



## San Francisco County Individualized Child Care Subsidy Pilot Project Brief



Fiscal Year 2016-2017

# Introduction

The San Francisco County Child Care Subsidy Pilot Project (the Pilot), implemented in September 2005, was introduced as a means to explore solutions to the problems that the state's "one-size-fits-all" child care subsidy system presents to high cost counties. The Pilot has allowed San Francisco County to address two concerns: first, that families barely earning enough to meet the high costs of living in the county were nevertheless considered too high income to qualify for child care subsidies; and second, that the state reimbursement rates for child care providers authorized under Title 5 of California's Code of Regulations (Title 5 providers) were so low that contractors could not cover their costs, and therefore, were unable to utilize their full allocation of state and federal child care and child development funds. At the start of FY 16/17, San Francisco County was authorized to implement the plan indefinitely.

In February 2017, the California Department of Education (CDE) Early Education Support Division approved modifications to the Pilot. These changes include:

- Increasing the family eligibility income threshold for CSPP, CCTR, CAPP, and CalWORKs Stages 2 and 3 from 70 percent to 85 percent of the state median income (SMI);<sup>1</sup>
- Authorizing 24 months of eligibility for families entering subsidized care as long as their income does not exceed 85 percent of SMI;
- Authorizing 12 months of eligibility within a 24 month period for families who report that their only need is seeking employment; and
- Authorizing eligibility for the CSPP programs for children who turn 3 years old by or before December 1st.

Because these changes are in the early stages of implementation, this report will not include measures evaluating these modifications.

## Main Contract Types

- **California Center Based General Program (CCTR):** Direct service program for infants/toddlers and school-age children.
- **California State Preschool Program (CSPP):** Direct service program for preschool-age children.
- **Alternative Payment (AP):** Vouchers that allow flexibility in choosing family child care, center-based care, or license-exempt care. AP programs are not evaluated using earnings and family fee data. Only demographic data is provided for these programs.

<sup>1</sup>As of February 15th, 2017, the eligibility for these programs is 85 percent of SMI statewide.

## Legislative Timeline

SB 701 created the San Francisco County Child Care Subsidy Pilot Project in September 2005.

AB 1610 extended the Pilot to June 30, 2013.

AB 260 extended the Pilot to June 30, 2016.

AB 104 repealed the sunset date in June 2015, allowing SF to implement the Pilot indefinitely.

CDE approved modifications to the Pilot in February 2017.

# Introduction

This brief contains information on the efficacy of the Pilot components in meeting the needs of children and families in San Francisco. This evaluation is structured around four main goals of the pilot.



**1. Increase the stability of Title 5 center-based child care and development services contractors and the families they serve.**



**2. Increase the percentage of contracts earned by providing funding flexibility.**



**3. Increase the ability of contractors to efficiently manage their contracts and maximize enrollment through enhanced technical assistance.**



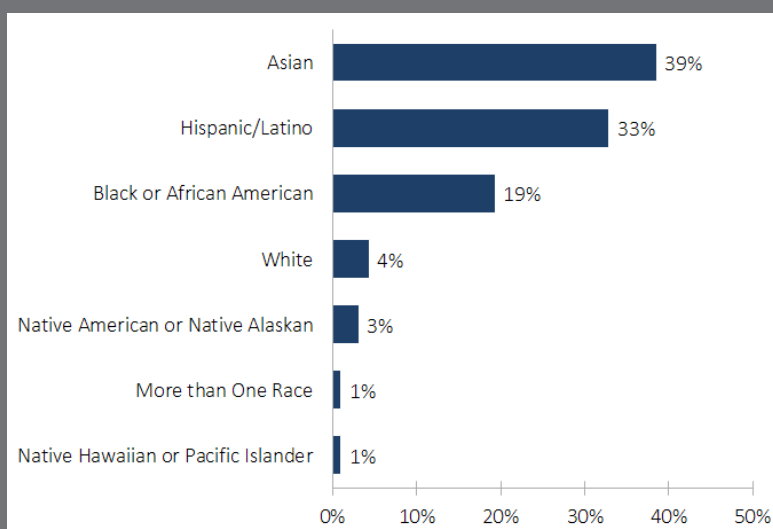
**4. Use a centralized eligibility list (SF3C) to maximize enrollment to serve families of highest need.**

