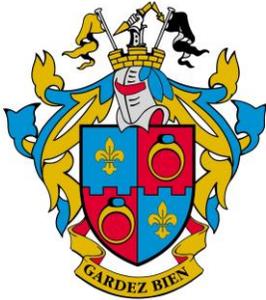


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Report Number 2016-3



# Child Care in Montgomery County

Natalia Carrizosa



# 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
<b>Child Care Center</b>	10%	10%
<b>Family Child Care Home</b>	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)
<b>Child Care Center</b>		
Under age two	\$178 or \$196	\$236
Ages two to five	\$100 or \$115	\$177
<b>Family Child Care Home</b>		
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.

### 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.

# Child Care in Montgomery County

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## **Chapter I. Authority, Scope, and Methodology of Report**

### **A. Authority**

Council Resolution 17-1183, *Fiscal Year 2015 Work Program of the Office of Legislative Oversight*, adopted July 29, 2014.

### **B. Purpose and Scope of Report**

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. Children under age five who are not old enough to attend school often require full-time child care, while school-age children may require child care before or after school and during the summer. All states and some counties and municipalities operate subsidy programs to assist low-income families in accessing child care.

The Council requested this OLO report to better understand 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. To this end, this report:

- Presents national data and summarizes research on regulated and unregulated child care in the United States;
- Summarizes child care licensing and subsidy program rules that apply to Montgomery County child care providers and residents;
- Examines the market for child care in Montgomery County through an analysis of State licensing data and provider survey data, data from the State's and the County's subsidy programs, and County demographic data; and
- Describes efforts in other jurisdictions aimed at increasing access to child care.

### **C. Methodology**

Office of Legislative Oversight (OLO) staff member Natalia Carrizosa conducted this study, with assistance from Aron Trombka and Kelli Robinson. OLO gathered information from interviews with staff from the Department of Health and Human Services (DHHS) and analyzed data on child care providers collected by the Maryland Family Network as well as data on child care subsidies provided by DHHS and the Maryland State Department of Education (MSDE). OLO also used demographic data from the U.S. Census Bureau to understand the need for child care in the County.

### **D. Acknowledgements**

OLO received a high level of cooperation from everyone involved in this study. OLO appreciates the information shared and the insights provided by all staff from the Department of Health and Human Services who participated. In particular, OLO thanks Uma Ahluwalia, JoAnn Barnes, Barbara Andrews, Jennifer Arnaiz, Angela Cabellon, Yvonne Iscandari, Rene' Williams, and Ivette Guerrero. OLO also extends its thanks to Betsy Blair from the Maryland State Department of Education and Arna Griffith and Candy Carter from the Maryland Family Network who provided data for this report.

## Chapter II. Child Care in the United States

Child care refers to the care and supervision of children by adults who are not the children's parents. Child care includes care in child care centers and preschools and by babysitters, relatives and other providers. Some providers are required by law to be licensed by or registered with the state in which they are located, while others, such as relatives, babysitters and nannies face no such requirements. Children under age five who are not old enough to attend school often require full-time child care, while school-age children may only require child care before or after school and during the summer.

The focus of this OLO report is on child care for children below school age, and it examines data on State-regulated providers located in Montgomery County as well as limited data on unregulated providers. To provide context for the local data presented in this report, this chapter presents national data and summarizes research on both regulated and unregulated child care in the United States. The chapter is organized as follows:

- **Section A** defines different categories of child care in the United States;
- **Section B** examines research on the factors that influence child care supply and demand; and
- **Section C** summarizes data on child care arrangements in the United States.

### A. Types of child care arrangements in the United States

As noted above, child care can be provided by a variety of different types of providers. Child care arrangements can be distinguished by the relationship of the provider to the child and the type of facility, and include:

- **Relative care**, which includes care from a grandparent, aunt or uncle, sibling or other relative;
- **Regulated and unregulated non-relative care**<sup>1</sup> is care in a private home by an unrelated adult; and
- **Center care** includes child care centers, preschools, pre-kindergarten, Head Start, and other early childhood programs.

Additionally, providers can be distinguished by whether or not they are registered with or licensed by the applicable state, often described as "listed" and by whether they receive payment for providing care:

- **Listed and paid** providers include center- and home-based providers that are paid to provide child care and are licensed or registered with the state; and
- **Unlisted and either paid or unpaid** providers are individuals that are not licensed or registered with the state and may include babysitters, nannies, relatives, neighbors and friends that provide child care on a paid or unpaid basis.

### B. Factors that influence the market for paid child care

A key characteristic of child care in the United States is that most care is delivered by private providers and financed through parent fees. Given that paid child care is provided through the private market, researchers have studied the factors that influence the demand for and supply of child care.

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<sup>1</sup> In the studies discussed in this chapter, "non-relative care" refers to care in a home by a person who is not a relative, which includes paid providers such as nannies, babysitters and registered family child care homes. In other contexts, the term "non-relative care," is often used to refer to care by neighbors and acquaintances.

## 1. Demand for paid child care

Parents often consider paid child care as part of a decision whether a parent will work outside the home or stay home to care for a child or children. The cost, quality, location and hours of available paid child care, as well as family income, the potential earnings of the parent who would stay home, the number of children requiring care, and the availability of unpaid care from a grandparent or other relative all impact these decisions.<sup>2</sup> Additionally, parental preferences regarding childrearing play a role, but they are difficult to measure. For example, some researchers have observed that low-income, minority and immigrant families use relative caregivers more frequently than other groups, and suggest that their choices may be the result of childrearing beliefs and cultural practices. However, as one study points out:

It is difficult...to distinguish the effect of parental tastes from the effect of factors that influence parents' access to various modes of care. Low-income, minority and immigrant parents may select informal care because they prefer to use familiar caregivers; their preference for family caregivers may also be a response to the availability, price and quality of their alternatives.<sup>3</sup>

## 2. Supply of child care

Researchers have examined the role of the wage rate for child care workers as a key determinant of child care supply because it impacts how many people will choose to be employed as child care workers. One study estimated that for every 1% increase in wages and all else being equal, there would be a 1.15% increase in the number of child care workers.<sup>4</sup> It is important to note that various other factors in the economy besides wages, such as the number of people looking for work, the skill levels of those workers, and the qualifications required for child care jobs also impact the supply of child care workers.

### Wages of Child Care Workers

Currently, wages of child care workers are significantly lower than those of school teachers (even when comparing those with similar levels of education) and in many cases barely above the poverty level. A University of California, Berkeley study reported that the average hourly wage for a child care worker in 2013 was \$10.33, only slightly higher than that for fast food cooks (\$9.07) and significantly lower than that of kindergarten teachers (\$25.40). From 2007 to 2011, an estimated 46% of child care workers' families were enrolled in public support programs such as Medicaid, food stamps, or the Federal Earned Income Tax Credit annually.<sup>5</sup>

<sup>2</sup> Blau, D. and Currie, J., "Preschool, Day Care and Afterschool Care: Who's Minding the Kids?" Working Paper 10670, National Bureau of Economic Research, August 2004, < <http://www.nber.org/papers/w10670.pdf> > accessed 7/29/2015, pp. 6-8

<sup>3</sup> Meyers, M., and Jordan, L., "Choice and Accommodation in Parental Child Care Decisions," *Community Development*, Journal of the Community Development Society 37, no. 2 (2006), p. 58

<sup>4</sup> Blau, D. and Currie, J., "Preschool, Day Care and Afterschool Care: Who's Minding the Kids?" Working Paper 10670, National Bureau of Economic Research, August 2004, < <http://www.nber.org/papers/w10670.pdf> > accessed 7/29/2015, pp. 12-13

<sup>5</sup> Whitebook, M., Phillips, D., and Howes, C., "Worthy Work, Still Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study," Center for the Study of Child Care Employment, Institute for Research on Labor and Employment, University of California, Berkeley, 2014, < <http://www.irle.berkeley.edu/cscce/wp-content/uploads/2014/11/ReportFINAL.pdf> > accessed 8/19/2015.

### 3. Cost of child care

As indicated above, the price or cost of child care plays a key role in parents' decisions on whether to purchase child care. National data show that child care represents the largest major expense for many families with young children, above housing expenses. In fact, the annual cost of child care often exceeds the cost of annual tuition and fees at state colleges and universities. The U.S. Department of Health and Human Services has established 10% of family income as a benchmark for child care costs for families receiving child care subsidies.<sup>6</sup> Yet, a national study comparing child care costs with state median incomes for different types of families found that the cost of full-time care for just one infant in a child care center ranged from seven percent to 16% of the median income for married families and exceeded 23% of median incomes for single parent families in all states.

Several factors drive the child care costs. Because young children require individualized attention and low child-to-staff ratios, providing child care for children aged five and under is often more labor-intensive than K-12 classrooms. As a result, staff costs represent the most significant operating cost for child care providers, estimated at up to 80% of child care business expenses.<sup>7</sup> Other costs for child care providers include rent or mortgage payments, food, insurance, transportation, toys and equipment, and staff training. State regulations, such as minimum child-to-staff ratios, staff training requirements, and facility standards, can impact the cost of running a child care business.<sup>8</sup> At the same time, a Sageworks analysis of the financial statements of privately-held child care companies found that their average net profit margin increased from 6% in 2011 to 10% in 2014. Researchers cited increased demand for child care as the economy recovers from the recession.<sup>9</sup>

#### C. Data on child care arrangements in the United States

To understand the use of child care arrangements in the United States, OLO examined data from a survey of families, the Early Childhood Program Participation Survey (ECCP), and data from a set of surveys of providers, known as the National Survey of Early Care and Education (NSECE). The U.S. Department of Education conducted the ECCP survey five times since 1991, most recently in 2012.<sup>10</sup> The ECCP asks questions about young children's participation in relative care, regulated and unregulated non-relative care, and center-based care arrangements and about the reason for choosing care. Researchers emphasize that families often use more than one child care arrangement for the same child. Table 1 displays data from the survey, which show that:

- 60% of children aged five and under had at least one weekly non-parental care arrangement; of those, 56% used center care, 42% used relative care, and 24% used home-based non-relative care;
- 76% of children aged 3-5 years used a weekly non-parental care arrangement, with a large majority using center care; children aged 12 months or less and aged 1 to 2 years old were less likely to have any weekly non-parental care arrangement and more likely to use relative care than center care;
- 88% of children aged five and under with two parents working full-time and 83% of children with one single parent working full time had a weekly non-parental care arrangement;

<sup>6</sup> *Parents and the High Cost of Care, 2014 Report*, Child Care Aware of America, 2014 < <http://www.usa.childcareaware.org/advocacy/reports-research/costofcare/> > accessed 9/23/2015.

<sup>7</sup> *Parents and the High Cost of Child Care: 2014 Report*, Child Care Aware of America, 2014, < <http://www.naccrra.org/costofcare> > accessed 8/3/2015.

<sup>8</sup> Ibid.

<sup>9</sup> Sageworks, "Why Business is Booming for Day Care Businesses," Inc., March 26, 2015, < <http://www.inc.com/sageworks/sageworks-why-day-care-profits-are-soaring.html> > accessed 10/19/2015

<sup>10</sup> Due to changes in methodology, the authors caution against comparing data from 2012 to previous years.

- In families with at least one parent not in the labor force, 33% of children with two parents and 44% of children with one parent had a weekly non-parental care arrangement; and
- The use of non-parental care arrangements varied greatly depending on household income, with approximately 50% of children in households with incomes of \$50,000 or less in non-parental care arrangements compared with 70% of children in families with incomes over \$100,000.

**Table 1. National percentages of children from birth through age 5 and not yet in kindergarten participating in various weekly non-parental care arrangements, by child and family characteristics, 2012**

Child or Family Characteristic	% with at least one weekly non-parental care arrangement	Type of Care Among those with at least one weekly non-parental arrangement*		
		% Relative	% Nonrelative	% Center
<b>All children aged 0-5 not yet in kindergarten</b>	<b>60%</b>	<b>42%</b>	<b>24%</b>	<b>56%</b>
<b>Child's age</b>				
Less than one year	46%	60%	30%	23%
1-2 years	54%	49%	31%	40%
3-5 years	76%	31%	16%	79%
<b>Family type</b>				
Two parents or guardians	58%	38%	24%	57%
One parent or guardian	67%	55%	21%	54%
<b>Labor force status of parents/guardians</b>				
<b>Two parents or guardians</b>				
Both full-time	88%	41%	31%	51%
One full-time, one part time	78%	38%	26%	55%
One full-time, one not in labor force	33%	29%	14%	70%
Other	43%	45%	16%	57%
<b>Single parent or guardian</b>				
Full time	83%	50%	23%	57%
Part time	77%	58%	23%	48%
Not in the labor force	44%	66%	20%	50%
Looking for work	53%	53%	14%	62%
<b>English spoken at home</b>				
By all parents	63%	42%	24%	57%
By one of two parents	47%	53%	20%	53%
By no parents	48%	44%	22%	50%
<b>Annual household income</b>				
\$20,000 or less	48%	54%	19%	50%
\$20,001 to \$50,000	53%	49%	18%	53%
\$50,001 to \$75,000	61%	42%	21%	55%
\$75,001 to \$100,000	72%	39%	29%	56%
\$100,001 or more	73%	32%	30%	62%

Source: *Early Childhood Program Participation, From the National Household Education Surveys Program of 2012: First Look*, National Center for Education Statistics, U.S. Department of Education, May 2015, p. 5, < <http://nces.ed.gov/pubs2013/2013029rev.pdf> > accessed 6/22/2015.

\*Because families often have more than one child care arrangement for the same child, percentages for the different types of arrangements add up to more than 100%

The National Survey of Early Care and Education (NSECE) offers an alternative source of national data on child care. The NSECE incorporates four nationally representative surveys conducted in 2012 on behalf of the Office of Planning, Research, and Evaluation (OPRE), U.S. Department of Health and Human Services. The four surveys are of: 1) households with children under 13, 2) home-based early care and education providers, 3) center-based early care and education providers, and 4) the center-based provider workforce. As of the writing of this OLO report, full findings from the NSECE surveys were not yet available. However, preliminary findings summarized on Table 2 provide a useful overview of the types of child care providers serving children nationally. The data in Table 2 include the following categories of non-parental providers as defined in the NSECE:

- **Home-Based Listed** individuals appear on state or national lists of early care and education services, such as licensed, regulated, license-exempt, or registered home-based providers.
- **Home-Based Unlisted, Paid** individuals do not appear on state or national lists, but were identified in households. Individuals in this category may include nannies, babysitters and paid relatives and receive payment for the care of at least one child.
- **Home-Based Unlisted, Unpaid** individuals do not appear on state or national lists, but were identified in households. They do not receive payment for providing care. This category includes family and friends who may or may not live in the same household as the children they look after.
- **Center-Based Providers** represent the set of all early care and education services to children birth through five years, not yet in kindergarten, provided by an organization at a single location.

Key findings include:

- Center-based providers had the highest numbers of enrolled children at almost 7 million children, most of which were aged 3-5 years old;
- *Unlisted, unpaid* home-based providers enrolled 4 million children, more than *unlisted, paid* home-based providers, which enrolled about 2.3 million children and significantly more than *listed* home-based providers, which enrolled about 751,000 children.

**Table 2. Estimated Numbers of United States Non-parental Home-Based and Center-Based Early Care and Education Providers and Children Enrolled by Age Group (in thousands), 2012**

Provider Type	# of providers (in thousands)	# of children enrolled (in thousands)
<b>Home-based providers</b>		
Listed total	118	751
Aged under 3		377
Aged 3-5		374
Unlisted, paid total	919	2,340
Aged under 3		1,270
Aged 3-5		1,070
Unlisted, unpaid total	2,730	4,060
Aged under 3		2,110
Aged 3-5		1,950
<b>Center-based providers</b>		
Total	128	6,980
Aged under 3		2,001
Aged 3-5		4,985

Sources: "Fact Sheet: Who is Providing Home-Based Early Care and Education?" OPRE Report No. 2015-43, Washington DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, < [http://www.acf.hhs.gov/sites/default/files/opre/hb\\_providers\\_fact\\_sheet\\_toopre\\_041715\\_508.pdf](http://www.acf.hhs.gov/sites/default/files/opre/hb_providers_fact_sheet_toopre_041715_508.pdf) > accessed June 22, 2015; and *Characteristics of Center-based Early Care and Education Programs: Initial Findings from the National Survey of Early Care and Education (NSECE)*, OPRE Report #2014-73a, Washington DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, < [http://www.acf.hhs.gov/sites/default/files/opre/characteristics\\_of\\_cb\\_ece\\_programs\\_111014.pdf](http://www.acf.hhs.gov/sites/default/files/opre/characteristics_of_cb_ece_programs_111014.pdf) > accessed June 22, 2015.

### Chapter III. Overview of Child Care Licensing and Subsidy Programs in Montgomery County

This OLO report presents data on licensed child care providers in Montgomery County as well as children served by State and County child care subsidy programs. To provide context for these data, this chapter provides a brief overview of child care licensing and subsidy program rules that apply to Montgomery County child care providers and residents.

A combination of State and County statutes and regulations govern child care licensing and subsidy programs in Montgomery County. The State is responsible for the licensing of child care centers and family child care homes and for administering the State's child care subsidy program. The County operates a separate subsidy program that serves low-income families not eligible for the State's subsidy program. This chapter is organized as follows:

- **Section A** describes Maryland's child care licensing framework; and
- **Section B** summarizes the structure of State and County child care subsidy programs.

#### A. Child Care Licensing in Maryland

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, defined below:

- **Child care center:** "non-parental care of children for part of a 24-hour day ... in a group setting such as a child care center, preschool, child development center, nursery school, before-school and after-school program, school age child care, or early learning center, by whatever name known, under private non-profit, proprietary, public, and religious auspices."<sup>1</sup>
- **Family child care:** is defined as "care given to a child under the age of 13 years or to any developmentally disabled person under the age of 21 years, in place of parental care for less than 24 hours a day, in a residence other than the child's residence, for which the child care provider is paid," and includes family child care homes, which serve a maximum of eight children, and large family child care homes, which serve a maximum of 12 children.<sup>2</sup>

State regulations *exclude* from the definition of child care centers several programs that serve children, 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.<sup>3</sup> 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.

State regulations establish minimum standards of environmental health and safety for child care centers and family child care homes. Table 3 summarizes capacity and maximum child to staff ratios for each provider

<sup>1</sup> COMAR 13A.16.01.01

<sup>2</sup> Md. FAMILY LAW Code Ann. § 5-501

<sup>3</sup> COMAR 13A.16.01.01-02

category. It is important to note that the maximum child capacity listed refers to the maximum capacity for all providers in that category and not for individual providers. The OCC is responsible for establishing the licensed capacity of each facility based on criteria established in regulations regarding floor space, outdoor activity space, staffing, child supervision, equipment, sanitary facilities as well as zoning, building, and fire codes. The table shows that child to staff ratios are significantly smaller for younger children, meaning that more staff are required to care for children in those age groups. For example, a group of children under two years of age require at least twice as many staff as the same number of two year old children.

**Table 3. 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

Source: COMAR 13A.16.08.03, 13A.15.04.03, 13A.18.04.02 and 13A.18.08.03

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

**B. State and County Child Care Subsidy Programs**

The State of Maryland and Montgomery County each operate separate child care subsidy programs targeted at different populations. The State Child Care Subsidy program (SCCSP) targets the most vulnerable families in the State, including recipients of Temporary Cash Assistance (TCA) and families with incomes below established limits (\$35,702 for a family of four). The County’s Working Parents Assistance Program (WPA) targets families that have incomes that are too high to qualify for SCCSP, but too low to afford child care without a subsidy (up to \$58,000 for a family of four or more individuals in FY 2015).

