7. Child Care

Welfare programs have always supported large numbers of very young children and their mothers. According to 1997 data, nearly one-third of children receiving welfare benefits, whether as part of an assisted family or on their own, are younger than four years old. Another 27 percent are between six and nine years old—elementary school–aged children who require after-school supervision. As welfare policy has increasingly required that mothers work as a condition of continued welfare receipt, the need for child care has become more pressing.

In this section, we examine child care issues, beginning with a background discussion that examines the policy and legislative context of the pre-PRWORA (Personal Responsibility and Work Opportunity Act)/CalWORKs welfare reform efforts. We then discuss the policy and legislative context within the PRWORA/CalWORKs context, and conclude with a discussion of the institutional context and funding streams associated with child care. We then examine the statewide California Department of Social Services (CDSS) and county-level child care concerns that have surfaced as a part of our analysis. We draw on the state and county-level interviews we conducted (in both the focus and follow-up counties),[195] field interviews with Alternative Payment Providers (APPs), and data from this year's APP supplement to the All-County Implementation Survey (ACIS) (see Appendix A for further discussion of this survey), designed to more formally elicit information about those agencies who serve as the brokers between the counties and the providers of child care. The perspectives of the CWPs themselves were collected in the main ACIS and in key informant interviews in the focus and follow-up counties.

Background

Policy and Legislative Context—Before PRWORA and CalWORKs

Child care had been a significant part of welfare reform legislation prior to PRWORA. When the Family Support Act (FSA) of 1988 established the Job Opportunities and Basic Skills (JOBS) training program—which required not merely registration but the participation of welfare mothers in work

[195]As discussed in Appendix A, we pursued child care issues in detail in three of the six focus counties and in two of the 18 follow-up counties.

activities—child care, transportation, and reimbursement for other work-related expenses were a part of the package of support services covered by the program.

In 1996, prior to welfare reform, the Administration for Children and Families (ACF) administered three programs to assist low-income families. Title IV-A funds were provided through Aid to Families with Dependent Children (AFDC) for eligible families through the Transitional Child Care (TCC) program, which provided subsidies for families leaving AFDC and At-Risk Child Care for families who would be on AFDC if they did not have subsidies, and child care for participants in JOBS/GAIN. In 1995, the average number of children served by these programs was 233,027 in AFDC (JOBS part); 209,020 in AFDC; 141,017 in TCC; and 198,991 in At-Risk Child Care.

The Child Care and Development Block Grant (CCDBG) was created in 1990 to provide child care for low-income families. In 1995, more than $573 million in federal funds was spent in the CCDBG, primarily serving school-aged children (6–18 years) in center-based care. In all, 668,735 children received subsidies through the CCDBG in 1995; the allocation for the CCDBG in 1996 was $935 million. In addition to the programs administered through ACF, federal funds pay for Head Start.

According to an Urban Institute (UI) report (March 1998), California spent $2,622 in state funds per poor child in 1995, prior to CalWORKs.[196]

Policy and Legislative Context—After PRWORA and CalWORKs

Both the federal (PRWORA) and state (CalWORKs) welfare reform legislation recognized the need for child care. The Republican-controlled Congress's 1995 reform bill (H.R. 4, The Welfare Reform Act) was vetoed by President Clinton because, he stated, it contained insufficient funding for child care—a step that paved the way for the child care provisions that emerged in PRWORA. Welfare reform combined the funding streams for all Title IV-A programs into a block grant to the states.[197] The federal allocation for the Child Care Development Fund (CCDF) was $3.2 billion for the entire country in FFY 1999. The fund provides subsidies for eligible families through certificates or contracts with providers administered through state and local agencies. A small percent of the

[196]In a 1992 survey (Urban Institute, 1998, p. 41), California ranked sixth in per-child expenditures on child care and early childhood development programs; in 1994, it ranked fifth in the percentage of sales tax revenues spent on child care and early education. According to that same report, California is also one of only ten states that has had a state-funded pre-kindergarten program since 1980.

