



**UNC**  
FPG CHILD DEVELOPMENT INSTITUTE

**Wake County Smart Start and Human Services  
Child Care Subsidy Study**

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## **Executive Summary**

In October 2010, Wake County Smart Start and Wake County Human Services requested a study of the efficiency/effectiveness of the Child Care Subsidy Program. In November 2010, two consultants from the FPG Child Development Institute at The University of North Carolina at Chapel Hill were hired to lead the Wake County Child Care Subsidy Study. The goal of this study was to obtain input and recommendations from various stakeholders, including families, child care providers, subsidy staff, and other agencies, as well as other subsidy administering agencies in different counties about ways to make the child care system more efficient and the potential impact of automation to service delivery.

In this document, we have synthesized this information from multiple sources, including review of existing documents, and present some preliminary findings based on the information analyzed.

### **The primary challenges as it concerns the business process include the following:**

- Enrollment of families into the child care subsidy program,
- Enrollment of children into child care programs,
- Payment to providers, case management of families,
- Difficulty in obtaining information from current case management system (e.g., length of subsidy spells), and
- Potential impact of automation on attendance tracking and provider payment.

### **The primary challenges as it concerns the customer service of the child care subsidy system include:**

- Communication within the child care subsidy system
- Communication and partnership with community agencies
- Timely and professional conversations with families and providers

Another aspect of the Wake County child care subsidy system that emerged was whether to consider contracting out the child care subsidy program to another agency as currently done in some counties in North Carolina.

Many suggestions were provided by various stakeholders. Some recommendations focused on the automation of services, including the intake of families, reporting of attendance, and payment of providers, which is currently being planned. Other recommendations included ways to include more families in the program, such as reducing the amount of funding for families from 80% to 70%, not providing care for school-age children, to assigning case managers to programs rather than by families' last names.

Based on this information and Committee feedback, a set of recommendations were developed. The recommendations include:

### **Recommendations to be addressed by the Wake County Subsidy Policy Committee:**

- Develop a document about the purpose and process of the subsidy program for parents, providers, and other agencies
- Determine the impact of automation on business process (e.g., intake, payment, forecasting)
- Determine the impact of automation on customer service (satisfaction, caseloads)
- Develop a list of agencies, systems, and businesses that may provide resources and support for children and families who are likely to be in the child care subsidy program

#### Further recommendations

- Provide data on the average length of families' subsidy spells, primary employer business sectors, wage-levels and living wage rates for Wake County (caveat: much of this data is very difficult to pull from the current data system)
- Convene a meeting with the automation implementation team to determine how the new EBT system (SEEK) will impact families and providers; and determine how to best ameliorate any negative consequences
- Analyze the subsidy system related to lost revenue sources, including under-spending of allocations and determining the feasibility of universal collection of parent fees, and how this increased revenue would impact quality and increase access

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## **FPG Subsidy Study**

On November 2011, Wake County Smart Start hired two consultants, Iheoma Iruka and Allison De Marco from FPG Child Development Institute at The University of North Carolina at Chapel Hill (FPG) to assist them in conducting a subsidy study for Wake County to address the efficiency/effectiveness of the current subsidy system and examine the customer service aspect of providing financial assistance to children and families.

Drs. Iheoma Iruka and Allison De Marco of FPG bring complementary skills to this study. Iheoma U. Iruka received her Ph.D. in 2005 from the University of Miami, Department of Psychology, Applied Developmental Psychology. As a past research associate at Westat, a research firm, Dr. Iruka was charged with the analysis and reporting of a report focused on the non-parental care arrangements and educational programs of a nationally-representative sample of infants, toddlers, and preschool children. As an investigator at FPG, Dr. Iruka has been and is engaged in several projects focused on the home and school/child care environments and systems for disadvantaged children and their role in at-risk children's optimal development.

Allison De Marco received her Ph.D. in Social Welfare in 2006 from the School of Social Welfare at the University of California, Berkeley. Dr. De Marco is an Investigator at FPG. She has research experience in the study of child care use among low-income families, child care subsidy use, and child care selection and quality. While serving as project manager for the USC Welfare Reform Neighborhood Impact Project, Dr. De Marco surveyed child care resource and referral agencies across Southern California about the impact of the welfare reform on subsidy programs and the organizations that administer them.

FPG is one of the nation's largest multidisciplinary centers for studying young children and their families. FPG has produced groundbreaking work that has shaped how the nation cares for and educates young children and promotes collaborative multidisciplinary efforts by professionals from a variety of fields including education, medicine, psychology, public health, anthropology, social work, and medical allied health. The center employs 45 Ph.D. level Investigators, Scientists, and Senior Scientists; over 200 staff persons; and 50 undergraduate and graduate students.

The consultants were contracted to do the following:

- Coordinate with Wake County Smart Start (WCSS) and Wake County Human Services (WCHS) staff to obtain input and recommendations from parents who are currently or have been a client of the subsidy program regarding their experience, both positive and negative
- Obtain input and recommendations from child care providers on how they leverage subsidy funding to sustain their businesses
- Determine perceptions of how the new EBT process will impact efficiency of child care service delivery to children and families in Wake County
- Analyze staffing needs in the current subsidy system that would improve productivity
- Provide a written report on data gathered, including a summary of data and analysis with preliminary recommendations

- Prepare and present the findings and preliminary recommendations to WCSS/WCHS Committee.

## Background Information: Wake County Child Care Subsidy Program

The Child Care Subsidy Program provides financial assistance to parents for their child care needs. The child care subsidy is based on an assessment of need, income and family size. Parental fees are assessed for families who are income-eligible. Parental choice of child care is honored but staff provides consumer education on quality child care. The amount paid for each child depends on the family situation, number of members in the family, family's gross income and the cost of childcare provided.

In Wake County, Wake County Human Services (WCHS) administers child care subsidy by providing intake, voucher issuance, and case management in seven locations across the county. Processing of provider payments happens at the central Chapanoke Road office in close communication from all sites to provide timely payments. For full details of the Wake child care subsidy system please refer to the overview prepared by staff of Wake County Humans Services and Wake County Smart Start in the appendices.

Wake County has established service priorities to determine the order in which children and families are served. These priorities are Child Protective Services (CPS)/Foster care, Low-Income Employed Parents, Low-Income Parents in Education Programs, Special Needs Children, and Families in Crisis. There is also a set-aside for Work First/TANF families. TANF funds are used during the two-week job search. The family is then switched over to WCHS.