**1. State Child Care Subsidy Program**

The Maryland State Department of Education administers the State Child Care Subsidy program (SCCSP), which is funded with a combination of federal and State funds and provides subsidies to eligible families for child care for children under the age of 13 (or children under the age of 19 with a disability). To qualify for a subsidy, the child must reside in Maryland and be a U.S. citizen or be a “qualified alien.” In addition, the child’s parent(s) or guardian must be employed or enrolled in school or training. Applicants must meet financial and other criteria specified in State regulations, which vary depending on family size. Recipients can use vouchers for care in a license child care center or registered child care home (known as “formal care”) or with informal providers who are not required to be licensed, such as relatives or nannies who provide care in the child’s home.

Among families eligible for SCCSP subsidies, a family may fall into one of ten income levels. The copayment, or the amount the family is expected to contribute to care, varies depending on income level. When funding is insufficient to provide subsidies for all eligible families, the State can close certain income levels, so that available funding is allocated to families with lower incomes.<sup>4</sup> Currently, two of the ten income levels are closed. Table 4 displays maximum income levels in dollars and as percentages of the federal poverty level.

<sup>4</sup> COMAR 13A.14.06.03 and 13A.14.06.06

**Table 4. SCCSP Income Standards, 2015**

Family size	Current Income Limit At Open Levels	As % of 2015 Federal Poverty Level	Maximum Income For Closed Levels
1	\$14,656	125%	\$18,565
2	\$19,166	120%	\$24,277
3	\$23,676	118%	\$29,990
4	\$28,185	116%	\$35,705
5	\$32,695	115%	\$41,414
6	\$37,205	114%	\$47,127
7	\$38,050	104%	\$48,198
8	\$38,896	95%	\$49,269
9	\$39,741	88%	\$50,340
10	\$40,587	82%	\$51,411

Sources: COMAR 13A.14.06.03, MSDE Website and “2015 Poverty Guidelines,” U.S. Department of Health and Human Services website, < <http://aspe.hhs.gov/2015-poverty-guidelines> >

State regulations also establish payment rates, or the total amount paid to providers, that vary among different regions in the State. Table 5 lists the payment rates that apply to Region X, which is comprised of Montgomery and Howard Counties, for six hours of care or more. For families at higher income levels, State regulations establish required copayment rates for which families are responsible and which vary by income. Furthermore, 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.

**Table 5. 2015 SCCSP Payment Rates (Inclusive of Parental Copayments) for Full-Time Care in Region X, 2015\***

Care Type	Children Under Two Years Old	Children Two Years and Older
<b>Child Care Center</b>	\$261.38	\$166.94
<b>Family Child Care Home</b>	\$184.50	\$147.43
<b>Informal Care</b>	\$75.92	\$75.92

Source: COMAR 13A.14.06.11 and MSDE website

\* Rates are inclusive of subsidy amount and copayment expected of family

Chapter IV of this report describes data on rates charged by licensed or registered child care providers in Montgomery County. A comparison of rates charged by providers in the County to the SCCSP payment rates described above 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. For example, although the SCCSP weekly payment rate for care for children under two years old in a child care center is \$262, the median rate charged by providers in Montgomery County is \$335, meaning that half of providers in Montgomery County charge at least 28% more than the SCCSP rate. Table 6 lists the percentages of formal providers in each category that *do not* charge more than the SCCSP payment rate. Data on rates charged by informal providers are not available.

**Table 6. Percentages of Providers in Montgomery County That Do Not Charge More Than Full-Time SCCSP Payment Rates**

Care Type	Under Two Years Old	Two Years and Older
Child Care Center	10%	10%
Family Child Care Home	10%	4%

Source: OLO analysis of Maryland Family Network Data

**2. Montgomery County Working Parents Assistance Program**

The County’s Working Parents Assistance (WPA) program provides subsidies for child care in licensed child care centers or registered family child care homes for children under the age of 14 or children with disabilities under the age of 19 in families that do not qualify for CCS. The child must be a U.S. citizen or legal resident. To qualify for a WPA subsidy, a parent or parent surrogate must be:

- receiving or actively pursuing child support, if applicable; and
- working, attending a job training program, and/or attending school or college for a total of 30 hours per week.

Families that qualify for SCCSP are not eligible to receive WPA subsidies unless the parent is placed on the SCCSP waitlist and meets the WPA eligibility requirements. WPA applicants must meet income requirements established by the Department of Health and Human Services.<sup>5</sup> Table 7 displays WPA income limits that were applicable in FY15 based on 2006 guidelines as well as new income limits proposed for FY16, listed in dollar amounts and percentages of the federal poverty level.

**Table 7. Working Parents Assistance (WPA) Program Income Standards, FY15 and FY16**

Household Size	2015 Limit	As % of 2015 Federal Poverty Level	Proposed 2016 Limit	As % of 2015 Federal Poverty Level
2	\$34,500	217%	\$51,360	324%
3	\$52,000	259%	\$57,780	288%
4	\$58,000	239%	\$64,200	265%
5	\$58,000	204%	\$69,360	244%
6	\$58,000	178%	\$74,520	229%
7	\$58,000	158%	\$74,520	203%
8	\$58,000	142%	\$74,520	182%
9	\$58,000	129%	\$74,520	165%
10	\$58,000	118%	\$74,520	151%

Sources: DHHS Program website, DHHS staff and “2015 Poverty Guidelines,” U.S.

Department of Health and Human Services website, < <http://aspe.hhs.gov/2015-poverty-guidelines> >

\*Federal Poverty Level

County regulations state that the subsidy rates will be updated annually and based on (1) “ninety percent of the difference between the current average cost of child care in Montgomery County, and the funds the client or

<sup>5</sup> COMCOR 02.42A.06

applicant is determined to have available to pay for child care,” and (2) “income eligibility, based on metropolitan area median income.” Additionally, regulations state that, “Any difference between the amount paid by WPA and the provider’s average monthly fees for services is the responsibility of the client.”<sup>6</sup> The WPA program therefore does not define full provider payment rate; rather, the WPA subsidy is designed to cover a portion of the cost of child care, based on the average cost of care in the County, and the parent is expected to pay the remaining amount charged by the provider. The out-of-pocket costs rise with income such that families with incomes approaching the program’s income limit are responsible for close to the full cost of care.

However, in practice, WPA subsidy rates and income guidelines have not been updated annually. Subsidy rates and income guidelines were last updated in FY06. DHHS staff report that low subsidy amounts in comparison to actual child care costs have resulted in low use of WPA vouchers. To address this issue, DHHS decided to provide families with monthly \$150 supplemental vouchers in addition to their regular vouchers to aid them in accessing care. In 2014, the Working Parents Assistance Program Workgroup proposed new income and subsidy guidelines, which DHHS are in the process of implementing. In the interim, DHHS put a waitlist on the WPA program into effect in June of 2015 to control program growth prior to the implementation of the revised subsidy and income guidelines. A key challenge to updating WPA guidelines is that doing so creates a significant disparity between families eligible for WPA and those eligible for SCCSP, who receive a smaller subsidy under current State rules despite having lower incomes. To mitigate disparity, the Council allocated funding to supplement SCCSP subsidies for families in the lowest income brackets in FY16.

Table 8 displays sample current and WPA Workgroup-proposed per-child subsidy rates based on a family of three with two children in care and an annual income of \$30,000 (such a family would qualify for WPA rather than SCCSP). Current rates are not differentiated based on whether care is provided by a child care center rather than a child care home, while proposed rates are differentiated. Rates listed in this table refer to the subsidy amount for such a family and do not include the family’s expected contribution.

**Table 8. Sample Current and WPA Workgroup-Proposed Per-Child Weekly Subsidy Amounts for Family of Three with Two Children in Care and \$30,000 Annual Income**

Rate type*	Under Age Two	Aged Two to Five	Both Children
Current (with \$150 monthly supplement)	\$168	\$133	\$301
Proposed			
Child Care Center	\$236	\$177	\$413
Family Child Care Home	\$168	\$143	\$311

Sources: DHHS and October 2014 Report Update of the Working Parents Assistance Program Workgroup

\*OLO converted monthly WPA rates to weekly rates

Because the subsidy rates described in Table 8 above are exclusive of parental copayments, which are not required by WPA guidelines, they are not comparable with the SCCSP payment rates listed in Table 5 on page 10. To provide context for these data, Table 9 compares the subsidy amounts provided to families of three with two children in care with incomes of either \$23,000, which would make the family eligible for SCCSP, or \$30,000, which would make the family eligible for WPA. SCCSP rates listed in Table 9 are different than those listed in Table 5 because those listed in Table 9 include only the subsidy amount paid by the State and exclude the copayment for which the family is responsible.

<sup>6</sup> Ibid.

**Table 9. Comparison of Sample SCCSP and WPA Weekly Subsidies For Family of Three With Two Children in Care At Specified Income Levels, Exclusive of SCCSP-Required Copayments**

Care Type	Weekly Subsidy for Family With \$23,000 Income* (eligible for SCCSP)	Weekly Subsidy for Family With \$30,000 Income (eligible for WPA - proposed new rates)
<b>Child Care Center</b>		
Under age two	\$178 or \$196	\$236
Age two to five	\$100 or \$115	\$177
<b>Family Child Care Home</b>		
Under age two	\$101 or \$120	\$168
Age two to five	\$81 or \$96	\$143

Sources: COMAR 13A.14.06, MSDE website, and October 2014 Report Update of the Working Parents Assistance Program Workgroup, converted to weekly rates

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

## Chapter IV. Data on Child Care in Montgomery County

To better understand the child care market in Montgomery County, OLO examined State licensing data and provider survey data collected by the Maryland Family Network (MFN), as well as data from the State and County subsidy programs. These data provide information on the supply of different types of child care in different geographical areas of the County, the cost of child care in the County, and the use of child care subsidies in the County. To provide context for these data, OLO also examined demographic data from the 2009-2013 American Community Survey. This chapter is organized as follows:

- **Section A** describes demographic data on children in the County;
- **Section B** describes data on the supply of child care providers of different types in the County;
- **Section C** compares demographic data to child care supply data both Countywide and among different geographic areas in the County; and
- **Section D** examines child care affordability in the County.

### A. Children in Montgomery County<sup>1</sup>

As noted on page 4, researchers estimate that 60% of children aged five and under and not yet in kindergarten in the United States are in at least one weekly non-parental care arrangement, of which 56% receive care in a center, 42% receive care from a relative, and 24% receive care in a private home from a non-relative.<sup>2</sup> Local data on the number of children who receive non-parental care are not available, but OLO examined data on the population of children in the County to provide context on the market for child care.

Children require different types of care at different ages, and may not require care after a certain age. State law prohibits parents or guardians from leaving a child under the age of eight unattended in a dwelling.<sup>3</sup> Children aged five and up who attend school may require care but only before and/or after school and during the summer, while children who are below school age require full-time care. Additionally, infants and toddlers (defined as children under the age of two in State regulations) require more individualized care than older children. State licensing regulations require lower child-to-staff ratios for providers that serve infants and toddlers.<sup>4</sup> As a result of these differences, it is important to examine the market for child care by child age segments.

The table on the following page displays the most recent U.S. Census data on the County's child population by age. Because children above elementary school age (12 years and older) less commonly receive care from licensed child care providers (many attend school-sponsored after school programs, for example), this table shows the population up to age 11. The table shows that there were approximately 153,500 children aged 0 to 11 years in the County in 2010, of which 63,700 were under age five.

<sup>1</sup> *Demographics Report: Families and Children Birth to Six Montgomery County Maryland*, a report produced by DHHS, offers a more in-depth examination of child demographics data. This report can be accessed at: < <http://www.montgomeryschoolsmd.org/uploadedFiles/departments/earlychildhood/Demographic%20Report%20FED%20EX%2012-24> > .

<sup>2</sup> Percentages add up to more than 100% because a child can have multiple weekly care arrangements. In the referenced study, "care from a non-relative," includes registered family child care homes as well as care from nannies, babysitters, neighbors and friends.

<sup>3</sup> Md. Code Ann. Family Law §5-801

<sup>4</sup> COMAR 13A.15.04.03, 13A.16.08.03, and 13A.18.08.03

**Table 10. Montgomery County Child Population by Age, 2010 Census Data and 2014 Estimates**

Age Group	# from 2010 Census	# from 2014 Estimate	% Change
<b>Total Resident Population</b>	<b>971,777</b>	<b>1,030,447</b>	<b>6.0%</b>
<b>Under 18 years old</b>	<b>233,530</b>	<b>242,404</b>	<b>3.8%</b>
<b>Aged 0-11 years old</b>	<b>153,528</b>		
<b>Under 5 years old</b>	<b>63,732</b>		
<b>Under 2 years old</b>	<b>24,963</b>		
Under 1 year	12,367		
1 year old	12,596		
<b>2-4 years old</b>	<b>38,796</b>		
2 years old	12,990		
3 years old	12,803		
4 years old	13,003		
<b>5-11 years old</b>	<b>89,796</b>		

Source: U.S. Census Bureau

**Children with additional needs.** Families with low incomes or with limited English proficiency often face additional challenges in accessing appropriate child care.<sup>5</sup> Table 11 shows estimates of children in poverty and population that speaks a language other than English at home in the County from the American Community Survey (ACS). It is important to note that ACS data are based on a sample of the population, and therefore estimates are not exact. As shown on Table 11:

- 9% of children in the County under six years old were in families with incomes under the federal poverty level, currently equal to an income of \$24,250 for a family of four.
- 33,415 children under twelve years old were in families with incomes under 185% of the federal poverty level (\$44,863 for a family of four), which is the income limit to receive Free and Reduced Price Meals (FARMS) in schools.
- 15% of the population spoke English less than “very well”

**Table 11. Poverty Among Children and Language Use in Montgomery County, 2009-2013**

Group	#	%
<b>Children under 12 under the federal poverty level</b>	<b>12,992</b>	
Under 6 years old	6,705	9%
6-11 years old	6,287	8%
<b>Children under 12 under 185% of federal poverty level*</b>	<b>33,415</b>	
Under 6 years old	17,372	23%
6-11 years old	16,043	21%
<b>Population over 5 years old that speaks a language other than English at home</b>		<b>39%</b>
<b>Population over 5 years old that speaks English less than “very well”</b>		<b>15%</b>

Source: American Community Survey Five-Year Estimates, 2009-2013

<sup>5</sup> Sandstrom, H., Giesen, L., and Chaudry, A., “How Contextual Constraints Affect Low-Income Working Parents’ Child Care Choices,” Urban Institute Perspectives on Low-Income Working Families, Brief 22, February 2012.

## B. Data on the supply of child care in Montgomery County

As indicated above, children have a variety of child care needs that depend on their age and other factors. This section examines the supply of different types of regulated child care in Montgomery County. Although only limited data on unregulated care are available, this section also describes available data on unregulated care to provide context for the data on regulated care.

### 1. Numbers of regulated providers and child care capacity by type

OLO received data from the Maryland Family Network (MFN), the State's child care resource and referral agency, on licensed or registered child care providers in Montgomery County (see Table 12 on the following page).<sup>6</sup> MFN data do not include unregulated providers such as relatives, babysitters and nannies. Capacity data reflect the number of regulated slots as determined by the State. MFN groups child care providers into the following categories:

- **Family child care homes:** paid providers registered with the Office of Child Care that care for children under 13 years of age for fewer than 24 hours per day in a residence that is not the child's residence.
- **Group Programs Licensed by the Office of Child Care (OCC)**
  - **8-12 hour child care centers:** facilities that provide full-time care to 2-5 year old children.
  - **Programs serving infants/toddlers:** care for children under the age of two.
  - **Before/after-school care in schools and centers:** State-licensed care for children enrolled in kindergarten or above outside of school hours and during school vacations.
  - **Special needs programs:** programs designed for children with disabilities.
- **Nursery schools:** educational programs approved by the Maryland State Department of Education for children aged two to four that typically operate during the school year for two or three days per week. Most facilities operating nursery schools also operate OCC licensed group programs.
- **Head Start and Early Head Start:** part-day and full-day educational programs provided in schools (Head Start) and the community (Early Head Start) for preschool-aged children from income-eligible families.
- **Public prekindergarten programs:** part-day educational programs provided in schools for four-year olds from income-eligible families.

<sup>6</sup> The data in this section were provided to OLO by the Maryland Family Network's (MFN) from its LOCATE database in June of 2015. MFN publishes an annual report with data on child care and demographics across Maryland and in each county and Baltimore City, entitled *Child Care Demographics*. The 2015 report can be accessed at: < [http://www.marylandfamilynetwork.org/wp-content/uploads/2015/03/MFN\\_Demographics\\_all.pdf](http://www.marylandfamilynetwork.org/wp-content/uploads/2015/03/MFN_Demographics_all.pdf) > .

**Table 12: Regulated Child Care and Early Education Programs and Capacity in Montgomery County, 2015**

Program Type	# of Programs	Provider Capacity**
<b>OCC Registered Family Child Care Homes</b>	<b>947</b>	<b>7,129 (Infant: 2,322)</b>
<b>OCC Licensed Group Programs</b>	<b>481</b>	<b>33,274</b>
8-12 Hour Child Care Centers	280	Up to 21,003
Infant/Toddler Programs (under two)	141	Infant capacity: 2,220
Before/After School	311	Up to 22,776
Part-Day Programs	66	Up to 4,757
Special Needs Programs	5	343
Early Head Start	2	Up to 177
<b>Nursery Schools Approved by MSDE</b>	<b>162</b>	<b>Up to 14,631***</b>
<b>Head Start (in schools)</b>	<b>31</b>	<b>2014-15 Enrollment: 628</b>
<b>Public Pre-kindergarten</b>	<b>62</b>	<b>2014-15 Enrollment: 1,912</b>
<b>Total Regulated Providers*</b>	<b>1,556</b>	<b>Up to 47,604 (Infant: 4,542)</b>

\* Providers can offer more than one program, so numbers of programs exceed numbers of providers.

\*\* Capacity data reflect providers' total capacity rather than capacity for specific programs.

\*\*\* Some nursery schools form part of larger private schools, and capacity data may reflect the whole school

Sources: Maryland Family Network LOCATE database (June, 2015) and Approved MCPS FY16 Operating Budget Summary, Table 4.

**2. Supply of accredited providers**

Limited data are available on the quality of child care programs.<sup>7</sup> Table 13 provides data on providers in different categories that hold accreditation from a state or national organization, which shows that the provider has met standards of quality established by that organization.

**Table 13: Accredited Child Care and Early Education Programs and Capacity in Montgomery County, 2015**

Program Type	Accredited Programs	% of Total	Accredited Capacity
<b>OCC Registered Family Child Care Homes</b>	<b>49</b>	<b>5%</b>	<b>385 (Infant: 161)</b>
<b>OCC Licensed Group Programs</b>	<b>77</b>	<b>16%</b>	<b>6,492</b>
8-12 Hour Child Care Centers	63	23%	5,597
Infant/Toddler Programs (under two)	36	26%	Infant capacity: 652
Before/After School	54	17%	N/A
Part-Day Programs	16	24%	N/A
Special Needs Programs	2	40%	113
Early Head Start	1	50%	141
<b>Nursery Schools Approved by MSDE</b>	<b>31</b>	<b>19%</b>	

Source: Maryland Family Network LOCATE database (June, 2015)

<sup>7</sup> The August 2015 *Focus Group Report* of the Montgomery County Early Childhood Advisory Council describes feedback from focus groups that included child care providers, parents and MCPS early childhood teachers regarding issues around school readiness, including how early childhood programs and child care providers can promote school readiness. This report can be accessed at: < [http://www.montgomeryschoolsmd.org/uploadedFiles/departments/earlychildhood/ECACFocusGroupReport\\_8-10-15.pdf](http://www.montgomeryschoolsmd.org/uploadedFiles/departments/earlychildhood/ECACFocusGroupReport_8-10-15.pdf) > .