[197]Head Start continues to be funded directly.

money must be used to improve the quality of child care or parental education. The 1998 allocation for California was nearly $100 million, based on historical spending in 1994–1995.[198] Despite these child care provisions, critics of the legislation worried that—as with the FSA—the legislation did not include sufficient funds to provide the required services, including child care.[199]

The explicit intent of the CalWORKs legislation was "to provide sufficient funding through an appropriation in the Annual Budget Act to fund the estimated cost of providing child care for all individuals who are anticipated to need child care to participate in welfare-to-work (WTW) programs and to transition to work" (Section 8359.1). This intention was consistent with the legislation's strong push to enroll and engage a large share of welfare recipients in work and training activities for which child care would be necessary.

Both the CDSS and the California Department of Education (CDE) were historically involved in the delivery of child care for welfare and low-income families, respectively. Concerns about ready access to child care and ensuring parental choice led legislators and Governor Wilson's staff to decide that both agencies should be involved in the new system.

A compromise was reached that created three stages of care designed to correspond with families' child care needs as they moved from welfare to work under the CalWORKs program (as shown in Table 7.1). Stewardship of the stages would change from Stage 1, to be managed by CDSS, to Stages 2 and 3, run by CDE.

Most county- and state-level staffers hoped that welfare reform would provide the impetus for the creation of a simpler, less categorical system than the many separate programs under AFDC/Greater Avenues for Independence (GAIN). Advocates hoped that a simpler, more unified system would be a first step toward child care entitlement for the working poor. Indeed, said one interviewee, "(the) three stages evolved to assure that working poor families had access to child care." Contrary to their hopes, the three-stage compromise did not fulfill any of these goals.

According to the legislation, counties could choose whether the County Welfare Department (CWD) or one or more APPs would handle Stage 1 care. Although the legislation sets a six-month limit on being in Stage 1, it notes that that limit

[198]See http://www.acf.dhhs.gov.

[199]The legislation permitted counties to excuse with good cause adults from participating in GAIN because of a lack of child care, and most did so.

Table 7.1

The Three-Stage Child Care System: A Legislative Compromise

Stage	Description	Lead Agency	Local Provider
1	Families in "unstable" work or educational activities; first six months of assistance or until "stable" while eligible for aid and for two years after leaving aid (or if Stage 1 funds are not available)	CDSS	CWD, may contract to APP
2	Families with "stable" WTW situations; while eligible for aid and for two years after leaving aid	CDE	APP
3	For grant diversion cases and families making the transition off welfare[200]	CDE	APP

may be extended "if the county determines that the recipient's situation is too unstable to be shifted to the second stage or if no funds are available to provide child care services in the second stage" (AB-1542, Section 8361a). In practice, each county could and did define "stable" differently; these definitions dictate the timing of movement from Stage 1 to Stage 2. (See below in the "County Concerns" section for a discussion of this issue.)

The passage to Stage 2 is intended to be primarily administrative. Responsibility for child care payment moves to one or more APPs overseen by the CDE. In law, the second stage begins when the recipient's work or approved work activity is "stable": "The second stage shall be administered by agencies contracting with the CDE. These contractors may be either agencies that have an alternative payment contract pursuant to Section 8220.a or CWDs that choose to administer this stage" (AB-1542, Section 8353). While the family's actual child care provider is unlikely to change as the recipient moves, for example, from Job Club to subsidized work, administrative oversight of payments has changed from CDSS to CDE, even if the same APP makes the child care payment at Stage 2. Families can remain in Stage 2 while on cash aid and for up to two years upon leaving cash aid.

Stage 3 provides subsidized child care to current and former CalWORKs recipients. Under current policy, the subsidies are available without a time limit as long as the family has a young enough child and low enough income.[201] Because policymakers recognize that child care costs account for a large share of a low-income family's total income expenditures, this stage is designed to help

[200]For SFY 1999/2000, Stage 3 is limited to families "timing out of Stage 1 or Stage 2."

[201]As discussed below, the entitlement status of Stage 3 care may change as the current administration struggles to provide some degree of equity between former CW families and those who were never on aid, while still controlling child care allocations.

recipients maintain some child care subsidy even when they are no longer eligible for cash assistance.