The tables below provide an overview of the funding and spending in the Wake County child care subsidy system over the past four years broken down by broad priority area (Table 1) and a comparison with other large North Carolina counties (Table 2). Additional data can be found in the appendices.

**Table 1. Wake County Subsidy Funding & Spending for past Four Years**

Years	Total Direct Services Allocation	Total Expenditures	Work First Children	Non-Work First Children	Smart Start	Total (Undup.; May '10 service month)	More at Four Served	Wait List
06-07	\$33,707,936	\$32,156,430	346	5,599	3,640	6,134	191	1,653
07-08	\$38,037,446	\$38,037,423	283	5,648	3,453	6,482	37	3,045
08-09	\$40,608,725	\$40,608,721	329	4,811	2,226	5,832	51	5,853
09-10	\$39,536,029	\$38,418,825	481	5,699	2,754	6,622	55	2,899

Source: North Carolina Division of Child Development as of June 2010

Note. In Wake County Non-Work First Includes: Child Protective Services Cases, Foster Care, Special Needs, Families in Crisis, Teen Parents in School

**Table 2. Wake and Comparison Counties' Funding and Spending (2009-2010)**

County	Total Direct Services Allocation	Total Expenditures	Work First Children	Non-Work First Children	Smart Start	Total (Undup.; May '10 service month)	More at Four Served	Wait List
Wake	\$39,536,029	\$38,418,825	481	5,699	2,754	6,622	55	2,899

<b>Mecklenburg</b>	\$51,050,952	\$49,680,735	1,704	5,420	1,475	8,466	56	5,106
<b>Guilford</b>	\$23,197,725	\$22,043,821	468	4,654	314	5,110	18	1,916
<b>Cumberland</b>	\$18,916,666	\$18,495,154	645	4,161	4	4,803	48	2,824

Source: North Carolina Division of Child Development as of June 2010

Based on 75% of the State Median Income, to be eligible for the Wake County child care subsidy program, a family of four can earn no more than \$3,718/month or \$44,616/year and \$2,528/month or \$30,336/year for a family of two. The average family of four in the Wake County subsidy system has an income of just \$1,748.85/month, which includes earned income as well as SSA benefits, Child Support, and Unemployment (WCHS data, November, 2010). This comes to \$20,986.20 annually, below the poverty threshold of \$22,050/year for a family of four. In 2006, the most recent time this data was compiled, parents worked primarily in the government, retail/restaurant, and child care sectors.

According to work by the North Carolina Justice Center (NCJC), this income is insufficient to support a family in Wake County. To better inform the discussion around work, wages and opportunity, the NCJC's North Carolina Budget and Tax Center developed the Living Income Standard (LIS), a market-based approach for estimating the level of income a working family with children needs to pay for basic expenses for the actual costs of seven essential expenses: housing, food, child care, health care, transportation, other necessities, and taxes (Quintero, 2008). Updated periodically, the 2008 LIS for the typical North Carolina family with children was \$41,184/year, equal to 201% of the federal poverty level. To meet that level, the adults in the average family would need to earn a combined \$19.80 per hour for every working hour of every week of the year. An even higher wage is needed, \$24.25/hour or \$50,440 annually, in Wake County where the cost of living is higher than in most other parts of the state. Contrast this with the current minimum wage of \$7.25/hour or \$15,080 annually, well below the 2010/2011 poverty level of \$22,050/year for a family of four (US Department of Health and Human Services, 2011).

## Data Gathering Process

*Focus Groups with Providers.* Two focus group sessions were held for providers. We interviewed four family child care home and six center-based providers. In addition to providing dinner, we gave the providers a \$25 Wal-Mart gift card. During this meeting with providers, we discussed their perceptions of the strengths and weaknesses of the subsidy system as it concerned enrollment of children in their program, payment of voucher, and communication with subsidy staff. We also discussed the strengths and challenges with the current subsidy program, suggestions to improve the program, and their thoughts about automating the payment process. At the end of the focus group meeting, providers were asked to complete a short survey that gathered some demographic information and other relevant information as shown in Tables 3-4.

*Focus Group with Parents.* We interviewed six parents. In addition to providing dinner, we gave the parents a \$25 Wal-Mart gift card. During this meeting with families, we discussed their perceptions of the strengths and weaknesses of the subsidy system as it concerned referral, enrollment, co-payment, and communication with subsidy staff. Parents also suggested ways to improve the subsidy program and their options for child care if they no longer received subsidy, as well as some of their successes and challenges in their interactions with the subsidy program. At the end of the focus group meeting, parents were asked to complete a short survey that gathered some demographic information and other relevant information showed in Tables 5-6.

*Focus Group with Subsidy Staff.* Due to the size of the subsidy staff, two separate focus groups were conducted -- 17 staff in one group and 15 in the second. Participants included case managers, account technicians, parent educators, case supervisors, administrative assistants, and intake managers. The discussion with the staff focused on their perception of the strengths and challenges with the current subsidy system as well as the challenges and success as it concerned referral and intake of families, payment to providers, and automation of paperwork and payments. The staff were also asked about how much they communicate and collaborate with other subsidy-granting agencies and their suggestions for improving the subsidy program.

*Interviews with Administrative Staff.* We interviewed 10 individuals who hold administrative positions with the child care subsidy system. These individuals represented the WCHS Child Care Subsidy Program, WCHS Community Affairs, WCHS Child Welfare Services, WCHS Financial Services Division, WCHS Consumer Affairs, WCHS Work First, WCHS Grants Administration, the North Carolina Division of Child Development, and Child Care Services Association. In addition to capturing their organizations' and their roles and responsibilities in the subsidy program, we asked them their perception about their strengths and challenges of the current subsidy system; the biggest challenge with referral and intake of families, payment to providers, and automation of paperwork and payments; their communication and collaboration with other subsidy-granting agencies; and their suggestions for improving the subsidy program. We also interviewed an individual from Mecklenburg County Child Care Resources, Inc who shared information about the strengths and challenges of an automated system.

*Review of Documents.* In addition to interviews and focus group, we also reviewed documents from Wake County Subsidy office, including notes from interviews with subsidy offices across the state; funding allocation for subsidy; and presentations about the business process of the subsidy program.