The State of Maryland began implementation of a new quality rating and improvement system called “Excellence Counts in Early Learning and School-Age Child Care” (EXCELS) in July 2013. In January 2015, approximately 3,700, or 38% of providers in Maryland were participating in EXCELS and 1,200, or 12% of providers had published ratings. As of June of 2015 providers that care for children receiving State Child Care Subsidy Program (SCCSP) and Working Parents Assistance Program (WPA) child care subsidies are required to participate. EXCELS ratings may serve as a further indicator of quality in the future as more providers publish ratings and undergo improvement processes.<sup>8</sup>

**3. Providers serving low-income families, families with limited English proficiency, children with special education needs, or providing evening, overnight or weekend care.**

As noted above, children in families with low incomes or limited English proficiency and children with special education needs have additional child care needs. The table below shows the numbers of providers who served children in the State Child Care Subsidy Program (SCCSP) in 2014 and the County’s Working Parents’ Assistance Program (WPA) in FY15. SCCSP and WPA subsidize child care for children under 13 or under 14, respectively, in low-income families. The table also shows the number of self-reported bilingual providers as well as providers with certifications or college courses in special education. Finally, because low-income parents often work non-traditional schedules, the table displays the number of providers offering evening, overnight or weekend care.

**Table 14: Providers in Montgomery County Serving Subsidized Children, Bilingual Providers and Special Education Trained Providers, 2014-2015**

Provider Attribute	# Providers	Children Served
<b>Serving Children Receiving Any Child Care Subsidy During 2014/FY15</b>	<b>416*</b>	<b>1,782 (monthly average)</b>
State Child Care Subsidy in 2014	351	1,375
County Working Parents Assistance Program in FY15	181	407
		<b>Capacity</b>
Bilingual Providers	872	26,240
Bilingual – Spanish	484	21,394
Providers With Special Education Certification or College Courses	92	5,366
Evening Care Offered	132	1,074
Overnight Care Offered	10	17
Weekend Care Offered	96	780

\*Subtotals below exceed this total because some providers serve both children receiving a State subsidy and children receiving a County subsidy.

Source: Maryland Family Network LOCATE database (June, 2015) and DHHS Monthly Trends Report, FY15

**4. Data on paid unregulated providers**

As described in Chapter 3, unregulated child care providers include babysitters, nannies, relatives, neighbors and others that provide care on a paid or unpaid basis and are not licensed or registered with the State. These providers typically offer care in either the provider’s or the child’s home. No data are available on the capacity

<sup>8</sup> MSDE – Early Childhood Development, Analysis of the FY 2016 Maryland Executive Budget, 2015, Department of Legislative Services, p. 15

of unregulated providers, but data from the U.S. Census Bureau provide a rough estimate of the number of paid home-based providers in the County, including some unregulated providers.

The U.S. Census Bureau collects data on businesses that are subject to federal income tax, with separate data on businesses with paid employees versus businesses with no paid employees (“non-employers”). Assuming that child care centers largely have paid employees, while providers who care for children in private homes often do not have paid employees, data on non-employers in the “Child Day Care Services” industry offers a broad picture of providers subject to federal tax that offer child care in a private home. These data may include individuals such as babysitters and nannies as well as those registered family child care homes that do not employ staff.

Data from 2013 for Montgomery County show a total of 2,595 non-employer establishments in the child care services industry.<sup>9</sup> Significantly, this represents nearly triple the number of registered family child care homes in the County (947), indicating that unregulated care represents a large portion of child care supply in Montgomery County. These data do not include information on providers who do not pay federal income tax.

**C. Comparisons of Child Population Data to Regulated Child Care Supply**

Although it is not possible to quantify how many children 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. OLO examined data both on a Countywide level and in specific geographic areas of the County. An alternative method for measuring supply and demand for child care is to examine data on chronic waitlists and chronic open slots among providers. However, these data are not currently available, and collecting them may be methodologically and fiscally challenging.

**1. Countywide comparison**

Table 15 combines population data and child care supply data to show the ratios of children to child care slots or subsidies for children of different age groups and for children who meet income eligibility criteria for Free and Reduced Price Meals (FARMS). The data show that there are more than five children under age two per child care slot, double the ratio for children under age five, suggesting a potential shortage in the supply of regulated child care for infants and toddlers. Additionally, the data show that there are 19 children under age 12 in families under 185% of the federal poverty level for every child receiving a State or County child care subsidy per month, indicating that only a small share of children in low-income families benefit from child care subsidies.

**Table 15. Ratios of 2010 Child Population to 2015 Regulated Child Care Supply in Montgomery County**

Child Population Group	2010 Population Estimate	Supply Measure	Supply	Children Per Slot or Subsidized Child
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
Aged 0-11 and eligible for FARMS*	33,415	Monthly number of subsidized children	1,782 (monthly subsidized children)	18.8

\* 185% of the poverty level is the maximum income to qualify for free or reduced price meals (FARMS) in schools.

<sup>9</sup> 2013 Non-employer Statistics, U.S. Census Bureau

To provide context for the data presented above on ratios of child care slots to children in the County, Table 16 below lists the ratio of children under age five to child care slots across Maryland jurisdictions. The data show that the ratio in Montgomery County of 2.3 children under age five per child care slot is in the middle range among Maryland jurisdictions and is on par with the overall ratio for the State. As noted above, these data do not include care provided by unregulated providers such as nannies and babysitters, which may be used at higher rates by wealthier families.

**Table 16. Ratios of Population Under Five to Full-Time Child Care Slots in Maryland Jurisdictions**

Jurisdiction	Total 0-5 Capacity	Children under 5 per slot	Jurisdiction	Total 0-5 Capacity	Children under 5 per slot
<b>Maryland</b>	<b>157,185</b>	<b>2.32</b>			
Dorchester	611	3.33	Caroline	993	2.33
Garrett	468	3.32	<b>Montgomery</b>	<b>27,588</b>	<b>2.31</b>
Kent	301	3.31	Washington	4,162	2.16
Cecil	2,035	3.16	Allegany	1,624	2.15
Somerset	443	2.88	Queen Anne's	1,268	2.14
Worcester	871	2.67	Charles	4,520	2.09
Anne Arundel	12,967	2.67	Wicomico	2,985	2.06
St. Mary's	2,861	2.65	Frederick	7,489	1.98
Baltimore City	15,807	2.60	Carroll	4,938	1.83
Prince George's	23,522	2.49	Talbot	1,070	1.74
Hartford	6,290	2.38	Calvert	2,870	1.74
Baltimore County	20,951	2.34	Howard	10,551	1.65

Source: OLO analysis of data from *Child Care Demographics: 2015*, Maryland Family Network

**Ratio of Low-Income Children to Child Care Subsidies**

In Table 15 above, OLO compares the total number of children aged 0-11 under 185% of the federal poverty level, which is the threshold used for children to receive Free and Reduced Price Meals (FARMS) in schools, to children receiving subsidies. This ratio is meant to offer a ballpark estimate of need for subsidies versus availability, but determining the true need for subsidies is complicated for a variety of reasons.

First, both the State (SCCSP) and County (WPA) subsidy programs require parents to be working, in training or studying in order to qualify for subsidies. However, income and poverty data from the U.S. Census Bureau do not show whether a family has a low income because one of two parents is not in the labor force in order to care for children. In such a case, if that parent were to enter the labor force and thereby meet subsidy program work requirements, the family might not qualify for subsidies because the additional income has pushed them over the limit. Additionally, many families may prefer to place a child under the care of a relative, for which WPA subsidies cannot be used. However, as noted in Chapter II, it is not possible to determine the extent to which families choose relative care because that is their preference versus because they cannot afford regulated care. Furthermore, the total number of subsidies does not include children enrolled in public Pre-K and Head Start programs, which are school-based early care and education programs for low-income children. Public Pre-K and some Head Start programs are part-day programs, meaning they do not by themselves fulfill a need for full work-day child care.

Finally, as noted in Chapter III, in 2015 families could qualify for SCCSP (State) subsidies with incomes up to approximately 120% of the federal poverty level and for WPA (County) subsidies with incomes 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.

Child population group	Population Estimate	Supply Measure	Monthly Subsidized Children	# of Potentially Eligible Children Per Subsidized Child
Aged 0-11 and Under 125% of Federal Poverty Level	18,817	Monthly SCCSP Subsidized Children	1,375	13.7
Aged 0-11 between 125% and 200% Federal Poverty Level*	17,965	Monthly WPA Subsidized Children	407	44.1

Sources: 2009-2013 American Community Survey and DHHS Monthly Trends Report

\*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.

## 2. Comparison among geographic areas of the County

OLO also examined the availability of regulated child care slots in comparison to need for child care in different geographic areas of the County. For this analysis, OLO compared the number of child care slots for children under age five and children under age two with the population of children in these age groups. The maps on the following pages show the relative availability of certain types of child care in different parts of the County.

For those maps that display children per slot, the darker areas represent areas with higher ratios of children per slot, indicating a lower level of child care availability, while lighter areas represent areas with lower ratios of children per slot, indicating a higher level of child care availability. In maps that display the difference between the number of children and the number of slots, darker areas represent a larger difference, indicating a larger potential shortage, while lighter areas represent smaller differences or smaller potential shortages.

OLO mapped child care data onto two types of geographic areas: (1) census tracts and (2) election districts. Census tracts are small subdivisions of the County that the U.S. Census Bureau uses for statistical purposes. Election districts are relatively larger subdivisions of the County in which polling places are located and to which registered voters are assigned (voters are assigned to a district and a precinct). The U.S. Census Bureau also uses election districts, also known as minor civil divisions, for statistical purposes.

It is important to note that several factors that are not reflected in the maps impact the need for regulated child care slots in different geographic areas of the County. These factors include the extent to which families in each area use unregulated care (such as care by relatives and nannies), the number of families in an area who seek child care near their workplace rather than near their homes, and the extent to which workplaces within an area generate a need for child care for children who reside outside that area.

**Exhibit 1. Children Under Five per Child Care Slot by Census Tract**

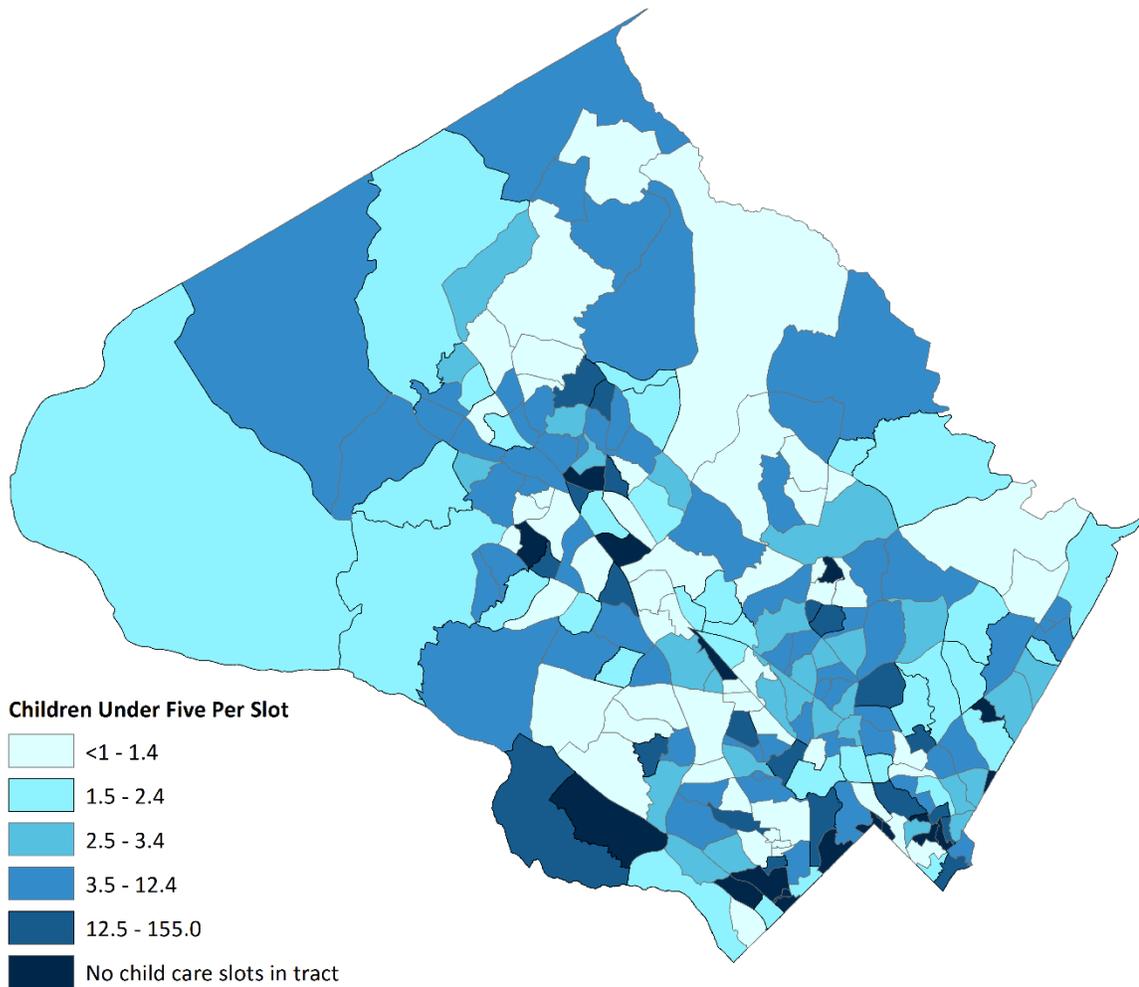


Exhibit 1 shows that child care availability for children under five, defined as the number of children per slot, varies among different census tracts in the County from less than one child per slot (meaning there are more slots than children living in the tract) to areas with no child care slots. In several cases, tracts with low or no availability of child care slots are adjacent to areas with high child care availability, indicating that some parents may be able to access child care that is outside their census tract but still close to their homes. The relatively small size of census tracts and the variability in child care availability among tracts that are adjacent to one another limits the extent to which it is possible to discern which parts of the County have the most limited supply of child care relative to their populations. For this reason, OLO also examined child care availability in election districts, which are larger geographical units than census tracts (see next page).

Exhibit 2. Children Under Five per Child Care Slot by District

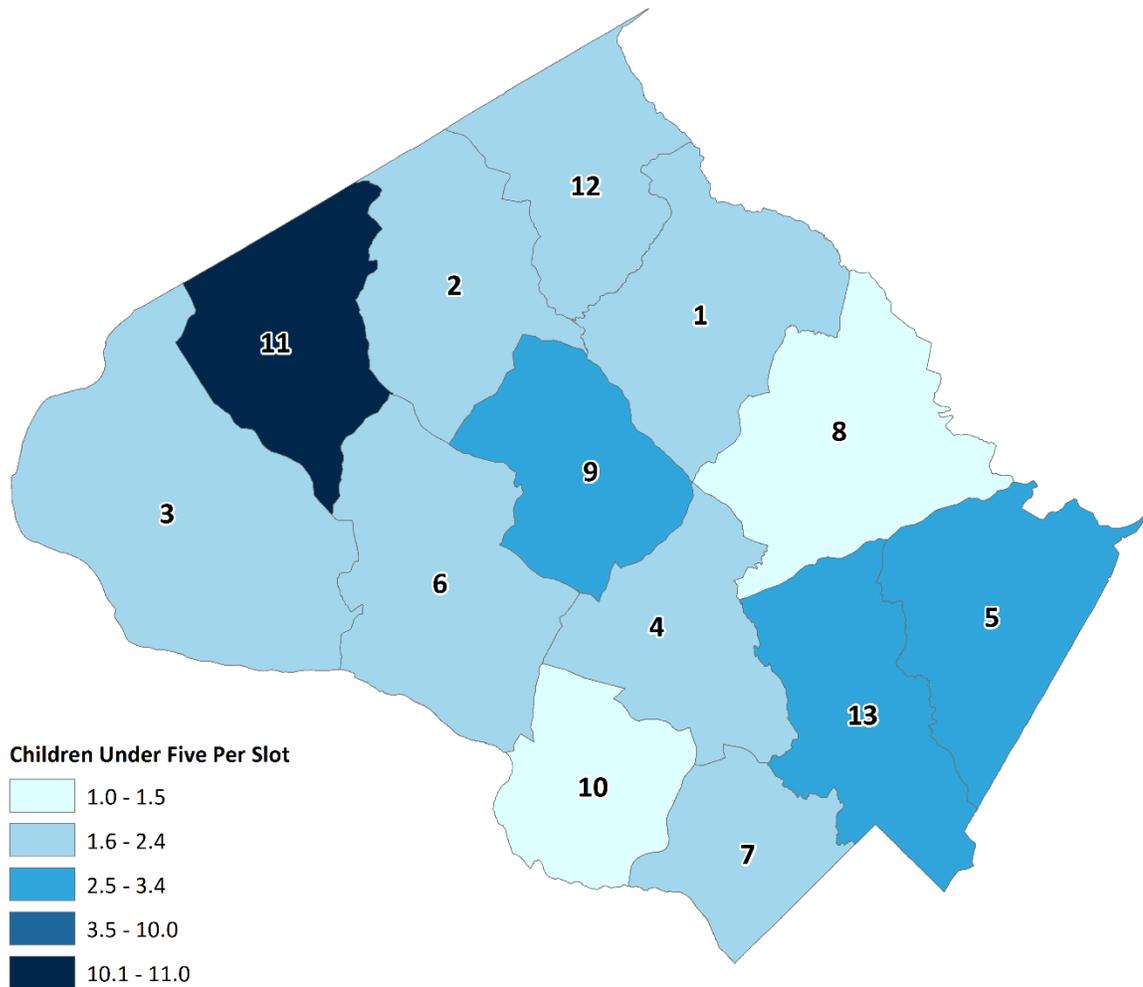


Exhibit 2 shows that the majority election districts in the County have approximately two or fewer children under five per slot. However, District 5 (Burtonsville), District 9 (Gaithersburg and Montgomery Village) and District 13 (Silver Spring and Wheaton) have three children per slot and District 11 (Barnesville) has nearly 11 children per slot, indicating that these areas have lower levels of child care availability. Significantly, the child population varies significantly among districts, and as such this map does not fully reflect the magnitude of need in each district. For example, although District 11 has the lowest level of child care availability based on the ratio of children per slot, U.S. Census data shows that only 85 children under age five reside there compared with over a thousand in most of the other districts. The map on the following page shows the magnitude of need by showing how many more children reside in each district than there are child care slots.

