REPORT OF THE
DEPARTMENT OF
SOCIAL SERVICES ON

Child Day Care Voucher Program Evaluation

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 11

COMMONWEALTH OF VIRGINIA
RICHMOND
1991

BLAIR BUILDING
8007 DISCOVERY DRIVE
RICHMOND, VIRGINIA 23229-8699

(804) 662-9204
1-800-552-7096 TDD

LARRY D. JACK
COMMISSIO

COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

December 3, 1990

TO: The Honorable L. Douglas Wilder
Governor of Virginia

and

The General Assembly of Virginia

The 1988 General Assembly, through House Joint Resolution Number 61, requested the Department of Social Services to implement and study a voucher system for subsidized child day care and to report back to the General Assembly. The study was to address such issues as the development of an information and referral system for clients' selection of child day care, determination of whether the program should be limited to independent working parents or encompass all client groups, development of auditing procedures and determination of payment amount and method and other system questions.

Enclosed for your review and consideration is the report which has been prepared in response to this request.

Cordially,

L. D. Jackson

Larry D. Jackson
Commissioner

CHILD DAY CARE VOUCHER PROGRAM EVALUATION

Prepared By:

VIRGINIA DEPARTMENT OF SOCIAL SERVICES

Division of Planning and Program Review

DECEMBER 1990

TABLE OF CONTENTS

EXECUTIVE SUMMARY i

ACKNOWLEDGEMENTS viii

INTRODUCTION 1
- Study Overview
- Background
- Goals and Objectives
- Research Methodology

CLIENT DEMOGRAPHIC AND SERVICE DESCRIPTION 7
- Family and Parent Information
- Children Served
- Day Care Service and Providers

PAYMENT SYSTEM FOR THE VOUCHER PROGRAM 13
- Payment Timing
- Voucher Format
- Market Rate
- Payment on the Basis of Enrollment

RESOURCE AND REFERRAL SERVICE 25
- Provider and Client Recruitment
- Screening Potential Family Day Care Providers
- Provider Education
- Parent Information and Education

CLIENT-FOCUSED ISSUES 37
- Parental Choice
- Access to Affordable Quality Providers
- Parental Responsibility
- Applicability to Other Client Groups
- Self-Sufficiency

COST ANALYSIS 47
- Actual Costs
- Fee System Fiscal Impact
- Cost of Not Serving
- Cost of Payment on the Basis of Enrollment
- Co-payment Policy

RECOMMENDATIONS 59

APPENDICES

A - Voucher Pilot Profiles. A-1

B - Data Collection Methodology B-1

C - Social Service History. C-1

D - Demographics - Household. D-1

E - Parent Demographics E-1

F - Child Demographics. F-1

G - Child Care Service - Before the Voucher G-1

H - Voucher Child Care Services H-1

I - Market Rate Survey Data I-1

J - Change in Number of Locally Approved Providers
by Urban, Suburban and Rural Pilots J-1

K - Provider and Parent Response to Formal Training
and Educational Materials K-1

L - Voucher Program Client Finances L-1

M - Day Care Costs Based on Social Service
Expenditure Data. M-1

LIST OF TABLES

		Page
Table 1.	Voucher Local Agency Administrative, Direct Service, and Service Subsidy Actual Expenses	3
Table 2.	Provider Opinion Of Timely Payment	16
Table 3.	Provider Expectation Of Payment By Enrollment	19
Table 4.	Provider Business Expectations	22
Table 5.	Calls From Potential Providers In Montgomery, Pulaski, Galax Areas Received By Roanoke I & R	27
Table 6.	Where Clients From All Areas Heard About Program	28
Table 7.	Assistance Clients Received With Provider Recruitment From Local DSS Service Worker	34
Table 8.	Mean Number of Months Clients Received Fee/Voucher Day Care Subsidies	44
Table 9.	Per Client Administrative Costs	47
Table 10.	Projected Cost Of Serving All Eligible Fee System Children	51
Table 11.	Projected State Cost Of Serving Eligible Fee System Children With Voucher Family And Child Characteristics	52

LIST OF FIGURES

Page

Figure 1. Estimated Percent Children Served by Fee System . . 7

Figure 2. Parent's Marital Status 8

Figure 3. Parent's Level of Education 8

Figure 4. Parent's Current Length of Employment 9

Figure 5. Range of Monthly Gross Income Relative to State Median Incomes 9

Figure 6. Age of Child 10

Figure 7. Change in Type of Provider Used 10

Figure 8. Types of Providers Available in Voucher Program . . 11

Figure 9. Payment Authorization Coupon 15

Figure 10. Percent of Centers Accepting Subsidized children . . 18

Figure 11. Expectation of Payment by Enrollment Compared to Actual Payment Basis 20

Figure 12. Range of Monthly Gross Income Relative to State Median Incomes 41

Figure 13. Clients' Perceived Benefits from Day Care Subsidies Project 41

Figure 14. Potential Impact of Loss of Government Subsidies on Client Actions 43

Figure 15. Cost of Pay by Enrollment Compared to Pay by Attendance at Negotiated Rate 55

Figure 16. Co-Payment in Excess of Current State Policy . . . 56

EXECUTIVE SUMMARY

The 1988 General Assembly through House Joint Resolution No. 61 and House Bill 30 - Item 464 directed the Virginia Department of Social Services (VDSS) to implement and study a voucher system and a resource and referral program for subsidized child care. The voucher system included the use of a coupon representing payment authorization and payment at market rates on the basis of enrollment. Resource and referral services included provider recruitment and education, parent information and education, and public awareness.

The objectives of the evaluation were to determine:

- the feasibility and effectiveness of the voucher payment system;
- the feasibility and effectiveness of resource and referral activities;
- whether the Voucher Program as a whole enhanced parental choice, parental responsibility, client self-sufficiency, and client/child access to affordable quality day care;
- which, if any, features of the program are applicable to other parent groups; and
- the fiscal impact of serving voucher/fee clients and other related populations.

Four sites were selected for the pilot: Norfolk, Manassas, Smyth County and one combined site consisting of Montgomery and Pulaski counties and Galax. These pilots received $158,399 in state funds for administrative and direct service costs and $879,797 state and local dollars for child care subsidies. The pilots started to provide subsidies under the Voucher Program on July 1, 1989.

The Voucher Program provided day care subsidies for 616 children of 400 low income working families. Parents were primarily women in their late 20's heading single parent households. They generally had one or two children under 9 years old. They worked full-time at service or manufacturing jobs and had average monthly incomes of $857. About half also received food stamps, and about 13 percent had received ADC in the past twelve months. Day care providers were primarily centers and family day care homes. Data collection on the parent, child and provider participants form the basis of this report.

Payment Mechanism

Pilots experimented with a "voucher" coupon format, paid published market rates, and when possible paid by enrollment. By the end of the program, Norfolk developed a payment authorization coupon which looked like a check and which clients took to providers. They felt the coupon was well received by both clients and providers. Regardless of payment authorization format all pilots paid providers after services were rendered and after invoices with attendance records were submitted.

Published rates for centers and, when available, for family providers represented market rates. When published rates were not available for family and in-home providers, pilots used local agency set rates. Pilots raised their set rates either before or during the Voucher Program in order to more closely reflect market rates. Use of market rates greatly facilitated the recruitment of family day care providers. They also served to encourage center participation.

Where possible, pilots paid providers on the basis of enrollment rather than by attendance. However, most pilots had difficulty fully implementing payment on the basis of enrollment. A variety of parent work hours and provider payment expectations caused difficulty in defining and predetermining "enrollment." Parents, agencies, and some providers were also reluctant to commit themselves to payment by enrollment. Despite these difficulties, pilot staff observed that payment on the basis of enrollment encouraged center participation and did save staff time by simplifying payment authorization calculations and reducing paperwork on child attendance.

Resource and Referral Service

All pilots developed resource and referral programs. Provider recruitment techniques included: mass media campaigns, distribution of information, and word of mouth. Aided by these effective recruitment tools, and the incentive of market rate, pilots increased the number of locally approved providers in their areas by 183 percent. Concurrent with the recruiting process, all potential family providers were screened by day care service workers. Provider and parent education included formal training programs, development of resource libraries, and distribution of educational materials. Service staff also gave providers one-on-one training through approval processes and informal communication. Parents received information on available providers and educational materials on how to select quality providers.

Formal training sessions were attended by about 40 percent of the providers, and attendees found these sessions very helpful. Resource library materials were also developed, but not as heavily used. Parents who received educational materials generally used them to help find a provider. On the whole, the resource and referral activities were more easily implemented than the payment mechanisms.

Client-Focused Issues

Parental choice, access to affordable quality day care, parental responsibility, applicability to other client groups, and client self-sufficiency were other issues the voucher data were expected to address. The major findings related to these issues are:

- Parents were allowed to select any regulated provider, but choice was heavily dependent on provider availability.

- Pilots improved access to quality providers by paying published rates on an enrollment basis, through provider training, and by teaching parents to look for quality care.

- Parents took responsibility for their day care by checking out and selecting their own provider, submitting proof of income eligibility, and making co-payments.

- Resource and referral activities and the payment mechanisms tested are applicable to all client groups.

- Resource and referral activities attracted both parents interested in day care regardless of their eligibility for subsidies or the availability of subsidies. At the end of the Voucher Program, there were 441 families on waiting lists in the six pilot agencies.

- Clients lived close to poverty, but when they received day care subsidies and sometimes other benefits like food stamps, they were self-sufficient.

- Parents realized their ability to work and remain independent was primarily due to the day care subsidies they received, and they were very grateful for this help.

Cost Analysis

The fiscal data from the pilots were used to analyze the cost of providing services, assess statewide costs, examine the fiscal effect of not providing day care subsidies, and estimate the cost of payment by enrollment.

Total provider fees per service month averaged $296 per family, and $192 per child. The state and local share was $250 per family and $162 per child. The balance was co-paid by the parents. Varied local agency program goals and resources confounded the relationship between administrative costs and service levels. However, the differences in per child subsidies are explained by variations in type of day care services and provider fees.

Dollars needed for day care subsidies on a state-wide level far exceed the current annual $6.5 million appropriation for each year of the biennium. Based on voucher day care service and payment mix, it would cost $327 million to serve all potentially eligible children in the state. This is the cost of serving the

141,964 eligible children at an average per child rate of $192 per service month. (The number of eligible children is estimated from a special run of 1980 census data of working mothers with household incomes less than 70 percent of the state median income adjusted for 1990 children.) After allowing for client co-payment at the rate suggested by current day care policy, and after adjusting for the 10 percent local match, the state share would be about $240 million.

Some hypothetical adjustments for a more narrowly defined eligible population, such as only clients under 50 percent of the state median income and only children under 9, could conceivably bring the estimate down to about $62 million annually.

Data also show that clients can co-pay at rates higher than current policy requires and still benefit from the program. Even with increased co-payments the cost of day care subsidies is high. The cost of not providing subsidies for these families is also high. If parents do not receive subsidies, they either have to find free day care or quit their jobs, sometimes going on public assistance. The 47 families who went on public assistance after their day care subsidies were terminated (either for lack of government funds or job loss) received an average of $482 per month in public assistance and food stamp benefits. This was an average of $46 per month more than they received in day care subsidies and food stamp benefits during the Voucher Program. However, because they had higher than average day care subsidies and food stamp benefits during the Voucher Program, this was actually $134 more than the average voucher family received in day care subsidies and food stamp benefits during the program.

Based on experience with the program implementation, payment mechanisms and resource and referral activities the following studies and changes are recommended:

RECOMMENDATION 1: The Department should design and implement a statewide structure for resource and referral activities that:

(a) centralizes resource and referral activities that benefit from economy of scale, such as recruitment and training materials for providers and clients.

(b) seeks other funds and sets aside a portion of Fee

System funds, Dependent Care Grant, and new federal child care block grant for centralized development of educational materials.

(c) allows for the effective one-on-one service provided by qualified staff at local agencies to providers and clients.

(d) provides resource and referral services to all families seeking information on child day care.

RECOMMENDATION 2: The Department should adopt or examine the following areas of current policy:

(a) continue to use the market rate (as defined by federal policy) for all clients to the extent possible as a motivator to increase the pool of providers.

(b) clarify child day care policy on pay by enrollment to expand upon the pilot's experience in the Voucher Program, and to include experience of other local agencies which are requesting exception to the co-payment policy.

RECOMMENDATION 3: The Department should conduct a comprehensive cost benefit analysis to establish the relative cost of serving or not serving segments of the eligible population:

(a) convene an inter-agency task force comprised of representatives from the Department, the Council on Child Day Care and Early Childhood Programs, and Department of Planning and Budget for this comprehensive analysis.

(b) identify the fee system client population that is best served either because they have the greatest need or the greatest potential for self-sufficiency. Factors to consider in the analysis could include the relative value and cost of public assistance, other sources of funding, and tax credits, as well as the issues of relative cost of living and number of family members requiring child care.

RECOMMENDATION 4: The Department should take further actions to maximize use of current appropriations and to ensure equity and adequacy of existing funds:

(a) change existing day care policy to require clients to co-pay at higher rates.

(b) test the use of voucher with pre-payment of fees and development of appropriate monitoring and auditing procedures. The tests should allow for the measurement of change in administrative and direct service time. It should also be conducted on a small population to control for unknown fiscal effects.

(c) explore the option of partnerships with employers to augment and maximize day care funding in light of initiatives in the work place to provide day care.

(d) seek additional funding, given that even after adjusting for changes in client co-payments, and limiting client population, current funding levels are insufficient to meet the client need. The new federal child care block grant could be a major source of funds.

(e) document the use of unregulated providers by non-fee system day care populations as part of the evaluation of the JOBS program to determine the effect on price, access to and quality of day care.

ACKNOWLEDGEMENTS

This study was conducted by staff from the Department of Social Service's Bureau of Planning and Management Analysis managed by Barbara Cotter. Carol Baron was the Lead Evaluator for the project, supported by Michael Theis and Tricia Van Arsdale. The Division of Service Programs provided overall direction for the Voucher Program itself.

Advisory Committee members included representatives from the Office of the Secretary of Health and Human Resources, Department for Children, Council for Child Day Care and Early Childhood Programs, child day care proprietary and non-profit sectors, and local social service agencies. Four individuals provided advisory support for the duration of the project: Martha Gilbert, Linda Sawyers, Inez Holloman, and Mitzi Houck.

The Department also acknowledges the effort and initiative of the four pilot projects in designing and implementing voucher and resource and referral programs. Pilot agencies and subcontractors included: Norfolk Department of Social Services, Norfolk Planning Council, Manassas Department of Social Services, Smyth County Department of Social Services, Montgomery County Department of Social Services, Roanoke Council for Community Services, Pulaski County Department of Social Services, and Galax Department of Social Services.

Other persons in the Department who contributed to the program and evaluation included: Donna Douglas, Janet Riddick, Jean Collins, Judy Sledd, Paula Mercer, Sue Murdock, Loretta Dent, Martha Rice, Molly Sheahan, Mary Madge, and Helen Napps.

INTRODUCTION

Study Overview

The 1988 General Assembly through House Joint Resolution No. 61 and House Bill 30 - Item 464 directed the Virginia Department of Social Services (VDSS) to implement and study a voucher system for subsidized child care. The Resolution required the VDSS "to develop several pilot programs throughout the Commonwealth using current dollars in the Child Care Fee System in order to study and evaluate the use of a voucher system to pay for child care."

Item 464 of the Appropriation Act further stipulated that "three pilot projects shall be conducted in a rural, urban, and suburban community." The Resolution also mandated that "the study should evaluate pertinent issues including, but not limited to: (i) development of an information and referral system to replace current guidance provided by the Department of Social Services in selecting and obtaining child care; (ii) determination of whether the program should be limited to independent working parents or should encompass all parents, including protective services clients and ADC families; (iii) development of auditing procedures to ensure proper expenditure of funds; and (iv) determination of payment amount, method, variances and other system questions."

Background

The VDSS has historically been involved with child day care through the regulation of child care providers and the management and funding of child day care services. The Department licenses day care centers and certain family day care homes, while local departments of social services approve in-home providers and other family day care homes. Both the state and local agencies provide training to these providers. The Department has also provided funding to local social service agencies for the purchase of child day care services for Aid to Dependent Children (ADC) and other low-income families.

Urged by child care advocates, the 1986 Virginia General Assembly created the Child Day Care Fee System to be administered by the Department. At that time, $1.5 million in state funds were appropriated for this project for each year of the biennium.

This program is designed to help low-income families in the Commonwealth afford quality day care for their children.

Tremendous increase in the number of mothers in the labor force brought an urgent need for child care for low-income working families. While in 1970 approximately 34 percent of Virginia mothers with children under six were in the labor force, by 1980 this increased to 50 percent. It is anticipated that by 1995, more than 65 percent of women with children under six will be in the labor force.

In response to the need for subsidized day care, providers and other interested persons initiated and supported a proposal for a voucher system. The voucher system was discussed at several forums, including the Governor's Conference on Child Day Care held in June of 1987 and a joint legislative subcommittee mandated by the 1987 General Assembly. In their report, this subcommittee expressed the concern that "increasing government involvement in providing day care... was seen to be unfair competition by for-profit entities who desired some conditions or terms to equalize business conditions between themselves and non-profit or government-subsidized groups."

Following the study by the joint committee, the 1988 General Assembly mandated the Day Care Voucher Project through HJR 61 and HB 30 - Item 464. The 1988 Appropriation Act also: (1) increased the allocation for the Child Day Care Fee System by $5 million to a total of $6.5 million for each year in the biennium, and (2) requested that the VDSS test an information and referral system to replace its current guidance in selecting and obtaining child care.

A voucher project advisory committee was formed. The Department chaired the committee, consisting of representatives from the Secretary's Office, local social service agencies, Department for Children, proprietary provider sector, and child care advocates. VDSS with advice from the advisory committee developed a Request for Proposals for localities to apply to participate in the Voucher Program. Four sites were selected for the pilot: Norfolk (urban), Manassas (suburban), Smyth County (rural), and one combined site (rural) consisting of Montgomery and Pulaski Counties and Galax. (Brief descriptions of the pilots are given in Appendix A.) These pilots received $158,399 in state funds for administrative and direct service costs and used $879,797 state and local dollars for child care subsidies. (See Table 1.) The pilots started to provide subsidies under the Voucher Program on July 1, 1989.