## Characteristics of Provider and Parent Respondents

Table 3 below provides an overview of the providers' demographic characteristics. Most of the respondents were English-speaking African-American women with a BA degree or less. The following table describes characteristics of the providers' programs, which were 60% center-based and 40% family child care home. All were participants in the star-rating program; representing a range of star-ratings. Some providers have been providing child care for at least five years and many more for some. They also had fairly lengthy experience with the child care subsidy system. The size of programs varied widely from serving only one family to a multi-classroom center.

**Table 3. Provider Characteristics (n=10)**

Characteristic	Mean(SD)/Percent	Range
Female	100%	---
Age	51.4 (10.4)	34-62 years
Primary Language	70% = English 30% = Spanish	---
Ethnicity	50% = African American 10% = White 10% = Puerto Rican 20% = Latina 10% = Other	---
Education Level	20% = Some college/No degree 40% = AA degree	---

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30% = BA degree  
10% = MA degree

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**Table 4. Program Characteristics (n=10)**

Characteristic	Mean(SD)/Percent	Range
Type of care	40% = Family Child Care Home 60% = Center	---
Participate in Star Program	100% = Yes	---
Star rating	10% = 1 Star 10% = 3 Star 30% = 4 Star 50% = 5 Star	---
Tuition (high end)	\$877.8 (229.8)	\$600 - \$1440/month
Tuition (low end; n=7)	\$624.9 (241.6)	\$350 - \$1080/month
Co-payment (n=9)	\$196.2 (91.7)	\$80 - \$400/month
Collects co-payment (n=9)	90% = Yes 10% = No response	---
Years providing child care	15.3 years (9.2)	5 – 34.2 years
Years participating in subsidy program	11.6 years (9.2)	3 – 34.2 years
Total families in program (n=9)	48 (51.3)	1 – 120 families
Total children in program	53 (49.8)	1 – 133 children
Total subsidy families served (n=9)	6.2 (8.1)	1 – 25 families
Total subsidy children served	12.2 (14.4)	1 – 40 children
Satisfaction with experience with subsidy program	0% = Not at all Satisfied 80% = Somewhat Satisfied 20% = Very Satisfied	---

Parent characteristics are displayed in Table 5. All parent participants were African-American mothers. Educational attainment was varied from less than high school to a graduate degree. None were currently married. The parents reported not having children with special needs. Please note the small number of parents (6) who participated in this study. Information provided by the Wake County Subsidy Program in March 2011 showed that approximately 70% of children who were receiving subsidy were ages 0-5. Additionally, only one percent of children receiving subsidy had special needs and the majority of children were African American (79%), followed by White (21%); and less than one percent were Asian, American Indian or Alaskan Native, or unknown. As ethnicity is classified differently than race in the data, it showed that approximately 5% of children receiving subsidy were Hispanic/Latino. We were unable to provide data about length of subsidy spells as it could not be easily retrieved from the current data system.

**Table 5. Parent Characteristics (n=6)**

Characteristic	Mean(SD)/Percent	Range
Female	100%	---
Age	34.5 (7.7)	24-46 years
Primary Language	100% English	---
Ethnicity	100% African American	---
Education Level	17% = 10, 11, 12 <sup>th</sup> no HS degree 17% = Some college 33% = HS diploma 17% = MA degree 17% = PhD/JD degree	---
Marital Status	33% = Separated	---

	33% = Divorced	
	33% = Never Married	
If unmarried, has a partner	83% = No	---
	17% = Yes	
Number of children	2.7 (0.8)	2-4
Child has a disability that prevents usual childhood activities (n=5)	100% = No	---
Child has a disability that prevents regular school attendance (n=4)	100% = No	---
Child has a disability that prevents ability to do school work once school age (n=3)	100% = No	---

Most parents (table 6) learned about the subsidy program through family and friends. Most were responsible for co-payments, which were regularly collected. All of these families were using subsidized center-based care at present, although they had used other arrangements in the past. They reported liking family child care homes when their children were younger, but they liked the center now because of the teacher education level and the ability of centers to have more than one set of eyes on the children. One parent was not using child care presently but was on the waitlist. She reported that she had heard that she was unlikely to get a spot. Several reported thinking that the recent subsidy system audit was to see if the workers were doing their jobs, whereas others understood that it was to make sure enrolled families were still eligible.

**Table 6. Parent's Child Care Characteristics (n=6)**

Characteristic	Mean(SD)/Percent	Range
How learned about child care subsidy		
Child Care R&R	0	---
Welfare Program/Worker	17% Yes	
Friend/Relative	83% Yes	
News	0	
Provider	0	
Responsible for co-pay (n=5)	80% Yes	---
Co-pay regularly collected (n=5)	80% Yes	---
Current number of child care arrangements (n=5)	1.2 (.84)	0-2
Number of arrangements in 6 months	1.8 (1.2)	1-4
Type of care (n=4)	100% Center	---
Months receiving subsidy (n=5)	37.4 months (33.3)	7-84 months
Length of current subsidy spell (months; n=5)	13.6 months (10.1)	2-24 months
Satisfaction with experience with subsidy program (n=5)	0 Not at all Satisfied 60% Somewhat Satisfied 40% Very Satisfied	---

Committee members expressed interest in learning how families would cover their child care needs if subsidies were no longer available. Responses included:

- Getting a second job to be able to pay more. Expressed concern that she then wouldn't ever see her children

- Find more affordable care
- Adjust work schedule
- Leave children in less safe (lower quality) arrangements. Concern that Child Protective Services may then be involved and want to know why something bad happened in the child care arrangement where you left your child.
- Use less convenient arrangements

## Key Areas Identified

### Business Process and Role of Automation

In this section we discuss the business process of the subsidy program, including intake and referral, program enrollment, payment to providers, and case management. As automation seems to be key in the improvement of the subsidy program, we embedded how automation may support (or hinder) the process based on respondents' perception. Finally, we discuss the potential impact of automation on the process, as well as some of the noted challenges.

*Referral and Intake.* Many families learn about child care subsidy through word of mouth from relatives, co-workers, schools, and at times from other agencies, such as the Benefits Division. These various methods of finding information about the subsidy program increase the number of families who come to the subsidy office to complete applications or talk with a staff member, which can tax the Intake team as well as increase the wait time for families to be served. Many individuals, including providers, families, and subsidy staff speak about the need to automate the intake form process. Specifically, having a "kiosk" or electronic form so individuals can fill it out at their convenience, as well as having a universal form that can determine eligibility for other benefits beyond child care.