**Exhibit 3. Number by Which Children Under Five Exceed Child Care Slots by District**

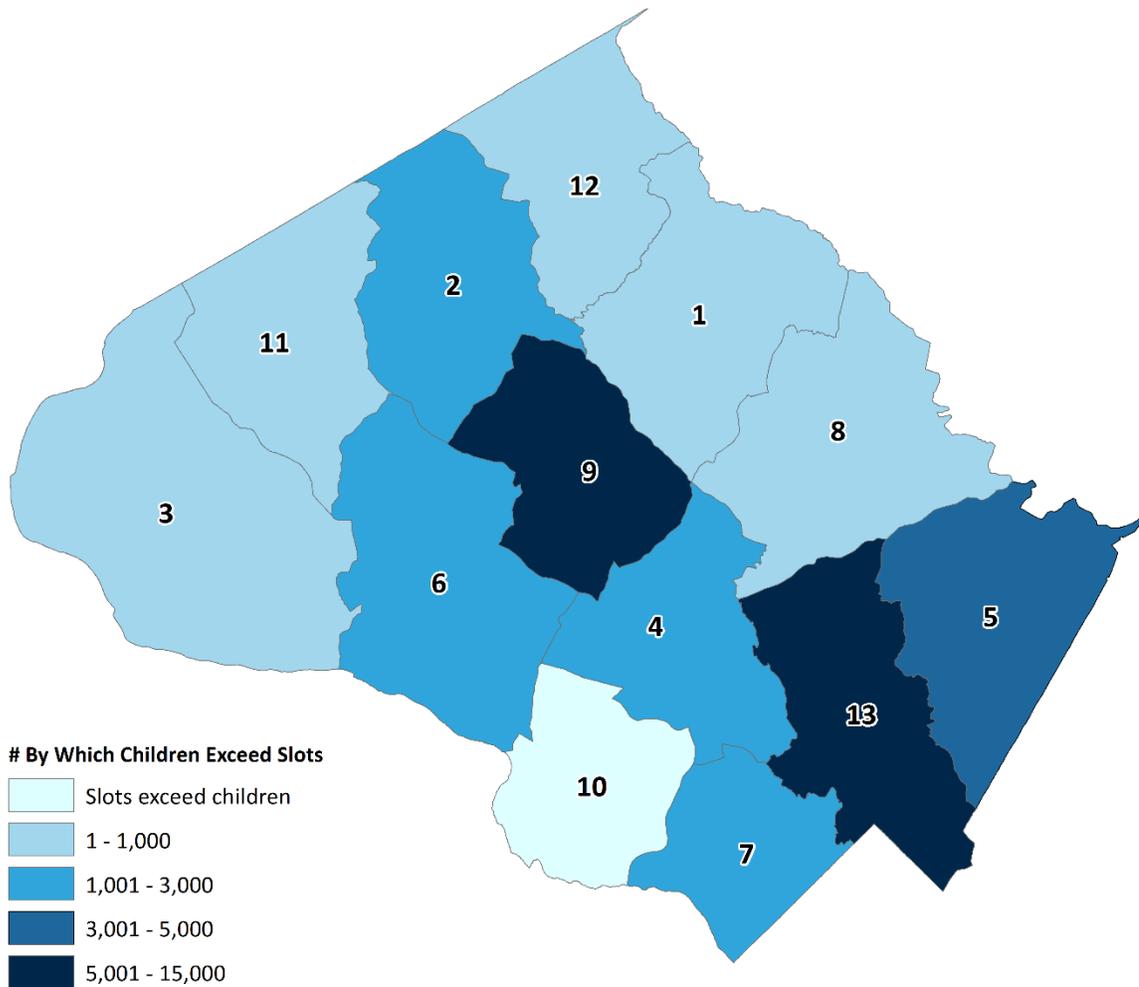


Exhibit 3 shows that in half of districts in the County, there are over 1,000 more children under age five than slots. District 9 (Gaithersburg and Montgomery Village) has the largest difference between the number of children and the number of slots, with 8,500 more children than slots. District 10 (Potomac) is the only district with more slots than children. Here, slots may be filled by children who live in other districts.

**Exhibit 4. Children Under Two per Child Care Slot by Census Tract**

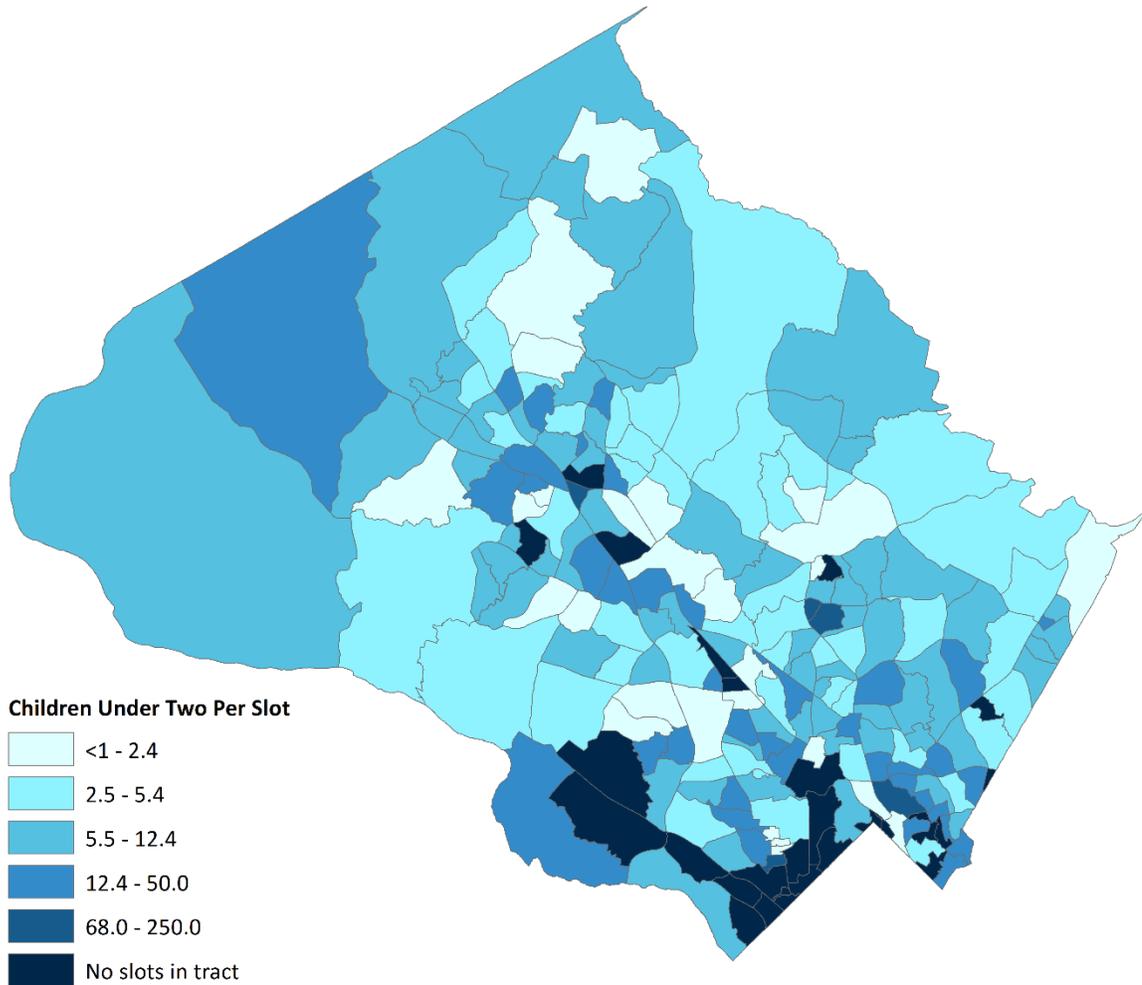


Exhibit 4 shows that the availability of child care for children under age two is lower than that for children under five across the County. The vast majority of tracts have more than two children under two per regulated child care slot and many tracts have six or more children per slot.

Exhibit 5. Children Under Two per Child Care Slot by District

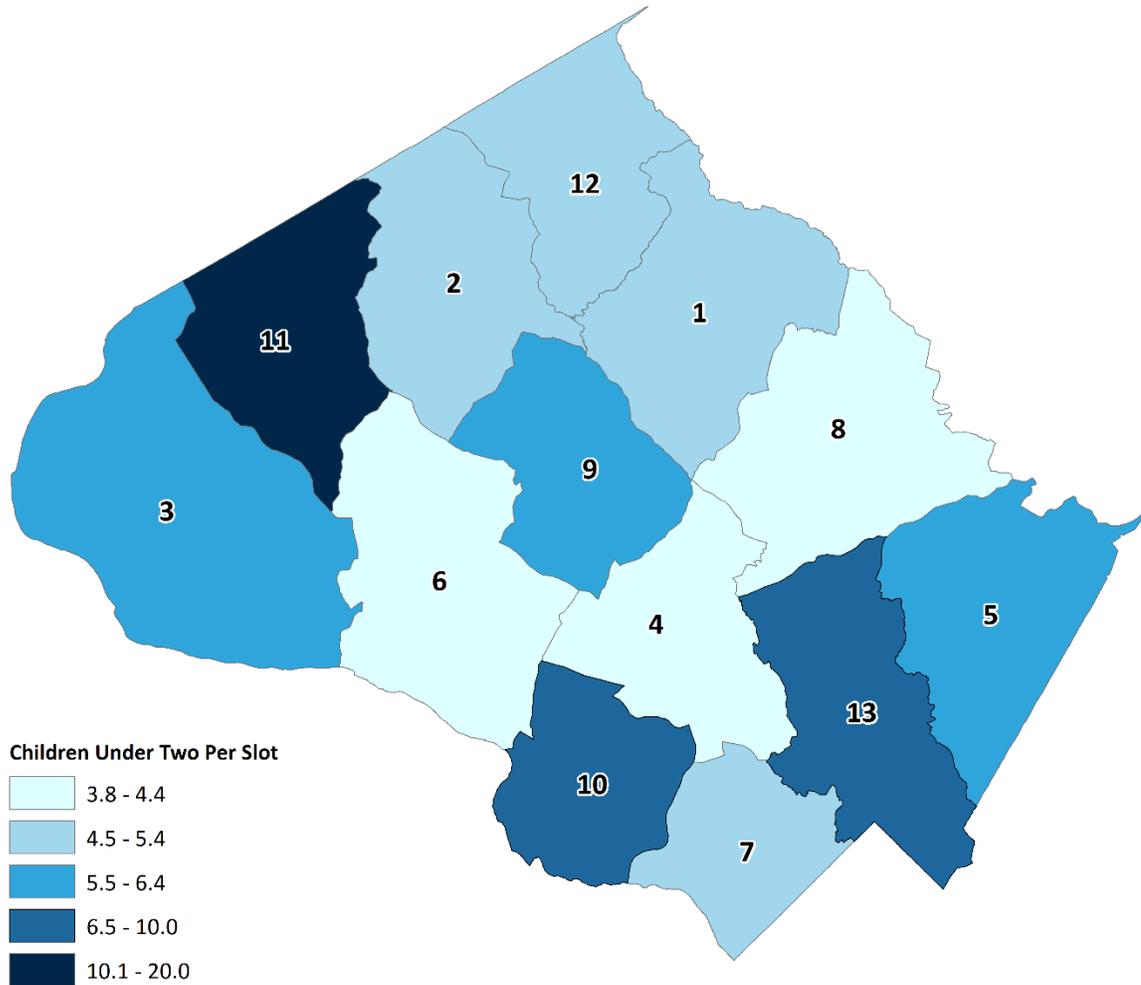


Exhibit 5 shows that all election districts in the County have four or more children under age two per regulated child care slot for children under two. District 11 (Barnesville) has 16 children per slot, followed by District 13 (Silver Spring and Wheaton) and District 10 (Potomac), which have eight children per slot. This map indicates that areas with low availability for children under five have even lower availability for children under two.

**Exhibit 6. Number by Which Children Under Two Exceed Child Care Slots by District**

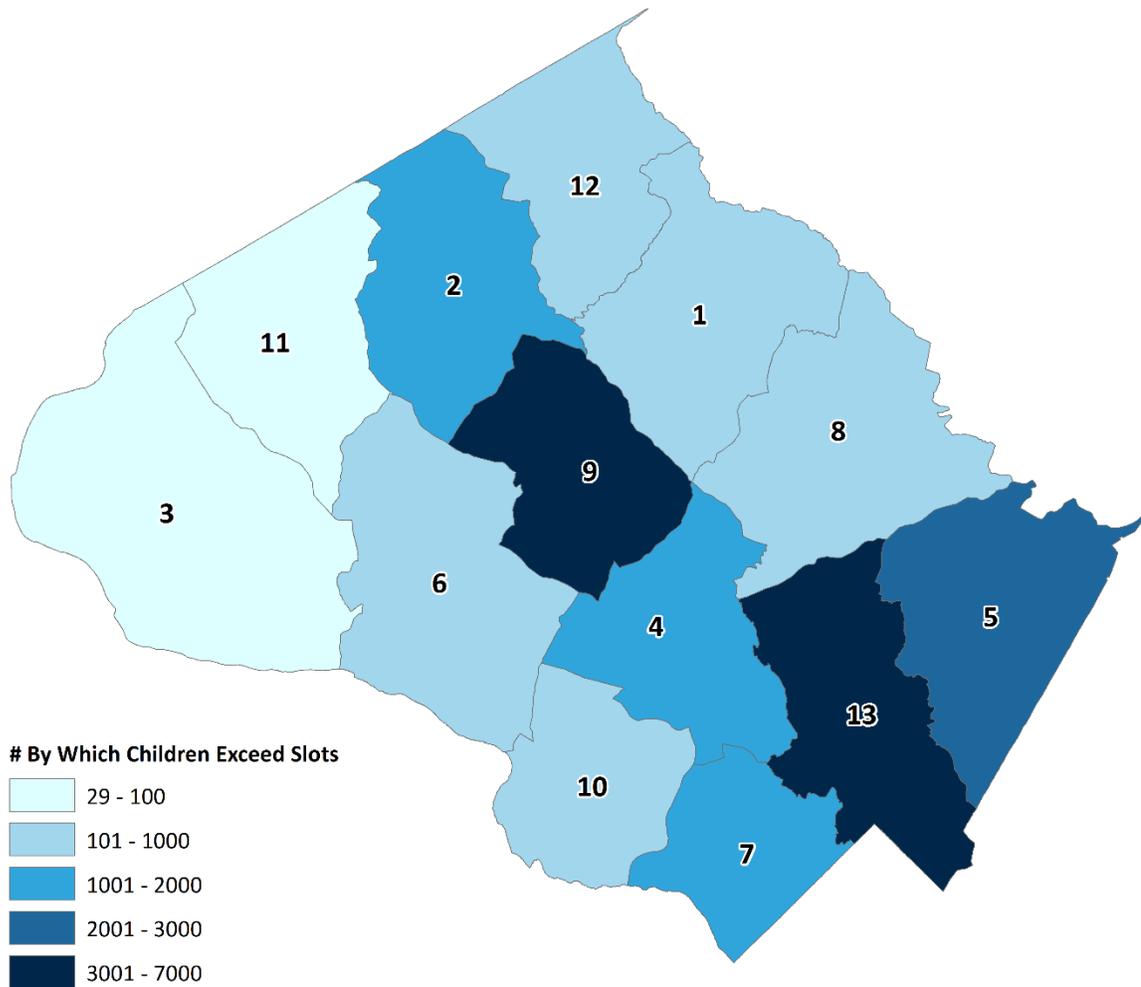
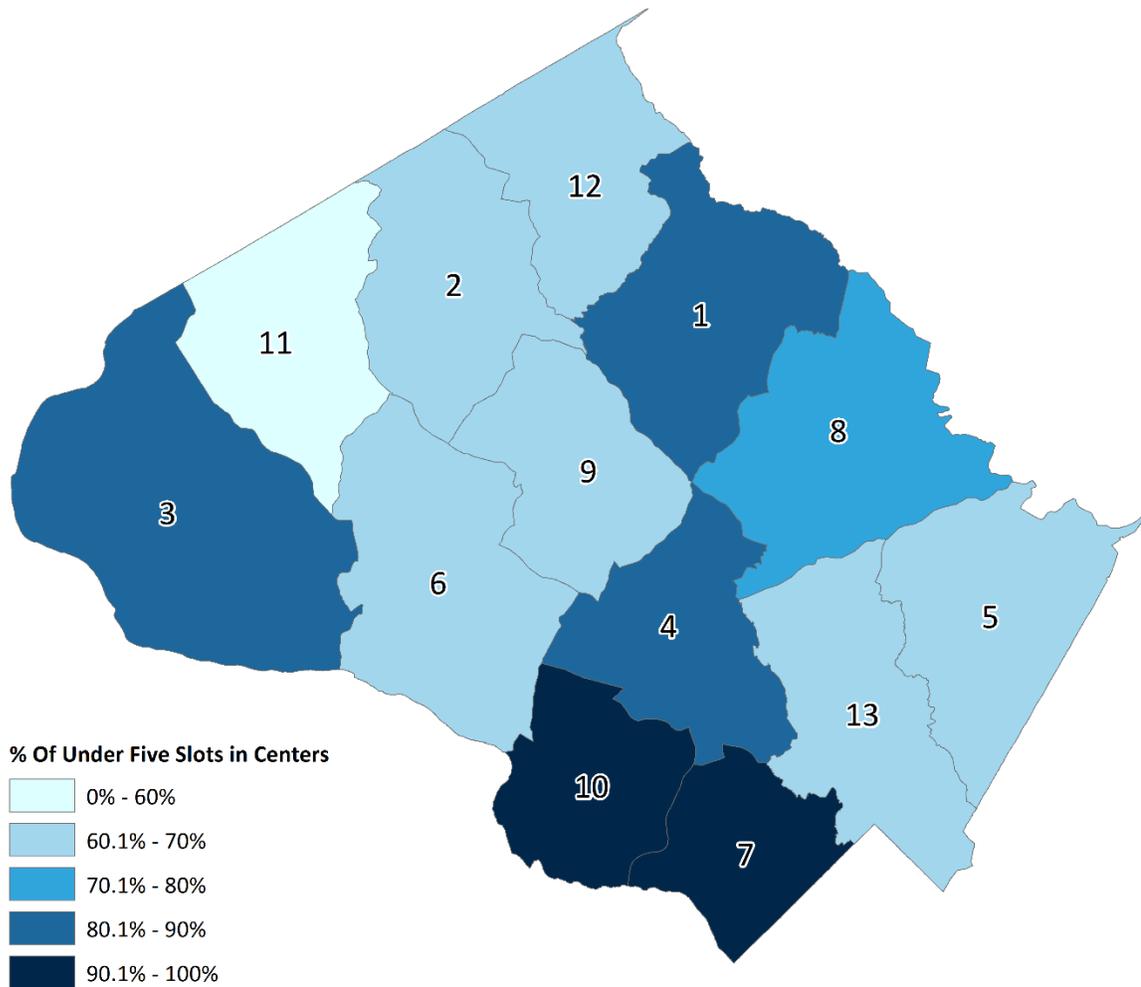


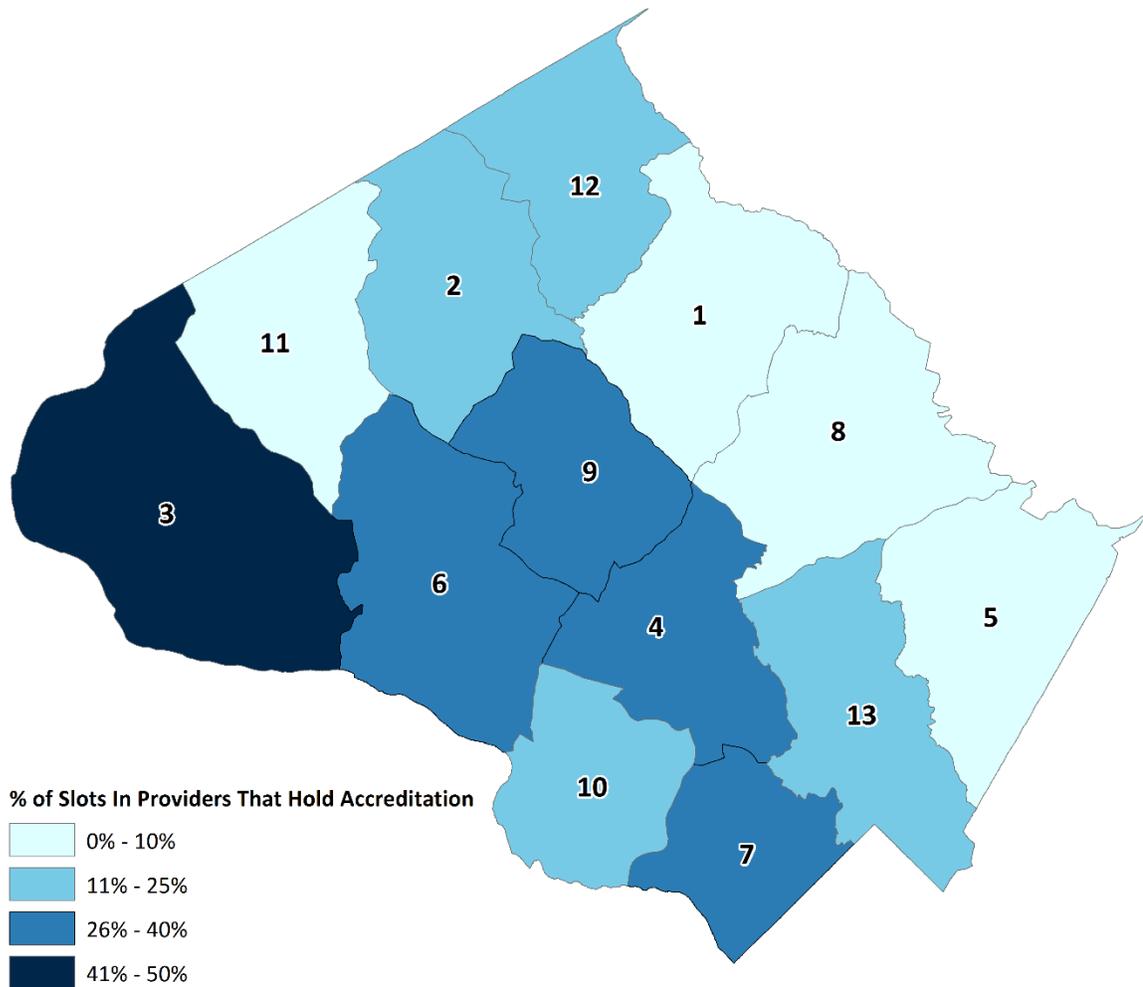
Exhibit 6 shows that the areas with the largest differences between the number of children under age two and the number of regulated child care slots for children under age two are highest in District 9 (Gaithersburg and Montgomery Village), District 13 (Silver Spring and Wheaton) and District 5 (Burtonsville and White Oak). Districts along the MD-355/I-270 corridor have higher differences between the number of children under age two and the number of child care slots than other areas of the County.