Table 1

VOUCHER LOCAL AGENCY ADMINISTRATIVE, DIRECT SERVICE, AND SERVICE SUBSIDY ACTUAL EXPENSES

DIRECT SERVICE AND ADMINISTRATIVE	TOTAL	NORFOLK	MANASSAS	SMYTH	MONTGOMERY/ PULASKI/ GALAX
SALARIES	$77,548	$20,654	$19,401	$29,301	$8,192
EQUIPMENT	$43,174	$26,759	$3,310	$5,979	$7,126
EDUCATIONAL MATERIALS	$8,031	$5,009	$2,280	$0	$742
ADVERTISING	$4,068	$0	$0	$0	$4,068
OTHER	$25,578	$11,309	$1,087	$224	$12,958
TOTAL	$158,399	$63,731	$26,078	$35,504	$33,086
SERVICE SUBSIDY					
STATE	$791,817	$478,217	$28,812	$90,995	$193,793
LOCAL	$87,980	$53,135	$3,201	$10,111	$21,533
TOTAL	$879,797	$531,352	$32,013	$101,106	$215,326
TOTAL DOLLARS	$1,038,196	$595,083	$58,091	$136,610	$248,412

* Voucher expenditure data, Virginia Department of Social Services

The planning required for the Voucher Project, by both the Department and pilots required more time than originally anticipated. Together both the state and local agencies took approximately one year to plan and implement the project. Consequently, the projects provided day care subsidies for only 12 months rather than the 18 months originally planned.

Goals and Objectives

The goal of the Voucher Program was to provide child care subsidies through a voucher system to Fee System eligible families. The voucher system included the use of a coupon representing payment authorization, and payment at market rates and based on enrollment. In conjunction with the voucher system pilots were expected to provide resource and referral services to parents and providers. Resource and referral services included provider recruitment and education, parent information and education and public awareness activities. A voucher system with a resource and referral component was expected to give families access to quality affordable child care while still maintaining their economic independence. It was also expected to enhance parental choice and responsibility in selecting child care arrangements.

The objectives of the evaluation were to determine:

- the feasibility and effectiveness of the voucher mechanisms,
- the feasibility and effectiveness of the resource and referral activities,
- whether the Voucher Program enhanced access to affordable quality child care, and parental choice, responsibility, and self-sufficiency,
- which, if any, features of the program apply to other clients, and
- the fiscal impact of serving the Voucher/Fee System clients and other client-related populations.

Research Methodology

Evaluation of the Voucher Program relies on data collected from the 400 families who participated and the 158 providers who served them. Parents became voucher clients either by applying for Fee System subsidies after July 1, 1989 or by receiving these subsidies both before and after July 1, 1989.

The client data collected included:

- demographic and day care service history data collected at the time the client became a voucher client;

- employment, income and day care service data collected at the time client's eligibility was redetermined and/or when the client's service was terminated;

- social service history data collected through the social service information system (VACIS);

- invoice and attendance data collected for one month in the fall of 1989 for clients active at that time; and

- client's response to the program collected through a mail survey sent to all clients at the end of the project.

The provider data collected included:

- provider characteristics collected through the resource and referral activities;

- provider response to the program collected through a mail survey sent to all providers; and

- provider rates and business expectations collected through the Market Rate Survey.

All of the above databases are described in Appendix B. The databases were developed, managed, and analyzed using DBASE IV and other statistical analysis programs. In addition to these data collection efforts, the evaluators made site visits during the project and conducted an exit interview with all pilot staff.

The evaluation used the data collected through these sources to assess the feasibility and effectiveness of the program goals and objectives, related research issues, and the fiscal impact of providing voucher/fee services.

This report includes the following sections:

- a profile of the clients served, services received and providers used,

- a description of the voucher system mechanisms and their feasibility and effectiveness,
- a description of the resource and referral activities and their feasibility and effectiveness,
- a review of the program's effect on parental choice, responsibility and self-sufficiency, and access to affordable quality day care;
- an analysis of the applicability of the program to other groups; and
- a cost analysis.

CLIENT DEMOGRAPHIC AND SERVICE DESCRIPTION

During FY 1990, the pilots provided day care subsidies for 616 children of 400 low-income working families. Based on data estimates from a special 1980 Census run adjusted for 1990 children, the children served represent only 4 percent of the estimated 15,073 eligible children in the pilot localities. Based on their waiting lists and knowledge of their community, pilot staff felt they served up to 30 percent of the eligible children whose parents would want subsidized care if funds were available. Figure 1 illustrates the percentage of eligible children served.

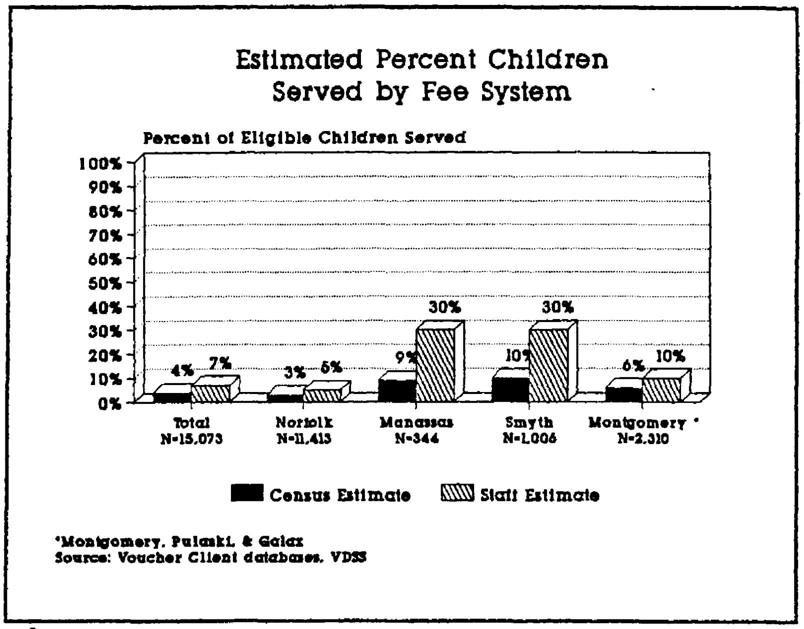


Figure 1

Family and Parent Information

The majority (87%) had not received ADC in the twelve months before the Voucher Program. During the program, about 49 percent of the voucher families received additional aid, primarily in the form of food stamps. (See Appendix C.)

The 400 families served are generally one-parent households (88%) with one or two children who need day care subsidies. About 67 percent live in urban or suburban areas and about 33 percent live in rural areas. However, virtually all (98%) live in cities or towns, and most (80%) live in rented housing units. (See Appendix D.)

Consistent with their one-parent household status, most (87%) clients never married, or are separated or divorced.

Figure 2 illustrates the significant percentage of single, and previously married (divorced, separated, and widowed) families. Almost all clients are women.

In the urban and suburban areas, almost all families (96%) are one-parent households. (See Appendix D.)

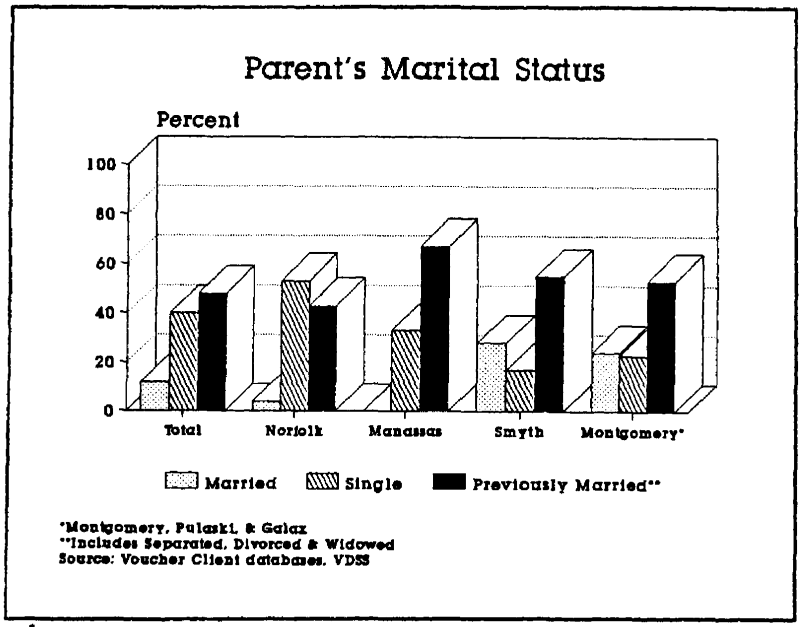


Figure 2

The mean age of the parent is 29, with about half of them under 28 years old and about half over 28 years old. Most (73%) have a high school diploma or better. Almost 35 percent have at least some college or technical training. Figure 3 illustrates parents' level of education. Only a few (8%) are currently students. (See Appendix E.)

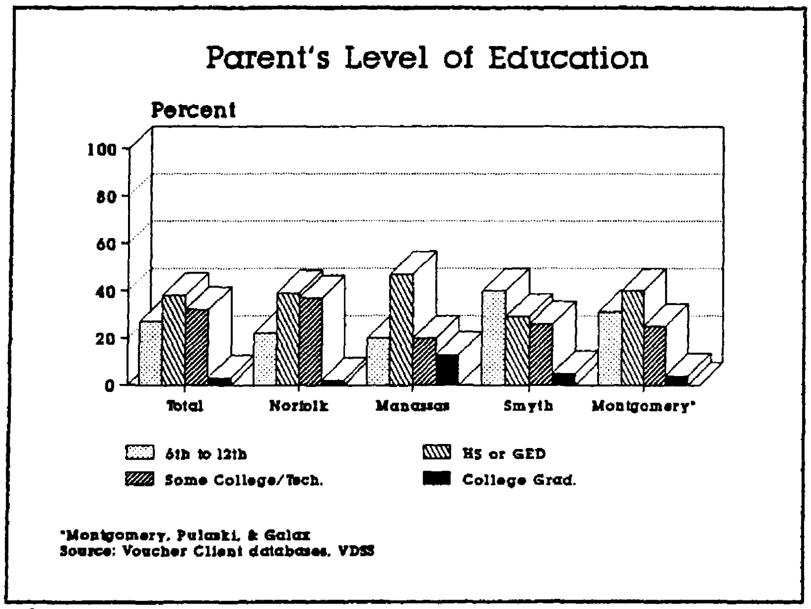


Figure 3

About 90 percent of the parents are employed full-time at permanent (91%) non-seasonal (96%) jobs. About 80 percent have service (67%) or manufacturing (13%) jobs. About 60 percent were employed at their current jobs for less than one year when they entered the program. Figure 4 below illustrates how long parents were employed in their current job. (See Appendix E.)

Their incomes are primarily (74%) below 40 percent of the state median income. (See Appendix D.) Even after adding in their food stamp benefits, average monthly incomes were still primarily below 40 percent of the state median income. After client day care co-payments, their remaining average income was also less than 40 percent of the state median income. However, if clients paid all of their day care costs their remaining income would be less than 30 percent of the state median income.

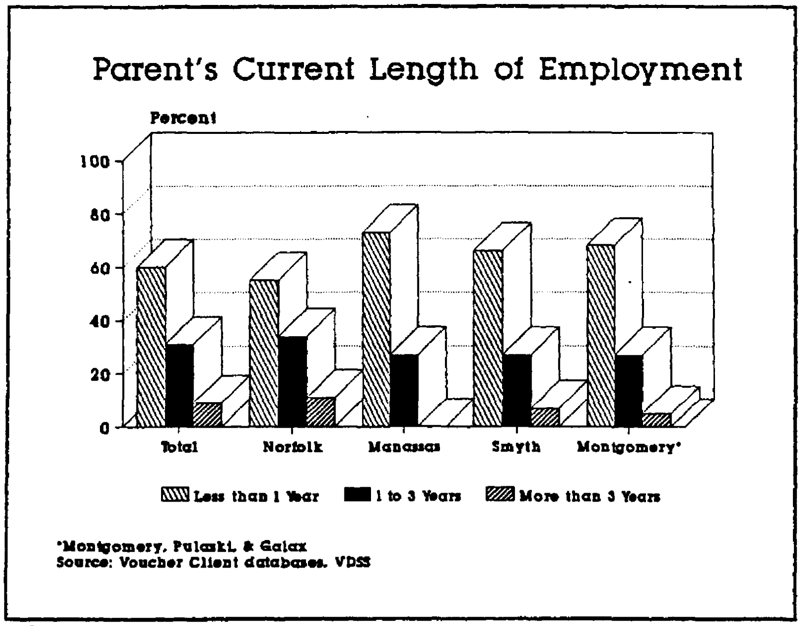


Figure 4

In Manassas where the local median income is higher than the state's median income, family incomes tend to be less than 30 percent of the <u>local</u> median income. Conversely, in the other pilots where the local median income is lower than the state median income, family monthly incomes are higher. As Figure 5 shows they are sometimes as high as 100% of the <u>local</u> median income.

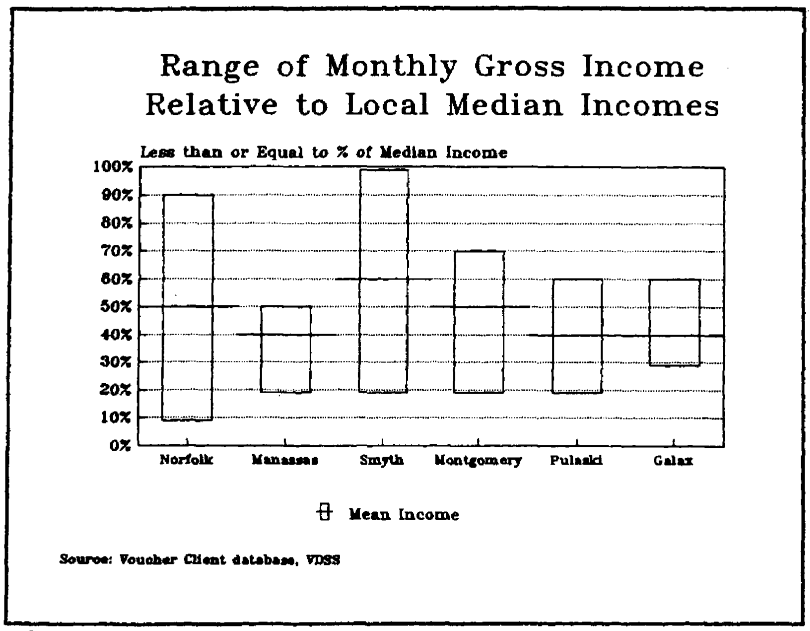


Figure 5

Children Served

The children served range in age from infant to 13 years old. More than 80 percent of the children are under 9 years old. Close to 13 percent are infants (0 to 2 years old), and 30 percent are toddlers (3 to 4 years old). Figure 6 illustrates the ages of children being served by voucher subsidies. About 51 percent of the children are white, with most of the black population residing in Norfolk and Manassas. (See Appendix F.)

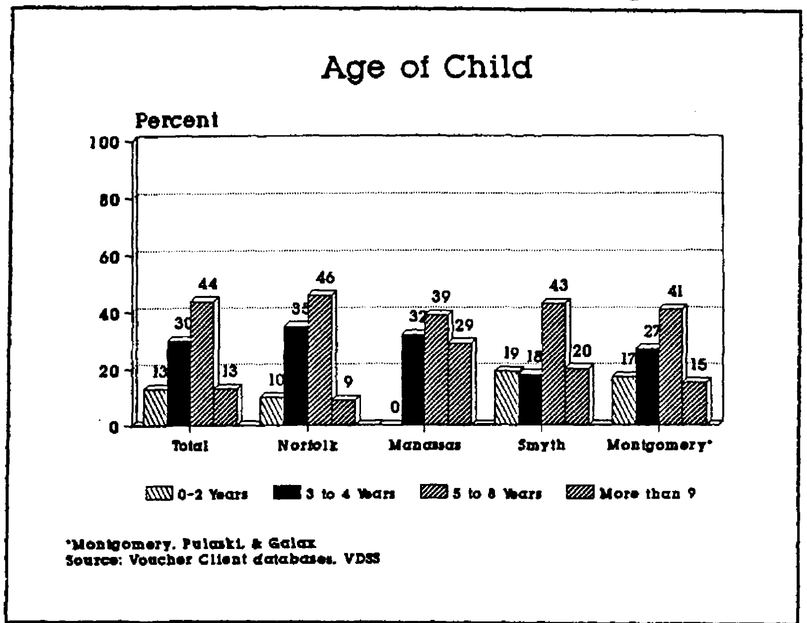


Figure 6

Day Care Service and Providers

The day care service the children received was primarily full-time in the summer and full-time and before and after school during the school year, depending on the child's age. Only a few received part-time care. Some parents changed the type of care their children received on entering the Voucher Program. Before the program about 9 percent of the children did not receive any child

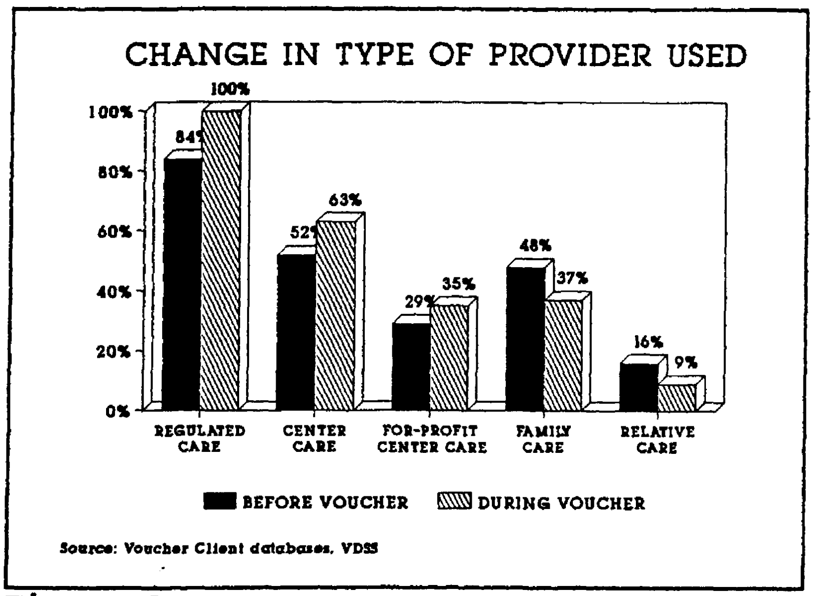


Figure 7

care. Of those who previously received care, 84 percent had care with a regulated provider, 16 percent with a relative and 52 percent in a center. (See Appendix G.) About 21 percent changed providers when they entered the program. Following the changes, 100 percent had care with a regulated provider. The use of relatives as care givers decreased to 9 percent, while center usage increased to 63 percent. Center care increased for both proprietary and non-profit centers. (See Appendix H.) These changes are reflected in Figure 7 on page 10.

