61 percent over the Department of Administration figures, while the Ability to Pay Survey regional difference ranged between 8 and 247 percent. Since Cooperative Extension's Cost of Living Data is computed on a more frequent interval, plus easily understood and extrapolatable, it is the one most ideal to be used for mirroring and adjusting cost of living. It is also the most logical to use because its figures are a compro-

\* The increase would be the same number of new participants, 635, but the average subsidy would be reduced to 10%. So 635 children x \$281 monthly average costs x 10% = \$17,844.

\*\* Region I Base Area includes Anchorage, Juneau, Ketchikan.

\*\*\* See Table 5.

mise, being in the middle of Department of Administration Cost and Ability to Pay Survey.

Researching information on cost-of-living through out the State of Alaska, this study found that the most accurate and widely accepted tool is Cooperative Extension Services' Cost-of-Food Survey. This survey with it oil, gas, electricity and lumber addendum provides an updated picture on cost-of-living within Alaska. Agencies such as the Department of Commerce, Department of Labor, Department of Education, local Fairbanks banks, Food Stamps Office, and the Institute of Social and Economic Governmental Research, all use and support Cooperative Extension's Survey. The survey is conducted quarterly with volunteers following set procedures. Because it is done by volunteers, the same cities/villages are not surveyed each quarter, thereby losing some consistency. However, the Food Stamp Program and local banks have pledged support -- in kind help to maintain some consistency in the cities/villages surveyed each quarter. The cost of food survey is its present form has been done for two years, and when applied to Anchorage and Fairbanks, two cities on the Consumer Price Index, the fluctuation is such that each supports the other.

Budget projections for raised eligibility by region were obtained by the following procedure:

1. An average State subsidy was determined for each contracting city.
2. The number of participants for each city was determined from monthly reports.

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3. The difference in the eligibility was determined, for both methods of calculating cost-of-living.
4. The number of participants, increased by this raise in eligibility was calculated by multiplying the number of participants by the percent increase.
5. The number of increased participants was multiplied by the average subsidy for the city they were in and by \$281, the average subsidy (x 12 for annual budget).

The resulting budget increases were, for cooperative extension, \$96,120 per year. For ability-to-pay, the increase would be \$287,640. The number of additional participants would be 34 for cooperative extension, and 103 for ability to pay.

- C. Most licensed day care facilities in Alaska can care for children whose fees are paid in part by the DCAP. Some licensed facilities are in areas whose local municipality has not chosen to contract with DCRA to administer the program in their area.

There are 5,211 licensed slots in areas that have contracted. The DCAP funds 1,352 children.

As of December, the Division of Children and Youth shows 5,724 licensed slots or 513 slots in areas not contracting. This number varies according to the number of licenses approved or not renewed by the Division.

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The projected additional budget costs are calculated by multiplying the number of slots by \$614 (the State budget average) for a total annual cost of \$314,982.

The additional number of children served is less. It is calculated by averaging the number of participants that would be expected from the existing ratio. Thus, 1,352 (average participation) is 25.9 percent of 5,211 (total slots), so 25.9 percent of 513 slots equals 133 new participants.

	<u># Additional Children Subsidies</u>	<u>Additional Annual Cost</u>
Maximum	133	\$314,982

In addition to this expansion, new facilities may be licensed and new municipalities awarded a contract. BIA population data states that 3,122 Alaska Native women exist for whom no child care substitutes are available.

### II. Projections for Revised Regional Cost of Care

An attempt was made to see if the present system of applying subsidy to parents in areas outside Anchorage is equitable by comparison with reports on cost-of-living differentials. At present, the Alaska Day Care Assistance Program utilizes a sliding scale.<sup>2</sup> The cost-of-living survey conducted September 1980<sup>3</sup> by the United States Department of Agriculture's Cooperative Extension Service is one of two documents used to verify the present sliding rate scale. The other document used was Numbers prepared by

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<sup>2</sup> Based on Alaska Department of Administration, Regional Personnel Costs.

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the Alaska Department of Commerce and Economic Development 1979.<sup>6</sup> A comparison of the documents, plus DCAP's sliding scale, shows that inconsistencies exist. Notable problems with the comparison of the data are that Wrangell and Petersburg differs from their present position in the DCAP Regions because of a higher placement in the cost-of-living bracket. Fairbanks placed one to two brackets lower. Although the rural regions of Bethel, Kotzebue, and Nome all rate in the high scale, it appears that the division between them is wide, and depending on which data one uses, there is a question as to their ranking. Ranking appears to be consistent among regions such as Anchorage, Juneau, Ketchikan and Valdez. See Table 5.

