

MEMORANDUM

January 12, 2016

TO: Health and Human Services Committee and Education Committee

FROM: Natalia Carrizosa, ^{NC}Legislative Analyst
Office of Legislative Oversight

SUBJECT: Office of Legislative Oversight Report 2016-3 *Child Care in Montgomery County*

The Council released Office of Legislative Oversight (OLO) Report 2016-3: *Child Care in Montgomery County* on July 28, 2015. The report responds to the Council's request for OLO to examine the need for and availability of child care in Montgomery County and review practices in other jurisdictions aimed at promoting access to affordable child care. The Executive Summary for Report 2016-3 appears on ©1-4 and is followed by the response from the Chief Administrative Officer (©5).

The purpose of this worksession is for the Health and Human Services and Education Committees to consider the findings of Report 2016-3. At the worksession, OLO will present an overview of the report. The following representatives of the County Government will be available at the worksession to provide comments and answer questions:

- Uma Ahluwalia, Director, Department of Health and Human Services
- JoAnn Barnes, Chief, Children, Youth and Family Services

The remainder of this packet summarizes OLO's findings and recommended discussion questions.

SUMMARY FINDINGS

The need for adequate and affordable child care is one of the most pressing issues facing working parents and guardians of young children. Child care refers to the care and supervision of children by adults who are not the children's parents and includes care in child care centers and preschools and by babysitters, relatives and other providers. OLO examined data on child care, child demographics and child care subsidies to better understand the need for and availability of child care in Montgomery County. OLO also reviewed practices in other jurisdictions aimed at increasing access to affordable child care. This section summarizes the key findings of the report:

- The Office of Child Care (OCC) of the Maryland State Department of Education regulates some categories of child care but does not regulate others, including babysitters and nannies. Data from the U.S. Census Bureau suggest that unregulated providers represent a large portion of the child care sector.
- More than two children under age five reside in the County for every regulated full-time child care slot, and more than five children under age two reside in the County for every regulated slot. These data

exclude the significant number of unregulated providers in the County, for which specific data are not available.

- Median full-time child care center costs for two young children exceed 20% of incomes for the majority of families in Montgomery County, and costs for one infant exceed 20% of incomes for most single parent families.
- In 2015, the State Child Care Subsidy Program (SCCSP) provided financial assistance for child care to families with annual incomes up to \$40,600, while the County's Working Parents Assistance Program (WPA) subsidized child care for families with incomes up to \$58,000 that were not eligible for SCCSP. In 2015, the maximum WPA income limit was increased to \$74,520 for a family of six or more.
- Current SCCSP payment rates are lower than the rates charged by the vast majority of child care providers in Montgomery County, which is inconsistent with suggested federal guidelines for states' child care subsidy programs.
- In 2015, DHHS implemented new WPA subsidy rates. As a result of these changes, the WPA program will provide increasingly more generous subsidies to its participants than the State provides to the relatively lower-income SCCSP families. To mitigate this disparity, the Council allocated funding to supplement SCCSP subsidies for families in the lowest income brackets in FY16.
- One out of 19 children aged 0-11 in Montgomery County whose family incomes qualify them for Free and Reduced Price Meals (FARMS) received either SCCSP or WPA subsidies on a monthly basis last year. Of those children potentially eligible for WPA subsidies, one out of 44 received a WPA subsidy. Not all potentially eligible children are actually eligible, and not all eligible families are expected to seek subsidies.
- Three geographic areas in the County show both lower levels of regulated child care availability as well as higher need for subsidies compared with other areas. In all geographic areas of the County, there are at least four resident children under age two for every regulated child care slot for this age group.
- The federal government and research organizations recommend several policies and practices for the design of child care subsidy programs to promote access and child care continuity.
- In addition to child care subsidy programs, counties and municipalities in the United States employ a variety of strategies aiming to increase access to child care. Efforts include outreach to parents regarding licensed child care providers, wage supplements to child care workers, and capital and business development assistance for providers. Empirical evidence on the impact of these strategies is limited.

RECOMMENDED DISCUSSION QUESTIONS

OLO offers three questions for the Committees to discuss with Executive Branch representatives:

1. What are the programmatic, policy, and fiscal implications of the County supplementing subsidies provided through the Maryland State Child Care Subsidy Program (SCCSP)?
2. How will the new Working Parents Assistance Program (WPA) income eligibility limits and subsidy tables impact program demand? What is DHHS's strategy for managing potential increased demand given funding constraints?
3. What additional opportunities exist for the County Government to promote access to affordable regulated child care for infants and toddlers (children under age two), particularly in areas with low child care availability and high levels of poverty?