# Children Served by Pilot Programs

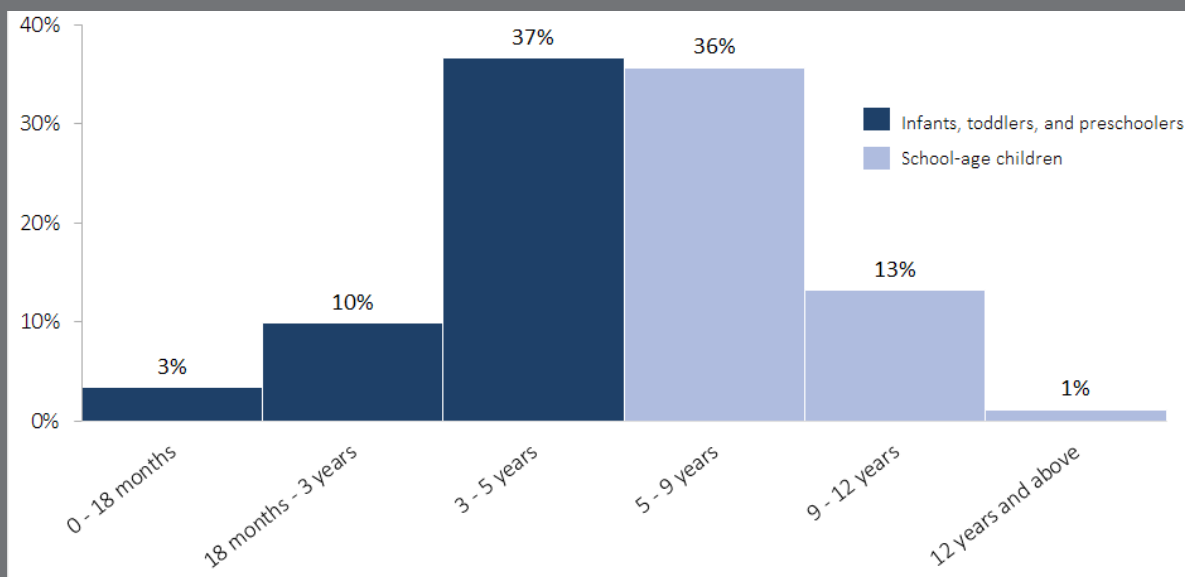
7,506 San Francisco children received care in April 2017.

Contract Type	Number of Children Receiving Care	Percent of Children Receiving Care
CSPP	2,977	40%
CCTR	2,730	36%
AP	1,799	24%
<b>Total</b>	<b>7,506</b>	<b>100%</b>

Almost 75 percent of children served were Asian or Hispanic/Latino.