Table 5  
Comparison of Economic Regions

	1	2	3	4	5	6	7	8
*	(Base) Anchorage Juneau Ketchikan	(103.75%) Petersburg Sitka Wasilla Wrangell <sup>x</sup>	(107.64%) Kenai Kodiak Homer <sup>x</sup> Seward <sup>x</sup>	(115.87%) Cordova Fairbanks	(120.21) Valdez <sup>x</sup>	(129.29)	(134.25%) Bethel Anderson <sup>o</sup> Ft. Greely <sup>o</sup> Delta Jct. <sup>o</sup>	(139.28%) Kotzebue Nome
**	(Base) Anchorage Juneau Ketchikan Wasilla	(110.3%) Seward Homer Sitka <sup>□</sup>	(118.2%) Fairbanks Kenai Ft. Greely <sup>□</sup>	(127.2%) Petersburg Kodiak	(141%) Wrangell Valdez Cordova <sup>□</sup>	(153%) Delta Jct. Bristol Bay Anderson <sup>□</sup>	(180.5%) Bethel Nome	(200%) Kotzebue
***	(Base) Juneau Sitka Ketchikan Anchorage	(111.1%) Fairbanks	(128.5%) Wrangell/ Petersburg Kodiak	(144.5%) Seward Kenai/ Cook Inlet Ft. Greely <sup>▽</sup> Matanuska	(178.6%) Bristol Bay Valdez Cordova <sup>▽</sup> Anderson <sup>▽</sup>	(300.7%) Nome	(347.24%) Kobuk Kotzebue	(386.35%) Bethel

\* Dept. of Administration Cost by Region: At present, DCAP uses a sliding fee scale based on the State of Alaska's Dept. of Administration rate to subsidize parents equitably using Anchorage as base.

\*\* Cooperative Extension: Based on the Cooperative Extension Service cost-of-living survey completed September 1980, cities were divided into eight (8) natural groupings. Each group was averaged and ranked by percentage with the first group's average used as the base.

\*\*\* Difference between Per Capita Income and the Regional Moderate Standard of Living (Ability to Pay): From data extrapolated from the document Numbers, prepared by the Alaska Department of Commerce and Economic Development, 1979, areas were divided into eight natural groupings and ranked by percentage with the first groups average used as a base.

x No DCAP contract with these cities.

□ Not included in Cost-of-Living Survey.

▽ Not included in Ability to Pay Survey.

° Have been moved in Dept. of Administration as of Feb. 1, 1981.

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Provision of day care services is more expensive in some areas of the State, because of the generally higher costs of goods and services. Three methods calculated for the increased costs if rates were indexed to the region's financial status. The resulting budget projections, assuming the same program usage follows:

	# Additional Children Served	Additional Annual Costs
1. Dept. of Admin.	0	\$285,060
2. Cost-of-Living	0	\$399,048
3. Ability to Pay	0	\$639,252

The exact regional differences are outlined in Tables 6, 7, 8 and 9.

Table 6  
Average Regional Costs of Providing Day Care to One FTE per Month<sup>x</sup>

<u>Communities</u>	<u>Centers</u>	<u>Homes</u>
Anchorage	\$242	\$216
Anderson	124	
Bethel	344	
Bristol Bay		113
Cordova	92	
Delta Junction	151	
Fairbanks	268	195
Ft. Greeley	263	
Homer	131	
Juneau	223	171
Kenai	181	203
Kodiak		189
Kotzebue	356	
Nome	746	
Petersburg	249	
Seward	71	
Sitka	247	
Wasilla	180	164
Total Averages	\$245	\$184
		**(\$312, if homes paid staff minimum wage)

(Although there are licensed facilities in Wrangell and Valdez they did not respond to this survey.)

\* Source: Based on Moebius Corporation telephone survey, December 1980, and January 1981.

\*\*  $\$3.85 \times 10 \text{ hrs./day} \times 22 \text{ days/month} = \$847 + 6.6$  number participants =  $\$128 + \$184 \text{ Base Costs} = \$312$ .

**Table 7**  
**Total Monthly/Yearly Projected DCAP Costs**  
**Using State Dept. of Administration Rate Differentials**

	<u>Monthly Rate</u>	<u>Actual Children Served</u>	<u>Total Cost</u>	<u>Sum Above Base</u>	<u>Actual Children Served</u>	<u>Total Budget Increase</u>
REGION 1 Anchorage Juneau Ketchikan	\$ 264	842	\$222,288	N/A	N/A	N/A
REGION 2 Petersburg Sitka Wasilla	274	69	18,906	10	69	\$ 690
REGION 3 Kenai Kodiak	284	54	15,336	20	54	1,080
REGION 4 Cordova Fairbanks	309	276	85,284	45	276	12,420
REGION 5						
REGION 6						
REGION 7 Bethel Anderson Ft. Greely Delta Junction	354	97	34,338	90	97	8,730
REGION 8 Kotzebue Nome	369	14	5,152	104	14	1,456
TOTALS PER MO.	<u>\$309</u> Avg.	<u>1352</u>	<u>\$381,304</u>	<u>\$269</u> Avg.	<u>510</u>	<u>\$23,755</u>
YEARLY TOTALS			\$4,575,648			\$285,060