CalWORKs recipients are to be moved to Stage 3 care "when a funded space is available" (AB-1542, Section 8353). At the end of our fieldwork (late summer of 1999), few clients had reached the two-year post-aid limit, so that the considerably lower funding level for Stage 3 than Stages 1 and 2 had not yet caused problems.[202]

CalWORKs and former CalWORKs families were to receive preference for Stage 3 subsidies, creating concern that working poor families with no welfare history might be induced to go on aid simply to qualify for subsidized child care. Demand exceeded the initial estimates; the supply of child care subsidies in Stage 3 has since been augmented, as discussed below. In fact, several interviewees told us that their county puts applicant families on the "greater arena" waiting list even as they enter Stage 1. Some believe that by dividing child care into three stages and using the CCDBG funds for Stage 3 care, the plan recognized in theory the child care needs of working poor families, who would be served in Stage 3. The structure of the priority system, which gives CalWORKs and former CalWORKs families first call on available Stage 3 slots, means that without adequate funding, the needs of the working poor with no welfare history will necessarily be eclipsed. Governor Davis has taken a number of actions to address these issues including the establishment of a working group headed by the Secretary of the State Consumer Services Agency to study ways to provide care for low-income working families, as well as the legislative appropriation. This $17.5 million in FY 1999/2000 for "greater arena" child care is for families that have never been on welfare.[203] There was also an appropriation of like amount to extend the period of eligibility for subsidized care for former recipients. A separate $6 million appropriation was then added to Stage 3 for former CalWORKs families, which was not matched.[204]

---

[202]Some believed that the lower level of funding for Stage 3 was justified in the early years of CalWORKs because few families had reached that point. Funding levels have begun to shift as more families are close to needing Stage 3 child care services. (See discussion below on the three-stage system for more on funding initiatives.)

[203]Some respondents viewed money from Proposition 10 (California Children and Families Act, 1998) as a potential windfall for subsidized child care.

[204]It was noted by a CDSS staffer that the same appropriation may not produce equity between the two groups. Former CalWORKs families are entitled to a child care subsidy for two years post aid as long as their income is below the 18 percent state median income (SMI). Thus, ex-CalWORKs recipients with higher incomes receive subsidies while others (not recently on cash aid) do not receive subsidies.

A provision was included in the legislation to support parental choice and license-exempt care. This provision (AB-1542, Section 8208.1) specifically notes that parents may decide what type of care their children will receive, including care in a licensed center, licensed family day care home, or care provided by a relative, friend, or neighbor in the provider's or the child's home. Section 8208.1 specifically notes that "child care exempt from licensure is a valid parental choice of care[;] . . . no provision . . . shall be construed to exclude or discourage the exercise of that choice."

The CalWORKs legislation also addresses the provision of training for licensed and license-exempt child care providers. In particular, the legislation specifies in Section 8358(c) that all "CWDs and alternative payment programs shall encourage all providers . . . to secure training and education in basic child development." Only a few CWDs and APPs, discussed below, have acted on this provision. Consistent with this provision, CDSS approved U.C. Davis's "Child Care at Its Best" training, which provides 16 hours of training for licensed family child care providers that includes infant and toddler development and quality improvements. As of January 2000, more than 18,000 providers across the state have enrolled in this training, which is also provided in Spanish. However, the program was never mentioned during our fieldwork.

The legislation also stipulated that child care providers must be licensed or be "Trustlined," which means their fingerprints are checked to determine if the providers have committed felonies.[205] However, as discussed in detail below, some license-exempt providers were also exempted from Trustline requirements.

Under the legislation, counties have significant discretion in determining how and when recipients are to be screened for child care needs, as well as which agencies will provide the services. Counties also may excuse welfare recipients from CalWORKs participation by certifying that child care is not available. The CalWORKs legislation and ACL 97-72 specifies that the good cause criteria include child care; an exemption from the requirement to participate in WTW activities may be granted if "licensed or license-exempt child care is not reasonably available during the individual's hours of training or employment." The lifetime time limit, however, continues to apply and such months count toward the time limit.