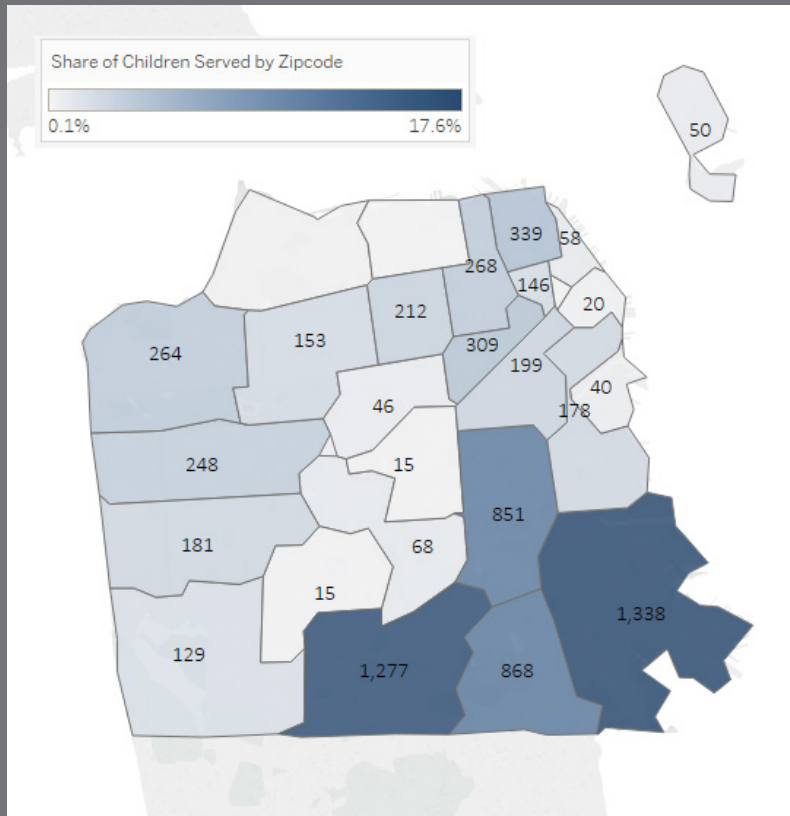
37 percent of children served were ages 3 to 5.<sup>2</sup>



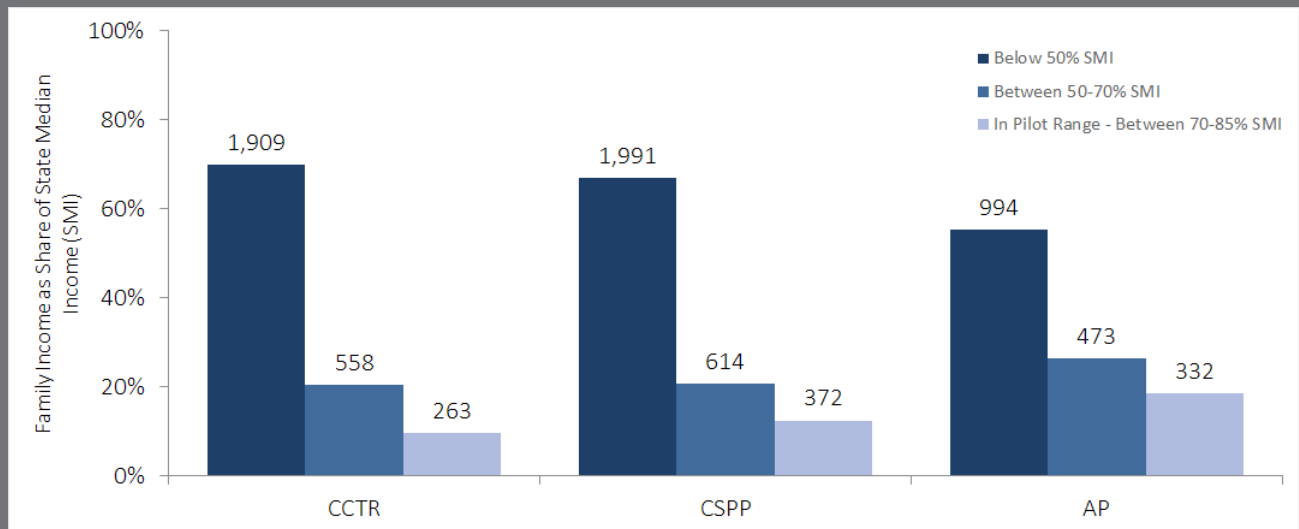
<sup>2</sup>Age categories include first age listed and exclude second age. For example, "3-5 years" means children ages 3 to 5, not including 5 year olds.

# Children Served by Pilot Programs

Over half (57%) of the children served in Pilot programs resided in just four zip codes: 94112, 94124, 94134, and 94110.