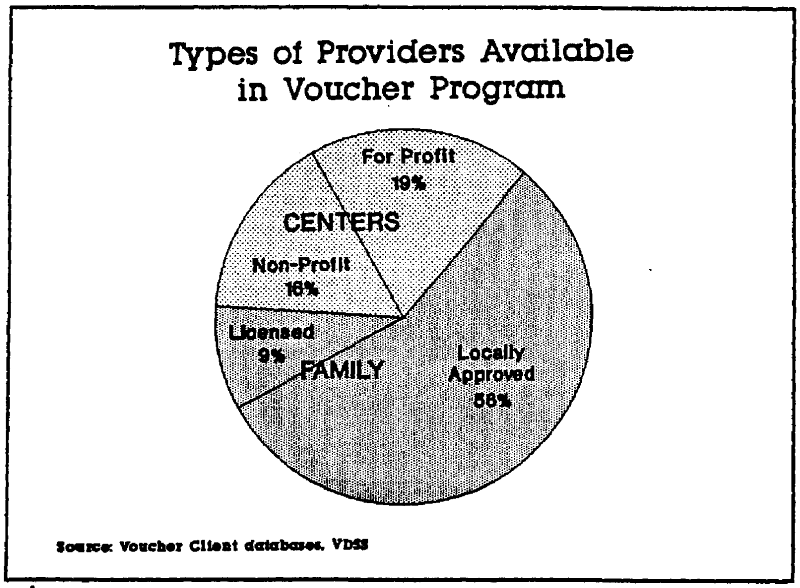


Figure 8

The 616 voucher children received services from 158 different providers. About 35 percent of the providers were centers, but most centers served more than one child. The other 65 percent were family (including in-home) providers who primarily served one or two children. (See Figure 8.)

These fully employed single women, their children, and the providers who served the children were the focus of the Voucher Program. They received day care subsidies and participated in resource and referral activities.

PAYMENT SYSTEM FOR THE VOUCHER PROGRAM

During the initial planning phase, staff and advisory committee members faced the problem of converting the legislative directives into an actual program. Considerable effort went into defining the Voucher Program. The resource and referral component was understood from existing experience, but the "voucher system" itself was more difficult to delineate.

The term "voucher" is ambiguous. A voucher can represent actual payment or it can represent authorization for payment. If it represents authorization for payment, the actual payment can either be "upon receipt" or after services are rendered. If payment is before services are rendered, payment by enrollment is implied. If payment is by enrollment, payment at published rates may also be implied.

In retrospect, a report produced by the New York City Human Resources Administration in October of 1990 indicated that all twenty states with "voucher day care programs" used payment authorization forms and made payments after day care services were rendered. Both the Fee System and Voucher Program meet this definition of a "voucher system."

However, during the initial program planning phase, a voucher system was thought to be different from the Fee System. Staff and committee members identified prepayment, payment at the market rate and payment based on enrollment as desirable changes from the Fee System. These variations were expected to allow clients greater choice and access to quality child care providers.

Payment Timing

Staff and committee members put considerable effort into researching and designing a system which included a coupon representing prepayment of fees. They evaluated the applicability of payment mechanisms in other state programs, but none offered a feasible method for prepayment of child care through a voucher. Staff also encountered policy and procedural barriers. The policies which presented an obstacle were:

- Day care policy requiring a subsidy level based on the ratio of day care costs to family income.

- State policy prohibiting prepayment of fees for purchased services.

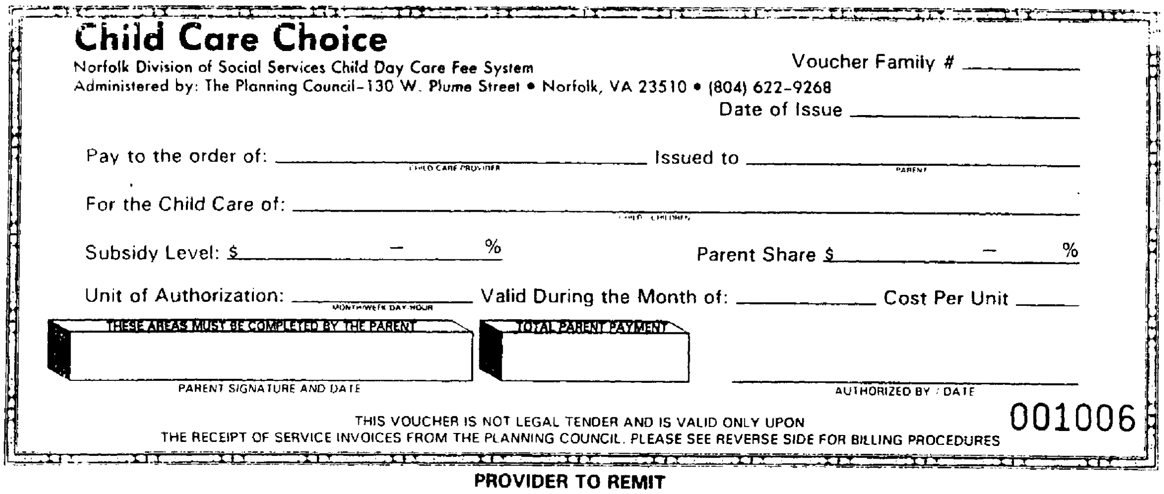
The day care policy impeded the parent's ability to leave the office with a coupon covering day care costs. If no provider had been selected, the parent's eligibility and co-payment rates could not be determined. State policy prohibiting prepayment of fees for purchased services and the need to develop procedures to cover possible fraud from parent or provider misuse of the funds also inhibited the development of a prepayment coupon. Auditing and monitoring procedures were essential to safeguard the pilots' use of one-sixth of the Fee System appropriation. However, experience with the Fee System itself was still new, and the problems of working with this population were still largely unknown. In retrospect, with 7 percent of the voucher parents who could not be located at the end of the project, fear of misuse of funds was not unfounded. (See Appendix D.)

With so many unknowns and limited time to develop proper procedures, the decision was made to use the existing purchase of service procedures for payment after services were rendered. Since prepayment was not planned, and the purchase of service procedure already had defined fiscal procedures, the Voucher Program did not develop or test "auditing procedures to ensure proper expenditure of funds." While a prepayment was not tested, pilots did experiment with the payment authorization format.

Voucher Format

Most pilots used the Fee System purchase of service form as their voucher coupon. Smyth produced a slightly more "user friendly" computerized version of the purchase of service form which they sent to providers. By the end of the program, Norfolk developed a payment authorization coupon. (See Figure 9 on page 15.) It looked more like a check than a state form, and the agency placed all responsibility on the parent for delivery to the provider.

Payment Authorization Coupon



Child Care Choice

Norfolk Division of Social Services Child Day Care Fee System

Administered by: The Planning Council-130 W. Plume Street • Norfolk, VA 23510 • (804) 622-9268

Voucher Family # ____________

Date of Issue ____________

Pay to the order of: ____________ Issued to ____________

For the Child Care of: ____________

Subsidy Level: $ ______ – ______ %   Parent Share $ ______ – ______ %

Unit of Authorization: ______ Valid During the Month of: ______ Cost Per Unit ______

THESE AREAS MUST BE COMPLETED BY THE PARENT

TOTAL PARENT PAYMENT

PARENT SIGNATURE AND DATE

AUTHORIZED BY / DATE

THIS VOUCHER IS NOT LEGAL TENDER AND IS VALID ONLY UPON THE RECEIPT OF SERVICE INVOICES FROM THE PLANNING COUNCIL. PLEASE SEE REVERSE SIDE FOR BILLING PROCEDURES

001006

PROVIDER TO REMIT

Figure 9

In Norfolk, staff observed that both parents and providers preferred the new voucher over the prior purchase of service form. In their opinion, parents felt more comfortable about giving a check-like document to the provider that clearly identified the parent's contribution. Their experience also showed providers did not need additional agency confirmation of child care assistance. While the Norfolk pilot thought its voucher coupon was well-received by both parents and providers, it was developed too late in the project to assess its full impact.

In all pilots, regardless of payment authorization format, providers continued to be paid after services were rendered. At the end of the month, providers returned an invoice and attendance record to the agency for payment processing. Even though this was not payment in advance, providers were generally satisfied with how promptly they were paid. In response to the provider survey, close to 80 percent indicated they were always or usually paid on time. Table 2 below shows provider opinion of timely payment.

Table 2

PROVIDER OPINION OF TIMELY PAYMENT

PERCENT PAID ON TIME......	TOTAL N=91	CENTERS N=34	FAMILY N=57
ALWAYS	54	53	54
USUALLY	26	21	30
SOMETIMES	15	18	14
RARELY	3	6	2
NEVER	1	3	0
TOTAL PERCENT	100%*	100%*	100%

*Does not sum to 100% because of rounding.
Source: Voucher Provider Survey, Virginia Department of Social Services

In short, pilots did experiment with the payment authorization format, and Norfolk designed a voucher coupon. However, it did not represent prepayment of fees. With time to work out the remaining policy problems staff believe that a prepayment coupon could now be developed and tested given the experience already gained from the Voucher Program and the recent change in Fee System policy regarding determination of subsidy level. While a prepayment coupon was not fully implemented, pilots did change reimbursement policies to cover market rates.

Market Rate

Payment at market rate was intended to directly encourage provider availability. For the Voucher Program, market rate was defined as the published rate for centers and the published or estimated "going" rate for family care - that is, the rate providers charged the general public. Before the Voucher Program and before the Family Support Act, all pilot agencies except

Norfolk reimbursed centers at negotiated rates and family providers at local agency set rates. (Norfolk paid centers and families at published rates even before the voucher.) Parents could use any regulated provider if the provider would accept payment at the negotiated or set rates on a pay for attendance basis. It was thought that the use of published or market rates would make providers more willing to accept subsidized children.

Center rates: Centers do not have one flat rate. In fact, the Market Rate Survey found that statewide only 8 percent of the center providers charged the same rate for full-time service to children of all ages. (See Appendix I.) The norm for centers is to have a complicated rate structure with different charges depending on the age of children, number of children attending per family, type of service, number of days attending, and additional services such as meals and transportation. Thus, the market rate for centers was not one rate, but rather the complex rate structure centers used with the general public. Published rates are frequently close to negotiated rates, but negotiated rates are always paid on the basis of the child's attendance.

Family provider rates: During the Voucher Program when family providers had published rates, they were generally paid their published rate. If they did not have published rates, they were paid at a rate set by local agencies. Before the Voucher Program, local agency set rates for family day care were frequently lower than the "going" rate in the area. In the interest of trying to approximate a market rate, pilots conducted informal surveys and raised their family rates either shortly before or during the voucher project. In retrospect, the rates actually used for the Voucher Program compare favorably to the "market rates" calculated from the Market Rate Survey. (See Appendix I.)

Response to provider rates: Market rates played a positive role in encouraging centers to accept subsidized children. Before the Voucher Program 46 percent of the centers did not accept subsidized children. With the change from negotiated to published rates an additional 12 percent of the centers were willing to provide service to voucher subsidized children. (See Figure 10 on page 18.) The actual effect of payment at published rates may be even greater than these percentages show, as pilot staff report they were able to encourage some centers to accept non-voucher children at negotiated rates with the understanding that effective October 1, 1990, they would be paid market rates as a result of the Family Support Act. Since negotiated rates are frequently close to, if not higher than, published rates it is difficult to attribute the availability of centers solely to payment at published rates. As will be discussed under "Payment By Enrollment," center availability is more likely to be driven by a combination of published rate and payment by enrollment.

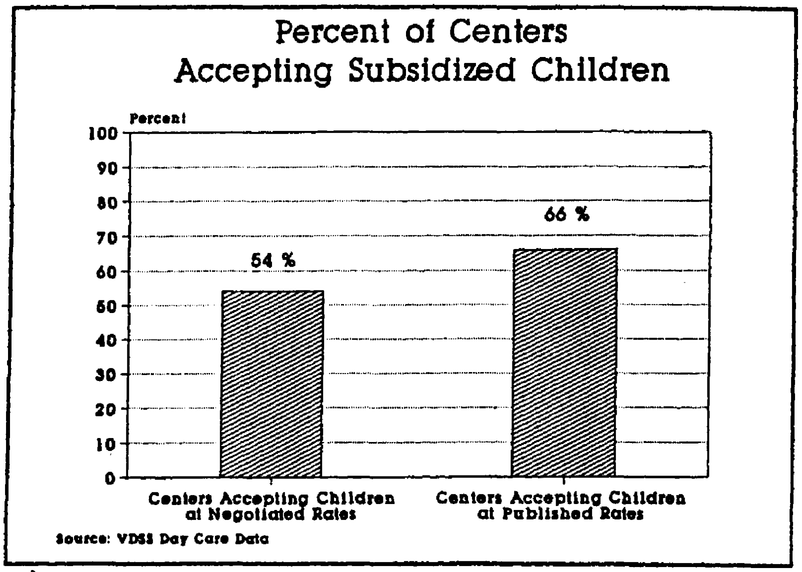


Figure 10

Voucher staff felt strongly that telling potential family providers they would be paid the "market rate" greatly facilitated recruitment of family day care providers. When families were paid at their published rates or at the new local agency set rates, they received sizeable increases. For example, Smyth raised their rate from \$.65 an hour to \$1.00 an hour, and Galax raised their rate from \$.75 an hour to \$.90 an hour. Other pilots paid families their published rates. In conjunction with the recruitment campaigns discussed below, paying market rates helped increase the number of family providers. (See Appendix I.) As the following section notes, implementation of payment on the basis of enrollment was more difficult.

Payment on the Basis of Enrollment

Some localities have "caps" for provider reimbursement which sets their center negotiated rates far below the market rate. This was not a problem in the localities selected for the pilot. In the pilot localities, center negotiated rates were about the same as published rates. However, with negotiated rates the provider is only paid for the days the child attends. Thus, when negotiated rates are close to published rates, the published rate only benefits pilot center providers if payment is on the basis of enrollment. When providers are paid on the basis of expected weekly or monthly enrollment they can expect a slightly higher and more dependable income than if they are paid for the days or hours the child attends. Similarly, published or local agency rates set at approximate market rates are also more attractive to family providers when paid on the basis of enrollment.

Most pilots had difficulty implementing payment based on enrollment. They had difficulty defining and predetermining "enrollment." Provider, parent and agency reluctance also contributed to the problem.

Definition of payment by enrollment: The definition of "enrollment" itself created problems. It was not clear whether "by enrollment" only meant by the week or month. If providers were previously paid by the hour, then payment by the day was an improvement, but was it payment by enrollment? If payment was by the week, but providers expected payment by the month, was this payment by enrollment?

Expectation of payment by enrollment: Based on input from center providers, it was initially assumed payment on the basis

Table 3

PROVIDER EXPECTATION OF PAYMENT BY ENROLLMENT

	STATEWIDE*			VOUCHER PILOT PROVIDER**		
	TOTAL N=1631	CENTER N=935	FAMILY N=696	TOTAL N=87	CENTER N=33	FAMILY N=54
ENROLLMENT	62%	77%	43%	55%	82%	39%
ATTENDANCE	38%	23%	57%	45%	18%	61%
TOTAL	100%	100%	100%	100%	100%	100%

*Source: 1990 Market Rate Survey, Virginia Department of Social Services
**Source: Voucher Provider Survey, Virginia Department of Social Services

of enrollment was a universal provider business expectation. This is not the case. The statewide market rate survey showed that 77 percent of the centers but only 43 percent of the family providers expect payment on this basis. (See Table 3.) The voucher provider survey also showed that 82 percent of the centers and 39 percent of the family providers expected payment paid by enrollment. Only 49 percent of centers and 21 percent of family providers were paid on this basis. Figure 11 illustrates this difference.

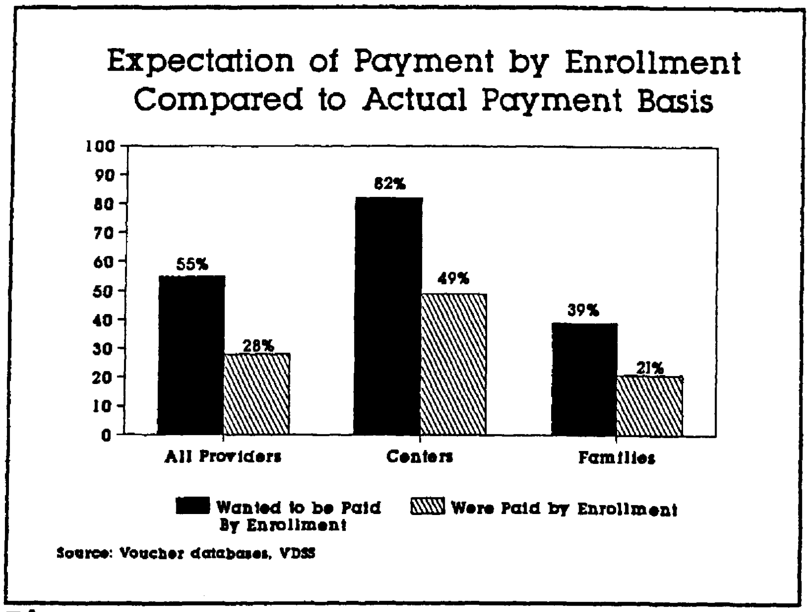


Figure 11

Indeed, some providers may not want to be paid based on enrollment. About 28 percent of the center providers in the state have an increased rate structure for children who attend fewer than 5 days a week. Thus, if a child only attends four days, they charge at the 4-day-a-week rate for a total amount that is higher than the 5-day-a-week rate. (See Appendix I.)