Results from our survey of local APPs indicate a lack of available child care, especially for infants and mildly ill children, and for recipients working

[205]Trustline is a process developed by the Department of Justice in response to concerns about child safety in license-exempt care.

nonregular hours. (See Table 7.10 below.) However, to date, senior CDSS staff members report that well under 50 families statewide have been granted good cause for a lack of child care; CDSS staff note that lack of child care has not kept CalWORKs participants from involvement in WTW activities. It seems probable that participants are managing by turning down certain shift jobs or relying on license-exempt care when they might have preferred licensed care. (See discussion below on child care choice.)

Under CalWORKs, individual counties were to oversee child care services. Each county's CalWORKs plan was required to provide assurances that child care would be made available to CalWORKs participants. ACL 97-54 specified that county plans were to indicate "how child care services will be provided to CalWORKs participants . . . [including] a description of how the county will provide child care for families transitioning from county-funded providers [CWD] to non-county-funded providers [Alternative Payment Programs, APPs] of child care services."

A number of other child care debates were raised as the CalWORKs legislation was written. The counties—through the California State Association of Counties (CSAC) and the California Welfare Directors' Association (CWDA)—argued unsuccessfully for an across-the-board exemption for children under one year from WTW participation requirements because of the high cost of infant care and the limited number of infant slots available. Senior officials in some conservative counties wrestled with the proposal: They wanted women to work as soon as possible, but did not want to pay for costly infant care. The final legislation included a compromise that allowed each county to decide how long it would exempt new mothers.

Institutional Context

The complexity of this system helps to explain many of the state-level issues we consider in the next section. Responsibility for child care and child development services has historically been split between CDSS, for welfare recipients; and CDE, for the working poor. To the extent that low-income families move between these two categories, the division of programs between the two agencies, as well as multiple funding streams, makes low-income child care complicated. CDSS has administered most federally funded, AFDC-related child care programs. CDE is responsible for all state-funded child care and early childhood development programs, as well as for the federal CCDBG. These CDE programs, which prior to CalWORKs accounted for the bulk of public child care funding in California, are delivered in the counties by APPs, local agencies that administer vouchers for child care to the working poor.

The two agencies differ in the emphasis they put on education as a goal of publicly subsidized child care, and thus differ in their approaches to providing it. CDE is more child-focused and thus views these programs primarily as an opportunity to facilitate child development and education by providing enriched, developmentally appropriate experiences for children. The child development focus means that CDE programs are almost always costlier; therefore, their funding does not go as far, and they are not able to serve all eligible families.[206] According to a CDE staffer, CDSS initially perceived the CDE programs as "the Cadillac of children's programs," a term that is generally used by child development outsiders to portray such programs as full of unnecessary frills (Zellman and Johansen, 1995).

DSS views child care programs through a different, more adult-focused lens. While also concerned about quality, CDSS sees publicly funded child care programs primarily as a means of enabling parents to find and keep employment. While child development and education is important, this latter perspective emphasizes availability and stability.

A 1998 Urban Institute report notes that prior to CalWORKs implementation, the two different systems have resulted in "inconsistent policies and procedures" (p. 41). Moreover, the report argues that these two systems have made it difficult for many families to receive services to which they are entitled; this is particularly the case for families who are moving from welfare to working poor status. The Policy Analysis for California Education (PACE) report echoes this view: "Child care governance and administration is fragmented at the local level. . . . There is no well-defined, unified local government role for governance, planning, coordination of services, or program administration."

In the counties, CalWORKs programs administered by CDSS through the CWDs represent the "front end" of the system. At the "middle" of the system are the APPs, which receive the funding provided by CDE (and, in some counties, by some CWDs) and distribute it to the various providers of the child care services themselves—the "back end" of the system.[207]

---

[206]For example, at the time of our site visits, licensed care was reimbursed at $4.76 per hour in Alameda County; for 40 hours per week of care, the cost per month is $818.72. License-exempt care was reimbursed at the rate of $2.54 per hour, which, at 40 hours per week, comes to $436.89. (These figures are for children age two to five; rates for infants are higher, and rates for school-age care are lower.)