13 percent of children served were in the pilot range, with the majority of children (65 percent) from households under 50 percent of the State Median Income (SMI).



# Goals and Measures



## Goal 1: Increase the stability of Title 5 center-based child care and development services contractors and the families they serve.

**Measure 1.1: The number of active direct services child care and development services contractors in San Francisco County.**

**Table 1: Direct Service Contractors, Comparison Counties<sup>3</sup>**

Year	Marin County	Alameda County	Santa Clara County	San Francisco County
FY 04/05	8	41	31	30
FY 16/17	9	33	29	28
<b>Share Lost</b>	<b>0%</b>	<b>20%</b>	<b>7%</b>	<b>7%</b>

Source: California Department of Education, Child Development Division

San Francisco County had 28 contractors serving eligible children in FY 16/17, four more than in FY 15/16, but still two less than in FY 04/05. While Alameda County continued to have 33 active contractors, Santa Clara County lost one contractor in FY 16/17.

**Measure 1.2: The number of children still eligible at recertification due to the Pilot income threshold.** AP providers were most likely to serve children in the pilot income range. Overall, the percent of children served in the Pilot range increased by 3 percent in FY 16/17 when compared to FY 15/16.

**Table 2: Children in the Pilot Range**

Contract Type	Number of Children Receiving Care	Number of Children in the Pilot Range	Percent of Children in the Pilot Range
CSPP	2,977	372	12%
CCTR	2,730	263	10%
AP	1,799	332	18%
<b>Total</b>	<b>7,506</b>	<b>967</b>	<b>13%</b>

Source: Contractors submitted attendance and fiscal reports and contracts.

**Measure 1.3: The number of children still enrolled the next year.** A goal of the Pilot is to increase stability of child care for families. Of children enrolled in April 2016, 57 percent were still enrolled in April 2017. This reflects a 2 percent increase from the number of children enrolled in April 2015 who remained in care in April 2016. The total number of children excludes those expected to exit due to aging out of care. We expect to see an increase of children still enrolled next year as a result of 24-month eligibility, approved as part of the Pilot in February 2017.

**Table 3: Compared to Previous April, Children Still Enrolled a Year Later**

Enrollment	FY 15/16		FY 16/17		% Change
	#	%	#	%	
Still Enrolled	3,990	55%	4,020	57%	2%

Source: Contractors submitted demographic data (801A census forms) from April 2016 and 2017.

<sup>3</sup> Alameda County (2015) and Santa Clara County (2016) were authorized to implement an individualized child care subsidy plan. Alameda County began implementing its plan in 2016. Santa Clara County is currently waiting for approval of its plan from CDE.

# Goals and Measures

## **Goal 2: Increase the percentage of contracts earned by providing funding flexibility.**

**Measure 2.1: The amount of unearned direct service contract funds returned to CDE.** In FY 16/17, 15 percent of direct service contract allocations were relinquished by direct service contractors. The majority of Pilot contractors fully earned or came close to earning their contracts. Eighty-eight percent of the unearned funds came from four contractors. See the discussion section on page 10 for further information on relinquished funds.

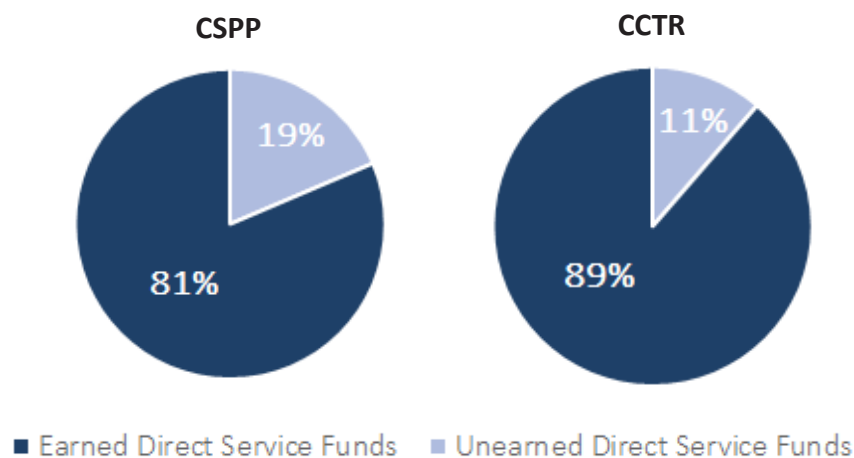
**Table 4: Unearned Direct Service Funds in Dollars and as a Percentage of Total Direct Service Funds**