Some families have a general understanding about the process, but many do not, including those whose first language is not English. Some families come from different parts of the state and assume that the process, eligibility, fees, and time frame will be similar. Thus, there is a need to educate the public and families not only about the purpose of subsidy, but also about the process. There is critical need to continuously educate families about the various fees they may incur beyond their co-payment, as well as the actual process from applying to enrolling a child into a program with a voucher (i.e., timeframe).

*Enrollment in Program.* Enrollment of children with child care subsidies in programs is generally seamless, especially when the families have the actual voucher. In most instances, child care programs, especially family child care home programs want to interview families before agreeing to enroll the child in the program. Providers are also leery about vouchers that only cover families for a short period of time or have children in care for over 10 hours per day. Specifically, the Work First vouchers, which are temporary, take open spots away that may be used by long-term families; thus, providers, especially small programs are concerned about families who have short-term vouchers. Providers are also concerned with vouchers that cover 10 hours a day; they understand that it may include transport time, but they see this as restricting them to be able to have before and after care if the voucher time frames are made for 10 hours a day as children are not likely to be in care for that many hours. These time frames are also provided to accommodate parents who work rotating shifts that change regularly. Though information sessions about subsidy are held, many felt that there is a need to continuously educate providers about the different types of vouchers and implications for their

programs. Respondents indicated that the one way that automation can help this process is by reducing lost vouchers.

*Payment.* Providers are generally satisfied with the timeliness of payment once they know that there is about a month's lag time between turning in of attendance sheets and payment. Some of the issues that deal with payment of providers are when there is a mistake that is not corrected quickly, resulting in no payment, underpayment, or overpayment, which can significantly impact an individual's economic well-being without recourse. Currently, there are several steps to ensuring a provider is paid – completing the attendance sheet, submitting the form through fax or drop off, and manually entering it into 2 systems. Payment issues also come when the provider is not given timely notice when a family's voucher has been canceled, suspended, or changed (e.g., increase in parent co-pay). As most information is usually provided through mail, some programs have a central office, which may further delay providers receiving any notices. As some programs' funding is primarily from subsidized children, there is concern that with less subsidy funding, their business may not be able to survive. These programs may need to consider other options that may not include providing care to children with subsidy.

The majority of respondents felt that automation would be a critical part of improving the system, especially as it concerns payment. Though automation will likely eliminate jobs, many felt it will reduce the burden of having to enter the same information multiple times, which increases the chances for errors. The state can do two check-runs per month doing a separate check-run for child care subsidy providers, which can be time consuming if the provider information is not up-to-date. Providers will also benefit because they will receive their payments twice a month and they will no longer have to complete and submit the attendance forms. They have been concerned about attendance forms not arriving at the right location, to the right person, and at the right time to ensure timely payment. This concern is founded, as subsidy staff indicated that forms are often sent to regional offices and then must be forwarded to the main office, delaying processing.

*Case Management.* Case managers generally have 250-300 families with some supervisors also having caseloads. These large caseloads reduce the amount of time that case managers can spend with families educating them about the purpose and process of the child care subsidy program, especially families new to the system or whose first language is not English. These large caseloads also limit the time that case managers have in returning phone calls in a timely fashion. In some instances, there are temporary case workers, which may limit the ability to ensure consistent high quality customer service. At this time, the case managers are using a data system, called FACCS. Though limited in its ability to provide any useful information for reporting, this data system allows internal communication between staff about clients and across sites. There is a need for a data system that can handle case management, vouchers, enrollment forms from parents, reflect any changes and create action notices, print recertification letters, note all updates made, manage waiting lists, as well as provide data about families (e.g., number of children in system, type of voucher, etc.).

*Automation.* Many saw automation as a key to a more effective and functional subsidy program. Many note that due to the different systems where information is captured or stored, a lot of manual labor is needed. For example, there are different systems that manage the child care programs (vendors), attendance, and payment. This makes it difficult and at times tedious to project year-end amount and remaining funds for slots/children, especially when families and children enter and leave the program continuously. It is also very difficult to extract demographic data from the current system to describe Wake's subsidy families, as noted above on page 9. In addition to

reducing the tediousness of gathering information, many see automaton as eliminating the errors than can occur when the same data is being entered in multiple systems, not having to complete and ensure timely delivery of attendance sheets, and not having to deal with lost vouchers.

However, many note some early challenges that will probably come with automation, including the need for knowledge and maintenance of the system which could be costly, training and educating of individuals on a new way of doing business, dealing with lost cards, families needing multiple cards, a system malfunction, and providers needing to get a landline incurring additional costs. Additionally, there are many things that automation cannot do, including case management, connecting and educating families and providers about the subsidy system, addressing funding shortages in the system, and dealing with corrections, such as overpayment to a provider. Thus, the customer service of the subsidy program cannot be completely eliminated through automation.

## **Collaboration & Communication Within and Across Agencies**

The communication between subsidy program staff seems to be consistent and collaborative. In addition to the case management system that allows subsidy staff to communicate about a case, the proximity of other programs and agencies also makes it convenient for families to receive other supports beyond subsidy. However, there are instances when case managers and account technicians are not communicating, which is often noted when providers don't receive payment or receive an incorrect amount.

*Intra-agency.* Though there is much communication between the subsidy program staff, there is limited communication and collaboration with other agencies, systems and programs. There are instances in which programs communicate on a regular basis, such as Smart Start and Division of Child Development, primarily due to how the money is sent to the county. The Universal application for child care provides some opportunity for Head Start, More at Four, Smart Start, Public School, and the Subsidy Program to communicate, but these are still limited. Many see a need for more consistent communication and collaboration across many agencies and organizations, including with Boys and Girls Club, YMCA, Wake County Public School System, faith-based organizations, Child Care Coalition, Child Care Services Association, and many others. Many view the connection with many agencies serving young children as critical because it may help minimize the pressure on the subsidy program to find funding for all the families in their system and on the waiting list, especially for children who may only need before or after care. There may be other ways to get children some assistance, such as through Raleigh Children's Development Services Association (CDSA; the Part C early intervention program that provides services and support to infants and toddlers with disabilities and their family) and Preschool Special Education Services (the Part B program is for children ages 3-21 with disabilities). As the different regions of Wake County have community boards, there may be a need to identify how the subsidy program can connect with these community boards to obtain support from the communities in supporting low-income families with young children. In addition to connecting with the various agencies and organization in the communities, many noted the need to educate subsidy staff about the many organizations that may be able to assist families and best meet their needs.