[207]APPs can be resource and referral agencies for providers as well as be providers in and of themselves. Our survey of APPs revealed that 45 percent of APPs provide child care themselves; 79 percent provide resource and referral services. (See Appendix A for details on this survey.)

Providers themselves may be licensed (mostly child care centers or agencies but also family child care providers who provide care in their own home) or unlicensed (providers who may care for only one family's children in addition to their own in their own home or in the family's home).

Funding Context

As with most of the funding streams for support services, there are different sources of funding for child care services. Separate streams flow through CDSS and CDE. Federal Temporary Assistance to Needy Families (TANF) Stage 1 money flows through CDSS down to CWDs which, if they choose not to administer Stage 1, contracts with APPs. The CWD (or APP on contract) then distributes funds to providers. Similarly, some TANF dollars transferred to the Child Care and Development Fund (CCDF) and state child care funds for Stages 2 and 3 flow through CDE and to APPs which, in turn, distribute the money to providers of child care services. (See Appendix B for more discussion of child care funding streams.)

State-Level Issues

Most of the state-level issues that surface in the analysis have to do with the institutional division between CDSS and CDE. They center on the three-stage system of parental choice, equity issues, and quality issues. There are also concerns about the lack of up-front local-level planning and the implications of the Fair Labor Standards Act (FLSA).

Interagency Cooperation in the Three-Stage System

The three-stage system born of legislative compromise was understood by both CDSS and CDE to potentially complicate the delivery of child care to CalWORKs participants. When the CalWORKs legislation passed, the two agencies had different regulations, different ways of calculating eligibility, and very different cultures. From shortly after the passage of the legislation, both agencies worked together on several initiatives to make the system as seamless as possible.

CDSS and CDE continued a joint working group, referred to as the CalWORKs Implementation Workgroup, to consider child care issues jointly. It met in June 1997 (before the final CalWORKs legislation passed) to discuss implementing ACLs and continued meeting approximately monthly at least through the end of our fieldwork (in the summer of 1999). Among the issues considered by that work group were fiscal claiming issues, Trustline, health and safety certification, fraud and double payments, informing notices, capacity building, data collection, minimum wage, two-year time limits, and the implications of child care in other state regulatory issues and the proposed federal regulations.

This work group developed a single application that could be used in all three stages of child care to collect the information to determine whether families are eligible for CalWORKs child care. A Joint Management Bulletin (JMB, 98-01) was issued in January 1998 providing the unified form and instructions on its use.

The work group also identified a series of issues that could be resolved by statutory changes, many of which were included in AB 2779 (passed August 21, 1998). For example, CDE no longer counts Supplemental Security Income (SSI) in computing eligibility for Stages 2 and 3 care, a change that brought it in line with CDSS policy. Before this change, families who were receiving Stage 1 care and SSI found themselves ineligible for care when they were ready to move to Stage 2. CDE and CDSS also had been operating under different eligibility requirements.

The two departments also worked together to develop data collection forms. CDE released its data collection form, the CD 802 form, in April 1998 (in Management Bulletin 98-07). CDSS released its form, the CW 115, in May 1998 (in ACL 98-30).

Despite these CDSS-CDE coordination efforts, nearly everyone to whom we spoke during our fieldwork at the state and county level agreed that the three-stage system should end. Said one CDE staffer, "it is not good government to pay for complexity." The three-stage-system problems are many—something that is apparent to county-level participants. Notes one, "Give us either CDE or CDSS to administer child care. . . . We (APPs) each send five reports to the state every month." In the late summer of 1999, one county representative said on the ACIS:

> Until the state provides adequate funding for Stage 2 and 3, we are unable to have an effective child care program that allows for "transparent transition" between stages. Also, there is much confusion due to different rules that are applicable to the three stages. In spite of the diverse program, this county has been successful in contracting with the Resource and Referral agencies for Stage 1 services, which allows one local administration for the three stages. One stage administration for the stages could improve the program's efficiency.