Year	Unearned Direct Service Funds
FY 04/05	\$945,328 (2%)
FY 14/15	\$5,554,352 (11%)
FY 15/16	\$7,710,398 (16%)
FY 16/17	\$8,835,057 (15%)

Source: Contractors submitted attendance and fiscal reports and contracts, final maximum reimbursement contract dollars from CDE.

For FY 16/17, about 55 percent of total direct service funds were allocated to CSPP programs, but a majority (67 percent) of all unearned funds can be attributed to CSPP. The total amount of unearned funds for CSPP programs was \$5,898,351, which was about 19 percent of the total direct service funds allocated to CSPP programs. The amount of unearned funds in CCTR programs totaled \$2,936,706, or 11 percent of total direct service funds allocated to CCTR programs.

**Figure 1 and 2: Percent of Earned and Unearned Direct Service Funds by Contract**



Source: Contractors submitted attendance and fiscal reports and contracts, final maximum reimbursement contract dollars from CDE.

# Goals and Measures



## Goal 2: Increase the percentage of contracts earned by providing funding flexibility.

**Measure 2.2: The aggregate adjusted child days of enrollment (cdes) among Pilot contractors.** The baseline is adjusted each year to reflect contract fluctuations.<sup>4</sup> In FY 16/17, cdes constituted about 89 percent of the baseline, 1 percentage point lower than the previous fiscal year. Table 5 shows the earned child days of enrollment for participating contractors.

**Table 5: Earned Child Days of Enrollment at Participating Direct Service Contractors**

Year	Adjusted Baseline	Earned Child Days	Percent of Baseline
FY 04/05	1,506,588	1,506,588	100%
FY 14/15	1,298,770	1,220,406	94%
FY 15/16	1,354,036	1,216,153	90%
FY 16/17	1,354,610	1,202,530	89%

Source: Contractors submitted attendance and fiscal reports and contracts.

<sup>4</sup>The FY 16/17 baseline was calculated by multiplying the FY 04/05 adjusted baseline by the FY 16/17 contracted cde divided by the FY 04/05 contracted cde.



# Goals and Measures



## Goal 3: Increase the ability of contractors to efficiently manage their contracts and maximize enrollment through enhanced technical assistance.

**Measure 3.1: The share of contractors projecting earnings and the share of contractors adjusting contracts based on projections.** Children’s Collabrium, the technical assistance consultant for the Pilot, examines whether contractors are completing monthly projections. During each of these months in FY 16/17, 100 percent of contractors submitted projections.

During FY 16/17, intensive TA was provided to the following:

- Telegraph Hill Neighborhood Association
- Associated Students of San Francisco State University
- City College of San Francisco
- Kai Ming Inc.

Each year, the Pilot assists contractors in conducting end of fiscal year adjustments. This year, Children’s Collabrium assisted Telegraph Hill Neighborhood Association with tracking attendance for state reporting. Additionally, Children’s Collabrium worked with the Associated Students of San Francisco State University to plan hours of operation around the child days of enrollment needed to earn their contract. The Children’s Collabrium also provided the City College of San Francisco assistance with a contract capacity assessment to determine how earnings would be affected by licensed capacity and staffing. Finally, the Children’s Collabrium offered intensive training to Kai Ming Inc. enrollment staff on required documentation for children in care.