**Table 8**  
**Total Monthly/Yearly Projected DCAP Costs**  
**By Cities Surveyed Using Percentages Extrapolated**  
**From the USDA Cost of Living Data, 1980**

<u>Cities</u>	<u>Monthly Rate</u>	<u>Actual Children Served</u>	<u>Total</u>	<u>Sum Above Base</u>	<u>Actual Children Served</u>	<u>Total Increase</u>
<b>REGION 1</b> Anchorage Juneau Ketchikan Wasilla	264	858	\$226,512	Base	N/A	N/A
<b>REGION 2</b> Sitka Seward Homer	290	35	10,150	26	35	\$ 910
<b>REGION 3</b> Ft. Greely Fairbanks Kenai	312	324	101,088	48	324	15,552
<b>REGION 4</b> Petersburg Kodiak	335	68	22,780	71	68	4,828
<b>REGION 5</b> Cordova Wrangell Valdez	372	9	3,348	108	9	972
<b>REGION 6</b> Anderson Delta Jct. Bristol Bay	403	20	8,060	139	20	2,780
<b>REGION 7</b> Bethel Nome	476	35	.660	212	35	7,420
<b>REGION 8</b> Kotzebue	528	3	1,584	264	3	792
<b>TOTALS PER MO.</b>	<u>372</u> Avg.	<u>1352</u>	<u>\$390,182</u>	<u>124</u> Avg.	<u>494</u>	<u>\$33,254</u>
<b>YEARLY TOTALS</b>			\$4,682,184			\$399,048

Table 9

Total Monthly/Yearly Projected DCAP Costs  
Using Percentages Extrapolated from Dept. of Commerce  
and Economic Development's Economic Statistics of Alaska Census Division

<u>Cities</u>	<u>Monthly Rate</u>	<u>Actual Children Served</u>	<u>Total</u>	<u>Sum Above Base</u>	<u>Actual Children Served</u>	<u>Total Increase</u>
REGION 1 Anchorage Juneau Ketchikan Sitka	264	877	\$231,528	Base	N/A	N/A
REGION 2 Fairbanks	233	267	78,231	29	267	\$ 7,743
REGION 3 Wrangell Petersburg Kodiak	339	68	23,052	75	68	5,100
REGION 4 Seward Kenai Cook Inlet Matanuska Ft. Greely	381	73	27,813	117	73	8,541
REGION 5 Anderson Bristol Bay Cordova Valdez Delta Jct.	471	29	13,659	207	29	6,003
REGION 6 Nome	792	11	8,712	528	11	5,808
REGION 7 Kobuk	916	3	2,748	652	3	1,956
REGION 8 Bethel	1,019	24	24,446	755	24	18,120
TOTALS PER MO. Avg.	559	1352	\$410,199	337 Avg.	475	\$53,271
YEARLY TOTALS			\$4,922,388			\$639,252

III. Budget Projections for Quality of Care Adjustments

The quality of care issue is complex. The consequences of not providing nurturing and developmentally appropriate experiences for children affect them as individuals, their family, and ultimately society. High costs of providing quality care affect the parents ability to pay and the centers and homes ability to provide care.

A number of regulatable characteristics have been identified, primarily staff/child ratio, group size, and care giver qualifications and are included in most state and federal regulations.

It has been assumed that, within limits, a smaller number of children per care giver lowers the risk of damage and increases the opportunity for successful stimulation of the child's cognitive, emotional, and social development.

It has also been assumed that an upper limit on group size is required both for safety and for the creation of a properly supportive environment for growth.

Finally it has been thought that a well-trained, experienced care giver will, through her or his behavior, produce positive outcomes for children while minimizing negative outcomes.

Many other regulatable and nonregulatable characteristics of center care have also been assumed to contribute to quality. Among these are the amount and type of space; materials and equipment; qualifications and skills of the director and of staff other than care givers; the amount and nature of parent involvement; availability of supplementary services to children and families; center philosophy and educational programs.

(National Day Care Study<sup>7</sup>)

The National Day Care Study was conducted in January 1978 to assess the quality of the child's experience and some of the consequences of that experience both for the child's development and for costs.

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The issues for centers are:

1. Low pay - which is the result of high program costs and low revenues.
2. Caregiver to child ratio - which overloads the caregiver and gives less care to the children.
3. High turnover of staff - lack of consistency of care for children, difficulty in providing training.
4. Limited training - initially and OJT.
5. Limited space - not a good environment for children or adults.
6. Food - rising costs, adequate nutrition, adequate amounts.
7. Equipment - enough for all children, enough variety, age appropriate.
8. Supplies - enough to provide varied activities.