*Providers.* The communication between providers and subsidy staff is generally appreciated and helpful; however many report preference for communicating with account technicians. They find account technicians to be more responsive and understanding of their needs than case managers, who they see as less responsive or helpful. Some providers resort to calling supervisors when their

case managers or account technicians are not helpful. There seems to be a variety in the quality of communication between providers and subsidy staff with more experienced providers finding that persistence is key to finding answers and getting issues resolved.

*Parents.* There is variety in the quality of communication between parents and case managers from individuals that are very helpful to others that are non-responsive, which may be due to the large caseloads. Some parents report that case managers can be condescending at times and assume that families are trying to "get over" on the system. Other parents report that their case managers are helpful by educating them about the subsidy process, informing them of due dates and documents needed, as well as what to expect at every juncture. Parents report that more can be done to help them become more economically self-sufficient and less reliant on the subsidy system. Though there are challenges with communication between subsidy staff and families, many report a noticeable improvement.

## **Strategies**

### **Business Process: Managing and use of funds**

*Payment system.* Providers also expressed concern about how terminations are handled. One provider suggested implementing a more gradual phase out of subsidy from 30 days to 90 days to increase time for notification. They reported that this would help the families and also reduce the number of unpaid days when notice is not received in time. They also appreciated receiving phone call notifications rather than wait for information through the mail. As the payment process is time consuming and determining the number of available slots and funding is not efficient, a recommended solution was to implement a better case management system with the capacity to project at any time the slots and availability of funds as well as some way to insure that vendor information is accurate. One suggestion was to allow vendors to register themselves on-line.

*Star system.* Some concern was expressed about the star-rating system, particularly among providers who were just entering the star system. It was suggested that the star rating be relaxed to give new providers more time. Further, one provider suggested that facilities with 1-3 stars be paid the same, which may help programs with only 1 star to enroll families and improve their quality.

*Allocation of hours.* Another business practice that was a challenge for providers was the allocation of service hours. A number of providers reported that families may be allocated child care between the hours of 7am and 6pm but are only allowed to use a total of 35 hours in that range. Providers found this hard to track and enforce. Thus, it was suggested that providers be more informed about ways to address this issue, such as informing families of what hours the program could offer, for example 8am to 3 pm rather than the 7am to 6pm on the voucher form.

*Allocation of subsidy funds.* Child care providers had several suggestions to deal with one of their largest concerns – the ability of the system to serve the most families in need. In order to serve more families, it was suggested that afterschool care might be cut for children 5-12 years old so those funds could be used for younger children. Support for this group of children could come from school-age programs like the Boys & Girls Club and the YMCA, as well as the public schools. Parents may be willing to remove their children from subsidized care if they are able to find a community-based program that was free, as indicated by one parent. The quality of these programs should be further evaluated, as she suggested that the quality was probably not as good in the non-subsidized programs.

Another suggestion that came out of the provider focus groups was to cut the percent of subsidy, perhaps from 80% to 70%, with parents making up the difference to release funding to cover more families or by implementing sliding fee scales. Administrative staff also supported this suggestion and emphasized the need for the system to change as the capacity changes. This may be a challenge as parents expressed concerns about already paying over and above the subsidy program co-pay when required to cover program registration fees and activity fees. A program administrator suggested adjusting the timeframe of subsidy receipt to serve more families by shortening the dates families receive subsidized child care. Additional suggestions included connecting with community organizations that may be able to assist with emergency funds and to help families maintain child care. A parent suggested that WCHS might offer babysitting classes to siblings of subsidized children so that they might help with child care.

*Education and public awareness of child care subsidy.* Administrative staff reported that outside agencies understand the purpose of child care subsidy but not the process which leads to unrealistic expectations for the processing of requests. One suggestion may be to provide additional education and information around the workings of the subsidy system, as well as streamlining policies across means-tested programs (e.g., Work First, Medicaid, subsidy) so that one Intake staff can handle all the cases without having and needing all the expertise in all the programs. There were additional suggestions about making policies more family-friendly and ensuring that they don't have unintended consequences. While this has been happening slowly, it may lead to what another staff member described: "the system has not made improvements to help parents move off the subsidy program, thus some parents continue to receive aid for years as the wait list grows."

*Administration of child care subsidy.* There were many comments about the ability to forecast within the system. There was a feeling that there could be a better job of tracking slots so that more effort (funds) are spent on the subsidy itself and less on finding and removing families from the program. There could be better analysis upfront to confirm existing funds (what you actually have not what you think you have) and budget should be based on a fiscal year. With automation staff could be reduced. Another concern was the desire to reduce the large caseloads that staff currently handle. It remains unclear whether automation would address staff caseload. One recommendation was to privatize part of the system to help the state with the budget. However, others expressed concern that this idea would result in loss of relationships built between agencies and providers and the wealth of knowledge among staff in the current system.

Finally, subsidy staff suggested that Child Care Subsidy could provide the allocated money directly to each agency (Work First, CPS) at the beginning of each funding year. Once those funds are depleted, agencies would no longer be able to refer clients for subsidy. Today this responsibility is left to Child Care Subsidy, who is not able to turn families away.

## **Customer Service**

*Assignment of workers.* In both focus groups with providers, participants mentioned the challenge of having child care subsidy staff assigned by child last name so that there were many subsidy staff they had to communicate with regarding issues. They suggested that it would help to have subsidy staff assigned by program so that communication would be easier. Having subsidy staff assigned by "brand" would help to form better relationships.

*Communication.* Parents, providers, and subsidy staff all felt that communication could be better and timelier. There were few strategies suggested for how communication could be improved

between families, providers, and the subsidy staff. Individuals thought that turnover was a plausible reason for the lack of communication in some cases, thus, this may be an area to address when considering communication plans. Some administrative staff felt that communication and customer service could be standardized with paperless applications and communication, such as on-line intake portals. The administrative staff acknowledge that intake is too long and could be improved without the family/parent having to make an office visit. Additionally, providers appreciate when critical information, such as termination of a voucher was communicated through a call as well as an official letter. Parents also reported a need for the subsidy staff to communicate with providers about treating families on subsidies differently than private payers (e.g., allowing private-pay families to pay their fees in allotments and received a holiday/vacation discount for days they did not use care) . Thus, some felt a need to educate providers about equity in the child care service system.