**Measure 3.2: Change in the share of unearned funds among contractors receiving enhanced technical assistance.** This measure is calculated based on the share of unearned funds for contractors who received intensive technical assistance in FY 16/17 compared to the share of unearned funds for these same contractors in FY 09/10 (the first year of enhanced technical assistance and the CSPP contract).

Contractors receiving intensive technical assistance had lower shares of unearned funds than other contractors. The share of unearned funds in FY 16/17 rose for all contractors - including those who received intensive TA - as compared with FY 09/10.

**Table 6: Unearned Funds Among Contractors Receiving Intensive Technical Assistance, FY 16/17 compared to FY 09/10**

	FY 09/10		FY 16/17	
	Unearned Funds	Share of Total Funds	Unearned Funds	Share of Total Funds
All Contracts	\$3,839,456	6.8%	\$8,835,057	15%
Intensive TA*	\$282,380	0.5%	\$551,313	1%

Source: Contractors submitted attendance and fiscal reports and contracts.

\*Two of these contractors had both CSPP and CCTR contracts. Thus, the table above represents six contracts accordingly.

# Goals and Measures



## Goal 4: Use a centralized eligibility list (SF3C) to maximize enrollment to serve families of highest need.

**Measure 4.1: Income of enrolled subsidized families in San Francisco compared to San Mateo.** This measure relies on 801A reports provided by San Francisco and San Mateo Pilot contractors in two years: 2010 and 2017. The first year, 2010, represents a period when the Centralized Eligibility List (CEL) was established in both San Francisco and San Mateo. The second year, 2017, represents the most current data available and a period during which only San Francisco maintained a centralized database, known as San Francisco Child Care Connection, or SF3C. A higher share of children served were from families with income below 50% of the SMI in San Francisco than in San Mateo (see table below). Although San Francisco experienced a decrease in the share of families with income below 50 percent SMI compared to 2010, San Mateo experienced a 20 percent decrease. This may indicate that the SF3C has a significant role in reaching more families in need.

**Table 7: Comparison of Income for Direct Service Children in San Francisco and San Mateo Counties, 2010 and 2017<sup>5</sup>**

	Mean Income	Median Income	Share with Income Below 50% SMI
<b>San Francisco County:</b>			
2010	\$1,906	\$1,822	75%
2017	\$2,066	\$2,000	65%
Change	+\$159	+\$178	<b>-10%</b>
<b>San Mateo County:</b>			
2010	\$1,456	\$1,289	77%
2017	\$2,399	\$2,253	57%
Change	+\$943	+964	<b>-20%</b>

Source: Contractors submitted demographic data (801A census forms) from 2010 and 2017.

<sup>5</sup>The numbers calculated for San Mateo County does not reflect final data.

# Discussion

There are several factors contributing to high under-earning of San Francisco Title 5 contracts this year:

- The Standard Reimbursement Rate (SRR) is inadequate to cover the cost of providing quality early care and education services in San Francisco. Over the last decade, SRRs have been held at levels more than 7 years behind the current market. While there have been modest increases provided in the past two state budget agreements, we are still estimated to be nearly \$1 billion behind the current market costs for both the SRR and the Regional Market Rate. This causes reduced access to services for families and erodes the total supply of early care and education services available in San Francisco as Title 5 programs cannot recruit or retain qualified staff and face an increased budget deficit for every state-subsidized that they serve.
- The increased availability of free Transitional Kindergarten classrooms for 4 year olds has decreased the number of families looking for CSPP spaces.
- Many contractors do not have capacity to fully earn entire contracts but have projects in the pipeline to expand and serve more children/families in the future, some with no concrete timelines.
- There is a staffing crisis in San Francisco. Title 5 providers are having difficulties hiring staff at current wages given the prohibitively high cost of living in San Francisco. Several contractors have classrooms that are unopened because of the inability to recruit qualified Early Childhood Education (ECE) teachers.
- Some families may be unable to access subsidized ECE due to the family fee requirement. For some families living in the low income range, a small family fee charged can make a huge difference to family income even with a sliding scale.