**Exhibit 7. Percentages of Child Care Center Versus Family Child Care Slots for Children Under Five**



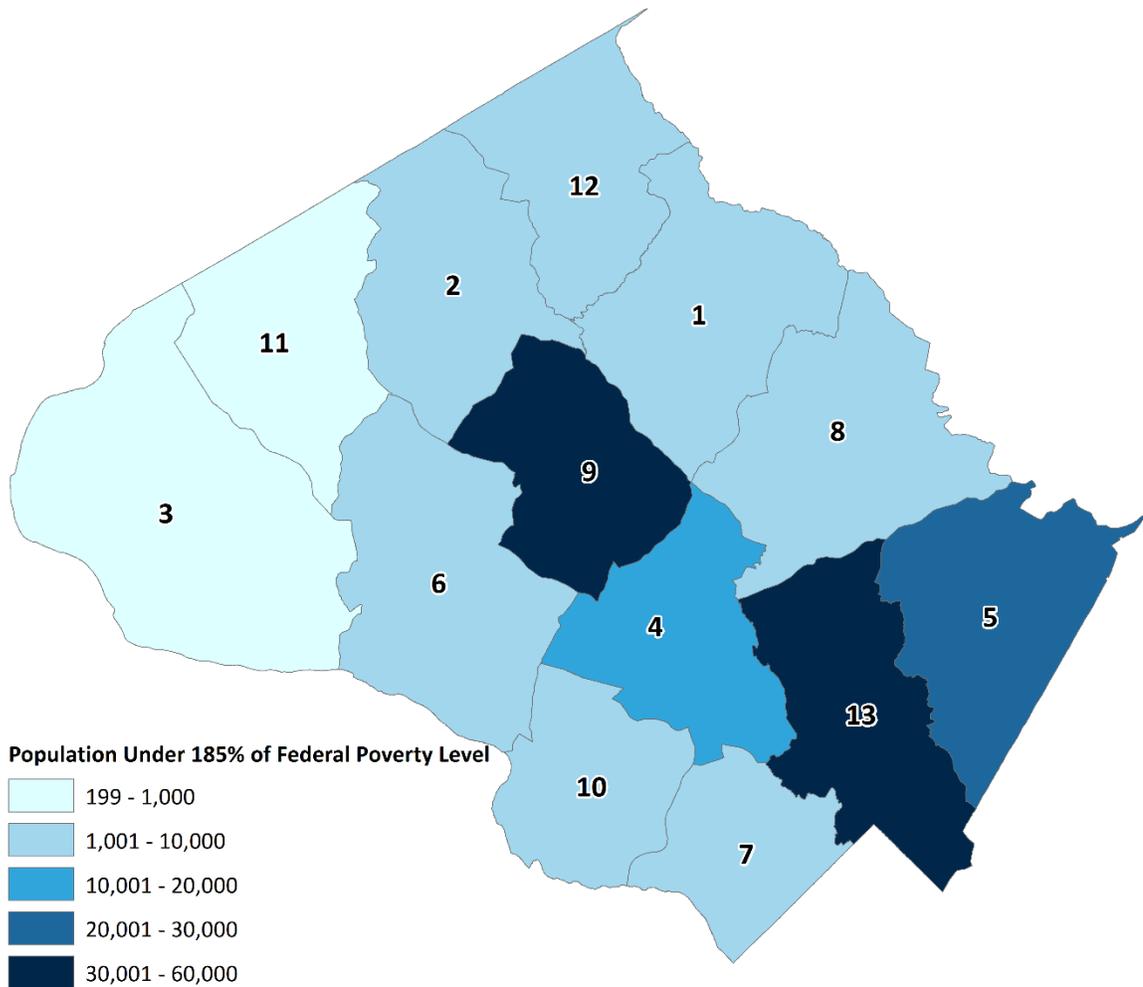
In Montgomery County as a whole, 21,003 slots for children under age five are in child care centers and 7,129 are in family child care homes, meaning that the center care capacity represents 75% of capacity for children under age five Countywide. Exhibit 7 shows that with the exception of District 11 (Barnesville), center care represents more than 60% of regulated child care slots in most districts. District 7 (Bethesda) and District 10 (Potomac) have the highest center care percentages at over 90% of slots.

**Exhibit 8. Percentages of Slots for Children under Five Offered by Accredited Providers by District**



As noted on page 17, 5% of family child care homes and 23% of 8-12 hour child care centers in the County are accredited by a State or national organization, meaning that the provider has met that organization’s standards of quality. Exhibit 8 shows that District 3 (Poolesville) has the highest percentage of regulated child care slots offered by accredited providers at 44%, although it is important to note that District 3 has significantly fewer slots (and fewer children) than most districts in the County. DHHS staff report that they have recently made a targeted effort to increase accreditation among family child care homes in Gaithersburg, which may have had an impact on the percentage of accredited slots in District 9.

**Exhibit 9. Estimated Population Under FARMS Income Eligibility Level by District**



The following pages display maps showing the numbers of children served by State and County child care subsidies, which assist families with low incomes to access child care, in each election district. To provide context for these maps, Exhibit 9 displays 2009-2013 American Community Survey population estimates of individuals under 185% of the federal poverty line, the income eligibility limit for the Free and Reduced Price Meals (FARMS) program in schools. The map shows that District 9 (Gaithersburg and Montgomery Village) and District 13 (Silver Spring and Wheaton) have the largest populations under the FARMS limit, followed by District 5 (Burtonsville) and District 4 (Rockville).

**Exhibit 10. FY15 Number of Children Served With State Subsidies (SCSSP) in Formal Care by District**

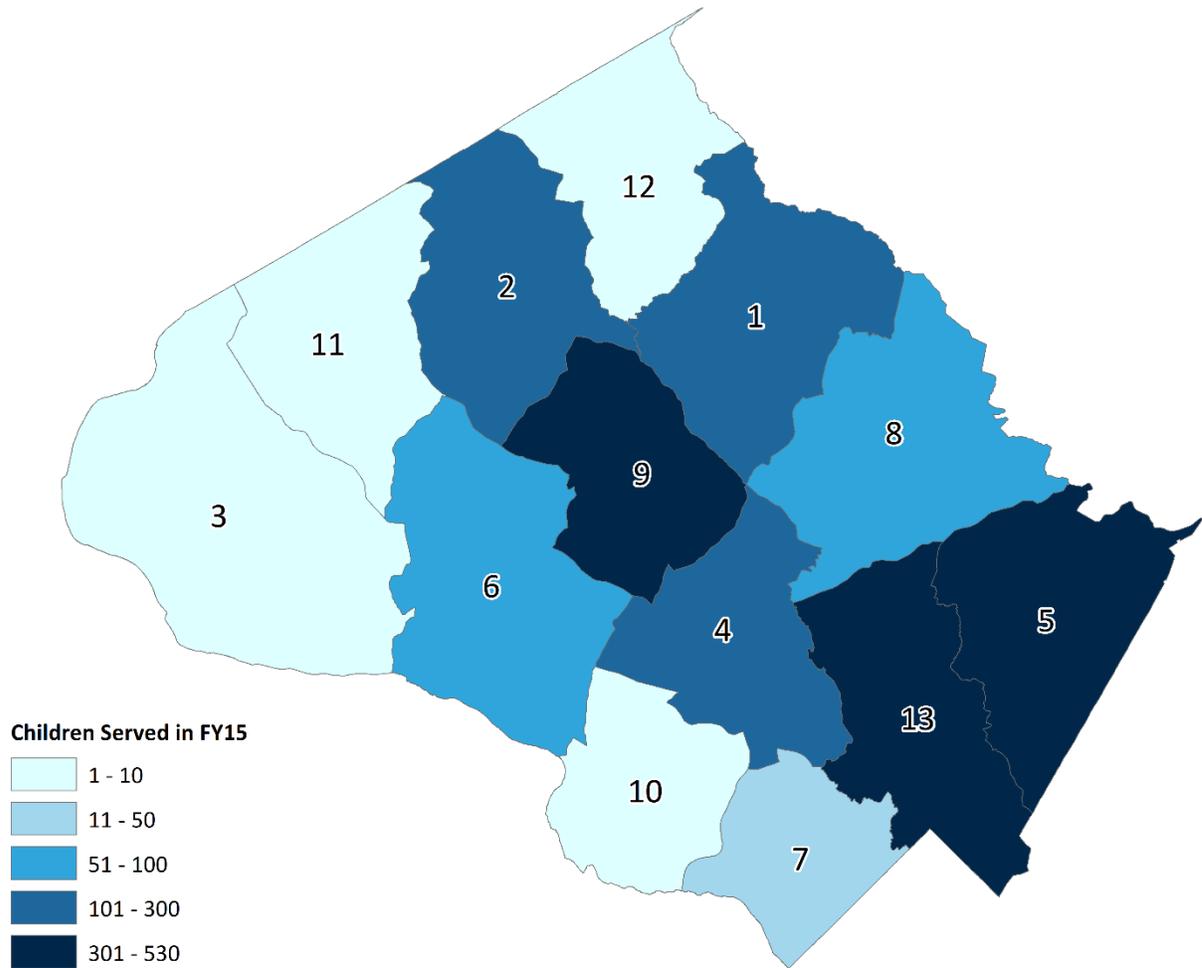


Exhibit 10 shows that the districts where the most children served by State child care subsidies (SCSSP) received formal care in FY15 were District 9 (Gaithersburg and Montgomery Village), District 13 (Silver Spring and Wheaton) and District 5 (Burtonsville). District 4 (Rockville), District 2 (Clarksburg) and District 1 (Laytonsville) also had relatively large numbers of children served by subsidies. Children served by subsidies may not necessarily reside in the same geographical area where they receive child care. Geographic data are not available on children with State subsidies who received care from informal providers such as relatives and nannies.

**Exhibit 11. Average Monthly Number of Children Served by County Subsidies (WPA) by District**

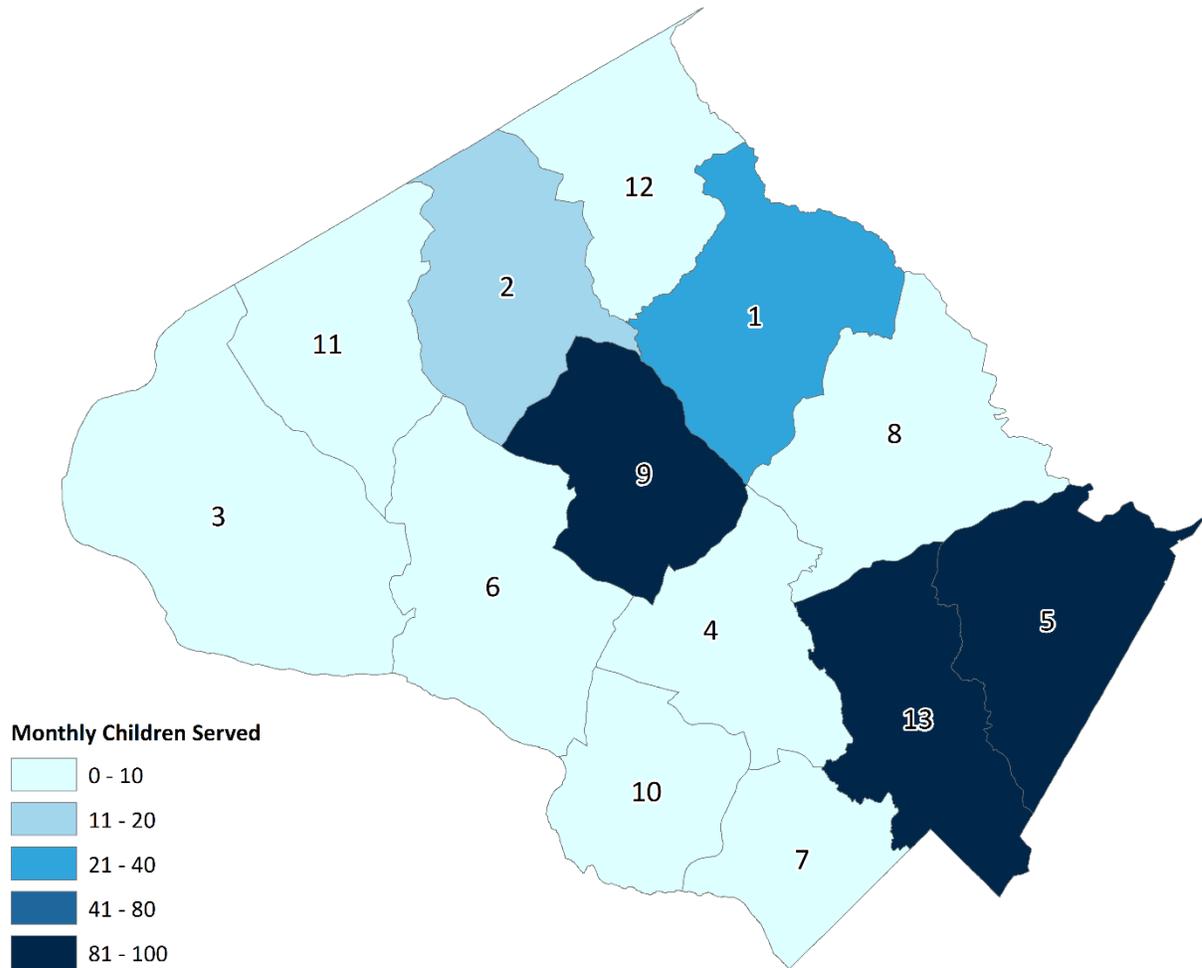


Exhibit 11 shows that the greatest concentration of children receiving County child care subsidies (WPA) received care primarily in District 9 (Gaithersburg and Montgomery Village), District 13 (Silver Spring and Wheaton) and District 5 (Burtonsville). Outside of these districts, only District 1 (Laytonsville) and District 2 (Clarksburg) had more than 10 children on average per month receiving care with County subsidies. Children served by subsidies may not necessarily reside in the same geographical area where they receive child care.

**Summary of Geographic Comparison.** The 11 maps displayed above each paint a different picture of child care availability and need in Montgomery County. Tables 17 and 18 on the following page display the data shown in the 11 maps. The geographic comparison leads to two major conclusions. The first is 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. The second conclusion is that District 5 (Burtonsville), District 9 (Gaithersburg and Montgomery Village) and District 13 (Silver Spring and Wheaton) appear to have the lowest availability of child care for children under age five and under age two as well as the largest low-income populations and the most children receiving child care subsidies.

**Table 17. Summary of Data on Child Care Supply in Montgomery County Election Districts**

District	Places in District	Total Under Five Capacity	Children Under Age Five Per Slot	# by Which Children Under Age Five Exceed Slots	Total Under Age Two Capacity	Children Under Age Two Per Slot	# By Which Children Under Age Two Exceed Slots
1	Laytonsville	755	2	582	110	5	420
2	Clarksburg & northern Germantown	1,744	2	2,193	331	5	1,275
3	Poolesville	157	2	96	14	6	64
4	Rockville	4,326	2	2,428	691	4	1,990
5	Burtonsville and White Oak	2,571	3	4,259	444	6	2,228
6	Darnestown & North Potomac	1,365	2	1,525	250	4	719
7	Bethesda, Glen Echo & Somerset	2,616	2	2,684	423	5	1,503
8	Olney & Brookeville	1,663	1	625	206	4	569
9	Gaithersburg & Montgomery Village	5,000	3	8,498	943	6	4,594
10	Potomac	1,553	1	-5	55	8	406
11	Barnesville	8	11	77	2	16	29
12	Damascus	500	2	674	86	5	341
13	Silver Spring & Wheaton-Glenmont	5,725	3	12,113	952	8	6,291

**Table 18. Summary of Additional Data on Child Care and Child Care Subsidies in Montgomery County Election Districts**

District	Places in District	% of Capacity in Centers	% of Slots Accredited	Residents Under 185% of Federal Poverty Level	FY15 SCCSP Subsidized Children	FY15 Average Monthly WPA Subsidized Children
1	Laytonsville	80%	2%	1,754	215	21
2	Clarksburg & northern Germantown	64%	11%	4,867	190	20
3	Poolesville	85%	44%	646	4	0
4	Rockville	85%	27%	13,913	130	8
5	Burtonsville and White Oak	69%	9%	23,748	380	94
6	Darnestown & North Potomac	69%	32%	3,213	61	7
7	Bethesda, Glen Echo & Somerset	91%	32%	5,477	14	2
8	Olney & Brookeville	75%	10%	3,036	51	5
9	Gaithersburg & Montgomery Village	66%	26%	37,652	530	81
10	Potomac	92%	14%	2,341	6	1
11	Barnesville	0%	0%	199	1	0
12	Damascus	61%	14%	2,083	9	3
13	Silver Spring & Wheaton-Glenmont	69%	20%	55,458	494	98

**D. Affordability of Regulated Child Care in Montgomery County**

As noted in Chapter II, two of the key factors that influence families’ decisions regarding whether to purchase child care are the cost and quality of available care and family incomes, including the potential earnings of working parents who otherwise might care for the children. This section examines family incomes and child care costs in Montgomery County in order to determine the extent to which child care is affordable for different families.