Child Care in Montgomery County

OLO Report 2016-3

December 8, 2015

Executive Summary

The need for adequate and affordable child care is one of the most pressing issues facing working parents and guardians of young children. Child care refers to the care and supervision of children by adults who are not the children's parents and includes care in child care centers and preschools and by babysitters, relatives and other providers. This report responds to the Council's request for an analysis of the need for, and availability of, child care in Montgomery County and to examine initiatives in other jurisdictions aimed at increasing the availability and/or affordability of child care.

Maryland Child Care Regulatory Framework

State law requires that child care providers in two categories, child care centers and family child care homes, be licensed or registered with the Maryland State Department of Education (MSDE). Within MSDE, the Office of Child Care (OCC) in the Division of Early Childhood Development is responsible for regulating child care providers in these two categories.

State regulations exclude several programs that serve children from the definition of child care centers, including facilities that provide residential placements for children, youth camps, schools (before and after care in schools is considered child care), programs that operate for six weeks or less per year, as well as before or after school activities provided or sponsored by schools, scouting, sports, or youth club activities, and certain school-age recreational or supplementary education programs. Additionally, because family child care by definition occurs in a residence other than the child's residence, in-home providers such as nannies and babysitters are excluded from regulations that apply to family child care homes. The table below summarizes the capacity and child-to-staff ratio rules that apply to family child care homes and child care centers. The table also shows that mandated child to staff ratios are significantly lower for younger children, meaning that more staff are required to care for children in those age groups.

Summary of Maximum Capacity and Child to Staff Ratio Standards for Maryland Child Care Providers

Provider category	Maximum child capacity		Child to staff ratio by age			
	Total	Under 2	Under 2	2 years	3-4 years	5 and up
Child care center	NA	NA	3 to 1	6 to 1	10 to 1	15 to 1
Family child care home	8	4*	2 to 1			
Large family child care home	12		3 to 1	6 to 1	10 to 1	12 to 1

*To serve more than two children under the age of two, a family child care home must have an additional adult.

State and County Child Care Subsidy Programs

The State of Maryland and Montgomery County operate separate child care subsidy programs targeted at different populations. The State Child Care Subsidy Program (SCCSP) targets the lowest income families in the State, while the County's Working Parents Assistance Program (WPA) targets families in Montgomery County with incomes that are too high to qualify for SCCSP, but too low to afford child care without a subsidy. In 2015, the State Child Care Subsidy Program (SCCSP) provided financial assistance for child care to families with annual incomes up to \$40,600. For the same year, the County's Working Parents Assistance Program subsidized child care for families not eligible for SCCSP but with incomes below \$58,000.

Child Care in Montgomery County

State regulations establish SCCSP payment rates, or the total amount paid to providers by both the State and families. Payment rates vary among different regions in the State, and expected family copayments vary depending on family income. If a provider charges more than the applicable payment rate, the family may need to pay an additional amount beyond the State-required copayment in order to access care.

A comparison of rates charged by private providers in the County to the SCCSP payment rates reveals that the vast majority of licensed child care centers and registered child care homes charge higher rates than those paid by the SCCSP program. The table below lists the percent of providers in each category that do not charge more than the SCCSP payment rate. Rules for the federal Child Care and Development Block Grant (CCDBG) suggest that states' child care subsidy program payment rates should be at least equal to the 75th percentile of the market rate, meaning that they should equal or exceed the rates charged by at least 75% of providers.

Percentages of Providers in Montgomery County That Do Not Charge More Than SCCSP Rates

Care Type	Under Two Years Old	Ages Two to Five
Child Care Center	10%	10%
Family Child Care Home	10%	4%

Prior to FY16, the County's Working Parents' Assistance Program (WPA) paid subsidies based on 2006 conditions that did not reflect current market rates. DHHS is in the process of implementing new income eligibility tables that will increase the maximum income to \$74,520 as well as new WPA subsidy rates. As a result of these changes, the WPA program will increasingly provide more generous subsidies to WPA families than the State provides to the relatively lower-income SCCSP families. The table below compares the rates paid through SCCSP and WPA to families with two children in care. To mitigate this disparity, the Council allocated funding to supplement SCCSP subsidies in FY16.