*Other comments.* Several individuals were interviewed who were not directly employed by Wake County Human Services, but their suggestions for improvement included a need for a culture shift that focused more on customer-service and being aware of professional and timely communication with families. These participants also emphasized the need to educate families about the star-rating system.

### **Option of Contracting Out Services**

It has been suggested that the Wake County child care subsidy system might be more effective if contracted out to another organization. In Mecklenburg County, Child Care Resources, Inc, (CCR) (similar to Child Care Services Association in Wake) holds the contract with the Mecklenburg Department of Social Services to handle child care subsidy, including case management, recertification, processing of payments and all referrals. The respondent felt that there were many advantages for an agency such as theirs to administer the child care program. Their staff are very knowledgeable about child care and are able to help parents with their choices and know what to look for in terms of quality and fit. In addition, CCR staff have relationships with providers and provide them with on-going support. They also have an infant/toddler specialist on staff that is able to assist providers with managing child behavior including making visits to programs. The site is a “one-stop shop” for child care services, wait times are very short, and clients have the opportunity to really get to know their workers. Contracting with local resource and referral agencies is common in other parts of the country, including California.

Other counties and states have opted to contract out their human service programs (“privatization”), including TANF, child care subsidy, and child welfare, to private organizations such as Maximus, Inc, Hewlett-Packard, and Lockheed Martin (division purchased by Affiliated Computer Systems in 2001). In Wisconsin, HP holds the contract to manage program applications and case management for BadgerCare (WI’s Medicaid program) and the Supplemental Nutrition Assistance Program (formerly food stamps). However, reports have shown that the program has a higher incidence of errors and is less efficient than when staffed by state and county workers. Maximus operates TANF programs, including case management, processing of payments, intake and eligibility determination, and child care services in some instances, in several large counties such as Maricopa County, AZ (Phoenix) and San Diego County, CA. Lockheed Martin/Affiliated Computer Systems operates TANF programs in Florida and Texas. In 2002 Mathematica Policy Research, Inc. conducted a thorough review of the arguments for and challenges of privatizing public services, particularly welfare services with case studies of 6 states that have privatized (Winston, Burwick, McConnell, & Roper, 2002). The full report can be found here: <http://aspe.hhs.gov/hsp/privatization02/index.htm>. According to the report,

arguments for the shift from government to private provision of public services include: 1) reducing the cost of government services; (2) improving the quality of government services; (3) the need for skilled staff not available in the public sector; and (4) increasing the flexibility of the public sector, as well as for political reasons. Research on improved cost and quality is mixed (Bel & Warner, 2008; Winston et al., 2002). Challenges to privatization include: (1) guaranteeing a competitive bidding environment, (2) developing effective requests for proposals (RFPs) and contracts, (3) monitoring contractor performance, (4) addressing political opposition, (5) involving community-based organizations, (6) avoiding "brain drain," (private organizations recruiting employees of public agencies to obtain expertise); and (7) protecting the integrity of the procurement process (Winston et al., 2002). Therefore, there are many benefits and challenges with privatizing that must critically examined to ensure it meets the needs of the child and families, as well as the community.

## Summary

Families and providers appreciate the child care subsidy program and see the benefit of the program in many aspects of their life. The importance and the role of child care subsidy in the lives of children, families, and communities are also confirmed by subsidy staff and other agencies. However, there are concerns about the current child care subsidy system, as expressed by parents and providers, as well as child subsidy administrators and staff. Some of the concerns include the time on the enrollment process, time on the waitlist, payment to providers, case management, and the lack of automation for capturing children's attendance at child care programs, paying of provider, and determining available funds and slots.

There was also apprehension about the customer service aspect of the child care subsidy program. Though some parents and providers reported having good relationships with case managers and account technicians, there were some concerns about the professionalism and responsivity of the child care subsidy staff. There were also some concerns about whether the subsidy staff provided enough information and assistance to reduce families' use of subsidized child care. Finally, there seemed to be limited and inconsistent communication between other agencies that serve low resource families with children. Thus, there is a need to increase the capacity of the child care subsidy program to serve as many families as possible through partnership and collaborations with a variety of agencies, organizations, and systems.

In addition, when considering these suggestions, a balance needs to be struck between the needs of each stakeholder group. For example, parents' suggestion that they receive a vacation discount would be harmful to providers by depleting their income. Suggestions were made to reduce payments to providers; however this would be a hardship for an already low-paid workforce. Several administrators reported wanting to reduce worker caseloads, which may necessitate increasing staffing expenses, contravening other respondents' preference for passing more of the funding through to fund subsidies themselves.

Finally, WCHS's Middle Class Express (MCE) program was mentioned several times. MCE is an innovative human capital development program tasked with moving families from low-income to middle class status, with the goal of moving up 1,000 families over 5 years. MCE provides job coaching and financial literacy curriculum to assist families and individuals. How might this program be put to greater use to assist additional families? Several parents mentioned that they did not feel that they received assistance to move off subsidy so access to a program like this would seemingly be welcomed, perhaps in conjunction with asset-building activities.

The limitations of this report should be noted; specifically, this report is not representative of all individuals and organizations directly or indirectly linked to WC Subsidy Program. The small sample of parents and providers does not assume a representative sample, though we held two provider focus group meetings. We were unable to schedule another parent focus group meeting.

Nonetheless, the validity and strength of this report lies in the triangulation of information received from many sources and conducted through multiple methods, including focus groups, interviews, and review of existing data. The compilation of these data gives us confidence about the information presented in this report.