Day care home issues are:

1. Long hours for care givers.
2. Limited mobility hard to take all kids outside, or away from house, may have to pay for another care giver in order to get out.
3. Limited training - initially, almost no training OJT.
4. Limited space - sometimes.

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5. Limited equipment - due to lack of space and funds.

Issues for infant care are:

1. High staff per child ratios - needed.
2. Small group - size, separate facilities for sleeping, no more than two under two in homes.
3. Longer hours for staff - to provide consistency of care.
4. Specialized care - frequent feeding, changing, holding.

Issues for children two and over are:

1. Need for sufficient space in safe environment.
2. Need for developmentally appropriate materials, enrichment experiences, and variety during the day.
3. Need for consistency of care, trained care givers.
4. Need for moderate group size.
5. Need good nutrition in sufficient amounts, exercise, some outdoor play.

### Analysis of Daycare Costs

In the NDCS (National Day Care Study<sup>7</sup>) financial analysis was used to determine how the per-child cost of center-based care is affected by variations, such as staff per child ratio, group size, and staff qualifications.

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This national study completed in January 1978 shows an average monthly resource cost per full time equivalent (FTE) child as \$161. Resource costs per child include the value of donated time, space, and material.

Table 10

### U.S. MONTHLY COST PER FTE CHILD

<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
<u>\$161</u>	<u>\$80</u>	<u>\$310</u>
Personnel	\$107 monthly per child	64%
Occupancy	22 monthly per child	14%
Supplies, Equipment & Food	<u>32</u> monthly per child	19%

\$161 Average Cost/Child/Month

The average monthly resource income was about \$165 per child in the centers studied. Slightly more than half of the centers in this study were primarily dependent on parent fees, the rest were primarily dependent on government payments.

The greatest variation in costs is due to ratio of care givers to children, ratio of non-care giving staff to children, and average center wage rates. Group size does not have an impact on cost per child. Care giver qualifications have a modest effect because they are tied to wage rates.

Table 11

CAREGIVERS BY AMOUNT OF TIME EMPLOYED

	<u>Centers</u>	<u>Homes</u>	<u>Total</u>
Full Time	226	107	333
3/4 Time	42	1	43
1/2 Time	70	3	73
1/4 Time	<u>49</u>	<u>2</u>	<u>51</u>
Totals	337	113	300

The care giver/child ratio has the most substantial impact on cost per child of any single factor studied. Within the ratios of 1:5 to 1:10 (one adult to five children - one adult to ten children) even small differences in the care giver/child ratio can have a large impact on costs.

A link has not yet been established between the provision of specific kinds of services and per child costs, though the ratio of non-care givers to children is significantly related to costs. Non-care givers include administrators, cooks, janitors, drivers, nurses and others.

The average wage rate is significantly affected by the educational level of staff as well as duration with the program. The mix or ratio of teachers and aides is also a factor. The presence or absence of specialization in a child related area does not appear to affect the wage rate, over and above the impact of formal education.

The more a center depends on federal funding as opposed to parent fees, the higher its costs are likely to be. This difference between federally funded centers and parent-fee centers is due to higher ratios of care givers and Non-care giving

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staff to children and higher wage rates that prevail in federally funded centers. This may reflect a more rigorous enforcement of the minimum wage law in federally funded centers.

It is clear that these cost factors warrant consideration in establishing a policy of reimbursement rates at both the federal and state levels.

(National Day Care Study<sup>7</sup>)

The UNCO Study<sup>8</sup> was done to examine the quality of federally supported day care in Washington, Oregon, Idaho, and Alaska. In 1973 Alaska was receiving funds for day care through Title XX. The quality of care was examined both from the perspective of state and local agencies which administer federal day care dollars, and from the perspective of the providers who must meet federal standards.

In 1973 Alaska had a different set of licensing regulations which were changed after the Day Care Assistance Program was initiated, ostensibly to make it easier for programs throughout Alaska to be licensed. For example, under the previous regulations a family day care home could not care for more than six children including the providers own children under age twelve. Under the regulations amended in 1977 there can be up to eight children including three of the providers own, if there are children under age two; and up to ten children including four of the providers own, if there are no children under the age of two. The average number of children in the homes that participated in this survey is 6.6 or almost 7 children. Since this survey did not ask homes to distinguish how many children they cared for were their own, we can not accurately calculate what the potential income for homes could be. If two or three children are their own, then day care homes are making even less in income than was estimated.

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The exception to these regulations is the local licensing in Bethel, which define a day care home as four children or less being cared for by persons other than the parent or guardian, by the day, or any part thereof, week, month, or year. A child care center is defined as five or more children.

In the Unco Study in 1973, they sampled: 72 centers - 3,382 children; 270 family day care homes - 1,260 children; 273 in-home care - 664 children. The total number of children supported by federal funds is 1,408.