Most county-level interviewees noted that CDE and CDSS speak with two voices. Said one interviewee, "no matter what issue, the two departments view it differently." For example, this same interviewee asked CDSS and CDE for guidance concerning how to allocate cases between the two county's APPs. One department told her it would be micromanaging if the county split cases by geography. The other advocated such a geographic delineation. Said another, "This [three-stage system] is a byzantine, bizarre system." At least some of the assumptions underlying the three-stage system—e.g., that families do become stable and that most Stage 3 families will eventually earn enough so that they will not need a child care subsidy—may be wrong.[208] A CDE staffer noted, with regard to the latter assumption, "some families will not income out. Where will we get the dollars for their child care?"

At the beginning of SFY 1999/2000, interaction between CDSS and CDE and the three stages were further complicated by funding issues. Governor Davis line-item vetoed $50 million of Stage 3 funds. Furthermore, a large fraction of the remaining child care funds were held in a reserve controlled by the Department of Finance. CDE experienced difficulty in drawing those funds because of a process that an informed observer called "cumbersome and time-consuming." As a result, there were widespread reports of problems with the arrangement of child care and the transition between stages. We will examine this sequence of events and its implications in more detail in next year's report.

Parental Choice

Many families believe that the most desirable child care provider is a close family member, such as a grandmother, aunt, or uncle. According to the Census Bureau, the primary child care delivery system for preschoolers in families with employed mothers is home-based care. Only 30 percent of all preschoolers were cared for in organized facilities in 1993 (the last year for which data are available). Further, families where mothers are employed at "shift work"—the primary mode for many CalWORKs families—use the following types of care, as shown in Table 7.2.

Additionally, poor children are more likely than nonpoor children to be cared for by relatives (57 percent versus 46 percent). As mentioned above, the CalWORKs legislation explicitly recognized—in its parental choice provision—the strong preference that some parents have for such providers by creating an exemption in the legislation that allows immediate family members who are not living in the aided unit to be paid to care for the children of CalWORKs participants

[208]The idea that many families will eventually earn enough to no longer need a child care subsidy is part of the work-first idea that labor market participation will, by itself, lead families to become self-sufficient. As discussed in Chapter 12, many counties have begun to doubt the validity of this assumption and are tilting their WTW programs toward education and training.

without a license. As was true before CalWORKs, they also continued to be exempted from a Department of Justice Trustline procedure that checks for a criminal record. Trustline-exempt relatives include grandparents, aunts, and uncles. However, as a Trustline manager to whom we spoke noted, "there are slightly different requirements for Stages 2 and 3 than for Stage 1." In particular, great grandparents and great aunts and uncles are not Trustline-exempt in these stages (an example of differing CDSS and CDE regulations).

Interviewees within and outside CWDs expressed serious concerns about such Trustline exemptions. The problem with these exemptions, said the same Trustline manager, is that no verification is required to establish one's entitlement to a Trustline exemption. Most CWDs and APPs, following the legislation, are satisfied to ask parents about the relationship of the potential child care provider to the child. However, our interviewee noted, "boyfriends become uncles very quickly." Responses to the APP/ACIS survey indicate that all APPs are very or somewhat concerned about fraud in license-exempt care. In comparison, only 29 percent worried about fraud in licensed family care.

Table 7.2

Percentage of Children in Child Care for Employed Mothers by Work Shift

Type of Care	Percentage of Children in Child Care for Mothers on Day Shift	Percentage of Children in Child Care for Mothers on Night Shift
Care by relative	35	51
Care in the child's home (nonrelative)	23	18
Organized child care	35	21
Other arrangements[a]	6	9

[a]Includes mothers who care for their children at work and preschoolers in kindergarten and school-based activities.

SOURCE: Casper (1996).

Moreover, the Trustline process is slow, which subjects children to risk. Said one interviewee, "the APPs get notice through certified mail from Trustline if payments to a provider must be stopped because of a negative screen. . . . It takes 4 to 6 weeks for Trustline clearance." And a nontrivial percentage of Trustlined providers receive a negative report. Said one interviewee, "Eight percent of providers sent to Trustline are not given clearance because of criminal activity."