## **Preliminary Recommendations**

1. Develop a document for parents, providers, and other agencies about the purpose and process of the subsidy program
2. Determine the impact of automation on the business process (e.g., timely payment; electronic/computerized intake form; ease of determining funding availability)
3. Determine the impact of automation on customer service (e.g., parents and provider satisfaction with the child care subsidy program; caseloads for case managers; timeliness of case manager calls with families) aspects of the child care subsidy program
4. Conduct an analysis of the impact of increasing parents' percentage cost, reducing length of subsidy spells, and moving school-age children into non-subsidy programs
5. Develop a list of agencies, systems, and businesses that may provide resources and support for children and families who are likely to be in the child care subsidy program
6. Examine the impact of maintaining or contracting out the child care subsidy program

## **Wake County Subsidy Committee Meeting**

On March 22<sup>nd</sup>, a meeting was held with the Wake County Subsidy Committee to review the findings from the evaluation and to discuss preliminary recommendations. The meeting consisted of 16 individuals from various agencies, including the Wake County Human Services, Smart Start, Wake County Subsidy Program, Wake County Government, Child Care Services Association, Bright Horizons, Division of Child Development, and Fidelity Investments. It is important to note that individuals from Wake County Human Services, including the Subsidy Program did not provide input on recommendations, but provided information to assist the committee in better making informed and sound recommendations.

## **Final Recommendations**

Based on this information and Committee feedback, a set of recommendations were developed. The recommendations include:

Recommendations to be addressed by the Wake County Subsidy Policy Committee:

- Develop a document about the purpose and process of the subsidy program for parents, providers, and other agencies
- Determine the impact of automation on business process (e.g., intake, payment, forecasting)
- Determine the impact of automation on customer service (satisfaction, caseloads)

- Develop a list of agencies, systems, and businesses that may provide resources and support for children and families who are likely to be in the child care subsidy program

Further recommendations

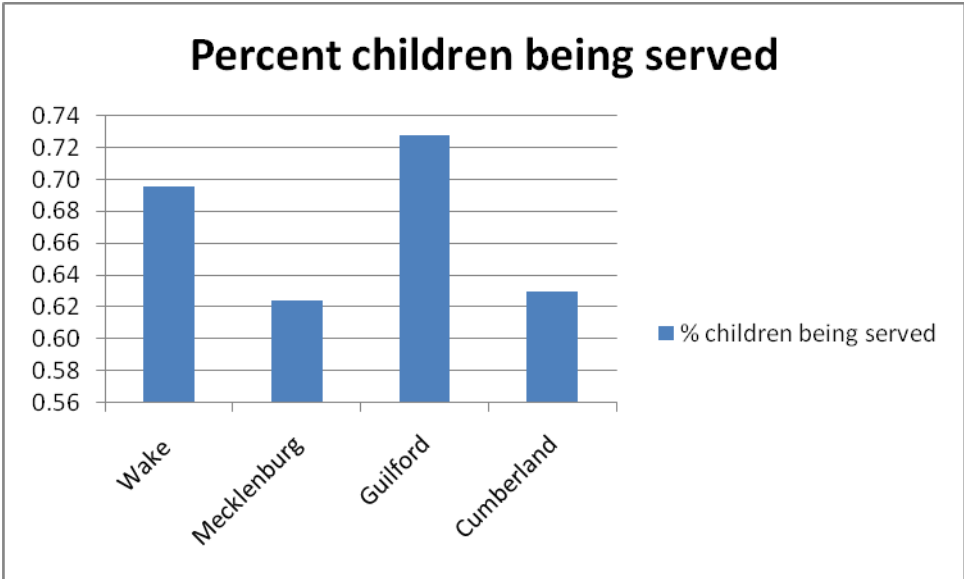
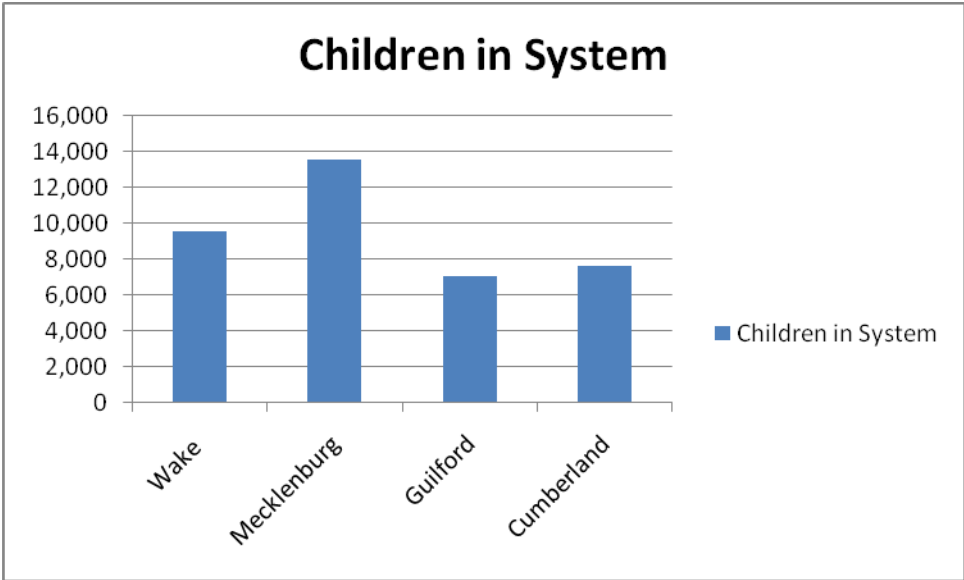
- Provide data on the average length of families' subsidy spells, primary employer business sectors, wage-levels and living wage rates for Wake County
- Convene a meeting with the automation implementation team to determine how the new EBT system (SEEK) will impact families and providers; and determine how to best ameliorate any negative consequences
- Analyze the subsidy system related to lost revenue sources, including under-spending of allocations and determining the feasibility of universal collection of parent fees, and how this increased revenue would impact quality and increase access

## References

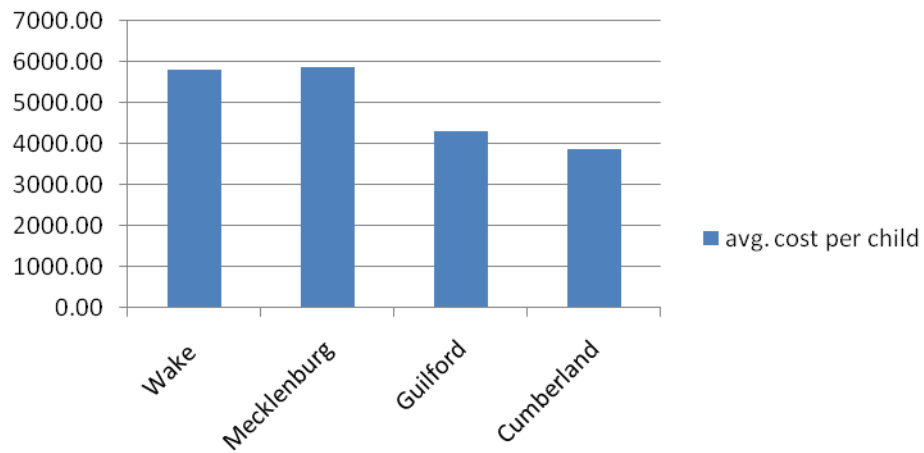
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# Appendix