Determination of enrollment: Even when providers want to be paid by enrollment, it can be difficult to determine expected enrollment. Enrollment is easy to establish if the parent works regular day-time hours, five days a week. Unfortunately, many low-income working parents do not have jobs with such regular schedules. The parents work a variety of complicated shifts and schedules, with schedules further complicated by employer demands or trades with co-workers.

Agency and parent reluctance: Committing the agency to pay on the basis of enrollment also committed the parent to co-pay on this basis. Parents who had a prior payment agreement with the provider on an attendance basis were understandably reluctant to change to an enrollment basis. Agencies where parents worked irregular schedules or had poor attendance records felt their costs would skyrocket.

Provider attrition: Not all providers are long-time business establishments. In the pilot agencies, before the Voucher Program, about 46 percent of the locally approved family providers who provided day care services at the beginning of FY 1989 no longer provided day care services at the end of FY 1989. (See Appendix J.)

Response to payment by enrollment: Since negotiated center rates are close to published rates, the motivating factor for centers was more likely to be payment by enrollment. As shown above in Figure 10 on page 18, more centers were available to voucher children paying at published rates by enrollment than were available to other subsidized children paying at negotiated rates on a pay for attendance basis. Staff, however, reported they could encourage center participation for non-voucher clients even at negotiated rates on the basis of attendance by offering the incentive of the change to market rates by enrollment effective October 1, 1990 for the Family Support Act. Payment by enrollment did help increase the number of centers available to voucher children.

Consistent with the low expectation of payment by enrollment among family providers, staff was unsure about the effect payment on this basis had on their family day care recruitment efforts. Market rate was probably a bigger incentive for family providers, as less than 40 percent of them expected payment by enrollment.

The movement towards payment by enrollment did save staff time and paperwork. Where payment was based on weekly or monthly enrollment, it removed the necessity of counting every day on an attendance form, and where payment was based on days rather than hours, it removed the necessity of counting hours. If uniform application of this concept is to be attained, the concept of payment by enrollment still needs further clarification.

Other Provider Business Expectations

Market rate and payment by enrollment were two alterations to the Fee System that the Voucher Program tested. However, the market rate survey shows these are just two possible provider business expectations. Centers also expect payment for: annual registration; payment in advance; and add on fees for late pick up, transportation, meals, and field trips. Pilots generally did not pay for these services unless it was already included in the rate. Furthermore, 34 percent of the centers indicated they expected to increase their rates by an average of $5 a week within 6 months. No doubt these providers would expect the subsidies to adjust to these changes. Table 4 details these provider expectations.

Table 4

PROVIDER BUSINESS EXPECTATIONS

	ALL PROVIDERS N=1631	CENTERS N=935	FAMILIES N=696
PERCENT EXPECTED INCREASE	28%	34%	19%
AVERAGE EXPECTED INCREASE/WK	$7	$5	$8
LATE PICKUP FEE	60%	78%	35%
ANNUAL REGISTRATION FEE	30%	50%	2%
FIELD TRIPS	25%	40%	6%
MEALS	9%	14%	3%
TRANSPORTATION	9%	13%	3%

Source: 1990 Market Rate Survey, Virginia Department of Social Services
* Each percentage represents a seperate question and will not sum to 100%.

In summary, pilots did pay at market rates, and where possible on the basis of enrollment. Meeting the provider's market rate payment expectation encouraged family provider participation. Payment on the basis of enrollment in conjunction with payment at published rates encouraged center participation. While payment by enrollment appears to be a drawing card, it is not a universal business expectation and was not always possible to implement.

Other payment features were not as easily accomplished.

Though used for only two months, the Norfolk voucher coupon appeared to give parents more autonomy in selecting providers and reduced paperwork. Staff feel prepayment via a voucher coupon would remove some of the case-related paperwork, but extensive policy revisions and monitoring and auditing procedures would still be needed.

While the pilots faced ongoing obstacles and frustration with respect to the payment mechanisms, they were all able to turn their full attention and energies to the other major program component - resource and referral.

RESOURCE AND REFERRAL SERVICE

During the Voucher Program, all pilots had active programs to encourage provider recruitment, provider education, parent information and education and public awareness. The degree to which they were able to develop their services was largely dependent on the resources available and the level at which they provided these services prior to the Voucher Program. Norfolk DSS, which contracts with the Norfolk Planning Council to administer the Fee System, had the largest Voucher Program budget and also the only resource and referral fully operational before the program. Efforts in other pilots prior to the voucher project were primarily limited to ad hoc one-on-one help from service workers and personal efforts on the part of local social service agency staff to bring day care issues to the public's attention.

Provider and Client Recruitment

Provider recruitment was a major thrust of all resource and referral programs. In rural areas where few, if any, regulated family (including in-home) providers were available, the first goal was to increase the number of providers available. In the urban and suburban areas where providers existed, increasing the actual number of family providers was less concern than developing providers in specific neighborhoods. Some low-income urban areas had no providers available to them. Pilots also worked to encourage the development of new day care centers. The techniques used for provider recruitment included mass media campaigns, distribution of information, incentives, community and business presentations and word of mouth. All pilots used these techniques to recruit providers.

Mass media campaigns: All pilots used some form of mass media campaign to achieve provider recruitment goals. They all developed and used radio spots. Norfolk and Smyth also had interviews on local television programs, and Manassas and Smyth had articles in their local papers. Pilots also distributed flyers and posters in churches and stores. Manassas also sent letters to the public as stuffers to bank statements.

Montgomery, Pulaski, and Galax worked as a unit on their mass media campaigns. They enlisted the services of the Information and Referral Office (I & R) at the Roanoke Council for Community Service to help receive the calls and screen and process potential family providers. In addition to radio spots, they developed billboards and posters specifically directed to potential child care providers.

Distribution of information: Activities for provider recruitment were not limited to mass media campaigns. Urban and suburban pilots also sent letters to existing child care providers encouraging them to serve voucher children, pointing out that they would be paid at their published rates. Manassas compiled a packet of information with educational materials and forms for potential providers. Other pilots also distributed materials to providers.

Incentives: In addition to payment at market or published rates and sometimes payment by enrollment, each pilot offered other incentives to encourage provider regulation. Norfolk, with the most resources from both the Voucher Program and other funding sources, had a supply of equipment to help start up a regulated family day care home. Supplies such as car seats, fire alarms, and baby equipment were lent to the provider until they could replace them with their own supplies. Galax and Montgomery paid for the potential provider's TB test and supplied other small health and safety items.

Community and business presentations: Advisory boards and personal presentations by local social service directors and other day care staff at community and civic groups served to increase public awareness and encourage development of new child care centers. Day care and social service staff in all pilots made presentations at community meetings. Staff also met with local businesses to encourage their involvement and investment in developing child care centers.

Word of mouth: When mass media campaigns and other formal ways of encouraging provider availability failed to identify a provider for a specific parent, service workers reverted to word of mouth to find a qualified provider.

Response to provider and client recruitment: The extensive recruitment and development efforts helped increase the number of locally approved providers in the pilot areas by 183 percent, from 77 family providers at the end of FY 1989 to 218 at the end of FY 1990. (See Appendix J.)

Developing new centers was also an ongoing process. During the Voucher Program one new center opened in Galax and one in Smyth. In Smyth the center was a result of a concerted community-wide effort spurred by the efforts of staff, their day care advisory board and other interested citizens. The new center in Middle Fork provides much needed after school care. The initiative for the center in Galax came from the private sector.

There was an overwhelming response to the mass media campaigns. These campaigns had to be curtailed in order to keep

Table 5

CALLS FROM POTENTIAL PROVIDERS
IN MONTGOMERY, PULASKI, GALAX AREAS
RECEIVED BY ROANOKE I & R

	TOTAL	MONTGOMERY	PULASKI	GALAX
TOTAL CALLS	N=52	N=39	N=7	N=6
WHERE HEARD ABOUT PROGRAM				
TV/RADIO	29%	28%	29%	33%
LOCAL SOCIAL SERVICES	15%	18%	14%	0
FRIEND	13%	13%	14%	0
NEWSPAPER	10%	8%	0	0
BILLBOARD	8%	3%	43%	50%
FLYER	4%	5%	0	0
POSTER	1%	3%	0	0
NO INFORMATION	19%	23%	0	17%
TOTAL	100%*	100%*	100%	100%

Source: Data Collected by Council for Community Services, Roanoke
* Does not equal 100% because of rounding.

response at a level the service workers could handle. Radio spots were identified as being the most effective with calls starting to come in immediately following the spots. In the Montgomery, Pulaski, and Galax areas, potential providers who called into the Roanoke I&R were asked where they heard about the program. Close to one-third (29%) said they heard about it on radio or television. (See Table 5.)

Potential clients also started calling immediately after radio and TV spots. However, in response to the client survey only three parents reported hearing or seeing the spot themselves. The TV and radio spots were so effective for potential clients the person did not even have to hear or see the announcement. Their friends and relatives told them about it. About 40 percent said they heard about the program from friends or relatives. (See Table 6.) Clearly, all that is necessary is that someone, even if it is not the target population, hears or sees the public service announcement. Word of mouth will do the rest.

Table 6

WHERE PARENTS FROM ALL AREAS HEARD ABOUT PROGRAM

HEARD ABOUT FROM	N=222
FRIEND	39%
DAY CARE SOCIAL WORKER	14%
OTHER SOCIAL WORKER	11%
DAY CARE PROVIDER	10%
FLYER, BROCHURE OR LETTER	7%
RADIO OR TV	1%
OTHER	2%

Source: Voucher Client Survey, Virginia Department of Social Services
*Multiple Responses Allowed Will Not Total to 100%.

The effectiveness of radio and TV spots went beyond attracting potential providers and clients. The announcements also drew people who just wanted information about day care even though they did not qualify for subsidized day care or could only be on the waiting list. The resource and referral services were made available to a "client" population that was broader than those for whom subsidy money was available. Thus, this one mechanism was able to serve multiple functions.

The high percentage of parents hearing about the program from friends or relatives attested to the effectiveness of "word of mouth." Except for "word of mouth," other forms of communication were less effective than the radio spots. Of the potential providers calling into the Roanoke I & R, only 8 percent said they saw the billboard. (See Table 5.) Only 7 percent of parents from all areas responding to the client survey found out about the program from a flyer, brochure, or letter. (See Table 6.)

Resource and referral limitation: Both local social service agencies and the Norfolk Planning Council were able to develop all aspects of the resource and referral program. However, use of the Roanoke I & R for rural areas was not totally effective as a calling point for potential providers. In Montgomery, closest geographically to Roanoke, people did call the I & R, but many also called Montgomery Social Services. In Pulaski and Galax, almost all calls came into the local social service offices. The I & R received only 39 calls from Montgomery County, 7 calls from Pulaski County, and 6 calls from Galax. (See Table 5.) Staff felt people in the Pulaski and Galax areas are geographically too far from Roanoke to identify with the I & R agency there.

In summary, the resource and referral provider recruitment campaigns were extremely successful. They were able to get the word out and to develop new providers. While there were still geographical areas where provider availability was limited, staff felt they had been able to help find a provider for everyone who needed one. Provider recruitment efforts were successful, but how long the effect of these recruitment efforts will last is unknown.

Screening Potential Family Day Care Providers

Family provider recruitment was a matter of both increasing numbers and successfully screening for quality child care providers. The agencies screened based on the worker's knowledge and experience in child development and day care.

Initial screening: The initial screening frequently took place over the phone. Based on their knowledge of child care and child development day care workers encouraged potential providers who appeared qualified to go through the local agency and United States Department of Agriculture (USDA) approval process. Local approval was required, but USDA approval was optional.

Local approval process: Family providers who served voucher children were primarily approved through local agencies. Family providers in Norfolk could also be approved through the Planning Council's family system. Staff view these approval processes as an opportunity to enhance the providers knowledge about child care. These approval processes generally involved reviewing the applicants in terms of their qualifications to serve as providers. This included the ratio of adults to children, staffing, physical environment and equipment, activities, behavior guidance, nutrition and food service, physical health standards, and record-keeping responsibilities. Locally approved homes are monitored through a personal visit once every 6 months.

USDA approval: Some providers also went through the USDA approval process. This process involves a review of basic health, safety and nutritional requirements. Providers with USDA approval are reimbursed for a portion of the children's meals and snacks. USDA providers receive up to $3.17 a day per child to cover two meals and a snack. This source of income is viewed as a stabilizing force for providers. Like the local approval process, staff also view the USDA approval process as an educational opportunity. USDA homes are monitored through a personal visit once every four months.

Response to screening and approval processes: Pilots processed 141 family providers through the local approval process. They also encouraged them to become USDA approved. By the end of FY 1990, 39 percent of the family providers were USDA approved, compared to 20 percent in FY 1989. Provider attrition also dropped during the Voucher Program. Only 7 percent of the family providers stopped providing day care during the program compared to 34 percent in FY 1989. (See Appendix J.)

Whether providers recruited and developed during the program will still be available in a year is uncertain. Family provider longevity is not purely a matter of offering incentives and one-on-one development efforts. Many family providers will stop being providers when their life cycle changes - that is, their children enter school, or they get married, or they find a better job. The problem of family provider availability cannot be solved on a one-shot basis.

The actual "quality" of these providers is unknown. However, staff felt their background and knowledge helped them focus attention on people who would make good providers.

In short, more providers became approved and fewer stopped providing services than during the preceding fiscal year. The screening and approval processes, in conjunction with payment at market rates appeared to help stabilize the family provider industry.

Provider Education

Pilots invested considerable effort in provider education. They gave formal training programs, developed resource libraries, distributed educational materials and provided one-on-one training.

Formal training: Some pilots (Norfolk and Smyth) actually developed, sponsored and gave formal training programs covering such topics as nutrition and meal planning, behavior and discipline, and taxes. Montgomery co-sponsored a program on taxes and developed an agenda for training programs which were intended to be video taped and then used by Pulaski and Galax. Manassas co-sponsored training sessions with the Prince William County Extension Office and sent information to providers about other training opportunities in the area.

Informal training: On an informal basis, the day care worker was available to the providers either by phone or in person at any time during the program. Service workers routinely helped providers learn about child development and behavior problems and how to work effectively with parents. As described earlier, all approval processes offered opportunities for informal provider education.

Resource libraries and materials: Pilots developed resource libraries and distributed educational materials. The libraries included reading materials for adults and children, video-tapes, educational games, art supplies, nutrition, health and safety information, and equipment and general day care supplies. Norfolk also developed a bi-annual newsletter for providers and parents.

Response to provider education: When providers knew about training opportunities, many participated. Almost three-fourths of the providers in localities sponsoring training heard about the programs, and 60 percent of all providers attended the programs. A somewhat smaller percentage (30%) heard about the educational materials and only 10 percent borrowed materials from the pilot's resource libraries. (See Appendix K.) Pilot staff also felt the one-on-one assistance the service worker gave providers helped retain providers and enhanced their ability to deal effectively with children.

In summary, provider education was an important component of the program. Providers had a positive response to the formal training. Staff viewed the one-on-one interaction through the approval processes as one of their most effective educational tools. The resource libraries are an impressive collection of materials, but to date they appear to be under-utilized.

Parent Information and Education

Parent information and education was also part of the resource and referral component. Parent education started at the time of the initial phone call and continued as long as the parent remained a voucher client. Aside from case management documentation, service workers spent the majority of their time on parent and provider information and education.

Initial phone call: During the initial phone call, service workers made an assessment of the caller's potential eligibility. If the caller was probably eligible for day care subsidies, they were told to visit the office or they were sent materials. In Manassas, the parents were sent "Parent Information" packets which included educational materials and forms.

Initial interview: During the initial interview, service workers recorded the parent's and child's needs and reviewed materials about how to select a quality child care provider. Parents who were originally Fee System clients had their needs reviewed and were told about the educational materials at the time of their eligibility redetermination. Parents were also given a list of all available providers and their characteristics. If they could not find a provider, the worker assisted them with finding a provider and getting selected family providers through the local approval process.

Educational materials: Staff spent individual time with parents providing information on why and how to look for quality day care. They told parents about resource libraries and gave them materials prepared by such organizations as the National Association for the Education of the Young Child. Some pilots developed their own materials such as Norfolk's Child Care Checklist.

Ongoing contact: Once parents selected a provider, they continued to maintain contact with the service worker when problems arose. At any time during the program, the day care worker was available to answer questions about child development and handling parent/provider problems. In most pilots, the day care worker stayed in close touch with the parents and basically knew their life situation.

Formal training: The same formal training programs available to providers were also available to parents. Some topics such as child development and discipline could be directed to either parents or providers, while other subjects like handling taxes and small business administration were specifically directed to providers.

Response to parent education: Almost 32 percent of the parents responding to the client survey said the day care worker helped them find a provider, and 37 percent said the service worker helped get their provider approved. (See Table 7.)

Over one-third of the parents stated they remembered receiving educational materials about how to select quality day care. A high 87 percent of those receiving materials reported using them to help select a provider. (See Appendix K.) Staff felt boosting parents' expectations about quality day care would serve as a catalyst to improving the pool of available providers.

Table 7

ASSISTANCE CLIENTS RECEIVED WITH PROVIDER RECRUITMENT FROM LOCAL DSS SERVICE WORKER

	TOTAL N=216	NORFOLK N=101	MANASSAS N=8	SMYTH N=46	MONT-GOMERY N=45	PULASKI N=12	GALAX N=4
SOCIAL WORKER HELPED CLIENTS...							
...FIND A PROVIDER	32%	34%	25%	39%	22%	34%	25%
...GET A PROVIDER APPROVED	37%	31%	25%	54%	36%	34%	50%

Source: Voucher Client Survey, Virginia Department of Social Services

*Each percentage represents a separate question and will not sum to 100%.