Based on the information on identified factors that affect costs and quality of care, this study questioned day care facilities about space, food, personnel costs, among other items (Appendix ). Space cost could include rent, utilities, fuel, insurance, janitorial services, or snow removal. Food costs could include food service as well as food. Personnel include care givers as well as non-care giving staff, and employees paid by other programs. Equipment covers major or permanent purchases. Supplies are consumable. These five cost areas were added to give a total program cost per month. This figure was then divided by the total number of full-time-equivalent children (FTE). The resulting figure is average cost per child (FTE) per month.

Table 12

### ALASKAN MONTHLY COST PER CHILD (FTE)

<u>Centers</u>	<u>Minimum</u>	<u>Maximum</u>
\$245	\$92	\$746
<u>Homes</u>		
\$312*		

\*If homes paid minimum wage.

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Centers average 39 square feet per child which is barely more than the minimally licensable standard. We suspect that several centers and homes do not meet the minimum standards.

According to the responses to this study, centers had average costs for food service per child (FTE) of less than \$1.00 per day (\$21/month in centers and \$42/month in homes). Since this figure includes costs besides food, even with economies of scale it would appear that children in many centers do not eat well, and children in homes eat better. This is lower than the Anchorage high school lunch at \$1.25, which is significantly higher than the amount paid by the centers below the average.

According to the survey, half the programs reporting, both homes and centers, participate in the USDA food reimbursement program, yet this did not raise the standard.

Staff, including administrators, working in centers get slightly more than minimum wage. Only one third have been there more than a year. These high turn over rates have a strong impact on children.

Only 34 percent offer paid training or training during working hours.

Staff to child ratios in some homes and centers does not meet minimal licensing standards unless there are volunteers or staff paid by other sources that the program did not report. It appears that many homes, and some centers have reported more children than licensing allows. (If there were more licensing staff in DSS, these violations would possibly be less common.)

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Only 24 percent of center staff and 18 percent of day care homes providers reported to have a degree. Unless degrees are in fields directly applicable to care of young children or care of young children in groups, they are of limited value. Fields which directly apply are early childhood education, elementary education, special education, home economics with child development, nursing, and to a limited degree recreation, psychology, sociology, library science, nutrition and health.

### Training

Forty-nine programs or 34 percent provide some kind of training during working hours, or paid training.

Table 13

#### Staff With Certificates or Degrees

	<u>Centers</u>	<u>Homes</u>	<u>Totals</u>
Child Development Associate (CDA)	9	1	10
Associate of Arts (AA)	9	6	15
Bachelor of Arts (BA)	47	12	59
Graduate Study	<u>26</u>	<u>2</u>	<u>28</u>
TOTAL	91	21	112

(This information was self reported, so may be inflated. For example, only two people in Alaska have received a national CDA certificate and ten received a CDA certificate from Alaska Methodist University.)

Projected Costs for Quality of Care Payments

The annual budget increase for DCAP subsidy if quality of care payments were applied would be \$116,496 affecting 461 existing participants affected (although parents would not be financially involved directly, and no participants would be new). This projection is based on estimates of the number of facilities qualifying at each level multiplied by the number of infants and children involved.

These numbers were multiplied by the amount of additional subsidy proposed, or 5 percent for Level I, 10 percent for Level II, and 15 percent for Level III.

Table 14

<u>Projected No. of Children Per Level</u>				<u>Subsidized by DCAP</u>
Level I	15 Centers x 63	=	945	= 246
	25 Homes x 6.6	=	165	= 43
Level II	6 Centers x 63	=	378	= 98
	10 Homes x 6.6	=	66	= 17
Level III	3 Centers x 63	=	189	= 49
	5 Homes x 6.6	=	33	= <u>9</u>
				462

IV. Justification and Projections for Alteration of the Infant to Child Subsidy Ratio

This category is added at this point, because there is a significant variance between the charge for infants and

the cost for caring for infants. The additional cost can be determined, using the child rate as a base, by adding proportionally the items requiring extra costs. In day care facilities, the two largest budget items are staff and space. Both require additional costs for infants over children.

The staff for infants, as required by regulations, is one care giver for every five infants.\*\* However, the staff ratio for children two and over is only one to ten. Therefore, the law requires that the staff be twice as large for infant care. Staff costs can be up to 80 percent of total overhead in a day care facility.

The space requirements are also larger for infants than children. The requirement for both is 35 square feet per participant. However, the regulations mandate that space for a crib be provided for each infant over and above the 35 square feet.

State regulations require higher staff and space ratios\*, consequently, the day care facility should be reimbursed accordingly.

If cost is set at 150 percent, the resulting figures would mean a \$66 increase over the present rate of \$330. The total annual budget increase at the average of 80 percent subsidy, would be \$163,464 assuming the same number of infants enrolled, 258 statewide.