Comparison of SCCSP and WPA Weekly Subsidies For Family of Three With Two Children in Care

Care Type	Weekly SCCSP subsidy, family income of \$23,000* (eligible for SCCSP)	Weekly WPA subsidy, family income of \$30,000 (eligible for WPA, new subsidy rates)
Child Care Center		
Under age two	\$178 or \$196	\$236
Ages two to five	\$100 or \$115	\$177
Family Child Care Home		
Under age two	\$101 or \$120	\$168
Ages two to five	\$81 or \$96	\$143

* SCCSP rules establish different subsidy rates for the first child vs the second child in care

Data on Regulated Child Care in Montgomery County

In order to understand the supply of child care in Montgomery County, OLO examined State licensing data, which lists the capacity of all State-regulated child care centers and family child care homes. Capacity data for unregulated providers are not available, but economic data published by the U.S. Census Bureau suggests that a significant number of unregulated paid providers such as babysitters and nannies operate in Montgomery County. As such, these data exclude a large portion of the supply of child care in the County.

The table on the following page displays ratios of numbers of resident children (based on 2010 Census data) to the capacity of regulated child care providers. Although it is not possible to determine how many children in the County require non-parental regulated child care, examining ratios of total children to regulated child care slots in different categories can indicate which types of care are in shortest supply. The ratio of children under age five to child care slots in Montgomery County of 2.3 was on par with the Statewide average. OLO found that only a small portion of providers offer evening or weekend care.

Child Care in Montgomery County

Ratios of 2010 Child Population to 2015 Regulated Child Care Supply in Montgomery County

Child Population Group	2010 Population Estimate	Supply Measure	Supply	# of Children Per Slot
Aged 0-11 years old	153,528	Capacity of all regulated providers	47,604	3.2
Under 5 years old	63,732	Capacity of Family Child Care Homes & 8-12 Hour Centers	28,132	2.3
Under 2 years old	24,963	Infant Capacity of Family Child Care Homes & Centers	4,542	5.5

The U.S. Department of Health and Human Services has established 10% of family income as a benchmark for child care costs paid by families receiving federally-funded child care subsidies. OLO examined child care affordability in Montgomery County based on rates that providers in the market reported charging and data on family incomes in the County from the U.S. Census Bureau. The table below displays median child care rates. OLO found that median full-time child care center costs for two young children exceed 20% of incomes for the majority of families in Montgomery County, and costs for one infant exceed 20% of incomes for most single parent families.

Median Annual Rate Charged By Regulated Providers in Montgomery County for Full-Time Child Care

Child's Age	Median Rate	
	Centers	Family Child Care Homes
Under age two	\$17,420	\$13,000
Ages two to four	\$12,584	\$10,400

Data on Child Care Subsidies in Montgomery County

OLO also examined the need for child care subsidies as compared to children receiving subsidies. According to 2009-2013 U.S. Census Bureau data, 33,415 children under twelve years old in Montgomery County were in families with incomes under 185% of the federal poverty level (\$44,863 for a family of four in 2015), which is the income limit to receive Free and Reduced Price Meals (FARMS) in schools. However, 2015 SCCSP data and FY15 WPA data show that an average of 1,782 children received either WPA or SCCSP subsidies on a monthly basis, meaning that there were about 19 FARMS-eligible children per subsidy.

In 2015, a family could qualify for SCCSP (State) subsidies with an income up to approximately 120% of the federal poverty level and could qualify for WPA (County) subsidies with an income of up to 259% of the federal poverty level, depending on family size. To provide more specific context on the need and availability of subsidies, the table below provides ratios for each subsidy program based on available data on children in income groups that would be eligible for each program. The table shows that there were 44 children potentially eligible for WPA subsidies for every WPA monthly subsidy in FY15.

Comparison of Population of Low-Income Children to Average Monthly Subsidized Children

Child Population Group	2010 Population Estimate	Applicable Subsidy Program(s)	Monthly Subsidized Children	# of Potentially Eligible Children Per Subsidy
Aged 0-11 and FARMS-eligible	33,415	SCCSP and WPA	1,782	18.8
Aged 0-11 and Under 125% of Federal Poverty Level	18,817	SCCSP	1,375	13.7
Aged 0-11 between 125% and 200% Federal Poverty Level*	17,965	WPA	407	44.1

*Does not include children aged 0-11 between 200% and 260% of the federal poverty level, who might be eligible for subsidies but for which data are not available.