While formal training was popular with providers, only 15 percent of the parents remembered receiving any information about educational sessions. Only 1 percent of all the parents responding to the client survey attended these sessions. (See Appendix K.)

In short, parent education was primarily conducted on a one-to-one basis with the service worker, and through the distribution of educational materials. Those who received the materials generally used the materials to help them find a provider. The combination of written materials and one-on-one encouragement seems to be an effective parental education tool.

On the whole, the resource and referral activities of the Voucher Program were more easily implemented than the payment mechanisms. The only limitations on their feasibility were time, staff, and funds. Time was an enemy for many of the program features. Some aspects of the resource and referral program took almost the entire eighteen months to develop. Some activities like formal provider and parent training sessions, computerized databases, in-house educational materials, and new child care centers were just starting to be a reality at the end of the Voucher Program. Not surprisingly, elapsed time was less of a problem for pilots which had staff and other financial resources.

The recruitment activities were an unqualified success in generating interest both from potential clients and potential providers. While the numbers increased, the need for more providers in specific locations still exists. While the providers were exposed to child development and child care information, the effect this has on provider quality can only be surmised.

CLIENT-FOCUSED ISSUES

Parental choice, access to affordable quality day care, parental responsibility, applicability to other client groups, and parent self-sufficiency were other issues addressed in the Voucher Program. The data collected through the program and from other sources will be used to address these issues.

Parental Choice

Willingness to give parents their choice of child day care providers is the easiest part of the equation. Making provider choices available is the most difficult. Parental choice is strongly related to provider availability. Without available providers, no choice can be made. By the end of the program, pilots all had day care centers. Payment for services at the published rates and by enrollment helped make centers available to voucher children. Extensive recruitment and development efforts in conjunction with payment at market rates helped substantially increase the number of locally approved family providers available to voucher children.

Service workers provided information, but it was the parent's responsibility to select the provider. Most (93%) clients were able to place their children with their first choice of provider during the voucher program. (See Appendix H.) Comments from parents in response to the client survey show they felt free to make the choice.

> "The child care center I chose was close to my office and my son seems to like spending time there."

> "I am very pleased with the provider they have now."

In summary, parental choice is heavily dependent on provider availability. Family provider availability is heavily dependent on the continued recruitment and development services of the day care or resource and referral worker. Center and family availability are dependent on payment of fees at market rates. Center availability is also dependent on payment by enrollment.

Even after constant ongoing efforts, provider availability in rural areas and low-income urban areas can still be limited to one provider. Parents were allowed to select any regulated provider they wanted. Where there was a choice, parents made their own choices.

Access to Affordable Quality Providers

While it was not possible in the scope of this study to complete an in-depth analysis of service features related to quality care, pilots did try to improve access to affordable quality providers. They encouraged the availability of quality providers by paying published or market rates on the basis of enrollment. They also tried to enhance provider quality through provider and parent education. To keep providers affordable, client co-payments were limited to levels parents could afford.

Pilots offered both informal and formal provider training opportunities. Service workers helped providers learn about child development and behavior problems and how to work effectively with parents. Pilots offered training programs and developed resource libraries which were available to providers.

Pilots also expected parents to take some responsibility for improving access to quality providers. They put considerable effort into educating parents on why and how to look for quality day care. Staff felt boosting parent expectations would serve as a catalyst to improving the pool of providers available to parents. Parent comments show they are looking for and appreciate the quality care their children are able to receive with the help of subsidies.

> "I never would have been able to afford quality care for my children."

> "Not only did she receive excellent, safe, care, she was also motivated into learning and developed much faster than she would have had we used a neighbor for a sitter."

"I appreciate this assistance given to me to help me with my child care expenses. It made a big difference in the quality care that...I could not have provided on my income level."

No specific measures of provider quality were collected during the Voucher Program. However, providers and parents were exposed to educational materials and processes which were intended to enhance the provider quality.

Parental Responsibility

Since the "voucher" in this program did not represent payment, the parent was not responsible for the actual delivery of payment to the provider. Norfolk's coupon did, however, give the parent the sole responsibility for delivering the payment authorization. Parents took responsibility for their day care in a number of other ways: they checked out and selected their own provider, they provided proof of income eligibility, and they made co-payments when their incomes were above specified levels. Staff observed when parents were expected to co-pay, they treated their day care arrangements more seriously.

Applicability to Other Client Groups

The recognition that other client groups could benefit from many features of the Voucher Program and the Family Support Act stimulated changes in state day care policy. As of October 1, 1990, no subsidized day care will be reimbursed at a "negotiated" rate. All subsidized day care will be paid for at the published rate up to the federally defined "market rate" as determined through the Market Rate Survey. Market rate as defined for the Family Support Act is the rate which represents the 75th percentile of all published rates. Due to heavy clustering of rates in a locality, this market rate encompasses more than 80 percent of all published rates in the pilot localities. (See Appendix I.) Localities can use the still higher priced centers by making up the difference in local dollars or by asking for higher co-payments from parents.

Unlike the transition to market rate, localities will undoubtedly have difficulty adopting payment by enrollment. Day care policy revised for the Family Support Act calls for payment by enrollment when it is expected and when it is reasonable. This policy leaves the definition, determination, and implementation up to the service worker. Like the voucher pilots, they will have difficulty determining and applying a uniform definition of enrollment.

The voucher coupon with parent delivery was just beginning to be tested at the end of the program. The responsibility parents will show for delivering payment authorization cannot be ascertained at this time. Prepayment via a voucher was not tested. Thus, possible monitoring and fraud problems associated with this feature are not known for voucher clients or any other parent groups.

Pilots could not limit resource and referral activities to just the voucher clients. Mass media campaigns attracted people from all groups - even people who had no possibility of being income eligible. Service workers were able to help people with information and educational opportunities, even when direct service money was not available.

In short, the Voucher Program resource and referral features and payment at the market rate are all easily applicable to other client groups. Payment on the basis of enrollment was a problem in the pilots and undoubtedly will be a problem with other client groups. Parent delivery of payment authorization appears to be working, but has not been tested long enough to identify and resolve any problems. Prepayment for services was not tested.

Self-Sufficiency

Day care subsidies and other sources of aid like food stamps are the key to the voucher/fee clients' financial survival. Their mean gross monthly income is $857. (See Appendix L.) About 74 percent of them have incomes below 40 percent of the state median income. (See Appendix D.) Even after adding in their food stamp dollars their incomes generally remain below 40 percent of the state median income. With "poverty level" defined as about 35 percent of the median income, these fully employed families essentially live close to poverty. On the whole, the jobs available to them are low-paying. If they paid all day care costs, the mean monthly dollars available to them would be only $536, putting most of them well under 30 percent of the state median income. Figure 12 shows the range of monthly incomes and the mean monthly income relative to the state median income.

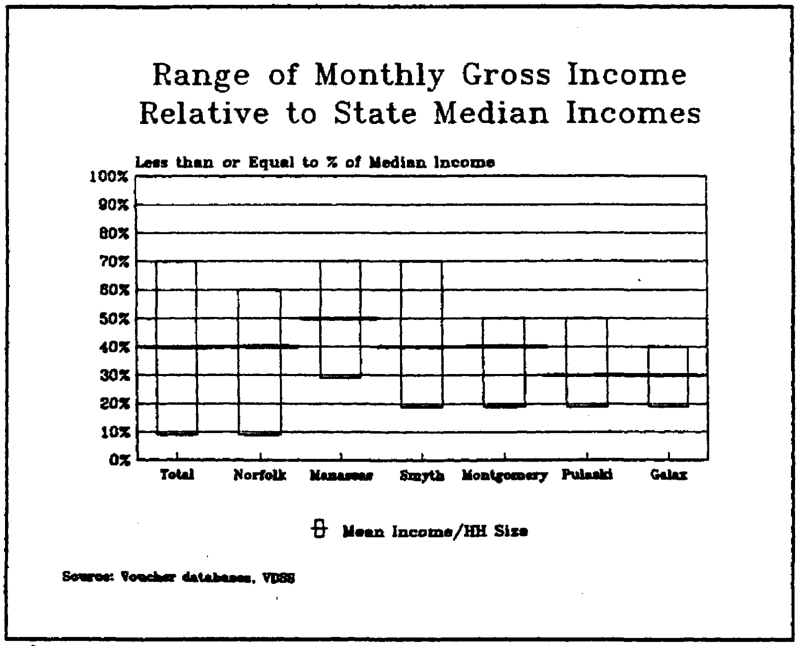


Figure 12

Voucher clients recognize the benefits of day care subsidies. A majority of clients agree that assistance with day care costs helps them use paid providers, they liked, who have good hours, a good location, and quality services. They also think subsidies help them to keep working, stay on the job long enough to get a raise, and get better paying jobs. Figure 13 illustrates parents' comments on program benefits.

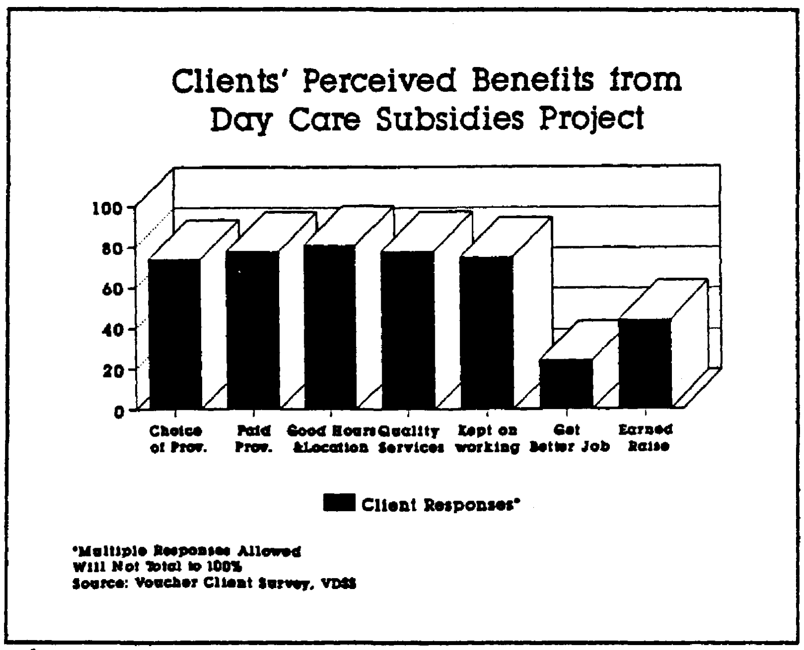


Figure 13

Short of a change in their life cycles or life circumstances, these parents have little hope of earning enough to cover day care costs. According to The Bottom Line written by the Child Care Action Campaign, child care costs consume 10 percent of most working families' budgets. Without the subsidies, these parents would pay closer to 38 percent of their budgets for day care. (See Appendix L.)

The voucher clients show a strong desire to work and be independent. About 40 percent have worked at their jobs for one year or longer. Only 18 percent of the voucher clients were on public assistance at any time since fall 1988. They tend to be older parents - many of them (40%) are over 30 years old. (See Appendix E.)

Their comments illustrate that they want to work and are very grateful for their day care subsidies which allow them to work.

> "This program has made it possible for me to keep working."

> "It was a good program for me. I couldn't have continued to work without the help I received from this program."

> "If it wasn't for the Day Care program, I couldn't afford the high cost of day care...Please keep providing this program for working parents and for those who are willing to work."

Their desire to stay independent is strong. Late in FY 1990, about twenty-nine parents lost their subsidies because pilots had to cut back to their pre-voucher allocation of Fee System funds. By fall of 1990, less than 20 percent of these parents had quit their jobs and/or gone on public assistance. To avoid requesting assistance parents made some changes in work schedules, school schedules, and day care arrangements. Some ran up debts to day care providers. Their comments reflect their distress and determination.

> "I was forced to go part-time when day care expenses were cut...I worked full-time...Now I work part-time...I don't make enough to live on... I refused to even be considered welfare.... I wanted my son to be

proud of me and maybe say my mom did it without welfare."

"When child care was taken away, I had no choice but to quit my job."

"I had to take my children out of day care center and put them in a private home that I could afford to pay."

"When funds were cut, I had to drop out of [school]. Being Junior status after 6 years of school was a major accomplishment, at least to me. I am now working full-time with hopes I can return to [school] in a year or so."

"Cannot get any day care now (lack of funding) so had to pay for child care myself and cannot afford the costs! I'm not working now and may have to apply for ADC although I don't want to."

"I have gotten so far behind in day care payments now because I can't afford $57 a week."

"I owe [provider] a lot of money but cannot pay back the money I owe them."

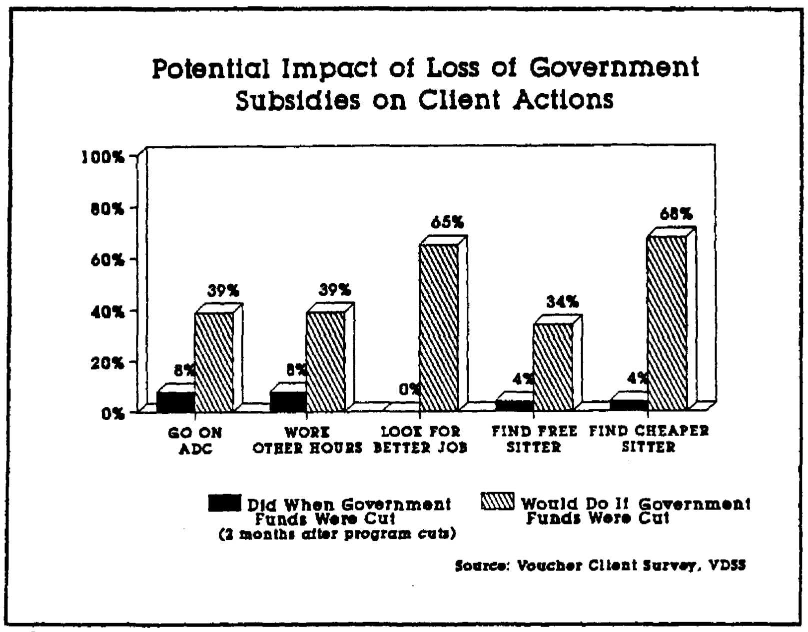


Figure 14

Some 25 percent of the voucher clients either live with relatives or have spouses who can also make changes. However, close to 40 percent feel in the long run they will have to apply for public assistance if no day care subsidies are available to them. As Figure 14 illustrates, before they go on public assistance many of them will look for a better job (65%) or find a less expensive sitter (68%).

Desire for self-sufficiency is strong in this group. Unfortunately, for most of them economic independence without government day care subsidies is probably not possible. Their incomes would have to rise substantially to enable them to cover their day care costs. At the time of redetermination (about 6 months after they started voucher service), average monthly gross income did rise by about $53. This represents only 20 percent of their day care subsidies. After this rise in income 66 percent of them were still below 40 percent of the state median income. (See Appendix L.)

Only 5 percent of the families lost their subsidies due to income ineligibility. Their incomes became too high when they made some change in their marital, work, or student status. A few married, a few took a second job, a few changed from part-time to full-time jobs, a few had a spouse who made changes, and a few graduated from college and found a better job.

On the whole, parents cannot work their way off this program without some major change in their life. Most parents work at

Table 8

MEAN NUMBER OF MONTHS CLIENTS RECEIVED FEE/VOUCHER DAY CARE SUBSIDIES

	TOTAL	NORFOLK	MANASSAS	SMYTH	MONT-GOMERY	PULASKI	GALAX
ALL CLIENTS	15 MO.	16 MO.	11 MO.	12 MO.	16 MO.	9 MO.	11 MO.
VOUCHER CLIENTS NEW TO FEE SYSTEM	6 MO.	5 MO.	5 MO.	5 MO.	9 MO.	6 MO.	9 MO.
FEE SYSTEM CLIENTS CONVERTED TO VOUCHER	20 MO.	20 MO.	20 MO.	19 MO.	23 MO.	16 MO.	12 MO.

Source: Voucher Client Databases, Virginia Department of Social Services

low-paying service or manufacturing jobs with little hope of a significant change in their income. On the average, families have been receiving Fee System subsidies for 15 months. Those who had open cases prior to the Voucher Program and who still had open cases at the end of the Voucher Program had been receiving subsidies for an average of 20 months - basically, all of FY 1989 and FY 1990. (See Table 8 on page 44.)

In short, clients are self-sufficient while they are receiving day care subsidies and sometimes (47%) food stamps. But they cannot be self-reliant without these subsidies. Most will need these subsidies at least for the years their children are in full-time day care. Only a few will be able to make changes in their life allowing for total independence.

Clearly the social cost of not serving these appreciative parents is high. In the next section, the high dollar cost of serving these fully employed families living close to poverty will be discussed.

COST ANALYSIS

The fiscal data from the Voucher Program were used to analyze the cost of providing services through the Voucher Program, and the cost of providing Fee System services on a statewide basis, as well as the potential cost of not providing day care subsidies to this population. This section covers this analysis. It also covers the appropriateness of the current co-payment policy and the potential effect of payment of child care on the basis of enrollment rather than attendance.

Actual Costs

Based on social services fiscal data, the total state and local direct costs for the Voucher Program were $1,024,995. Of this amount, local agency direct service and administrative costs totaled $158,399 and day care subsidies totaled $879,797 ($791,817 for the state share and $87,980 for the local share). (See Table 1.) Administrative and direct service costs averaged $396 per family, and $1,115 per new family day care provider. (See Table 9.)