<u>Additional Children Served</u>	<u>Additional Annual Cost</u>
0	\$163,464

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\* Anchorage regulations are even more costly.

\*\* Many centers only maintain 3 or 4 infants per caregiver, since it is extremely stressful for infants and staff.

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V. Projecting Different Ratios for Home and Centers

The possibility that the day care centers would be less expensive to operate because of economies of scale was added during this study.\* If sufficient data supported this, or its reverse, then differential rates could be recommended.

No such difference was found. This is primarily due to average costs for homes being significantly under-reported because most day care homes could not report what they made as a salary. Current practice is to collect fees, pay for space costs, food, equipment, and supplies, and the rest is profit or wages.\*\* As a comparison minimum wage is figured. Most day care homes have children for more than ten hours because some arrive as early as 7:00 am and some don't get picked up until 6:00 pm or later. Therefore, 10 hours x 22 days = 220 hours per month x \$3.85 minimum wage = \$847. per month.

- 
- \* Some expense items were discovered that did not fit into major cost categories. These include accounting and bookkeeping, medical, legal, and educational consultants, advertising, fund raising, bank charges, tax penalties, depreciation, field trips, transportation, laundry, etc.
  - \*\* Only 7 to 105 homes reported monthly personnel costs which are: \$1, \$15, \$200, \$270, \$350, \$366, \$4,000.

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Average costs per home:	Space	\$621*
	Food	280
	Equip.	50
	Suppl.	847
	<b>Total Average Costs</b>	<b>\$1,846</b>
	Minimum Wage	847
	<b>MINIMUM TO OPERATE</b>	<b>\$1,846</b>

Assuming a home is paid for:	2 infants x \$330	= \$660
	3 children 264	= 792
	<b>INCOME PER MONTH</b>	<b>\$1,452</b>
	6 children x 264	= \$1,584
	<b>INCOME PER MONTH</b>	<b>\$1,584</b>

In other words, a day care home cannot earn sufficient income to pay the owner minimum wage. This is based on averages. In practice, the homes that have higher expenses, often an indication of raised quality of care, are even less cost effective.

For centers, the number of full time equivalent staff (FTE) is found by taking all full time, 3/4 time, 1/2 time and 1/4 time staff added together to equal the number of staff if all were working full time.\*\*

This number is divided by the number of centers to obtain an average number of staff per center working full time. Full time is eight hours per day.

The monthly personnel cost is divided by this number to get the average monthly salary for someone working in a center.

\* This figure is based on whole house excluding bathrooms, kitchen, halls, garages. According to I.R.S. regulations, one-half this cost is deductible. Therefore, \$310 could be substituted, leading to \$1535 in projected cost minimum.

\*\* Additional indirect costs for time spent on training are noted by the findings of this study that two-thirds of day care homes have staff who have been there more than one year. Only one-third of center staff have been there more than one year.

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295 FTE Staff + 57 Centers = 8 FTE Staff per center (avg.)

$$\$6,917 \frac{\text{No. Personnel Cost}}{\text{Per Center}} + 8 \frac{\text{FTE Staff}}{\text{Per Center}} = \$864.62 \text{ Avg.No. Salary}$$

This is \$4.61 per hour which is somewhat better than minimum wage.

The Table 15 lists the difference between the major expenditures or centers and homes per each equivalent of a full time participant. Homes appear to spend slightly more, on average. The difference is 17 percent.

Table 15  
Average Monthly Cost Per Child (FTE)<sup>1c</sup>

<u>Requirements</u>	<u>Centers</u>	<u>Homes</u>
Space	\$ 19.83	\$112.83
Square Feet	39	168
Food	\$ 21.13	\$ 41.38
Personnel	\$113.56	\$ 31.35 <sup>**</sup>
Equipment	\$ 2.88	\$ 2.27
Supplies	<u>\$ 4.54</u>	<u>\$ 7.18</u>
TOTAL	\$161.00	\$195.00

\* FTE - Full Time Equivalent is based on 2 part time infants or children (5 hours or less) equal to 1 full time infant or child.

\*\* This figure is questionable since only 7 homes of 105 reported any personnel costs and the low and high figures reported are so extreme.