Consistent with its focus on providing developmentally appropriate care, CDE had concerns about the parental choice provision. Said one respondent at CDE, "license-exempt care is generally lower-quality. Our challenge is to accept this as a parental choice and try to provide quality improvement outreach for training and health and safety."

Policymakers in CDE viewed the TANF legislation as an unprecedented opportunity for poor children to receive high-quality, developmentally appropriate care in settings where well-trained staff provided that care. Some in CDE even argued that restricting parental choice to such centers would constitute an enormous "bonus" for children. The market value of this care would far exceed the value of the cash welfare payment to the family, particularly in families with multiple preschoolers;[209] even more important, the value of the learning opportunities would remain with the children throughout their lives.[210]

Consistent with its vision of child care as a necessary service to get parents employed and as a parental choice, CDSS took a different view. It wanted to ensure the availability of child care and minimize the logistical difficulties that parents might encounter in getting their children to child care and themselves to work, particularly in the earliest Stage 1 period when some parents are using care for the first time. Further, CDSS wanted to lower any psychological barriers that might be imposed by the "institutional" nature of child care centers that in addition would not provide care in a non-English-speaking family's native language. They were well aware of studies that showed significant differences in child care preferences among parents (e.g., Casper, 1996). Immigrant and language-minority parents in particular tend to prefer family care over nonfamily care, home-based over institutional care. CDSS was also concerned that CalWORKs families could not continue to pay for the enriched care that CDE preferred because few would be able to afford market rates for such care after their transitional child care subsidy ended.

Certainly, family child care minimizes both out-of-pocket and logistical costs. Family child care providers can usually be found in the neighborhood, obviating the need for an additional trip to drop off the children before reporting to work or training, sometimes in the opposite direction, often on public transportation. In addition, costs of family child care are generally lower, which may enable parents to continue to use the same provider once they transition off aid and

[209]The "going" rate for licensed care for preschoolers is $4.76 in one of our focus counties, as discussed above, with a higher fee for infants. If a family has three children under five, the welfare payment is easily exceeded by the cost of child care, which would be more than $800 per child per month for full-time (40 hours per week) care.

[210]Recently released results of the Abecedarian Report study of poor children who were randomly assigned to receive high-quality early education for a five-year period beginning in early infancy found that in early adulthood these individuals were significantly more likely to attend college, delay child-bearing, and score higher on cognitive tests (Campbell et al., 1999).

begin to assume responsibility for the cost of care themselves. Moreover, the ability of parents to maintain the same child care provider constitutes a bonus for children. Numerous studies have documented the disadvantages of staff turnover for children (e.g., Whitebook et al., 1998). Some in CDSS have argued that family child care providers may be able to connect more strongly with their charges because the ratios are smaller (except for the youngest children). Finally, family child care providers can provide a degree of flexibility in child care arrangements that is virtually never offered in child care centers. Family child care providers may allow parents to bring children who are slightly ill and may be available to care for children during evening and weekend times when centers are almost always closed. Such flexibility with regard to time is particularly important to parents who are just beginning to work, since the minimum-wage, service-sector jobs they typically qualify for when they first (re)enter the workforce often require work at odd hours on constantly varying schedules.

Unlicensed providers are allowed to care for the children of only one other family (in addition to their own children). They are not required to undergo any training. Some APPs do not require that such unlicensed providers appear in person at the APP to set up payment, but most do. These latter agencies told us that by requiring the provider to make an appearance, the agency conveys a message that the relationship that is being established is something other than informal and that the caregiver should regard herself as more than a babysitter. But some in CDSS suggest that such required appearances create a "seam" in the system and may interrupt movement from Stage 1 to Stage 2. Data from the APP component of the ACIS indicate that 81 percent of responding APPs required license-exempt providers to appear in person; another 13 percent encourage them to do so.[211]

Equity

Child care advocates hoped that the impetus created by CalWORKs to "get people off cash aid and into a lifestyle of the low-income poor," as one interviewee described it, would highlight the needs of the working poor to subsidized child care. However, many advocates worry that CalWORKs is simply taking money away from the working poor to fund child care for CalWORKs participants and former participants. As discussed earlier, Stage 3 funding, for which CalWORKs participants and former participants as well as the working poor are eligible, was funded inadequately at the outset of

[211]Nearly two-thirds of our respondents cited clients missing appointments as an important barrier to service delivery. APPs reported an average no-show rate of 34 percent.