Child Care in Montgomery County

Geographic Analysis of Child Care Data

OLO also conducted a geographic analysis of data on regulated child care and child care subsidies. OLO found that three of the County's election districts showed lower levels of child care availability and, at the same time, higher use of and need for subsidies than other areas of the County. District 5 (Burtonsville and White Oak), District 9 (Gaithersburg and Montgomery Village) and District 13 (Silver Spring and Wheaton-Glenmont) had the lowest availability of child care for children under age five and under age two. These areas also had the largest low-income populations and the most children receiving child care subsidies. OLO also found that the availability of child care for children under age two is limited across the County, with at least four children under age two for every slot for this age group.

Public Policy Strategies for Increasing Access to Affordable Child Care

Counties and municipalities in the United States employ a range of strategies to promote access to affordable child care. Child care subsidy programs in particular are used to help low-income families access care by providing vouchers or contracting directly with providers. Other strategies include conducting outreach to parents to provide information about registered child care providers, providing wage supplements to child care workers, providing capital and business development assistance to providers, establishing planning policies that support child care facilities development, and using economic impact analysis to gain support from local employers and economic development entities. Limited empirical evidence is available on the efficacy of these strategies.

OLO's Recommended Discussion Questions

1. **What are the programmatic, policy, and fiscal implications of the County supplementing subsidies provided through the Maryland State Child Care Subsidy Program (SCCSP)?**

Maryland's State Child Care Subsidy Program (SCCSP) payment rates are significantly lower than those charged by most child care providers in the County and are also lower than new subsidy rates for the Working Parents Assistance Program (WPA), the County's child care subsidy program. However, the SCCSP serves families with lower incomes than those of families served by the WPA, raising concerns about equity. The Council allocated funding in the FY16 budget to address this disparity. The Council may wish to discuss with Executive Branch representatives the programmatic, policy, and fiscal implications of the County supplementing SCCSP subsidies.

2. **How will the new Working Parents Assistance Program (WPA) income eligibility limits and subsidy tables impact program demand? What is DHHS's strategy for allocating subsidies among families in different income levels in the event that available funds are not sufficient to meet demand?**

At the time of the writing of this OLO report, DHHS was in the process of implementing policies that will make more residents eligible for WPA subsidies and increase subsidy levels. These changes may increase demand for WPA subsidies. The Council may wish to discuss with Executive Branch representatives how DHHS plans to allocate subsidies among families should future demand exceed program funding levels.

3. **What additional opportunities exist for the County Government to promote access to affordable regulated child care for infants and toddlers (children under age two), particularly in areas with low child care availability and high levels of poverty?**

Counties and municipalities in the United States employ a range of strategies to promote access to affordable child care. The Council may wish to discuss with Executive Branch representatives whether additional opportunities, beyond efforts already in place, exist for the County Government to promote access to affordable child care in high-need areas.



OFFICE OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

MEMORANDUM

Timothy L. Firestine
Chief Administrative Officer

December 3, 2015

TO: Chris Cihlar, Director, Office of Legislative Oversight

FROM: *TLF* Timothy L. Firestine, Chief Administrative Officer *Fariba*

SUBJECT: OLO Draft Report 2016-3: Child Care in Montgomery County

Thank you for the opportunity to comment on OLO Report 2016-3: Child Care in Montgomery County. The report provides a good overview of National and State issues related to the availability and affordability of care with additional OLO analysis of State Child Care Demographics, Census, and American Community Survey data. The report misses the opportunity to inform the reader about the local efforts to increase quality in child care and improve readiness for school for children in Montgomery County. The report provides a brief discussion of Maryland's Excellence Counts in Early Learning and School-Age Child Care (EXCELS) quality improvement initiative and provides Maryland State Department of Education's statewide data, but does not include Montgomery County data. We see child care as a necessary service for Montgomery County families as both a support for economic growth through a prepared workforce and as a support for school readiness.

The report does a good job of comparing the child population by age group and income level to child care subsidy data and child care availability data for the County. The report does note the complexity of determining "need for care," and it confirms the result of our own research, which is that no clear data model exists that will provide the County with an accurate "need for care" calculation given the number of variables and options involved in a parent's choice.

Again, I thank the Office of Legislative Oversight for its work on this report. If you have questions or need additional information please contact Fariba Kassiri, Assistant Chief Administrative Officer.

TLF:ja

cc: Uma Ahluwalia, Director, Department of Health and Human Services
Ramona Bell-Pearson, Assistant Chief Administrative Officer
Bonnie Kirkland, Assistant Chief Administrative Officer
Ginny Gong, Director, Community Use of Public Facilities