**1. Family incomes and labor force status in Montgomery County**

Table 19 displays data on family incomes in Montgomery County from the American Community Survey for the years 2009 to 2013. It is important to note that the family income data presented do not reflect the potential earnings of parents who do not to participate in the labor force in order to care for their children. Additionally, specific data are not available on incomes of families with young children, which may be different than those of all families. Of note:

- Half of families (defined as at least two related individuals living together) in the County had incomes of \$117,000 or higher.
- The median income of families with a married couple was \$136,973, more than double that of families with a single householder.
- 58% of families had incomes above \$100,000 and 23% of families had incomes above \$200,000.

**Table 19: Family Incomes in Montgomery County, 2009-2013**

Group	Family Income	% of Families
<b>Median family income</b>	\$117,408	100.0%
Married couple families	\$136,973	77.8%
Female householder, no husband present	\$57,655	16.3%
Male householder, no wife present	\$65,268	5.9%
Families with own children under 18 years	\$114,967	48.5%
<b>Shares of families with incomes:</b>		
Less than \$25,000		6.6%
Between \$25,000 and \$49,999		10.9%
Between \$50,000 and \$99,999		24.3%
Between \$100,000 and \$149,999		21.3%
Between \$150,000 and \$199,999		14.3%
Over \$200,000		22.6%

Source: American Community Survey 5-Year Estimates, 2009-2013

Chapter X also notes that decisions regarding child care often occur in tandem with parents’ decisions regarding whether to participate in the labor force. A parent’s decision to participate in the labor force may cause the parent to seek child care. Conversely, the cost or scarcity of child care may prevent a parent from participating in the labor force. Table 20 displays demographic data on different groups of individuals aged 20-64 in the County who are in the labor force (employed or looking for work), employed, and unemployed. The table shows that:

- Women with children under six years of age participate in the labor force at a lower rate (73%) compared with all women aged 20 to 64 (80%) and compared with all men in that age range (91%);
- Among those who do participate in the labor force, women with children under 6 have a higher unemployment rate (8%) than other groups (6%);
- Families with children under age six are less likely (70%) to have all parents in the labor force compared with families with children aged six to 17 (77%).

**Table 20. Select Labor Force Status and Employment Data for Montgomery County, 2009-2013**

Group	In Labor Force	Employed	Unemployed
<b>Population aged 20-64</b>	<b>85%</b>	<b>80%</b>	<b>6%</b>
Male	91%	85%	6%
Female	80%	75%	6%
With own children under 6 years old	73%	66%	8%
<b>Families with own children under 6 with all parents in labor force</b>	<b>70%</b>		
<b>Families with own children 6-17 with all parents in labor force</b>	<b>77%</b>		

Source: American Community Survey Five-Year Estimates, 2009-2013

## 2. Child care costs in Montgomery County

Table 21 summarizes data collected by the Maryland Family Network as part of its child care market survey on rates charged by child care providers in 2014. The table displays costs for child care centers and family child care homes for different age groups. The rates displayed in the first two columns are **median rates**, meaning that 50% of providers charge less than the listed rate and 50% of providers charge more than that rate. The table also lists the **25<sup>th</sup> percentile rates** (meaning 25% of providers charge less than that rate) and **75<sup>th</sup> percentile rates** (75% of providers charge less than that rate).

For example, for full-time care for an infant (0-23 months old), 50% of child care centers charged less than \$17,420 per year, 25% of providers charged less than \$15,600, and 75% of providers charged less than \$20,369. The table shows that the rates charged by family child care homes are lower than those charged by child care centers. For example, for infants/toddlers (0-23 months), the median rate was \$13,000 per year in a family child care home, \$4,420 less than the median rate in a child care center for a child of the same age.

**Table 21: Weekly and Annual Child Care Rates Reported by Regulated Providers in Montgomery County, 2014**

Care Type	Median		25th Percentile		75th Percentile	
	Weekly	Annual	Weekly	Annual	Weekly	Annual
<b>Child Care Centers or Group Programs</b>						
0-23 Months	\$335	\$17,420	\$300	\$15,600	\$392	\$20,369
2-4 Years	\$242	\$12,584	\$200	\$10,400	\$299	\$15,561
5 Years, full-time	\$225	\$11,700	\$188	\$9,763	\$280	\$14,560
School Age, Full-Time (school vacations, etc.)	\$215		\$215		\$215	
School Age, Before and After School	\$130		\$116		\$142	
<b>Family Child Care Homes</b>						
0-23 Months	\$250	\$13,000	\$200	\$10,400	\$275	\$14,300
2-4 Years	\$200	\$10,400	\$180	\$9,360	\$250	\$13,000
5 Years, full-time	\$200	\$10,374	\$160	\$8,320	\$225	\$11,700
School Age, Full-Time (school vacations, etc.)	\$180		\$150		\$200	
School Age, Before and After School	\$115		\$100		\$140	

Source: Maryland Family Network LOCATE Database

### 3. Child care costs in relation to family incomes

Tables 22-24 display child care costs at the 25<sup>th</sup> percentile, median (equivalent to the 50<sup>th</sup> percentile) and the 75<sup>th</sup> percentile, as percentages of family income for different income levels. Each table shows child care costs as a percentage of family income. The first table shows costs for one infant; the second for one preschooler; and the third shows combined costs for one infant and one preschooler. The lightly-shaded areas represent levels of income at which child care costs fall between 10% and 20% of income, while the darkly- shaded areas represent income levels at which child care costs fall below 10% of income. As noted on page 44, 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 child care subsidies.

Table 22 shows that a family must have an income approaching \$100,000 for the median child care center cost for one infant to be less than 20% of family income, and an income of about \$180,000 for the cost to be less than 10% of family income. For a married couple in the County with the current median income of \$137,000, the median child care center cost for one infant would consume 12% of their income. A single female householder earning the median income of \$58,000 would need to pay about 29% of her income for full-time care for one infant in a child care center.

**Table 22. Annual Full-Time Child Care Costs for One Infant as Percentage of Family Income**

Family Income	Child Care Center Costs			Family Child Care Home Costs		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
	\$15,600	\$17,420	\$20,369	\$10,400	\$13,000	\$14,300
\$20,000	78%	87%	102%	52%	65%	72%
\$30,000	52%	58%	68%	35%	43%	48%
\$40,000	39%	44%	51%	26%	33%	36%
\$50,000	31%	35%	41%	21%	26%	29%
\$60,000	26%	29%	34%	17%	22%	24%
\$80,000	20%	22%	25%	13%	16%	18%
\$100,000	16%	17%	20%	10%	13%	14%
\$120,000	13%	15%	17%	9%	11%	12%
\$140,000	11%	12%	15%	7%	9%	10%
\$160,000	10%	11%	13%	7%	8%	9%
\$180,000	9%	10%	11%	6%	7%	8%
\$200,000	8%	9%	10%	5%	7%	7%
\$220,000	7%	8%	9%	5%	6%	7%
\$240,000	7%	7%	8%	4%	5%	6%

Source: OLO analysis of data from Maryland Family Network LOCATE database

Table 23 displays child care costs for full-time care for one preschooler as percentages of different levels of family incomes. The table shows that child care for preschoolers is more affordable than child care for infants. A married couple at the median income (\$137,000) would pay about 9% of income for a preschooler in a child care center, while a single female householder at the median income (\$58,000) would pay 21% of her income for preschooler child care.

**Table 23. Annual Full-Time Child Care Costs for One Preschooler as Percentage of Family Income**

Family Income	Center			Family Child Care Home		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
	\$10,400	\$12,584	\$15,561	\$9,360	\$10,400	\$13,000
\$20,000	52%	63%	78%	47%	52%	65%
\$30,000	35%	42%	52%	31%	35%	43%
\$40,000	26%	31%	39%	23%	26%	33%
\$50,000	21%	25%	31%	19%	21%	26%
\$60,000	17%	21%	26%	16%	17%	22%
\$80,000	13%	16%	19%	12%	13%	16%
\$100,000	10%	13%	16%	9%	10%	13%
\$120,000	9%	10%	13%	8%	9%	11%
\$140,000	7%	9%	11%	7%	7%	9%
\$160,000	7%	8%	10%	6%	7%	8%
\$180,000	6%	7%	9%	5%	6%	7%
\$200,000	5%	6%	8%	5%	5%	7%
\$220,000	5%	6%	7%	4%	5%	6%
\$240,000	4%	5%	6%	4%	4%	5%

Source: OLO analysis of data from Maryland Family Network LOCATE database

Finally, Table 24 shows the combined full-time child care costs for one infant and one preschooler. The table indicates that median child care center costs in this case constitute about 21% of the median income for a married couple (\$137,000) and 50% of the median income for a single female householder (\$58,000). A family with one infant and one preschooler would need a minimum income of approximately \$300,000 in order for median child care center costs to not exceed 10% of income and an income of \$160,000 in order for child care center costs not to exceed 20% of income.

**Table 24. Annual Full-Time Child Care Costs for One Infant & One Preschooler as Percentage of Family Income**

Family Income	Center			Family Child Care Home		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
	\$26,000	\$30,004	\$35,930	\$19,760	\$23,400	\$27,300
\$20,000	130%	150%	180%	99%	117%	137%
\$30,000	87%	100%	120%	66%	78%	91%
\$40,000	65%	75%	90%	49%	59%	68%
\$50,000	52%	60%	72%	40%	47%	55%
\$60,000	43%	50%	60%	33%	39%	46%
\$80,000	33%	38%	45%	25%	29%	34%
\$100,000	26%	30%	36%	20%	23%	27%
\$120,000	22%	25%	30%	16%	20%	23%
\$140,000	19%	21%	26%	14%	17%	20%
\$160,000	16%	19%	22%	12%	15%	17%
\$180,000	14%	17%	20%	11%	13%	15%
\$200,000	13%	15%	18%	10%	12%	14%
\$220,000	12%	14%	16%	9%	11%	12%
\$240,000	11%	13%	15%	8%	10%	11%
\$260,000	10%	12%	14%	8%	9%	11%
\$280,000	9%	11%	13%	7%	8%	10%
\$300,000	9%	10%	12%	7%	8%	9%
\$320,000	8%	9%	11%	6%	7%	9%
\$340,000	8%	9%	11%	6%	7%	8%
\$360,000	7%	8%	10%	5%	7%	8%
\$380,000	7%	8%	9%	5%	6%	7%

Source: OLO analysis of data from Maryland Family Network LOCATE database

#### 4. Child care affordability conclusions

70% of families in the County with children under age six have all parents in the labor force, indicating that their children are likely to receive nonparental child care on a regular basis. The tables above suggest that the majority of families with young children in the County must spend significant portions of their incomes for regulated child care, particularly if the family has two children in full-time care. Single parents in particular face extremely high child care costs relative to their incomes. Of note:

- A family must have an income approaching \$100,000 for the median child care center cost for one infant to be less than 20% of family income and an income approaching \$160,000 for the median child care center cost for two children (one infant and one preschooler) to be less than 20% of income;
- A single mother with the median income for that family type of \$58,000 would need to spend over 29% of income on full-time care in a center for an infant and 50% of income for care for both an infant and a preschooler; and
- In order for full-time child care costs for two children (one infant and one preschoolers) not to exceed 10% of income, which is the maximum recommended percentage of income to be spent on child care according to the U.S. Department of Health and Human Services, a family would need to have an income of \$300,000 for center care or \$240,000 for care in a family child care home.

## Chapter V. Public Policy Efforts to Increase Access to Affordable Child Care

As noted in Chapter II, child care represents many families' largest expense and often exceeds housing costs. Families frequently find that child care is unaffordable or unavailable. Although most child care is provided by private organizations and businesses, various government programs at the federal, state and local levels are aimed at increasing families' access to child care. This chapter describes the public sector policies and practices to increase access to child care recommended by government and research organizations. These efforts include subsidy programs for low-income families, assistance to child care workers and providers, and partnerships with other agencies and businesses.

- **Section A** describes recommended practices for designing and implementing child care subsidy programs; and
- **Section B** examines other policies and practices aimed at increasing access to child care.

### A. Child Care Subsidy Programs

Child care subsidy programs help low-income families pay for child care. A common type of subsidy program provides vouchers to eligible families to cover some or all of the costs of obtaining child care in the private market. Typically, families with the lowest incomes are eligible for the largest subsidies.

Most child care subsidy programs are run by states, although some cities, including New York, Seattle, and Madison, have also established local subsidy programs. The Child Care and Development Block Grant (CCDBG) is the largest source of federal funding for states' child care subsidy programs. A key challenge associated with many subsidy programs is that only a small portion of eligible families use subsidies, with estimates ranging from 7% to 34%.<sup>1</sup>

The federal government and research organizations, including the Urban Institute and the Center for Law and Social Policy (CLASP), have recommended policies and practices regarding subsidy program eligibility standards and payment amounts and other subsidy program rules. Additionally, Urban Institute and CLASP researchers recommend providing subsidized care by contracting directly with child care providers as an alternative to vouchers in geographic areas where the supply of providers in the private market is not sufficient.

#### 1. Subsidy program income eligibility rules, parental copayments and total payment rates

Subsidy programs vary with respect to eligibility standards, income-based subsidy schedules, and program payment rates. Subsidy program payment rates are typically based on the cost of child care in a given geographical area, but a given provider may charge more or less than the payment rate specified by the subsidy program.

**Income eligibility, copayments, and the "cliff effect."** Income eligibility standards for child care subsidies vary among programs. Federal CCDBG rules establish a maximum income eligibility limit of 85% of a state's median income for state subsidy programs, but states often establish limits below 85% of median income. Additionally, the relationship between subsidy payments and income vary among programs. Depending on the way that a

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<sup>1</sup> Forry, N. D., Daneri, P., Howarth, G. (2013). *Child care subsidy literature review*. OPRE Brief 2013-60. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, p. 6.

subsidy program is structured, a family that receives a subsidy may face a significant increase in child care costs when their household income increases just above the eligibility threshold. For example, California's child care subsidy program had a maximum monthly income limit of \$3,518 in 2011. Given the structure of the program, the Urban Institute estimated that a previously eligible family whose income exceeded that limit by \$1 could experience a 318% increase in costs for care in a child care center. In this case, the family's increase in income would result in a decrease in family resources due to the loss of the subsidy, an outcome referred to as the "cliff effect."<sup>2</sup>

To avoid the cliff effect, child care subsidy programs can structure copayment rates to increase gradually with income such that families with the highest eligible incomes are paying close to the full cost of care. However, as Urban Institute researchers point out, this approach has costs. Jurisdictions often face a trade-off between allowing families to qualify at higher income levels but requiring higher copayments, versus providing fewer low-income families with larger subsidies:

In some states, families see only small increases in copayments as their income increases, and copayments are kept relatively low across the life of the subsidy. In these same states, families may see much larger increases in child care expenses when they no longer qualify for subsidies. In other states, copayment amounts increase significantly over the life of the subsidy, and families may qualify for subsidies at higher income levels. In these states, families may struggle with the high copayment amounts while in the assistance program, but they may also be more prepared for the costs they face once they no longer qualify for subsidies.<sup>3</sup>

To reduce the cliff effect and assist families in maintaining stable care arrangements, some subsidy programs, including 16 state programs, have different income eligibility thresholds for new applicants versus continuing applicants, an approach known as "tiered income eligibility." For example, in the District of Columbia, the initial monthly income eligibility threshold was \$3,815 for a family of three in 2012, but a family in the program whose income increased could continue to receive benefits until its monthly income reached \$4,258, or 12% more than the initial threshold. In these programs, families applying for continuing subsidies can still receive some assistance when their income exceeds the initial income eligibility threshold so that they do not lose all of their benefits immediately, reducing the cliff effect.<sup>4</sup>

**Subsidy program payment and copayment rates.** Federal rules require states to conduct a local market rate survey every two years to assess the price of child care in the market. The rules suggest that subsidy program payment rates, which correspond to the total of the subsidy and the expected parental copayment, should be at least equal to the 75<sup>th</sup> percentile of the market rate, meaning that they should equal or exceed the rates charged by at least 75% of providers. Additionally, the U.S. Department of Health and Human Services suggests that states set copayments equal to no more than 10% of a family's income.<sup>5</sup>

<sup>2</sup> Minton, S., and Durham, C., "Low-Income Families and the Cost of Child Care: State Child Care Subsidies, Out-of-Pocket Expenses, and the Cliff Effect," The Urban Institute, December 2013, p. 8 < [http://www.urban.org/research/publication/low-income-families-and-cost-child-care/view/full\\_report](http://www.urban.org/research/publication/low-income-families-and-cost-child-care/view/full_report) > accessed 8/11/2015

<sup>3</sup> Ibid., p. 14

<sup>4</sup> Ibid, p. 2 and "Supporting Continuity through Child Care and Development Fund Subsidies: A Review of Select State Policies," Issue Brief OPRE 2014-32, March 2014, Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, pp. 9-11, < [http://www.acf.hhs.gov/sites/default/files/opre/continuity\\_brief.pdf](http://www.acf.hhs.gov/sites/default/files/opre/continuity_brief.pdf) > accessed 8/12/2015

<sup>5</sup> Lynch, K., "The Child Care and Development Block Grant: Background and Funding," Congressional Research Service, September 17, 2014 < [http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/RL30785\\_gb.pdf](http://greenbook.waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/RL30785_gb.pdf) > accessed 8/11/2015.

Nearly all states waive copayments for families at or below the poverty line. The average required copayment for other families was 6% in FY 2011 across all state programs and 8% for the Maryland subsidy program. However, states are not required to use the market survey to set their payment rates or adhere to the 75<sup>th</sup> percentile standard.<sup>6</sup> Many states, including Maryland, base their total payment rates (subsidies plus copayments) on outdated surveys. Data compiled by Child Care Aware showed that 16 states, including Maryland, based their 2012 rates on market surveys from 2005 or earlier (see Table 25 below).<sup>7</sup>

**Table 25. U.S. States by Year of Market Survey Used to Set 2012 Child Care Subsidy Program Payment Rates**

	State	Market Rate Survey Year Used for Subsidy Rate		State	Market Rate Survey Year Used for Subsidy Rate
1	Arizona	2000	27	Wyoming	2007
2	Kansas	2000	28	Arkansas	2008
3	Connecticut	2001	29	Illinois	2008
4	District of Columbia	2001	30	Ohio	2008
5	Idaho	2001	31	Oklahoma	2008
6	New Mexico	2001	32	Oregon	2008
7	Rhode Island	2002	33	Vermont	2008
8	Washington	2002	34	West Virginia	2008
9	Iowa	2004	35	Alabama	2009
10	Nevada	2004	36	Alaska	2009
11	Virginia	2004	37	Louisiana	2009
12	California	2005	38	Montana	2009
13	Kentucky	2005	39	Nebraska	2009
14	<b>Maryland</b>	<b>2005</b>	40	New Hampshire	2009
15	Minnesota	2005	41	North Dakota	2009
16	Wisconsin	2005	42	South Dakota	2009
17	Georgia	2006	43	Maine	2010
18	Missouri	2006	44	Delaware	2011
19	Utah	2006	45	Florida	2011
20	Hawaii	2007	46	Massachusetts	2011
21	Indiana	2007	47	New York	2011
22	Mississippi	2007	48	Colorado	2011
23	North Carolina	2007		Michigan	NA
24	Pennsylvania	2007		New Jersey	NA
25	South Carolina	2007		Texas	NA
26	Tennessee	2007			

Source: Child Care Aware of America

<sup>6</sup> Ibid.

<sup>7</sup> "Year of Market Survey Used to Set Current Subsidy Rates," Data from website of Child Care Aware of America based on Office of Child Care, CCDF State/Territory Plans 2012-2013, 2.7.5 and 2.7.4a, < <http://www.naccrra.org/public-policy/resources/data> > accessed 8/11/2015

## 2. Subsidy-eligible activities and redetermination policies

Subsidy programs can also vary in terms of what types of activities, such as work or study, allow parents to qualify for assistance. Programs also differ regarding the length of time a family can receive a subsidy before being required to provide eligibility documentation again, also known as the redetermination period.