The high share of unearned funds and relatively low earned child days of enrollment reflect some particularly unique challenges for specific contractors this year. These contractors had intended to serve more children and families through an expansion of their programs (e.g., increase in funds and addition of a new child care site), but had struggled to earn their contracts (due to ineligibility of families, troubles with licensing to open new sites). Additionally, the PRR did not cover costs for some contractors, leading to less Title 5 children served.

San Francisco is hopeful that some of these issues will be addressed through the new Pilot allowances, which include 24-month eligibility, 12-month eligibility for seeking employment, and the increase in entrance eligibility to 85 percent of SMI. These changes will allow less churn of families in and out of eligibility, more continuity of care for children, and less open slots waiting to be filled. Other factors that may increase contract earnings include the increase in the SRR, gap funding per state-subsidized child in addition to the SRR, permanent transfers between under-earning and over-earning contractors, and city workforce strategies to increase compensation and recruit more ECE teachers.

# Appendix

**Table A: Mean and Median Income by Contract Type**

Contract Type	Income	
	Mean	Median
CSPP	\$2,044	\$1,962
CCTR	\$2,089	\$2,000
AP	\$2,339	\$2,253
<b>All</b>	<b>\$2,066</b>	<b>\$2,000</b>

**Table B: Number of Children Receiving Part-Time Care by Contract Type and Age**

Contract Type	Receiving Part-Time Care		
	0 - 5 years	6 - 12 years	12 years and above
CSPP	551	-	-
CCTR	174	1,298	11
AP	99	315	32
<b>Total</b>	<b>824</b>	<b>1,613</b>	<b>43</b>

**Table C: Number of Children Receiving TANF/CalWORKS by Contract Type**

Contract Type	Receiving TANF/CalWORKS
CSPP	133
CCTR	88
AP	57
<b>Total</b>	<b>278</b>

# Appendix

**Table D: Average Age of Participants by Contract Type**

Contract Type	Average Age of Participants
CSPP	4.7
CCTR	6.5
AP	5.8
<b>All</b>	<b>5.5</b>

**Table E: Reasons for Receiving Services by Contract Type**

Reason for Receiving Services	CSPP	CCTR	AP	All Direct Services
Employment	1,869	2,282	1,538	<b>4,151</b>
Part-Day CA State Preschool Program	537	0	0	<b>537</b>
Education/Vocational Training	121	169	32	<b>290</b>
Seeking Employment	180	100	41	<b>280</b>
Both Employment and Education/Vocational Training	177	74	109	<b>251</b>
Parent/Caretaker Incapacitated	75	87	67	<b>162</b>
Child Protective Services or At-Risk	14	15	12	<b>29</b>
Seeking Permanent Housing	4	3	0	<b>7</b>

**Table F: Number of Children Receiving Direct Services and AP by Neighborhood**

Neighborhood	All Direct Services	AP
Bayview/Hunters Point	894	430
Hayes/Tenderloin	245	62
Inner Mission/Bernal Heights	683	160
North Beach/Telegraph Hill	292	44
Other	1,405	548
Outer Mission/Excelsior/Ingleside	1,030	220
Sunset	364	62
Visitation Valley	656	199
Western Addition	138	74

# Appendix

**Table G: Length of Participation by Contract Type**

Participation Length Category	CSPP	CCTR	AP	All Direct Services
Less than 1 year	2,015	998	577	<b>3,013</b>
1-Under 2 years	758	524	394	<b>1,282</b>
2-Under 4 years	180	625	828	<b>805</b>
4-Under 6 years	24	385	0	<b>409</b>
6 Years or More	0	198	0	<b>198</b>

**Table H: Average Length of Participation by Contract Type (in Months)**

Contract Type	Average Length of Participation (Months)
CSPP	12.8
CCTR	29.8
AP	21.5
<b>All Direct Services</b>	<b>20.9</b>