Table 16

Average and Extremes Reported by Homes and Centers

37 Centers

<u>Description</u>	<u>Mean</u>	<u>Minimum</u>	<u>Maximum</u>
Monthly Space Costs	\$1,455	\$40.00	\$5,800
Square Footage	2,553 sq.ft.	350 sq.ft.	8,400 sq. ft.
Monthly Food Cost	\$1,334	\$45.00	\$5,500
Monthly Personnel Cost	\$6,917	\$100	\$36,300
Monthly Equipment Cost	\$ 235	\$ 20	\$ 833
Monthly Loan Pmts. - Equipment	\$ 166	\$111	\$ 425
Initial Layout - Equipment	\$7,273	\$174	\$25,000
Monthly Supply Costs	\$ 315	\$ 10	\$3,000
FTE - Children	63	10	238

105 Homes

<u>Description</u>	<u>Mean</u>	<u>Minimum</u>	<u>Maximum</u>
Monthly Space Costs	\$621*	\$60	\$1,500
Square Footage	878 sq.ft.	500 sq.ft.	2,400 sq. ft.
Monthly Food Cost	\$280	\$16	\$ 900
Monthly Personnel Cost	\$164**	0	\$4,000
Monthly Equipment Cost	\$ 50	\$ 5	\$ 350
Monthly Loan Pmts. - Equipment	\$149	\$50	\$ 354
Initial Layout - Equipment	\$751	\$30	\$15,000
Monthly Supply Costs	\$ 48	\$ 5	\$ 325
FTE - Children	6.6	.8	14**

\* This figure is questionable since only 7 homes of 105 reported any personnel costs and the low and high figures reported are so extreme

\*\* A home that self reported 8 full time and 12 part time children which is apparently in violation of licensing regulations.

Table 17

Participation in USDA Food Reimbursement Program

22 Centers or 59.5% of all Centers reporting

49 Homes or 46.7% of all Homes reporting

Table 18

Centers or Homes with Sick or Annual Leave

21 Centers or 56.8% of all Centers reporting  
4 Homes or 3.8% of all Homes reporting

VI. Revision of the Subsidy Formula

Certain inequities are caused by the existing formula used by the DCRA. The result of the application of these guidelines is that some individuals do not receive a fair share of subsidy, while others probably receive a more than equal share. Which category they belong to is quite accidental.

The following table is a rate chart for Anchorage.

Table 19

Department of Community and Regional Affairs  
Day Care Assistance Program -- Subsidy Schedule  
for the Base Economic Region

<u>Monthly Adjusted</u> <u>Net Income</u>	<u>State Subsidy of</u> <u>Day Care Costs</u>
\$ 0 - 533	100%
534 - 633	90%
634 - 733	80%
734 - 833	70%
834 - 933	60%
934 - 1033	50%
1034 - 1133	40%
1134 - 1233	30%
1234 - 1333	20%

Specific inconsistencies include:

1. 10 percent income categories;
2. Non-participation below 20 percent;
3. Arbitrary income eligibility figures;
4. Non-uniform weighting for poverty.

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Item one, use of 10 percent income categories, means that a parent's payments can vary by \$26.40 per month, depending on one dollar difference in their adjusted income (using Anchorage child rate as a base).

Item two, non-participation below 20 percent, doubles the inequity of item one for people with an adjusted monthly income of \$1,334 (Anchorage) or a monthly loss of \$52.80 in subsidy for one additional dollar in adjusted income.

Item three, inconsistent income eligibility figures, causes individuals to be placed arbitrarily in payment categories, in an inequitable manner. The income categories in Anchorage are in \$100 increments rather than on a percentage or some other equal method.

Item four, inequitable poverty weighting, makes a subsidy for individuals in the lowest income categories higher than is proportional to those in higher income categories.

A formula that reduces these inequities has been developed in this study. The revised payment, income categories, and weighting are listed in the following table, using Anchorage as a base and the current maximum eligible income. This formula is intended to represent a method of arriving at subsidy amounts. Poverty weighting can be adjusted within the formula to provide greater assistance for any income group. Table 20, in fact, provides less subsidy to some low income categories than the existing subsidy scale, but the difference is small.

Table 20  
Revised Formula  
Using Existing Income Maximum for Anchorage

<u>Percent</u>	<u>Adj. Mo. Income of Parent</u>	<u>Poverty Weighting</u>	<u>Parent's Proposed Payment</u>	<u>Proposed Subsidy</u>
100	\$ 0 - 77	0	0	\$264
95	78 - 153	.05	0*	264
90	154 - 230	.1	0*	264
85	231 - 307	.15	0*	264
80	308 - 383	.2	11	253
75	384 - 460	.25	17	247
70	461 - 537	.3	24	240
65	538 - 613	.35	32	232
60	614 - 690	.4	42	222
55	691 - 767	.45	53	211
50	768 - 843	.5	66	198
45	844 - 920	.55	80	184
40	921 - 996	.6	95	169
35	997 - 1073	.65	112	152
30	1074 - 1150	.7	129	135
25	1151 - 1226	.75	149	115
20	1227 - 1303	.8	169	95
15	1304 - 1380	.85	191	73
10	1381 - 1456	.9	214	50
5	1457 - 1533	.95	238	26
0	1534 +		264	0

\* Payments dropped as too small to collect administratively.