Federal CCDBG rules require that state subsidy program recipients be engaged in work-related activities, but states define these activities differently. In particular, state programs vary with respect to whether they treat job searches as work-related activities. Researchers assert that allowing job searches as an eligible activity helps maintain stability in care arrangements when job loss occurs and helps parents return to work faster, since they do not have to wait to make new child care arrangements. In 2012, 21 states considered job search to be an approved activity (for a certain period of time) for any subsidy applicant, while 16 states allowed job search as an approved activity only for continuing applicants.<sup>8</sup>

Additionally, state subsidy programs “redetermine” the eligibility of subsidy recipients on a regular basis, ranging from every six to every 12 months. CLASP researchers suggests that longer redetermination periods may lead to more stable care arrangements for children by minimizing the administrative burden on families.<sup>9</sup> They also recommend aligning child care subsidy eligibility processes to other benefit systems such as Supplemental Nutrition Assistance (also known as food stamps) and medical assistance, which often serve the same families.<sup>10</sup>

## 3. Subsidizing care by contracting directly with providers

Urban Institute and CLASP researchers note that many low-income neighborhoods do not have an adequate supply of quality child care options, particularly for infants and toddlers, preventing eligible families from using child care vouchers. Many low-income parents have nontraditional work schedules, but cannot find providers that offer care on evenings or weekends. As an alternative to vouchers, some governments subsidize care by contracting directly with providers in neighborhoods where the market does not offer an adequate supply.<sup>11</sup>

Government-contracted child care guarantees a set number of slots for targeted populations, and may also hold higher quality standards than those established by state licensing regulations. Additionally, this model can be structured to allow providers to combine subsidy program funding with funding from other sources such as Head Start or state Pre-K funding to offer a single full-workday program, known as a “braided” or “blended” funding structure.<sup>12</sup> However, the contracting approach carries the risk that families will not enroll their children with the contracted providers. Depending on the contract structure and the allocation of risk between the government and the providers, unused slots can result in either the government funding unused slots or in lost

<sup>8</sup> “Supporting Continuity Through Child Care and Development Fund Subsidies,” pp. 12-13

<sup>9</sup> Ibid., pp. 8-9

<sup>10</sup> Adams, G. and Matthews, H., “Confronting the Child Care Eligibility Maze: Simplifying and Aligning With Other Work Supports,” Work Support Strategies Initiative, Center for Law and Social Policy, December, 2013 < [http://www.urban.org/research/publication/confronting-child-care-eligibility-maze/view/full\\_report](http://www.urban.org/research/publication/confronting-child-care-eligibility-maze/view/full_report) > accessed 8/12/2015

<sup>11</sup> Matthews, H., and Schumacher, R., “Ensuring Quality Care for Low-Income Babies: Contracting Directly with Providers to Expand and Improve Infant and Toddler Care,” Center for Law and Social Policy, Policy Paper No. 3, July 2008, < <http://www.clasp.org/resources-and-publications/files/0422.pdf> > accessed 8/17/2015; and Chaudry, A., et. al., “Child Care Choices of Low-Income Working Families,” Urban Institute, January 2011, pp. 129-130 < <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412343-Child-Care-Choices-of-Low-Income-Working-Families.PDF> > accessed 8/17/2015

<sup>12</sup> Ibid.

revenue for the providers, undermining their financial sustainability. Additionally, recipients of state subsidy program vouchers often have the right to use their voucher with a provider of their choice, limiting the extent to which voucher funds can support contracted care slots (see the case study below).

### **Contracting for Subsidized Care: New York City's EarlyLearn Initiative**

New York City residents with low incomes can receive subsidized child care in two ways: (1) through vouchers funded with federal, state and local dollars that can be used with any approved child care provider, including privately operated child care providers and relatives; and (2) by enrolling with providers contracted by the city to provide subsidized child care for eligible families (including low-income families that do not qualify for vouchers). The New York City Administration for Children's Services (ACS) administers the system of contracted child care providers. In 2012, the City implemented the EarlyLearn initiative to coordinate and improve the system of contracted providers.

Prior to the implementation of EarlyLearn, the city's system of subsidized child care and early learning programs was fragmented and funding was limited for infants and toddlers. Three different agencies administered federal Head Start funding, child care funding through CCDBG and the city, and New York State Pre-Kindergarten funding. Each program had different enrollment processes, eligibility criteria, program hours, and quality standards. Contracted providers were paid based on program capacity rather than enrolled children, leading to unused capacity, and payment rates varied among programs. ACS estimated that approximately a quarter of eligible children (children under 200% of the federal poverty level) received subsidized care, with wide variation among boroughs and neighborhoods.

The EarlyLearn initiative created a streamlined application process for providers to receive child care, Head Start and Pre-K funding. Center-based providers can now mix different funding streams to offer different types of programs; home-based providers can only receive child care funding. Providers must meet requirements of each applicable funding stream, and each contract specifies the number of slots to be filled by children eligible for Head Start, State-funded Pre-K, or subsidized child care. The City selects providers based on local need. Contract payments are determined by a standardized enrollment-based formula rather than being individually negotiated. The EarlyLearn initiative also established more robust quality standards and increased professional development opportunities for all providers.

Two reports released in 2014 by the Urban Institute and the Center for New York City Affairs identified successes and challenges of EarlyLearn. The primary success of the initiative lies in the new quality standards and increased professional development opportunities. Additionally, the percentage of contracted providers' slots that were enrolled increased from about 80% to 90% under EarlyLearn. However, the number of contracted slots has decreased. Prior to the implementation of EarlyLearn in 2012, ACS contracted for about 48,500 slots, while by early 2014 the number of contracted slots had dropped to 37,150, with no significant increases in slots for infants and toddlers. Urban Institute researchers attribute the decrease to higher costs associated with new quality standards and limited funding. Additionally, funding changes have made it more difficult for some providers to maintain financial sustainability. For example, enrollment-based reimbursement can harm small, under-enrolled providers. Furthermore, the system as a whole has faced numerous funding setbacks. In particular, the vast majority of voucher recipients use their vouchers with non-EarlyLearn providers. As a result, the funds that the City is required to allocate to vouchers cannot contribute to the EarlyLearn system.

Sources: "Subsidizing Care, Supporting Work," Center for an Urban Future, January 2011; Gelatt, J. and Sandstrom, H., "Innovations in NYC Health & Human Services Policy: EarlyLearn NYC," Urban Institute, February 2014; and Hurley, K., and Kramer, A. "Big Dreams for New York City's Youngest Children: The future of early care and education," Summer 2014.

## B. Other Programs and Policies for Increasing Access to Child Care

While subsidy programs represent the most direct method to increase access to child care, other efforts support this goal. This section briefly describes efforts to provide information about licensed child care providers, provide wage supplements to child care workers, offer capital and business development assistance to providers, establish planning policies that support child care facility development, and use economic impact analysis to gain support from local employers and economic development entities.

### 1. Referral services and parental outreach

Urban Institute and CLASP researchers have found that many parents, particularly immigrants and those with limited English proficiency (LEP), lack full awareness of the child care options in their neighborhoods. All states and many local communities have established child care resource & referral agencies (CCR&Rs), which play many different roles, including providing parents with referrals to child care providers. However, parents typically seek information about child care options from their social networks rather than formal sources such as CCR&Rs.<sup>13</sup> CLASP recommends that public entities work with trusted sources such as pediatricians, health clinic staff, religious institutions, and community-based organizations to increase awareness of resources such as the CCR&R. Additionally, providing bilingual informational materials and making bilingual caseworkers and translators available can facilitate access for LEP families.<sup>14</sup>

The Maryland Family Network (MFN), the State's child care resource and referral agency, offers LOCATE, a statewide centralized child care referral service for parents. In past years, LOCATE counselors were available in local resource and referral centers, but State budget cuts resulted in the centralization of this service. Parents can receive referrals to MFN through the Montgomery Child Care Resource and Referral Center (MCCR&RC), Montgomery County ChildLink, and the Montgomery County Working Parents Assistance Program (WPA).

### 2. Child care workforce wage supplements

As noted on page 4, the labor-intensive nature of caring for young children makes labor costs the largest operating expense for child care providers. At the same time, child care is one of the lowest-paid occupations in the country. The low wages of child care caregivers impact on the ability of the child care sector to attract and retain qualified workers, which can in turn affect child care quality and supply.<sup>15</sup>

Although limited federal funding is available to address compensation issues, some state and local governments have provided funding to increase or supplement child care worker wages. For example, San Francisco's C-WAGES program provides funding to providers to increase salaries and contribute to benefits for eligible child care workers (see the case study on C-WAGES on the following page). Additionally, five states have

<sup>13</sup> Meyers, M. and Jordan, L., "Choice and Accommodation in Parental Child Care Decisions," *Community Development: Journal of the Community Development Society*, Vol. 37, No. 2, Summer 2006, < <http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/350/original/536308967cacdf29b14a8932b3903690> > accessed 8/16/2015 and Sandstrom, H., Giesen, L., and Chaudry, A., "How Contextual Constraints Affect Low-Income Working Parents' Child Care Choices," Urban Institute, Brief 22, February 2012, < <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412511-How-Contextual-Constraints-Affect-Low-Income-Working-Parents-Child-Care-Choices.PDF> > accessed 8/16/2015.

<sup>14</sup> Firgens, D. and Matthews, H., "State Child Care Policies for Limited English Proficient Families," Center for Law and Social Policy, October 2012, < <http://www.clasp.org/resources-and-publications/files/CCDBG-LEP-Policies.pdf> > accessed 8/16/2015.

<sup>15</sup> Neugebauer, R., "Economy on the Minds of For Profit CEOs: Annual Status Report on For Profit Care," Trends in For Profit Care, January/February 2010, < <http://childcareexchange.com/library/5019123.pdf> > accessed 8/20/2015.

implemented the WAGES program developed by the Child Care Services Association to provide annual salary supplements to workers that have attained specified degrees or credentials. Other states, including Maryland, provide similar supplements as part of their quality rating and improvement systems.

#### **Wage Supplements: San Francisco's C-WAGES Program**

The high costs of living and operating a business in San Francisco present additional challenges for child care providers and workers. The San Francisco Compensation and Wage Augmentation Grants for Economic Support (C-WAGES) Program provides funding for child care providers with at least 25% enrollment of low-income children to improve child care worker compensation packages. The program provides funds to increase wages, or to augment health insurance and retirement benefits for employees of both family child care homes and child care centers. Compensation plans funded by C-WAGES must tie wages to job responsibilities and educational attainment, and providers must participate in the city's quality rating program and achieve minimum ratings.

The C-WAGES program is the result of a redesign of the city's previous compensation initiatives, SF CARES and WAGES Plus, undertaken in response to stakeholder input that called for reducing providers' administrative burden and increasing funding availability. A 2000-2002 evaluation of both SF CARES (funding for stipends for individuals) and WAGES Plus (funding to increase entry-level salaries) found that participants were more likely than non-participants to have pursued training and education, and that participants were more likely to have been in their position for at least a year and more likely to plan to advance in the field and stay in the field for more than five years. The study also found that participants of both programs earned an average of about \$1.00 more per hour than non-participants. In addition, 74% of site directors stated that WAGES Plus made it easier to retain employees.

Sources: "Building the Field That Builds the Future: A Comprehensive Evaluation of San Francisco CARES and WAGES Plus, Executive Summary" LaFrance Associates, LLC, 2000-2002; and San Francisco Early Care and Education Needs Assessment, San Francisco Child Care Planning & Advisory Council, 2013

### **3. Child care facilities financing and technical assistance**

Gillman, Raynor and Young note that child care providers that serve low-income communities often struggle to obtain financing to build or renovate their facilities.<sup>16</sup> Many providers cannot afford loan payments and do not have experience applying for large loans. Capital assistance programs provide grants or affordable loans to child care providers to build or improve facilities. Programs can also incorporate technical assistance to aid child care providers in managing complex facility development projects. Community development financial institutions (CDFIs) often play a key role in these programs (see the case study on the following page).

No dedicated stream of federal funding exists for this purpose, but certain federal funding streams can be used for child care facilities development. For example, federal Community Development Block Grant funding can be used for child care facilities. Additionally, because the location of child care facilities impacts parents' commuting decisions, transportation funding may be used to support the development of child care facilities near transit hubs, as was done to build the Tamien Child Care Center in San Jose, California as well as the KidStop Child Care Center at Shady Grove Metro in Montgomery County. Additionally, private stakeholders such

<sup>16</sup> Gillman, A., Raynor, D., and Young, M., "Facilities for Early Care & Education Programs," excerpt from *The Next American Opportunity: Good Policies for a Great America*, Opportunity Finance Network, 2008, < [http://www.liifund.org/wp-content/uploads/2015/05/NEXT-Opp\\_Facilities-for-ECEs.pdf](http://www.liifund.org/wp-content/uploads/2015/05/NEXT-Opp_Facilities-for-ECEs.pdf) > accessed 9/28/2015.

as nearby employers or housing developers may be able to contribute to costs as part of a sponsorship agreement or through a child care impact fee (see section 5 below on planning and community development).<sup>17</sup>

In Montgomery County, DHHS manages the Child Care in Public Space Program (CCIPS) that provides child care facilities in schools and in County buildings at a rate under market. CCIPS was developed in 1987 to make available and encourage planned child care facilities in public buildings. DHHS provides oversight and management of the child care provider selection process for new child care spaces as well as re-bids for currently occupied child care spaces. Child care providers serving children 0-5 and/or 0-12 within public spaces in MCPS and County buildings receive program support.

#### **Child Care Facilities Financing: The Fund for Quality in Philadelphia**

The Fund For Quality is a partnership between The Reinvestment Fund, a community development financial institution, the Public Health Management Corporation, a public health nonprofit, and the William Penn Foundation. The initiative was established in 2014 and will provide \$7.6 million over three years in business planning support and facilities financing to high-quality early care and education providers in Philadelphia.

This initiative builds on The Reinvestment Fund's Childcare Map, a mapping analysis of child care in Philadelphia, which found that only 169 of the city's nearly 3,000 child care providers met standards for high quality. The Fund For Quality awards grants of up to \$300,000 and low-cost loans to support approved capital projects in order to help high-quality child care providers expand services to more low-income families. Providers proposing to operate in geographic areas identified through the Childcare Map as having unmet demand for high-quality early care and education services are given preference for awards. Awards are disbursed in stages, and providers receive planning support to ensure sustainability and quality of projects. In 2014, 14 proposed projects out of 30 applicants received awards. The Reinvestment Fund projects that the awards will generate 850 new child care slots.

Sources: "Fund for Quality: Expanding Early Childhood Education in Philadelphia," Website, < <http://www.fundforquality.org/> > accessed 10/20/2015; and "New Awards to Expand High-Quality Options for Early Childhood Education," The Reinvestment Fund Press Release, September 4, 2014, < <http://www.trfund.com/expanding-high-quality-options-for-early-childhood-education/#more-4225> > accessed 10/20/2015.

#### **4. Business development assistance for child care providers**

Many child care providers are small businesses and may not have extensive business expertise. Business development assistance provides support for providers in the business aspects of establishing and operating a child care home or center. Small Business Development Centers (SBDCs) funded by the federal government and states can play a role in providing this type of assistance to child care providers. Interviews of 11 SBDCs in California conducted by the Building Child Care Project found that providers inquired about and/or received the following types of assistance for child care:

- Business planning;
- Advice on legal structure and taxes;

<sup>17</sup> Ibid.; Hildebrand, A. and Upp, S., *A Planning Guide: Linking Child Care to Economic Development: Best Practices of the California Local Investment in Child Care (LINCC) Project*, Oakland: National Economic Development and Law Center, 2001, pp. 67-72;; and *Child Care and Transit: Making the Link in California*, Caltrans and the Metropolitan Transportation Commission, 2007, < <http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/392/original/51f727e204cba4cee9db9c5a38c1b8d8> > accessed 9/28/2015.

- Loan packaging;
- Financing to start or expand child care facilities;
- Marketing;
- Bookkeeping;
- Writing and enforcing contracts with parents;
- Pricing; and
- Accessing public subsidies and other public funding.

Building Child Care researchers who conducted the interviews found that successful business development assistance efforts worked in close collaboration with local child care resource and referral agencies in the marketing and provision of assistance services. Local, state and national associations such as family child care associations and the National Association for the Education of Young Children, as well as Women’s Business Centers may also offer resources to support child care business development.<sup>18</sup> The Montgomery County Child Care Resource and Referral Center (MCCR&RC) provides business supports for child care providers through a relationship with the Montgomery County branch of the Maryland Women’s Business Center. Supports include summer business institutes for center directors and family child care providers, business conferences for family child care providers and technical assistance and mentoring in small groups and individually on a wide range of business topics.

## 5. Planning and community development policies and practices

The American Planning Association (APA) has developed recommendations regarding planning and community development policies and practices that can help communities build support for strategic investments in child care and directly generate these investments. Child care is relevant to a variety of aspects of planning including land use, transportation, economic development, and social services. The APA recommends including child care language in long-range planning documents, which require public input and approval from elected officials, to build support from communities for investments in child care. In some jurisdictions, planning documents have called for child care needs assessments in proposed developments.<sup>19</sup>

Additionally, the APA and other planning experts assert that specific policies and practices related to community development can generate investments in child care. Jurisdictions can establish land use rules and permitting procedures that minimize the burden of establishing a child care facility for a private provider or developer. Additionally, density bonuses for developments that include a child care facility provide an incentive for developers to build child care facilities. Jurisdictions can also incentivize the building of child care facilities through agreements with developers that provide density bonuses or other benefits, such as reduced parking restrictions or a zoning change for a parcel, on an individual basis. Finally, some jurisdictions require developers to mitigate the impact of their developments on child care demand by building child care facilities, paying an impact fee, or providing tuition subsidies.<sup>20</sup>

<sup>18</sup> “SBDCs Can Help Grow and Sustain the Child Care Industry,” Building Child Care Project, 2006, < <http://www.buildingchildcare.net/uploads/pdfs/SBDCBestPractice.pdf> > accessed 9/30/2015; and Hildebrand, A. and Upp, S., *A Planning Guide*, 2001, pp. 73-75

<sup>19</sup> “Family-Friendly Community Briefing Papers 01: Child Care and Sustainable Community Development,” American Planning Association, 2001, p. 7, < <https://www.planning.org/research/family/briefingpapers/pdf/childcare.pdf> > accessed 9/29/2015.

<sup>20</sup> Ibid., and Hildebrand, A. and Upp, S., *A Planning Guide*, 2001, pp. 41-43

## 6. Economic impact analyses of the child care sector

Many jurisdictions have completed economic impact analyses of the child care sector to quantify the economic value of the sector, identify economic development strategies to support the sector and leverage resources for child care through new partnerships and funding streams. The Cornell University Economic Development and Child Care Project has documented approximately 100 child care economic impact studies completed by state and local jurisdictions in the United States and Canada. These studies typically present economic measures using data from a variety of national and region-specific data sources for the child care sector including:

- Number of establishments;
- Size of the labor force;
- Number of children served;
- Number of parents using paid care;
- Gross receipts;
- Economic activity generated by the child care industry; and
- Percentage of industry revenues derived from parent fees.