Table 9

PER CLIENT ADMINISTRATIVE COSTS

	TOTAL	NORFOLK	MANASSAS	SMYTH	MONTGOMERY/ PULASKI/ GALAX
TOTAL LOCAL AGENCY ADMINISTRATIVE	$158,399	$63,731	$26,078	$35,504	$33,086
	N=400	N=231	N=15	N=58	N=96
PER CLIENT	$396	$276	$1,739	$612	$345
	N=142	N=59	N=4	N=33	N=46
PER NEW PROVIDER	$1,115	$1,080	$6,520	$1,076	$719

Source: voucher databases, Virginia Department of Social Services

Administrative and direct service money was spent on local agency voucher program management, resource and referral activities, equipment, and family services. Total day care fees per service month averaged $296 per family, and $192 per child. The state and local share was $250 per family and $162 per child. Parents co-paid the balance.

Administrative and direct service costs: Per family and per new family provider administrative costs varied across pilots. Some sources of this variability were:

- availability of other sources of funding to cover resource and referral activities,
- availability of other service workers funded by the localities' regular allocation,
- relative cost of personnel in the pilot's local area,
- number of family and center providers available,
- number of clients who could be served with the allocated service subsidy dollars,
- timing of provider development activities,
- amount of service to families not receiving subsidies,
- amount of money invested in computer equipment, and
- amount of money invested in resource materials.

Partly driven by the relatively large number of clients served, Norfolk had the lowest per family administrative and direct service costs. The existence of other sources of funding also helped keep their per family costs low. Through its role as USDA agency for Norfolk, the Planning Council receives additional funding for USDA approved providers and other external funding (Housing and Urban Development) that help provide materials for the resource center. Norfolk's per provider costs were about average. Their large number of providers and extensive provider education program probably balanced each other out.

Manassas had the highest per family and per new provider administrative and direct service costs. The high per client costs are partly due to the limited number of children Manassas could serve with their service subsidy dollars. Their program did not focus on bringing in new clients. They conducted recruitment campaigns for family providers but the existence of several available centers in the area kept this from being a high priority. Their emphasis was on provider development and provider/parent education, with most of FY 1990 spent developing their program. The agency's family provider recruitment campaign began in the spring of 1990. Thus, at the end of the voucher program (July 1990), 7 new providers were being processed and 24 more had requested information packets, but, only 4 new providers were actually available during the voucher period.

All rural agencies had average administrative and direct service costs falling between the two extremes. They showed some of the same economies of scale, lower personnel costs and availability of other resources as Norfolk. Their economy of scale was helped by seeking and receiving an increase in direct service subsidies for the Voucher Program, thus allowing for serving a greater number of clients. However, like Manassas, their per family costs were driven up by the emphasis placed on increasing the number of providers and offering provider development.

All pilots also provided resource and referral services for the general public. Parents called in for information whether or not they were eligible for the Voucher Program. All parents requesting information were told about available providers and sent educational materials. If parents were eligible but no subsidy funds were available, they were put on a waiting list. At the end of the Voucher Program, there were 441 families on waiting lists in the six pilot agencies.

Service Subsidy Costs: Subsidy dollars also varied across pilots. In this case, the explanation for the variation is more obvious. The per child cost of subsidies varied based on the type of day care service needed, the relative cost of service in the locality, and the local agency policies regarding client co-payment of day care fees.

Manassas and Smyth had the lowest per child subsidy dollars. In Manassas, this was in spite of their much higher cost of day care. The lower than average per child subsidies were due to higher than average family co-payment rates. Almost all their clients paid some portion of their day care costs, with most paying about 35 percent of their day care costs. Smyth also had low per child subsidy dollars. Their lower than average rate was also partly due to clients co-paying up to 66 percent of their day care costs. In addition, many of Smyth's clients either worked less than full-time or needed less than full-time day care service due to their work hours.

In summary, the relationship between administrative costs and number of clients served is difficult to assess from this data. It does appear there is some economy of scale, but the exact relationship is unknown. Varied emphasis on resource and referral activities and the existence of other available resources confound this data. Per child subsidies are more constant across pilots, and the differences are explained by variations in type of day care services and provider fees.

Fee System Fiscal Impact

With the high cost of day care and the large number of eligible children, it is not surprising dollars needed for day care subsidies on a statewide level far exceed the current $6.5 million allocation for each year of the biennium. The following section discusses this cost.

Estimated Cost of Statewide Fee System Services: Based on a mix of voucher day care service and payment, it would cost $327 million annually to serve all 141,964 eligible children in the state (as determined by 1990 child population based on adjustments to the 1980 census data for working mothers earning less than 70 percent of the state median income) at the average per child rate of $192 a service month. (See Table 10 on page 51.) After allowing for client co-payment at the rate suggested by the current day care policy, and after adjusting for the 10 percent local match, the state share would be about $240 million.

Table 10

PROJECTED COST OF SERVING ALL ELIGIBLE FEE SYSTEM CHILDREN

MAXIMUM DOLLARS:	WEEKLY	MONTHLY	ANNUAL
ALL ELIGIBLE CHILDREN (1) AT AVERAGE PROVIDER FEE (2)	$6,294,940	$27,257,088	$327,085,080
CLIENT CO-PAYMENT (3)	$1,159,184	$5,019,266	$60,231,192
LOCAL AGENCY SHARE	$513,756	$2,223,782	$26,685,386
ESTIMATED STATE DOLLARS	$4,622,000	$20,014,040	$240,168,502

(1) 141,964 AS ESTIMATED FROM 1980 CENSUS DATA RUNS BY SPECIAL REQUEST. CHILDREN OF WORKING MOTHERS EARNING LESS THAN 70% OF THE STATE MEDIAN INCOME, ADJUSTED FOR 1990 CHILD POPULATION.

(2) $192 AVERAGE MONTHLY PER CHILD FEE INCLUDING MIX OF SERVICE – TYPE, COST AND LENGTH AS EXPERIENCED IN THE VOUCHER PROGRAM.

(3) ESTIMATED FROM PERCENTAGE OF VOUCHER CLIENTS AT "X" % OF STATE MEDIAN INCOME BASED ON CURRENT CO-PAYMENT POLICY.

Source: Voucher databases, Virginia Department of Social Services

There is no one good estimate of the number of eligible children who would actually use the day care subsidies. There are, however, a number of data items which can approximate this estimate. Hypothetically redefining the eligible Fee System population based on information from the Voucher Program and other sources the state's share of these expenses can be reduced to $62 million. (See Table 11 on page 52.)

Table 11

PROJECTED STATE COST OF SERVING ELIGIBLE FEE SYSTEM CHILDREN WITH VOUCHER FAMILY AND CHILD CHARACTERISTICS

		COSTS		
MAXIMUM DOLLAR	TOTAL CHILDREN	WEEKLY	MONTHLY	ANNUAL
ALL CHILDREN (1)	141,964	$4.6 M	$20.0 M	$240.2 M
AFTER ADJUSTMENTS FOR ...				
ONLY CHILD < 8 YEARS OLD (.67)	95,116	$3.1 M	$13.4 M	$160.9 M
ONLY CLIENTS < 50% MEDIAN INCOME (.62)	58,972	$1.9 M	$8.3 M	$99.8 M
CLIENTS NOT ELIGIBLE FOR TRANSITIONAL DAY CARE (.87)	51,306	$1.7 M	$7.2 M	$86.8 M
INTERESTED PAID SUBSIDIZED DAY CARE (.71)	36,427	$1.2 M	$5.1 M	$61.6 M

(1) ASSUMES VOUCHER SERVICE MIX – FULL/PART TIME, CENTER/FAMILY, LENGTH OF SERVICE.

Source: Voucher databases, Virginia Department of Social Services

The assumptions for this hypothetical estimate are as follows:

- o The majority of the voucher subsidized children were 8 years old or younger. Children 8 years old or younger represent 67 percent of the children associated with working mothers with household incomes below 70 percent of the state median income. Adjusting for only children 8 years old or younger reduces the total to about $161 million.

- The voucher data show clients primarily earned less than 50 percent of the state median income. Based on census data, this population represents 62 percent of the population under 70 percent of the median income. Adjusting for only clients under 50 percent of the median income reduces the total to about $100 million.

- Some children of low-income working mothers are eligible for Transitional Day Care under the Family Support Act. Since this program has a federal match and is federally mandated, it can be presumed children eligible for Transitional Day Care will be served under this program. Based on voucher data, 13 percent of the children were eligible for Transitional Day Care. Adjusting for Transitional Day Care eligibility reduces the total to about $87 million.

- In preparation for the Family Support Act, a small study of clients eligible for child day care subsidies were asked about their interest in day care subsidies. About 71 percent of these clients expressed an interest in subsidized day care. Adjusting for this interest reduces the total to about $62 million.

Even after all these hypothetical adjustments, total state dollars required for full implementation of services are close to 10 times the current appropriation of $6.5 million. Clearly, there is not enough money for this program. While the cost of serving these very grateful clients is high, the potential cost of not serving them is also high.

Cost of Not Serving

When families do not receive day care subsidies, many are forced to apply for public assistance. They also become eligible for increased food stamp benefits. When this happens government cost of service to these families increases. After the Voucher Program 47 families went on public assistance after their day care subsidies were terminated (either for lack of government funds or job loss). They received an average of $482 per month in public assistance and food stamp benefits. This was an average of $46 per month more than they received in day care subsidies and food stamp benefits during the Voucher Program. However, because they had higher than average day care subsidies and food stamp benefits during the Voucher Program, the benefits they received after the Voucher Program were actually $134 more than the subsidies and benefits the average voucher family received during the program.

This only represents direct public assistance and food stamp costs. Other benefits like medicaid, and housing and fuel assistance may also be a factor. Furthermore, loss of the families' earned incomes plays a complex role in the economic and social well being of the family and state.

Not all families will apply for public assistance if they lose their jobs or if government day care subsidies are not available. Two months after the project was over, only 11 percent of the families with closed cases were receiving public assistance. However, 40 percent of the families who were still receiving subsidies at the end of the program indicated they would have to apply for public assistance if no government day care subsidies were available. (See Figure 14 on page 43.)

Cost of Payment on the Basis of Enrollment

A small number of voucher children (95) had their fees paid on the basis of enrollment in centers which have negotiated rates. Attendance and payment data for these children were examined for one month in the fall of 1989. For these children, provider charges increased an average of $4.42 per month per child when these center providers were paid published rates by enrollment rather than negotiated rates. This represents a 2 percent increase in total fees. This figure is heavily weighted by extremes caused by poor attendance patterns and differences between the negotiated rate and published rate for few providers.

Negotiated rates tended to be $1 to $4 a day higher than published rates. Thus, as shown in Figure 15 on page 55, when attendance was perfect the subsidy at the published rate averaged about $27.69 less per month per child than payment at negotiated rates. However, while 30 percent of the children had perfect attendance, 42 percent missed 2 or more days. When children missed two or more days the cost of payment on the basis of enrollment escalated quickly. Total fees for children who missed

5 or more days during the month averaged $43.29 more when paid on the basis of published rates by enrollment rather than negotiated rates by attendance.

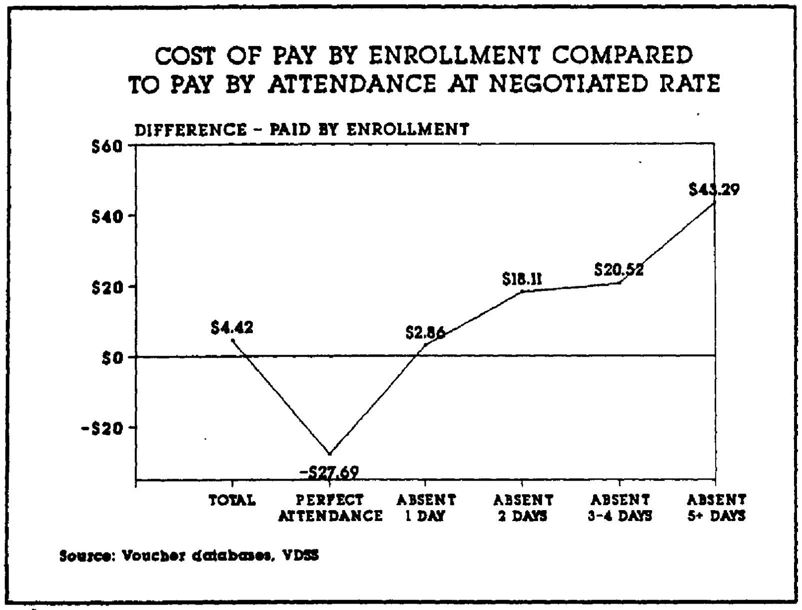


Figure 15

This difference actually probably underestimates the effect pay by enrollment has on total costs. These 95 children represent only about 21 percent of the children active in the voucher program for the time period invoices were examined. Fees for other children were either paid on the basis of attendance, their pay by daily "enrollment," or their providers did not have negotiated rates. Paying these children's fees on the basis of enrollment would undoubtedly have increased costs even more.

Co-payment Policy

Given the large gap between need and funds, alternatives must be considered. One possible adjustment is increased client co-payments. Current policy calls for co-payment rates as follows:

% State Median Income	% of Gross Income Co-Pay
<=20%	1%
21-30%	2.5%
31-40%	5%
41-50%	7.5%
51-60%	10%
61-70%	15%

The median income in Manassas is 47 percent higher than the state median income. This has the effect of making low income working parents in Manassas even more financially strapped than their counterparts in localities where the local median income is lower.

Manassas also had the highest day care costs. Yet the agency paid the lowest per client subsidy dollars. These clients with relatively low incomes co-paid at the highest rates. On the whole, they co-paid at more than double the rate suggested by current policy. Their ability to co-pay at these rates suggests co-payment rates could be increased, especially in areas where the local median income is lower than the state median income.

While Manassas clients represent the extreme, clients in all pilots co-paid at rates above the current co-payment policy. Close to 72 percent of the clients co-paid for their day care. As shown in Figure 16, 58 percent of them co-paid at rates in

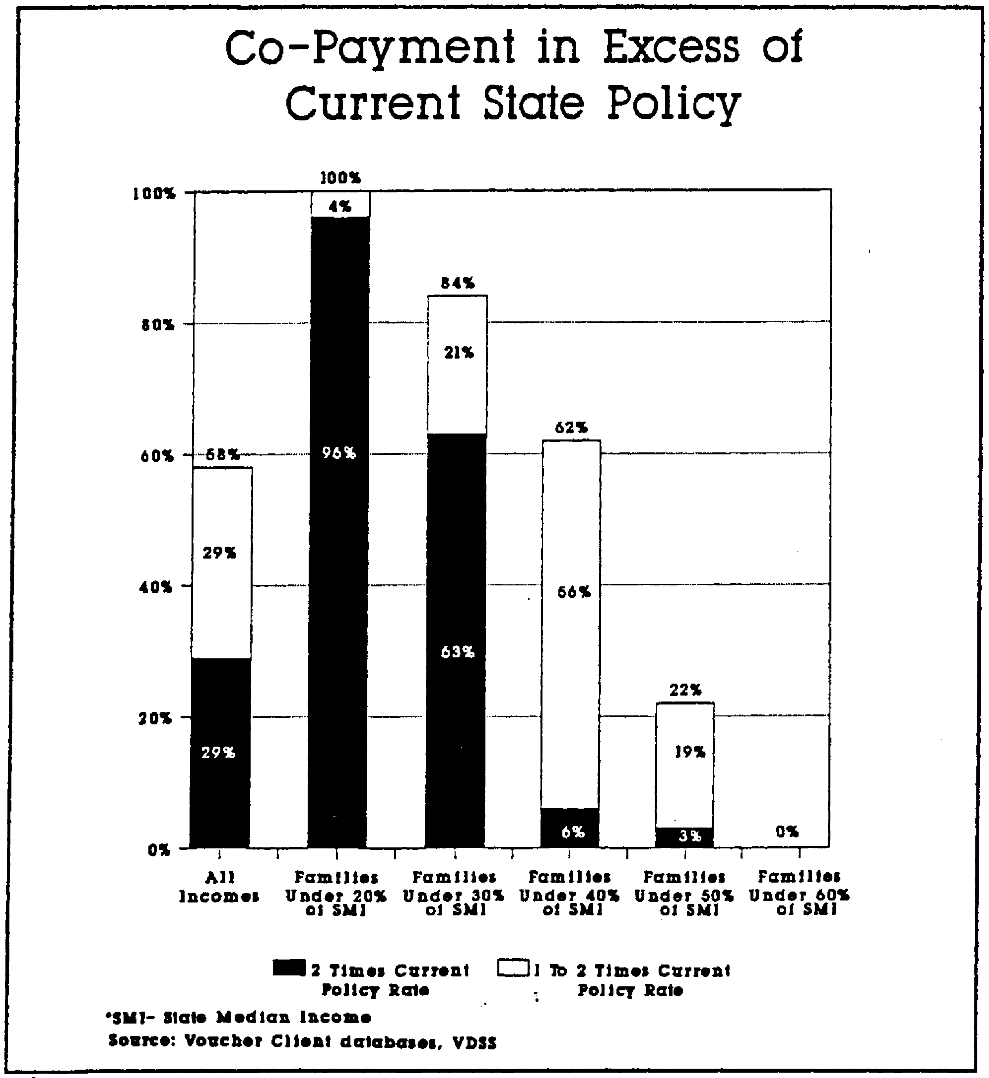


Figure 16

excess of the rates dictated by policy for their income level. (Current co-payment rates are given on page 55.) About 29 percent co-paid at rates at least two times the current policy rate, and about 29 percent co-paid at a rate between 1 and 2 times the current policy rate. Most families who co-paid at rates more than double the current policy rate had incomes below 30 percent of the state median income. For example, a high 96 percent of those families with incomes under 20 percent of the state median income co-paid at a rate in excess of 2 percent of their income. Current policy only requires co-payment at 1 percent of income. The remaining 4 percent of families with incomes below 20 percent of state median income co-paid at a rate between 1 and 2 percent of their income.

The data suggests that co-payment rates can be increased. They can particularly be increased in localities where local median incomes are lower than the state median income and for income levels below 30 percent of the state median income. However, even with increased client co-payments, the potential cost of this service for all eligible clients - not just those who get in line first - remains high. The cost of providing day care subsidies may be high, but <u>not necessarily higher than the cost of not providing day care subsidies.</u>

The need is great and the benefit is clear, but service funds are scarce. Based on the voucher data and other data collected related to the day care issue, the following recommendations are made to help maximize the use of Fee System subsidies.