This formula makes the assessment of subsidy more equitable than current tabulations, to a level as close to equity as administrative constraints permit. Also, it is one that allows for easy and predictable alteration of payment amounts based on a change of circumstances, including:

1. Change in the State's median family income;
2. Change in the total funding for the program;
3. Change in the relative payment between age groups;
4. Change in the absolute payment amount for any particular income group;
5. Change in the case payment rate to day care providers.

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The specific methods for removing or reducing the problems with the existing formula are as follows:

Item One: This is a change from a 10 percent subsidy categories to 5 percent categories. This level was chosen as the smallest practical. A smaller figure would more equitably convey the program benefits and liabilities, but would be administratively more difficult for the department, contracting municipality, day care facility, and parent, and is consequently not likely to be cost effective.

Item Two: Non-participation below 20 percent subsidy was altered to participation down to 5 percent subsidy (although the actual dollar sum to be subsidized may be too small to be warranted, and can be dropped for administrative reasons).

Item Three: The use of arbitrary income eligibility figures has been replaced by straight line, equal income categories. To use the revised formula, the State needs only to establish the upper level of family income that is to receive a minimum of 5 percent subsidy of their child care costs. If the median family income is chosen for this figure, then it can be annually calculated, even predicted with some accuracy.

Item Four: The arbitrary one-increment poverty weighting has been replaced by a graduated, across the board scale. A straight-line five percent would make payments by those in the lowest category a higher percentage of their income. In some cases it would make it more cost-effective to accept Aid to Families with Dependant Children than to work and pay the child care costs, even where those costs are subsidized by DCAP.

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The new formula used as an example weighting for ability to pay by adding responsibility for an additional 0.05 percent of the increment of subsidy, as the income rises to each income category.

Projected subsidy payments of the formula can be easily accomplished for any maximum payment levels. Budget projections can also be made, but these are contingent upon assumptions made about additional eligibility. The total budget projection using current payment maximums is \$3,116,248. Table 20 shows the method of calculation for Anchorage children leading to a total of \$85,508 monthly, or \$1,026,096 yearly. \$1,533 is used as the maximum because it is the "ghost" figure that would be the maximum if the existing table were extended to zero percent. Using this table as a base, the Anchorage infant budget is projected at \$329,472 ( $\$1,026,096 \div 405 \text{ FTE} = \$2,534 \text{ average} \times .25 \text{ infant increase} = \$634 + 2,534 = \$3,168 \text{ average infant} \times 104 \text{ FTE}$ ). Since Anchorage represents 43.5 percent of the statewide budget, the total statewide annual projected cost is \$3,116,248 or \$82,152 less than current DCAP budgets. Obviously, application of this would remove money from the participants. Adjustment of the formula could replace this amount, as desired by the State.

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Table 21  
Anchorage Child Projections by Revised Formula

<u>Percent</u>	<u>Adj. Mo. Income of Parent</u>	<u>Proposed Subsidy</u>	<u>% Participating Population</u>	<u>FTE (75% of # Enrolled)</u>	<u>Proposed Subsidy</u>
100	\$ 0 - 77	264	11.8	48	\$12,672
95	8 - 153	264	10.0	41	10,824
90	154 - 230	264	8.1	33	8,712
85	231 - 307	264	5.1	22	5,808
80	308 - 383	253	3.8	15	3,795
75	384 - 460	247	3.8	15	3,705
70	461 - 537	240	4.5	18	4,320
65	538 - 613	232	4.8	19	4,408
60	614 - 690	222	4.8	19	4,218
55	691 - 767	211	5.0	20	4,220
50	768 - 843	198	5.8	23	4,554
45	844 - 920	184	7.2	29	5,336
40	921 - 996	169	6.0	24	4,056
35	997 - 1073	152	5.3	21	3,192
30	1074 - 1150	135	3.9	16	2,160
25	1151 - 1226	115	3.1	13	1,495
20	1227 - 1303	95	2.5	11	1,045
15	1304 - 1380	73	2.0	8	584
10	1381 - 1456	50	1.5	6	300
5	1457 - 1533*	26	1.1	4	104
0	1534 *	0			
			<u>100.3</u>	<u>405</u>	<u>\$85,508</u>

\* 1333, expanded

Calculation of costs of the new formula, assuming that there was equal participation by income groups, would be \$56,194 monthly for Anchorage children.\* The infant amount for Anchorage would then be \$18,070.\*\* The total Anchorage monthly budget is then projected to be \$74,264 or \$891,168 annually. Since Anchorage represents 43.5 percent, the statewide budget would be \$2,048,662 or \$1,250,738 less than the current DCAP budget. In fact, however, participation is not uniform by income categories.

\* 405 FTE children ÷ 20 = 20.25 FTE per income category, multiplied by proposed subsidy amounts = \$56,194.

\*\* 56,194 ÷ 405 participants = \$139 per child × 104 infants = \$14,456 × .25 additional rate difference = \$3,614 ÷ 14,456 = \$18,070.