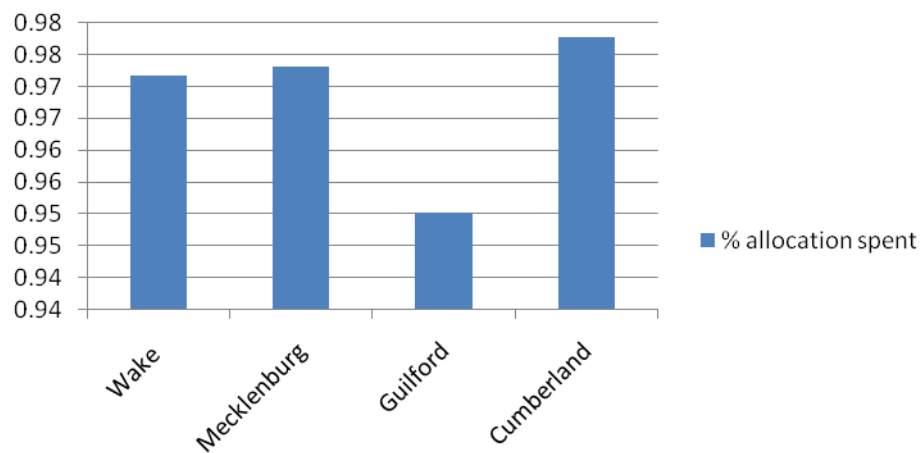
Data from North Carolina Division of Child Development 2009-2010



### Average cost per child



### Percent allocation spent



**Child Care EBT (SEEK) Payment Delivery System  
Vision and Advantages for North Carolina**

**Overview of the Proposed EBT System**

The EBT System is called Subsidized Early Education for Kids (SEEK). EBT is an attendance reporting and payment delivery system that interfaces with the legacy system. This approach allows for the interface and inclusion of the EBT payment process into NCFAST being developed with Curam. NC FAST is case management and stops at payment delivery, which is where EBT starts.

The EBT child care payment system includes a Point of Sale (POS) card-swipe machine and process that tracks attendance in real time. These POS units are provided as a cost to the state in contracting with a vendor at no cost to the provider. The state purchases the units and then incurs a per child administrative fee. The POS parent swipe cards are encrypted for security.

An “800” number call center provides a “Help Desk” service for providers that initiates and maintains “pin” numbers, make changes as needed, and payment reconciliation when necessary. A separate “800” number provides a “Help Desk” service for Child Care recipients as well. Help Desk Services are to be included in the EBT vendor contract.

The payment system will utilize a direct deposit payment delivery method to the provider community. Direct deposit payments from the state level to the providers offer a cost effective and efficient automated payment delivery process that will save program dollars to be reinvested into child care services for eligible children and families. Operational cost will be reduced by centralizing the 100 individual county payment systems currently being utilized.

**Advantages of EBT**

Time and attendance of children participating in subsidized child care can be recorded more efficiently and more accurately with the implementation of an automated system. This would reduce the administrative burden for both the individual child care providers as well as staff within local county departments of social services. Additionally, attendance information will be accessible in real time by both the county and state-level staff and the participating provider through access to a website maintained by the EBT vendor. This first phase of automation will start in Wake County in July 2011.

**Anticipated Program and Administration Savings**

- Increased accuracy in time, attendance and payments as well as reduction in potential fraud through increased automated program integrity measures
- Reduced burden on child care providers in tracking time and attendance
- Faster, more efficient “weekly” payment delivery to providers
- Reduced administration costs for the county DSS in recording time and attendance and making payments to child care providers
- Reduced state administration costs associated with entering reimbursements to the county DSS through the cumbersome and antiquated “turn around” reimbursement process now sent to each county to provide payment to providers.

**Child Care EBT (SEEK) Payment Delivery System  
Vision and Advantages for North Carolina**

Alice DeLaney, Project Manager will oversee EBT development and implementation. Six teams and focus groups have been activated to work in collaboration for the successful implementation of the EBT system: Tech Team, Policy Team, Detail Design Team, Implementation Team, Provider Focus Group, and a Parent/Recipient Focus Group. The Project Manager position is funded through the American Recovery and Reinvestment Act (ARRA) funds. The RFP is currently being prepared, so a vendor has not yet been chosen.

**Current Payment Process**

- Applicant applies for child care services at the LPA and receives a voucher to take to the provider of choice
- Provider completes the provider portion of the voucher and mails back to the LPA
- Provider tracks class room attendance for the child
- Provider transfers class room attendance information onto the Provider attendance report approved by the LPA and sends overall attendance report at the end of the month to the LPA
- LPA staff key the attendance information for each provider caring for subsidized children into the Subsidized Child Care Reimbursement System (SCCRS)
- Division of Information Resource Management (DIRM) runs the SCCRS reimbursement summary report monthly for each county and mails this large cumbersome document to the LPA
- LPA staff hand process the document to ensure the payments have been entered appropriately into the SCCRS and sends the reimbursement summary to the county fiscal staff for payment
- LPA fiscal staff process payment information into the county payment system and print a check or create a direct deposit to each provider usually 4-6 weeks after the care has been provided
- LPA is reimbursed for child care funds spent

**Proposed EBT Payment Process**

- Applicant applies for child care services at the LPA and staff enter payment authorization data onto the EBT card through an EBT data base portal of entry
- Recipient receives a personalized EBT swipe card and orientation training regarding use of the card
- The recipient will swipe the card though the POS machine at the provider of choice and enter the child's PIN and "time in" for the child when dropped off for care and "time out" when child is picked up. \*Processes will be in place when there is a unique situation to be considered for the authority to swipe.
- EBT system provides attendance information electronically in real time to the vendor that will direct deposit payments for providers weekly on a specified day at the state level
- EBT vendor will provide a "800 Help Desk" service separately to providers and parents
- EBT vendor will invoice the state for reimbursement of child care expenditures authorized