RECOMMENDATIONS

Based on the experience with the program implementation, payment mechanisms and resource and referral activities the following studies and changes are recommended with justifications given below:

RECOMMENDATION 1: The Department should design and implement a statewide structure for resource and referral activities that:

(a) centralizes resource and referral activities that benefit from economy of scale such as recruitment and training materials for providers and clients.

(b) seeks other funds and sets aside a portion of Fee System funds, Dependent Care Grant, and new federal child care block grant for centralized development of educational materials.

(c) allows for the effective one-on-one service provided by qualified staff at local agencies to providers and clients.

(d) provides resource and referral services to all families seeking information on child day care.

JUSTIFICATION: The resource and referral activities consumed a major portion of the administrative services for these voucher pilots. All pilots proved they could accomplish provider recruitment, provider/parent information and provider/parent education, but the cost on a per client/provider basis was high.

Since pilots all indicated their programs were transferable to other localities, it is inefficient for each local agency to perform educational development activities. On the other hand, it would be difficult for a central or regional entity to effectively handle the high level of one-on-one assistance service workers gave both providers and clients.

RECOMMENDATION 2: The Department should adopt or examine the following areas of current policy:

(a) continue to use the market rate (as defined by Federal Policy) for all clients to the extent possible as a motivator to increase the pool of providers.

(b) examine and clarify child day care policy on pay by enrollment to benefit from the pilot's experience in the Voucher Program.

JUSTIFICATION: The experience with the Voucher Program shows payment at market rates encourages provider participation. It also shows payment by enrollment encourages center participation. However, there are many unresolved problems associated with payment based on enrollment. With the definition and application problems identified in this report it is clear current policy is too vague for uniform application.

RECOMMENDATION 3: The Department should take further actions to maximize use of current appropriations and to ensure equity and adequacy of existing funds:

(a) change existing day care policy to require clients to co-pay at higher rates.

(b) test the use of voucher with prepayment of fees and the development of appropriate monitoring and auditing procedures. The tests should allow for the measurement of change in administrative and direct service time. It should also be conducted on a small population to control for unknown fiscal effects.

(c) explore the options of partnerships with employers to augment and maximize day care funding in light of initiatives in the work place to provide day care.

(d) seek additional funding, given that even after adjusting for changes in client co-payments, and limiting client population current funding levels are insufficient to meet the client need. The new federal child care block grant could be a major source of funds.

(e) document the use of unregulated providers by non-fee system day care populations, as part of the evaluation of the JOBS program, to determine the effect this use has on price, access to, and quality of day care.

JUSTIFICATION: The available revenues demand compromise by all parties. The voucher data show that clients did co-pay at higher rates and still benefitted from the day care subsidies.

Given the experience already gained through the Voucher Program, and the policy changes already made for the Family Support Act, a pilot project could now be implemented to test the use of a voucher coupon which represents prepayment of fees. One of the primary benefits a voucher coupon could have for the local agencies, is a freeing up of paperwork, particularly surrounding case management, attendance and billing issues. Regardless of the communication format of the payment authorization, without prepayment a large amount of paperwork still exists. If co-payment rates are increased the local agencies can serve more clients with their current allocations. If funding can be increased, the number of clients will increase even more. Existing staff cannot handle an increased caseload if case monitoring and billing procedures remain the same. Prepayment, if it is feasible, would eliminate much administrative and case management work.

Current Fee System policy does not allow the use of unregulated providers. This policy is intended to encourage the use of quality providers. However, current day care policy for all other day care populations as mandated by the Family Support Act allows the use of unregulated care. Opinions about the use of unregulated care abound, but the actual impact is unknown.

Finally, no redefinition of the eligible population can reduce the cost of service needed to the level of the current appropriation. The dollars available in proportion to the need are so small that they contribute to inequitable and inconsistent service delivery across the state. Clients have access to the service not on the basis of their eligibility but rather on the basis of getting in line first.

RECOMMENDATION 4: The Department should conduct a comprehensive cost benefit analysis to establish the relative cost of serving or not serving segments of the eligible population:

(a) convene an inter-agency task force comprised of representatives from the Department, the Council on Child Day Care and Early Childhood Programs, and Department of Planning and Budget for this comprehensive analysis.

(b) identify the Fee System client population that is best served either because they have the greatest need or the greatest potential for self sufficiency. Factors to consider in the analysis could include the relative value and cost of public assistance, other sources of funding, tax credits as well as the issues of relative cost of living and number of family members requiring child care.

JUSTIFICATION: The cost of serving the total eligible population exceeds all reasonable expectations of revenue. Even after making hypothetical adjustments to the definition (for example, only children under 8, only families under 50% of the state median income, and only families not eligible for Transitional Day Care), the cost of service is still 10 times greater than the current allocation. While increasing the client co-payment may help close the gap, there still remains a vast difference between the dollars available and the dollars needed.

Voucher clients have demonstrated that even with long-term employment and long-term day care subsidies Fee System clients cannot increase their incomes to the point of total self-sufficiency. Neither clients with or without other sources of aid were able to move out of day care subsidies in any numbers. Those few that did lose their subsidies due to earned income lost them because of changes in their marital, student or work status.

The answer to who should be served is complex. While some of the voucher data help address this issue, it cannot by itself determine the "best-fit" eligibility model. For example, there are tax credits, federal funding sources, benefit programs, and relative cost of living issues that should be considered. In addition to these fiscal issues, there is the more general philosophical question of who should the money help. Should it help those who can become self-sufficient, or those who probably cannot become self-sufficient? If it should serve those who can become self-sufficient, who are they?

Summary

In summary, some payment mechanisms, like a voucher coupon representing prepayment of fees were difficult to implement. However, the coupon which was developed appears to be well received. Payment at published or market rates in conjunction with the recruitment and education campaigns did help increase the available provider base - particularly family providers. Payment on the basis of enrollment encouraged center participation. Prepayment was not tested.

Resource and referral activities were very successful. Provider recruitment efforts through the use of public service radio and television announcements were very cost effective. These announcements immediately generated a large response for relatively little expense. Other resource and referral activities were more expensive, both in terms of materials and staff time. Formal training efforts were well received by providers, but resource libraries were not as heavily utilized.

Parents also benefitted from resource and referral activities. Recruitment efforts also attracted parents. Parents were all given day care information even if they were not eligible for day care subsidies. Parents were educated about how and why to look for quality day care. Voucher clients were free to choose any regulated provider they wanted, regardless of price or type of provider. They also took responsibility for their day care services. They were self-sufficient when they were receiving day care subsidies. Without day care subsidies many quit their jobs and/or went on public assistance.

Both the administrative and subsidy cost of this program were substantial. Some possible methods of reducing the costs are: consolidating some resource and referral activities, limiting the client group, and increasing the client co-payment.

While possibilities do exist for reducing the state share of these program costs, total dollars allocated for this program are still far below the dollars needed for equal access to service. Additional service dollars are needed to meet the demand.

APPENDIX A

VOUCHER PILOT PROFILES

Norfolk

Norfolk has low population growth and low unemployment. The local median income is 69 percent of the state median income. Major industries include military bases, shipyards, import/export, retail, services and tourism. An estimated 11,413 children are eligible for Fee System subsidies.

Norfolk started participating in the Fee System in 1987 and by FY 1989 served an average of 194 children per calendar month. During the Voucher Program they served an average of 201 children per calendar month. Norfolk Social Services contracts with the Norfolk Planning Council to administer the Fee System. The Planning Council developed a computerized resource and referral system.

The Voucher Program was also administered by the Planning Council for Norfolk Social Services. The primary goals for this pilot were to enhance current child care information and education for clients and providers; provide referral services for subsidized and non-subsidized parents; increase parent's role and responsibility in the selection of child care, and enhance the development of a provider library and equipment resource center.

During the Voucher Program, the Planning Council developed a voucher coupon for use in the program and increased the number of providers available to serve clients. The pilot conducted a media campaign using radio public service announcements, interviews on television and personal appearances at church and civic groups. They enhanced their child care information and education for clients and providers; provided referral services for subsidized and non-subsidized parents; expanded the resource equipment and library materials available for use by clients and providers, and developed a bi-annual newsletter for parents and providers.

Manassas

Manassas is a small suburban city in northern Virginia with an unemployment rate approximately half of the state rate and a local median income that is almost one and a half times the state median income. An estimated 344 children are eligible for the Fee System subsidies. Manassas started participating in the Fee System in 1987 and by FY 1989 served an average of 17 children per month. During the Voucher Program they served an average of 13 children per calendar month.

The pilot was administered through the Manassas Department of Social Services. The primary goals of this pilot were: to recruit additional provider resources, facilitate use of existing providers by Fee System clients, develop client outreach, and to facilitate access to provider information by clients. Manassas provided resource and referral services regardless of eligibility for child care services and increased the number of family providers through a recruitment campaign. Their media campaign included: a bank statement envelope stuffer which stressed the need for providers; public service announcements on television and radio, and newspaper articles in two local papers. Manassas co-sponsored provider education with the Prince William County Extension Office. Information on additional training available through the Prince William Department of Social Services and Northern Virginia Day Care Association was also given to providers.

Smyth County

Smyth County located in the southwestern part of the state has very low population growth and an unemployment rate about twice the state rate. Major industries are manufacturers of furniture molding, trailers and clothing, and agriculture. The local median income is 69% of the state median income. An estimated 1,006 children are eligible for Fee System subsidies.

Smyth County started participating in the Fee System in 1988 and served an average of 36 children per calendar month in FY 1989. During the Voucher Program they served an average of 69 children per calendar month.

Smyth County Department of Social Services operated the voucher pilot at the Office of Youth in Marion. The primary goals of this pilot were: to computerize the provider resource file, and billing and paperwork procedures; publicize day care issues; improve provider quality through training and approval process, and improve parent ability to identify quality day care.

They developed a computerized provider resource file and billing procedures. They recruited providers and clients for the program through: radio public services announcements, a video shown on television that focused on working parents, community meetings; visits to private industry, and the establishment of a local child care advisory board. The pilot also offered both formal and informal provider training. Provider education included group training sessions on child development and nutrition as well as the business aspects of operating a child care service.

Montgomery County

Montgomery County located in the southwestern part of the state has very low population growth and an unemployment rate one and a half times the state rate. The major employers are service industries, retail, sewing factories, education and agriculture. The local median income is 76% of the state median income. An estimated 1,164 children are eligible for Fee System subsidies.

Montgomery County started participating in the Child Care Fee System in 1988 and served an average of 26 children per calendar month in FY 1989. During the Voucher Program they served an average of 78 children per calendar month.

Montgomery County Department of Social Services operated the voucher pilot at their offices in Christiansburg. They also contracted with the Council of Community Services in Roanoke to handle telephone inquiries resulting from the media campaign. The primary goals of this pilot were: to create new child care options, increase quality of available child care, bring public attention to the child care issue, create a rural model for service delivery, and maximize use of Fee System service money.

For the media campaign, the pilot used radio public service announcements, billboards, posters, notices in church bulletins and presentations to community groups and civic leaders. The pilot's goals of creating new child care options and increasing the quality of available child care was furthered through their training programs and recruitment efforts. Montgomery's training efforts consisted of sponsoring training sessions through Virginia Tech and the Office of Community Services and the creation of a resource library containing video and written material that could benefit providers and parents.

Pulaski County

Pulaski County located in the southwestern part of the state has very low population growth, an unemployment rate two and a third times the state rate. The major industries are furniture manufacturing and the Radford Arsenal. The local median income is 85% of the state median income. There are an estimated 818 children eligible for Fee System subsidies.

Pulaski County started participating in the Child Care Fee System in 1988 and served an average of 15 children per calendar month in FY 1989. During the Voucher Program they served an average of 22 children per calendar month.

Pulaski County Department of Social Services operated the Voucher Program at their offices in Pulaski. They worked in conjunction with Montgomery and Galax and had the same goals as identified for Montgomery.

Galax

Galax a small town located in the southwestern part of the state has very low population growth, and an unemployment rate twice the state rate. The major industries are furniture and textile manufacturing, retail and the service trades. The local median income is 66 percent of the state median income. Within the small population, there are an estimated 328 children eligible for Fee System subsidies.

Galax started participating in the Child Care Fee System in 1988 and served an average of 4 children per calendar month in FY 1989. During the Voucher Program they served an average of 7 children per calendar month.

The Galax Department of Social Services operated the pilot program from their offices in Galax. Like Pulaski, they worked in conjunction with Montgomery and had the same goals as identified for Montgomery.

APPENDIX B

DATA COLLECTION METHODOLOGY

Routine Data Collection

Routine data collection focused on the parents and children served and the providers who served them. The three different points in time for data collection were: when the parent applied for day care or the case was converted from Fee System care, when the client's eligibility was redetermined after 6 months of service, and when the case was closed. Basic data collected for the Voucher Program included demographic data on parents, and children, and day care service information.

Client Survey

At the end of Voucher Program, a survey was developed to better understand the parents perspective of the program. Questions focused on access to services, type of services provided by each pilot, and parent's knowledge and use of training sessions and resource material. Other questions examined type of child care provided, benefits to the family, and impact or perceived impact of loss of government day care subsidies. The survey was sent to all voucher families and telephone follow-ups were completed for non-respondents. The response rate was 63 percent.

Provider Survey

A survey was developed to better understand the experience of providers who participated in the Voucher Program. Questions examined the rates, type of payment (enrollment vs. attendance), knowledge of and attendance at educational sessions, and use of the resource library where appropriate. Providers were asked about timeliness of payment and the impact government day care subsidies had on their businesses. The survey was sent to all voucher providers. Telephone follow-ups were completed for non-respondents. The response rate was 67 percent.

Benefit Programs Search

A VACIS search was conducted to determine whether the clients participating in ADC or Food Stamps at any time before, during or after the Voucher Program. Data on benefits received were collected for those participating in such programs.

Market Rate Survey

The Market Rate Survey was conducted in the spring of 1990. All centers were surveyed and a representative sample of family providers were selected from each locality. Rate structures and other information about their businesses were collected from both center and family providers. The response rate was 84 percent for centers and 68 percent for family providers.

APPENDIX C

SOCIAL SERVICE HISTORY

PUBLIC ASSISTANCE	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONT-GOMERY N=66	PULASKI N=22	GALAX N=8
18 MONTHS PRIOR TO VOUCHER PROGRAM	18%	19%	7%	10%	18%	36%	38%
AFTER VOUCHER ALL VOUCHER FAMILIES	12%	12%	7%	7%	12%	27%	7%
VOUCHER FAMILIES	N=172	N=67	N=8	N=24	N=54	N=14	N=5
WITH CLOSED CASES	20%	22%	13%	17%	15%	36%	20%
FOOD STAMPS							
18 MONTHS PRIOR TO VOUCHER PROGRAM	60%	56%	53%	64%	65%	68%	75%
DURING VOUCHER	47%	47%	33%	45%	46%	64%	75%
AFTER VOUCHER ALL VOUCHER FAMILIES	37%	35%	40%	38%	38%	50%	63%
VOUCHER FAMILIES	N=172	N=67	N=8	N=24	N=54	N=14	N=5
WITH CLOSED CASES	46%	43%	50%	46%	46%	50%	60%
OTHER AID	19%	13%	27%	5%	26%	73%	62%
MEDICAID	12%	10%	7%	0%	20%	36%	38%
FUEL ASSISTANCE	5%	3%	7%	2%	17%	0%	25%
HOUSING	3%	2%	20%	5%	2%	O%	25%
OTHER	4%	1%	0%	0%	2%	59%	0%

Source: Voucher Client databases, Virginia Department of Social Services

APPENDIX D

DEMOGRAPHICS - HOUSEHOLD

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
TYPE OF FAMILY							
ONE PARENT	88	96	100	72	73	82	88
TWO PARENT	12	4	0	28	27	18	12
TOTAL	100%	100%	100%	100%	100%	100%	100%
MEAN SIZE OF HOUSEHOLD	2.9	2.9	3.3	3.0	3.0	2.8	2.5
SIZE OF HOUSEHOLD							
2	41	43	33	31	35	50	63
3	35	35	27	36	39	27	25
OVER 3	24	22	40	33	26	23	12
TOTAL	100%	100%	100%	100%	100%	100%	100%
MEAN NUMBER OF CHILDREN IN HOUSEHOLD	1.8	1.8	2.3	1.8	1.8	1.6	1.4
NUMBER OF CHILDREN IN HOUSEHOLD							
1	45	45	33	40	46	54	63
2	36	35	27	43	36	32	37
3	15	14	20	17	15	14	-
OVER 4	4	6	20	-	3	-	-
	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

DEMOGRAPHICS - HOUSEHOLD

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
SUBSIDIZED CARE	1.5	1.5	2.0	1.7	1.6	1.5	1.4
NUMBER OF CHILDREN - SUBSIDIZED CARE							
1	58	65	40	41	53	55	63
2	31	26	27	45	33	41	37
3	10	8	20	14	14	4	0
OVER 4	1	1	13	0	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
MEAN MONTHLY INCOME	$857	$828	$1,220	$970	$830	$750	$700
MONTHLY INCOME							
0-500	7	7	0	5	8	18	13
501-1000	67	71	40	52	71	68	75
1001-1500	22	20	40	36	18	9	12
1501-2000	4	2	20	7	3	5	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PERCENT OF STATE MEDIAN INCOME							
<= 20%	11	11	0	9	10	18	25
21 to 30%	35	36	20	24	47	36	25
31 to 40%	28	28	13	33	23	32	50
41 to 50%	20	22	33	19	20	14	0
>50 - <=70	6	3	34	15	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PERCENT OF LOCAL MEDIAN INCOME							
<= 20%	3	2	20	2	2	5	25
21 to 30%	13	10	27	10	17	36	13
31 to 40%	22	18	46	10	39	27	12
41 to 50%	25	32	7	22	14	18	50
51 to 60%	17	15	0	22	18	14	0
61 to 70%	14	17	0	16	10	0	0
> 70%	6	6	0	18	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