Some jurisdictions have attempted to measure the impact of the child care sector on parental employment and productivity or provide qualitative evidence of the importance of the availability of child care for employees and by extension for employers (see the case study on the following page on the Buffalo, New York analysis). Two jurisdictions in Colorado conducted surveys of parents to determine how the availability of child care impacts labor force participation. An Arlington County, Virginia analysis of child care in commercial corridors presented anecdotal evidence from the County's economic development work to highlight the importance of child care availability in the location decisions of employers. The Arlington County Manager cited the analysis to support a site plan amendment to permit a new child care center in Rosslyn.<sup>21</sup>

The outcomes of economic impact studies include strategic recommendations regarding the child care sector as well as the development of nontraditional partnerships to leverage resources for child care. Recommendations of specific jurisdictions' child care sector economic impact analyses have included:

- Increasing subsidies;
- Building stronger ties to the business community and economic development;
- Establishing tax incentives; and
- Providing business and workforce training for the child care sector.

However, a Cornell University review of states' and local governments' child care economic impact analyses found that many jurisdictions have viewed the development of nontraditional partnerships, such as partnerships with local employers or economic development organizations, as the central goal of conducting economic impact analyses of the child care sector.<sup>22</sup> The review found that jurisdictions often organize initial roll out

<sup>21</sup> Gordon, J., Ives, J., Vasquez, K., and Richmond, C., "Child Care in the Commercial Corridors," Arlington Economic Development, June 2009, < <http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/160/original/report-ab9c523a.pdf> >; and January 23, 2010 Memorandum to the Arlington County Board, regarding SP #58 Site Plan Amendment to permit a child care center for Mantle of Elijah Christian Preparatory Academy at River Place.

<sup>22</sup> Adriance, S., Marshall, C., Markeson, B., Stoney, L., and Warner, M., "From Regional Economic Impact to Economic Development Policy: A Review of State and Local Child Care Economic Impact Studies," Linking Economic Development and Child Care Project, Cornell University, 2009, < <http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/086/original/168-78d97d4b.pdf> > accessed 10/12/2015;

events as well as additional local and targeted events to present their reports to different audiences, and invite representatives from the business community to speak at those events. Jurisdictions reported to Cornell researchers that media outreach regarding the release of an economic impact report, particularly media outreach that presents the report as business news rather than education news, is another way to engage with the business and economic development community.

The Cornell University review documents some instances where child care economic impact analyses resulted in nontraditional partnerships for child care. In Tompkins County, New York, an economic impact analysis of the child care sector resulted in new funding for child care scholarships from Cornell University, the largest employer in the region. In California, the Local Investment in Child Care (LINCC) project has conducted multiple economic impact studies and used them to develop partnerships with the planning community and embed child care policymaking into the planning process. Additionally, child care providers in Florida have used the State's child care economic impact analysis to market their services to employers.<sup>23</sup>

#### **Child Care Economic Impact Analysis: Buffalo, New York**

*Buffalo Child Care Means Business* was released by Cornell University in 2006. The report presents data from a survey of 117 businesses in downtown Buffalo on the importance of child care for workplace recruitment, productivity and stability as well as additional information on employment trends and projections, the economic impact of the child care sector, the importance of early education for children's educational and economic success, and information on the potential economic revitalization of downtown Buffalo.

Among other findings, the survey found that child care issues were seen by employers to have an impact on absenteeism for almost one quarter of their workforce. Additionally, an analysis conducted by Cornell University found that every \$1.00 spent on child care in the Buffalo-Niagara Falls region generated an additional \$2.06 in economic activity for the local economy, and that every child care job created 1.56 additional jobs.

The report offered recommendations for policymakers and advocates in three areas: advocacy for child care in the public and private sectors, employer-based education and action, and for a coordinated effort in downtown Buffalo. Recommendations included:

- Encourage employers and employees to access existing child care tax credits and subsidies;
- Support legislation that provides employer tax credits for money invested in child care;
- Change the designation of child care facilities from retail to another category in order to allow those facilities to receive economic development funding; and
- Create a pooled tuition subsidy fund for small employers.

Source: Lou Jean Fleron, Lauren Breen, Danielle Dimitrov and Regina L. Grogan. *Buffalo Child Care Means Business*. Cornell University ILR, 2006.

<sup>23</sup>Ibid.; and Ribeiro, R. and Warner, M., "Measuring the Regional Economic Importance of Early Care and Education: The Cornell Methodology Guide." Ithaca, NY: Cornell University, 2004, <  
<http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/035/original/78-e7a72463.pdf> > accessed 10/12/2015.

**Chapter VI. Findings and Discussion Questions**

The Council requested this OLO report to better understand 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. This chapter has two sections and summarizes the major findings of this report and presents the discussion questions developed by the Office of Legislative Oversight (OLO) based on the findings:

- **Section A** presents the report’s findings; and
- **Section B** describes OLO’s recommended discussion questions for the Council.

**A. Findings**

**Finding 1: Nationally, 60% of children five and under and not yet in kindergarten were in at least one weekly non-parental child care arrangement in 2012. The percentage of children in child care and the type of care received varies by several factors including age and household income.**

Child care refers to the care and supervision of children by adults who are not the children’s parents. Child care arrangements can be distinguished by the relationship of the provider to the child and the type of facility, and include (1) **relative care**, (2) **regulated or unregulated non-relative care**, which takes place in a private home and (3) **center care** such as child care centers, preschools, pre-kindergarten, and Head Start. The table below displays data from the Early Childhood Program Participation Survey, and shows that:

- 60% of children aged five and under had at least one weekly non-parental child care arrangement; of those, 56% used center care, 42% used relative care, and 24% used home-based nonrelative care;
- 76% of children aged 3-5 years had a child care arrangement, with a majority in center care, while younger children were less likely to have any arrangement and less likely to be in center care; and
- The use of child care arrangements varied greatly depending on household income, with approximately 50% of children in households with incomes of \$50,000 or less in non-parental care arrangements compared with 70% of children in families with incomes over \$100,000.

**National percentages of children from birth through age 5 and not yet in kindergarten participating in various weekly non-parental care arrangements, by child and family characteristics, 2012**

Child or Family Characteristic	% With At Least One Weekly Non-Parental Care Arrangement	Type of Care Among Those With At Least One Weekly Non-Parental Arrangement*		
		% Relative	% Non-relative	% Center
<b>All children aged 0-5 not yet in kindergarten</b>	<b>60%</b>	<b>42%</b>	<b>24%</b>	<b>56%</b>
<b>Child's age</b>				
Less than one year	46%	60%	30%	23%
1-2 years	54%	49%	31%	40%
3-5 years	76%	31%	16%	79%
<b>Annual household income</b>				
\$20,000 or less	48%	54%	19%	50%
\$20,001 to \$50,000	53%	49%	18%	53%
\$50,001 to \$75,000	61%	42%	21%	55%
\$75,001 to \$100,000	72%	39%	29%	56%
\$100,001 or more	73%	32%	30%	62%

\*Families often have more than one child care arrangement for the same child, so percentages add up to more than 100%

**Finding 2:** In 2012, center-based providers in the United States enrolled 7 million children, more than children cared for by home-based, unpaid and “unlisted” providers (4 million), home-based, paid and “unlisted” providers (2.3 million) and home-based “listed” providers (751,000). “Unlisted” providers therefore represent a large segment of the child care market nationally.

Providers can also be distinguished by whether or not they are registered with or licensed by the applicable state, often described as “listed” and by whether they receive payment for providing care:

- **Listed and paid** providers include center- and home-based providers that are paid to provide child care and are licensed or registered with the state; and
- **Unlisted and either paid or unpaid** providers are individuals that are not licensed or registered with the state and may include babysitters, nannies, relatives, neighbors and friends that provide child care on a paid or unpaid basis.

The table below displays data from the 2012 National Survey of Early Care and Education (NSECE), which shows that center-based providers had the highest numbers of enrolled children, followed by unlisted and unpaid providers and unlisted and paid providers. Listed home-based providers enrolled the fewest children nationally.

**Estimated Numbers of United States Non-parental Home-Based and Center-Based Early Care and Education Providers and Children Enrolled by Age Group (in thousands), 2012**

Provider Type	# of Providers (in thousands)	# of Children Enrolled (in thousands)
<b>Home-based providers</b>		
Listed providers	118	751
Unlisted, paid providers	919	2,340
Unlisted, unpaid providers	2,730	4,060
<b>Center-based providers</b>	128	6,980

**Finding 3:** 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.

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, defined below:

- **Child care center:** child care provided in a group setting such as a child care center, preschool, nursery school, or before- or after-school care program;
- **Family child care:** child care provided in a residence other than the child’s residence, for which the provider is paid.

State regulations *exclude* from the definition of child care centers several programs that serve children, including 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.<sup>1</sup> 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.

2013 Data from the U.S. Census Bureau indicate that the County had approximately 2,600 child care businesses that paid federal income tax and were “nonemployers,” which are likely to be home-based providers. This estimate represents nearly three times the number of registered family child care homes in the County, indicating that most home-based child care providers are unregulated.

**Finding 4: 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 subsidized child care for families not eligible for SCCSP with incomes up to \$58,000.**

The State of Maryland and Montgomery County each operate separate child care subsidy programs targeted at different populations. The State Child Care Subsidy Program (SCCSP) targets the most vulnerable families in the State, while the County’s Working Parents Assistance Program (WPA) targets families with incomes that are too high to qualify for SCCSP, but too low to afford child care without a subsidy. The table below summarizes income eligibility limits for both programs based on family size. At the time of writing, the Department of Health and Human Services was in the process of implementing new WPA income eligibility limits for 2016, also listed in the table.

**SCCSP and WPA Income Eligibility Limits**

Family size	SCCSP	WPA	
		2015	2016 Proposed
2	\$19,166	\$34,500	\$51,630
3	\$23,676	\$52,000	\$57,780
4	\$28,185	\$58,000	\$64,200
5	\$32,695	\$58,000	\$69,360
6	\$37,205	\$58,000	\$74,520
7	\$38,050	\$58,000	\$74,520
8	\$38,896	\$58,000	\$74,520
9	\$39,741	\$58,000	\$74,520
10	\$40,587	\$58,000	\$74,520

<sup>1</sup> COMAR 13A.16.01.01-02

**Finding 5: 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.**

State regulations establish SCCSP payment rates, or the total amount paid to providers by both the State and families, that vary among different regions in the State, as well as expected family copayments that 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 providers in the County to the SCCSP payment rates described above 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. For example, although the SCCSP weekly payment rate for care for children under two years old in a child care center is \$262, the median rate charged by providers in Montgomery County is \$335, meaning that half of providers in Montgomery County charge at least 28% more than the SCCSP rate.

The table below lists the percentages 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), through which the SCCSP receives federal funding, suggest that payment rates, which correspond to the total of the subsidy and the expected parental copayment, should be at least equal to the 75<sup>th</sup> 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 Full-Time SCCSP Payment Rates**

Care Type	Under Two Years Old	Ages Two and Up
Child Care Center	10%	10%
Family Child Care Home	10%	4%

Source: OLO analysis of Maryland Family Network Data

**Finding 6: DHHS is in the process of implementing 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 unless the State updates its rate tables to meet current market rates. To mitigate this disparity, the Council allocated funding to supplement SCCSP subsidies for families in the lowest income brackets in FY16.**

Prior to FY16, WPA program subsidy rates had not been updated since 2006. In 2014, the Working Parents Assistance Program Workgroup proposed new income and subsidy guidelines. DHHS is in the process of implementing the new guidelines. A key challenge to updating WPA guidelines is that doing so creates a significant disparity between families eligible for WPA and those eligible for SCCSP, who receive a smaller subsidy under current State rules despite having lower incomes. To mitigate this disparity, the Council allocated funding to supplement SCCSP subsidies for families in the lowest income brackets in FY16. The table below compares the SCCSP subsidy rates to WPA subsidy rates for families of three with two children in care with incomes of either \$23,000, which would make the family eligible for SCCSP, or \$30,000, which would make the family eligible for WPA.

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

Care Type	Weekly State Subsidy for Family With \$23,000 Income* (eligible for SCCSP)	Weekly Subsidy for Family With \$30,000 Income (eligible for WPA; WPA Workgroup-proposed rates)**
<b>Child Care Center</b>		
Under age two	\$178 or \$196	\$236
Age two to five	\$100 or \$115	\$177
<b>Family Child Care Home</b>		
Under age two	\$101 or \$120	\$168
Age two to five	\$81 or \$96	\$143

\*SCCSP rules establish different subsidy rates for the first versus the second child

\*\* OLO converted monthly WPA rates to weekly rates

**Finding 7: Only 1 out of 19 children aged 0-11 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, only 1 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.**

According to 2009-2013 data from the U.S. Census Bureau, 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 approximately 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 families could qualify for SCCSP (State) subsidies with incomes up to approximately 120% of the federal poverty level and for WPA (County) subsidies with incomes 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 the Average Number of Monthly Subsidized Children**

Child Population Group	2010 Population Estimate	Applicable Subsidy Program(s)	Monthly Subsidized Children	# of Potentially Eligible Children Per Subsidized Child
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.

**Finding 8: 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.**

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 below displays ratios of numbers of 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 is on par with the Statewide average and in the middle range among Maryland jurisdictions. An alternative method for measuring supply and demand for child care is to examine data on chronic waitlists and chronic open slots among providers. However, these data are not currently available, and collecting them may be methodologically and fiscally challenging.

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

Child Population Group	2010 Population Estimate	Supply Measure	Supply	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

**Finding 9: Of the 1,556 regulated child care providers in the County, 872 providers with a total capacity of 26,240 children reported being bilingual. 132 providers with a capacity of 1,074 reported offering evening care and 96 providers with a capacity of 780 reported offering weekend care.**

Families with limited English proficiency and families with nontraditional work schedules have additional child care needs. The table below shows the number of self-reported bilingual providers as well as the number of providers that reported offering evening or weekend care. These data indicate that only a small portion of regulated child care providers offer care that supports parents working nontraditional schedules.

**Self-Reported Bilingual Child Care Providers and Providers Offering Evening and Weekend Care**

Provider Attribute	# Providers	Capacity
Bilingual Providers	872	26,240
Bilingual – Spanish	484	21,394
Evening Care Offered	132	1,074
Weekend Care Offered	96	780

**Finding 10:** Three geographic areas in the County show both lower levels of 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.

OLO examined the availability of regulated child care slots in comparison to the need for child care in different geographic areas of the County. OLO mapped child care data onto two types of geographic areas: (1) census tracts and (2) election districts. Census tracts are small subdivisions of the County that the U.S. Census Bureau uses for statistical purposes. Election districts are relatively larger subdivisions of the County in which polling places are located and to which registered voters are assigned (voters are assigned to a district and a precinct).

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 as well as 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.

**Finding 11:** 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.

Data for the years 2009-2013 from the U.S. Census Bureau show that the median family income in Montgomery County was \$117,000, meaning that half of families (defined as at least two related individuals living together) in the County had incomes of \$117,000 or higher. However, families with a single female householder, which made up 16% of families in the County, had a median income of \$58,000. Data also show that 70% of families with children under age six have all parents in the labor force, suggesting that in most families a parent is not available to care for children on a full-time basis. The table below lists median full-time regulated child care costs in Montgomery County based on a survey of providers conducted by the Maryland Family Network.

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

Care Type	Median Rate
<b>Child Care Centers or Group Programs</b>	
0-23 Months	\$17,420
2-4 Years	\$12,584
<b>Family Child Care Homes</b>	
0-23 Months	\$13,000
2-4 Years	\$10,400

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 child care subsidies. In comparing family incomes to child care costs, OLO found that:

- A family must have an income approaching \$100,000 for the median child care center cost for one infant to be less than 20% of family income and an income approaching \$160,000 for the median child care center cost for two children (one infant and one preschooler) to be less than 20% of income;
- A single mother with the median income for that family type of \$58,000 would need to spend over 29% of income on full-time care in a center for an infant and 50% of income for care for both an infant and a preschooler; and
- In order for full-time child care costs for two children (one infant and one preschoolers) not to exceed 10% of income, which is the maximum recommended percentage of income to be spent on child care according to the U.S. Department of Health and Human Services, a family would need to have an income of \$300,000 for center care or \$240,000 for care in a family child care home.

**Finding 12: 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.**

Child care subsidy programs help low-income families pay for child care. A common type of subsidy program provides vouchers to eligible families that cover some or all of the costs of obtaining child care in the private market, and families pay for any remaining costs with a copayment.

Most child care subsidy programs are run by states, although some cities, including New York, Seattle, and Madison, have also established local subsidy programs. The Child Care and Development Block Grant (CCDBG) is the largest source of federal funding for states' child care subsidy programs. A key challenge associated with many subsidy programs is that only a small portion of eligible families use subsidies, with estimates ranging from 7% to 34%.<sup>2</sup> Policies and practices recommended in federal guidelines and by researchers at the Urban Institute and the Center for Law and Social Policy (CLASP) include:

- Ensuring that expected family copayments do not exceed 10% of family incomes;
- Setting subsidy program payment rates to the 75<sup>th</sup> percentile of the market rate, meaning that program payment rates should equal or exceed rates charged by 75% of providers;
- Avoiding cliff effects, whereby a small increase in family income leads to a larger loss when the family loses eligibility for a subsidy, by phasing out subsidies gradually as income rises;
- Allowing job search as an eligible activity for parents to receive child care subsidies;
- Setting longer rather than shorter redetermination periods, or the length of time before a family must re-apply for subsidies; and
- In areas with a low supply of child care options for low-income families, contracting directly with providers to offer subsidized care.

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<sup>2</sup> Forry, N. D., Daneri, P., Howarth, G. (2013). *Child care subsidy literature review*. OPRE Brief 2013-60. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, p. 6.

**Finding 13: Counties and municipalities employ a variety of strategies aiming to increase access to child care. Empirical evidence on the impact of these strategies is limited.**

Counties and municipalities in the United States seek to promote access to child care through a variety of efforts. Strategies include providing parents with information about licensed 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 impact of these efforts on families' access to child care.

**B. Discussion Questions**

**Discussion Question 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. These payment rates equal or exceed rates charged by 10% of County providers, which falls well below federal guidelines, which recommend that states' child care subsidy programs pay rates that are equal to or more than rates charged by 75% of providers. The SCCSP subsidies are also lower than new subsidy rates currently being implemented 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.

As a result, the disparity between SCCSP and WPA subsidy rates raises 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.

**Discussion Question 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?**

In FY15, the Working Parents Assistance Program (WPA) served an average of 407 children per month. OLO estimates that, based on this average, the program served 1 out of 44 children in the County who were potentially eligible for the program based on their families' incomes. At the time of writing, DHHS was in the process of implementing policies that will make more residents eligible for WPA subsidies and increase subsidy levels. Income limits and subsidy tables had not previously been changed since 2006.

These changes likely will increase demand for WPA subsidies. In the event that funding is not sufficient to meet the increased demand, DHHS will not be able to provide subsidies to every eligible family. 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.

**Discussion Question 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?**

OLO's geographic analysis of child care in Montgomery County 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 as well as 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.

Counties and municipalities in the United States employ a range of strategies to promote access to affordable child care. These include subsidizing child care for low-income families through vouchers or contracted care, 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. 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.

**Chapter VII. Agency Comments**

The Office of Legislative Oversight circulated a final draft of this report to the Chief Administrative Officer for Montgomery County. OLO appreciates the time taken by County Government representatives to review the draft report and provide comments. OLO's final report incorporates technical corrections provided by County staff. The written comments received from the Chief Administrative Officer are attached in their entirety on the following page.





OFFICE OF THE COUNTY EXECUTIVE

Isiah Leggett  
County Executive

Timothy L. Firestine  
Chief Administrative Officer

MEMORANDUM

December 3, 2015

TO: Chris Cihlar, Director, Office of Legislative Oversight

FROM:  Timothy L. Firestine, Chief Administrative Officer 

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