DEMOGRAPHICS - HOUSEHOLD

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
EVER HAD SUBSIDIZED CARE BEFORE							
YES	65	73	47	59	53	50	75
NO	35	27	53	41	47	50	25
TOTAL	100%	100%	100%	100%	100%	100%	100%
REASON NEED DAY CARE							
EMPLOYMENT	98	99	100	97	100	96	100
EDUCATION/TRAINING	1	0	0	3	0	4	0
SEEKING EMPLOYMENT	1	1	0	0	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PLACE OF RESIDENCE							
CITY	66	100	100	0	7	23	100
SUBURBAN	1	0	0	2	3	4	0
TOWN	32	0	0	98	88	68	0
RURAL FARM	1	0	0	0	2	5	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
FAMILY RESIDENCE							
OWN	5	3	13	9	9	9	0
RENT	80	85	67	67	80	82	50
RELATIVE	13	11	13	22	9	9	50
OTHER	2	1	7	2	2	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

APPENDIX E

PARENT DEMOGRAPHICS

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
MEAN AGE OF PARENT	29 yrs.	30 yrs.	31 yrs.	28 yrs.	29 yrs.	26 yrs.	24 yrs.
AGE OF PARENT							
< 20	1	0	0	2	2	5	13
20-24	19	15	7	28	19	36	37
25-29	40	38	40	48	44	36	37
30-34	26	30	33	16	23	23	13
35-40	10	13	7	3	8	0	0
>40	4	4	13	3	4	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S RACE							
BLACK	48	76	53	7	6	5	13
WHITE	49	20	47	93	92	90	87
HISPANIC	2	3	0	0	0	0	0
OTHER	1	1	0	0	2	5	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S SEX							
FEMALE	95	97	100	85	94	91	100
MALE	5	3	0	15	6	9	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S MARITAL STATUS							
MARRIED	12	4	0	28	27	18	13
SINGLE	40	53	33	17	11	50	50
DIVORCED	17	12	14	34	27	18	0
SEPARATED	30	30	53	19	35	14	37
WIDOWED	1	1	0	2	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
CLIENTS WHO COULD NOT BE LOCATED AT END OF PROJECT	7%	8%	13%	0%	8%	5%	0%
CLIENTS WHO MOVED DURING THE PROJECT	6%	4%	20%	5%	9%	9%	25%

Source: Voucher Client databases, Virginia Department of Social Services

PARENT DEMOGRAPHICS

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
PARENT'S EMPLOYMENT STATUS							
FULL TIME	90	89	100	91	91	82	87
PART TIME	9	10	0	9	9	18	13
NOT EMPLOYED	1	1	0	0	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S CURRENT EMPLOYMENT LENGTH							
LESS THAN 1 YEAR	60	55	73	66	61	77	100
1 TO 3 YEARS	31	34	27	27	33	18	0
MORE THAN 3 YEARS	9	11	0	7	6	5	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENTS EMPLOYMENT PERMANENT/TEMPORARY							
PERMANENT	91	91	100	90	89	86	87
TEMPORARY	9	9	0	10	11	14	13
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S EMPLOYMENT SEASONAL/NON-SEASONAL							
SEASONAL	4	2	7	7	2	5	0
NON-SEASONAL	96	98	93	93	98	95	100
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S EMPLOYMENT CLASSIFICATION							
CLERICAL/SERVICE	67	74	73	28	88	40	13
MANUFACTURING	13	3	7	60	2	32	37
PROF/MANAGERIAL	4	4	20	2	3	5	0
FARM/LABORER	7	8	0	7	6	5	0
OTHER	9	11	0	3	1	18	50
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

PARENT DEMOGRAPHICS

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
PARENT'S LEVEL OF EDUCATION							
6th - 12th GRADE	27	22	20	40	30	18	75
HS GRAD/GED	38	39	47	29	37	55	25
SOME COLLEGE/ TECHNICAL TRAINING	32	37	20	26	27	27	0
COLLEGE GRAD.	3	2	13	5	6	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
PARENT'S STUDENT STATUS							
FULL-TIME STUDENT	5	4	0	7	6	5	0
PART-TIME STUDENT	3	5	7	0	2	0	0
NOT A STUDENT	92	91	93	93	92	95	100
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

APPENDIX F

CHILD DEMOGRAPHICS

	TOTAL N=616	NORFOLK N=335	MANASSAS N=31	SMYTH N=100	MONTGOMERY N=106	PULASKI N=33	GALAX N=11
MEAN AGE OF CHILD	5.5 yrs	5.4 yrs.	6.6 yrs.	5.9 yrs.	5.4 yrs.	5.4 yrs.	4.7 yrs.
AGE OF CHILD							
0-2	13	10	0	19	14	18	46
3-4	30	35	32	18	27	28	27
5-8	44	46	39	43	48	30	9
>=9	13	9	29	20	11	24	18
TOTAL	100%	100%	100%	100%	100%	100%	100%
RACE OF CHILD							
BLACK	46	76	52	7	6	3	18
WHITE	51	19	48	93	93	94	82
HISPANIC	2	4	0	0	0	0	0
OTHER	1	1	0	0	1	3	0
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client Databases, Virginia Department of Social Services

APPENDIX G

CHILD CARE SERVICE - BEFORE THE VOUCHER

	TOTAL	NORFOLK	MANASSAS	SMYTH	MONTGOMERY	PULASKI	GALAX
	N=616	N=335	N=31	N=100	N=106	N=33	N=11
KNOW ABOUT R & R							
YES	81	89	93	60	100	15	0
NO	19	11	7	40	0	85	100
	100%	100%	100%	100%	100%	100%	100%
HAD DAY CARE BEFORE							
YES	65	74	58	55	52	46	82
NO	26	25	42	13	38	39	0
NO DAY CARE BEFORE	9	1	0	32	10	15	18
	100%	100%	100%	100%	100%	100%	100%
	N=562	N=331	N=31	N=68	N=95	N=28	N=9
HAD SUBSIDIZED CARE							
YES	71	75	58	81	58	54	100
NO	29	25	42	19	42	46	0
	100%	100%	100%	100%	100%	100%	100%
REGULATED CARE FOR CHILDREN							
CENTER-LICENSED	52%	54%	6%	41%	72%	54%	0%
CENTER-UNLICENSED	0%	0%	3%	0%	0%	0%	0%
FAMILY-LICENSED	4%	6%	0%	0%	1%	0%	0%
FAMILY-LOCALLY APPROVED	28%	24%	52%	49%	20%	7%	100%
FAMILY-UNREGULATED	16%	15%	39%	10%	7%	39%	0%
	100%	100%*	100%	100%	100%	100%	100%
CENTER/FAMILY/IN-HOME/ OTHER							
DAY CARE CENTERS	52	53	10	41	72	53	0
RELIGIOUS AFF.	14	15	0	37	4	0	0
NON-PROFIT	9	12	0	0	0	32	0
FOR PROFIT	29	26	10	4	68	21	0

Source: Voucher Client database, Virginia Department of Social Services

*Does not sum to 100% becuase of rounding.

CHILD CARE SERVICE - BEFORE THE VOUCHER

	TOTAL N=562	NORFOLK N=331	MANASSAS N=31	SMYTH N=68	MONTGOMERY N=95	PULASKI N=28	GALAX N=9
FAMILY CARE TOTAL	46	45	83	59	26	36	100
FAMILY DAY CARE	41	44	58	44	21	22	100
IN-HOME CARE	5	1	25	15	5	14	0
OTHER	2	2	7	0	2	11	0
	100%	100%	100%	100%	100%	100%	100%
RELATIVE/NON-RELATIVE							
RELATIVE	16	12	19	44	8	21	22
NON-RELATIVE	84	88	81	56	92	79	78
TOTAL	100%	100%	100%	100%	100%	100%	100%
BEFORE & AFTER SCHOOL/ FULL TIME							
BEFORE SCHOOL ONLY	2	1	0	8	0	0	0
AFTER SCHOOL ONLY	2	1	0	0	5	14	0
BEFORE AND AFTER	13	9	16	32	15	7	0
FULL TIME DAY	76	87	48	47	76	75	33
OTHER	7	2	36	13	4	4	67
TOTAL	100%	100%	100%	100%	100%	100%	100%
UNIT OF SERVICE							
MONTH	3	3	0	0	9	0	0
WEEK	65	86	24	20	46	48	0
DAY	13	0	16	13	44	52	0
HOUR	17	10	60	55	1	0	100
PART DAY	2	1	0	12	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
CLIENT'S FIRST CHOICE							
YES	83	82	71	78	97	61	100
NO	17	18	29	22	3	39	0
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client database, Virginia Department of Social Services

APPENDIX H

VOUCHER CHILD CARE SERVICES

	TOTAL N=616	NORFOLK N=335	MANASSAS N=31	SMYTH N=100	MONTGOMERY N=106	PULASKI N=33	GALAX N=11
WHEN SELECTED PROVIDER							
BEFORE INTAKE	67	65	58	64	76	73	91
AT INTAKE/R & R	14	8	19	26	13	27	9
AFTER USING R & R	19	27	23	10	11	0	0
TOTAL	100%	100%	100%	100%	100%	100%	100%
HAD SUBSIDIZED CARE							
YES	65	74	58	55	52	46	82
NO	26	25	42	13	38	39	0
NO CARE BEFORE	9	1	0	32	10	15	18
	100%	100%	100%	100%	100%	100%	100%
	N=560	N=329	N=31	N=68	N=95	N=28	N=9
DIFFERENT PROVIDER THAN BEFORE							
YES	21	20	55	21	7	46	11
NO	79	80	45	79	93	54	89
	100%	100%	100%	100%	100%	100%	100%
REGULATED CARE FOR CHILDREN							
CENTER-LICENSED	63	67	58	32	78	100	9
FAMILY-LICENSED	<1	0	0	0	1	0	0
FAMILY-LOCALLY APPROVED	36	33	42	68	21	0	91
	100%*	100%	100%	100%	100%	100%	100%
CENTER/FAMILY IN-HOME/OTHER							
DAY CARE CENTERS							
RELIGIOUS AFF.	15	19	0	25	5	0	9
NON-PROFIT	13	17	0	8	0	42	0
FOR PROFIT	35	31	58	0	73	58	0
FAMILY DAY CARE	34	33	29	60	17	0	91
IN-HOME CARE	3	0	13	7	5	0	0
	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

* Does not sum to 100% because of rounding.

VOUCHER CHILD CARE SERVICES

	TOTAL N=560	NORFOLK N=329	MANASSAS N=31	SMYTH N=68	MONTGOMERY N=95	PULASKI N=28	GALAX N=9
RELATIVE/NON-RELATIVE							
RELATIVE	9	3	13	35	5	0	18
NON-RELATIVE	91	97	87	65	95	100	82
	100%	100%	100%	100%	100%	100%	100%
TYPE OF CARE							
BEFORE SCHOOL ONLY	1	1	0	2	0	0	0
AFTER SCHOOL ONLY	3	1	0	0	9	18	0
BEFORE AND AFTER	13	11	0	20	18	3	0
FULL TIME DAY	77	85	87	60	69	76	46
OTHER	6	2	13	18	4	3	54
	100%	100%	100%	100%	100%	100%	100%
UNIT OF SERVICE							
MONTH	4	4	0	0	9	6	9
WEEK	62	86	19	17	49	55	9
DAY	14	1	45	12	40	39	0
HOUR	19	9	36	68	0	0	82
PART DAY	1	0	0	3	2	0	0
	100%	100%	100%	100%	100%	100%	100%
CLIENT'S FIRST CHOICE							
YES	93	94	100	84	98	82	100
NO	7	6	0	16	2	18	0
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Voucher Client databases, Virginia Department of Social Services

APPENDIX I

MARKET RATE SURVEY DATA

	STATEWIDE TOTAL N=936	NORFOLK N=38	MANASSAS N=25	SMYTH N=3	MONTGOMERY N=10	PULASKI N=3	GALAX N=3
CENTERS THAT CHARGE MORE BY DAILY ATTENDANCE	28%	37%	25%	100%	30%	67%	33%
PROVIDERS WHO CHARGE THE SAME RATE FOR ALL AGED CHILDREN							
CENTERS	N=265 8%	N=0 0%	N=5 0%	N=1 0%	N=9 0%	N=1 0%	N=0 0%
FAMILY	N=450 63%	N=17 71%	N=7 57%	N=8 75%	N=15 80%	N=0 0%	N=4 50%
% PROVIDERS UNDER "MARKET RATE"	N=56	N=27	N=12	N=3	N=9	N=3	N=2
CENTERS	86%	85%	75%	100%	89%	100%	100%
	N=65	N=26	N=8	N=10	N=15	N=1	N=5
FAMILIES	82%	83%	82%	77%	77%	100%	80%

Source: 1990 Market Rate Survey, Virginia Department of Social Services

APPENDIX J

CHANGE IN NUMBER OF LOCALLY APPROVED PROVIDERS BY URBAN, SUBURBAN AND RURAL PILOTS

	TOTAL	URBAN/SUBURBAN PILOTS	RURAL PILOTS
LOCALLY APPROVED PROVIDERS			
TOTAL ACTIVE FY 1989	143	86	57
DROPPED BEFORE OR DURING VOUCHER PROGRAM	(66)	(40)	(26)
BALANCE END FY 1989	77	46	31
ADDED DURING VOUCHER	+141	+61	+80
TOTAL ACTIVE FY 1990	218	107	111
PERCENT LOSS	(46%)	(47%)	(46%)
PERCENT INCREASE	183%	132%	258%
NET PERCENT CHANGE	52%	24%	95%
PROVIDERS LOST			
.... IN FY 1989	34%	31%	38%
.... IN FY 1990	7%	12%	4%
PROVIDERS APPROVED FOR USDA			
.... IN FY 1989	22%	31%	7%
.... IN FY 1990	39%	40%	33%

Source: Voucher Provider databases, Virginia Department of Social Services

APPENDIX K

PROVIDER AND PARENT RESPONSE TO FORMAL TRAINING AND EDUCATIONAL MATERIALS

	TOTAL	NORFOLK	MANASSAS	SMYTH	MONTGOMERY/ PULASKI/ GALAX
PROVIDERS	N=85	N=41	N=8	N=22	N=17
HEARD ABOUT TRAINING	64%	61%	75%	78%	48%
ATTENDED TRAINING	60%	83%	62%	30%	60%
HEARD ABOUT EDUCATIONAL MATERIALS	30%	44%	12%	20%	19%
PROVIDERS WHO BORROWED EDUCATIONAL MATERIALS	10%	15%	0%	9%	4%
PARENTS	N=220	N=106	N=8	N=46	N=44
HEARD ABOUT TRAINING	15%	6%	0%	37%	11%
ATTENDED TRAINING	1%	2%	0%	0%	2%
PARENTS WHO RECEIVED INFORMATION ON ...					
... HOW TO SELECT	37%	46%	88%	28%	23%
... CHILD DEVELOPMENT	21%	21%	12%	35%	13%
PARENTS RECEIVING "HOW TO SELECT INFORMATION" WHO USED IT	N=78 87%	N=46 94%	N=7 71%	N=13 77%	N=12 83%

Source: Voucher Provider and Child Surveys, Virginia Department of Social Services

APPENDIX L

VOUCHER PROGRAM CLIENT FINANCES

	TOTAL N=400	NORFOLK N=231	MANASSAS N=15	SMYTH N=58	MONTGOMERY N=66	PULASKI N=22	GALAX N=8
MEAN MONTHLY INCOME	$857	$828	$1,220	$970	$830	$750	$702
CLIENT CO-PAYMENT	$53	$64	$158	$41	$26	$17	$8
INCOME AFTER CLIENT CO-PAYMENT	$804	$764	$1,062	$929	$804	$733	$694
PERCENT OF CO-PAYMENT TO INCOME	6%	8%	13%	4%	3%	2%	1%
TOTAL PROVIDER COSTS	$321	$320	$590	$305	$295	$310	$208
REMAINING INCOME IF THEY PAID PROVIDER FEES	$536	$508	$630	$665	$535	$440	$494
TOTAL MONTHLY PROVIDER FEES TO MONTHLY INCOME	38%	39%	48%	31%	36%	41%	30%
FOR CLIENTS WITH INCOMES AT ELIGIBILITY REDETERMINATION/NOT CLOSED DUE TO INELIGIBLE INCOME	N=217	N=119	N=5	N=34	N=42	N=12	N=5
INITIAL VOUCHER PROGRAM INCOME	$870	$854	$1254	$955	$815	$844	$816
AFTER ELIGIBILITY REDETERMINATION	$923	$936	$1254	$986	$846	$768	$873
DIFFERENCE	+$53	+$82	$0	+$31	+$31	-$76	+$57

Source: Voucher Client databases, Virginia Department of Social Services

APPENDIX M

DAY CARE COSTS BASED ON SOCIAL SERVICE EXPENDITURE DATA

	TOTAL	NORFOLK	MANASSAS	SMYTH	MONTGOMERY	PULASKI	GALAX
TOTAL ESTIMATED PROVIDER FEES	$1,041,005	$628,507	$56,567	$116,711	$173,913	$46,424	$12,858
AVERAGE MONTHLY (1) PER CLIENT	$296	$296	$563	$255	$283	$289	$198
PER CHILD	$192	$204	$272	$148	$176	$193	$144
TOTAL AGENCY EXPENDITURES (STATE & LOCAL)	$879,797	$531,352	$32,013	$101,106	$165,828	$37,074	$11,823
AVERAGE MONTHLY (1) PER CLIENT	$250	$250	$318	$221	$270	$234	$201
PER CHILD	$162	$172	$154	$127	$168	$156	$133
TOTAL ESTIMATED CLIENT SHARE	$161,188	$113,536	$15,149	$14,861	$11,711	$2,298	$371
AVERAGE MONTHLY (1) PER CLIENT	$46	$53	$151	$32	$19	$14	$6
PER CHILD	$30	$37	$73	$19	$11	$10	$3

(1) AVERAGE NUMBER OF MONTHS CLIENTS ACTUALLY RECEIVED DAY CARE SUBSIDIES

Source: Voucher databases, Virginia Department of Social Services