CalWORKs. While this made sense at the time, since CalWORKs was just gearing up, advocates worried that the funding increases necessary for Stage 3 care might not be forthcoming, and former recipients would need to cycle back on aid when they could not find the subsidized care they needed to continue to work.[212] As discussed above, one of the two new pots of Stage 3 funds added to the governor's SFY 1999/2000 budget should help to reduce equity concerns by funding more slots for the working poor who have not been on CalWORKs.

Another aspect of equity concerns the CWD staff who help CalWORKs participants find care. We heard repeatedly from managers during our visits and interviews that many eligibility workers (EWs) are very resentful of CalWORKs participants, who get child care along with other services while the EWs, many of whom are single parents themselves, struggle on low salaries to pay for child care and other needs.

Yet another equity concern is about the adequacy of funding. As we show later in Table 7.12, all of the counties in which we pursued child care issues substantially increased child care expenditures from SFY 1997/98 to SFY 1998/99. Indeed, some county interviewees to whom we spoke are concerned that they will not have nearly enough. Under TANF requirements most families must work. By 2002, 50 percent of the caseload will have to be working at least 30 hours weekly. At the same time, the legislation eliminated an entitlement to child care assistance. The National Center for Children in Poverty (p. 4, Issue Brief 2) noted that nationally, initial funding would be insufficient to meet the need for child care. Under that scenario, policymakers would be forced to target virtually all child care subsidy funds to working welfare recipients, raising an issue of equity in relation to poor and working families with no history of welfare recipiency and creating a perverse incentive to seek welfare. Governor Davis has recognized this problem and taken steps to provide additional Stage 3 funding, discussed above, which may reduce equity problems.

Child Care Quality

Many child care advocates are deeply concerned about the parental choice provision in the legislation because it often is paired with a distinctly hands-off approach by the counties. The parental choice provision in the CalWORKs legislation elicits tensions between work-focused and child-focused CalWORKs observers and implementers who recapitulate chronic issues in the debates over

[212] Indeed, spending just a few months on aid resets the clock on services availability. A family coming off a month of welfare is entitled to two years of subsidized child care.

child care. For some, parent choice implies nothing about child care quality. Parents can pick high-quality, moderate-quality or poor-quality care. Moreover, knowing that in-home care, often provided by a family member, is unlicensed says little about the quality of that care, but, as one county-level child care staffer noted, "Just because you are license-exempt doesn't mean we can't encourage you to meet quality standards."

Those who are less sanguine about parental choice feel that way because they believe that parental education and knowledge about how to recognize and select high-quality care is generally inadequate. Said one interviewee, "The child care people saw CalWORKs as a golden opportunity to get kids into better care. However, under the guise of parental choice, the social services folks took the position of 'get the kid taken care of.'" The literature tends to support the view that parents' choices may not adequately weigh quality. A number of studies (e.g., Johansen, Leibowitz, and Waite, 1997) find that parents base child care decisions foremost on convenience and cost. Some, believing that quality is not ascendant because parents do not know what to look for, have attempted education and the development of rating systems to help parents choose high-quality care (e.g., Educare, 1999). Said a county-level interviewee, "I do not think most people would chose grandma if they knew grandma just stuck the kids in front of the TV all day."

APPs who responded to our survey appear to be ambivalent about parental choice and license-exempt providers. As shown in Table 7.3, opinions about license-exempt care are strong. They are also inconsistent; while most of the people who responded to our APP survey recognize and support parental choice, they also express clear preferences for licensed care. Finally, a child care advocate to whom we spoke noted that parental choice sometimes is not a choice at all, but is forced by CalWORKs program requirements. Parents who are told that they must report within days for a CalWORKs activity generally cannot find licensed care so quickly. Some feel forced to use license-exempt care or risk

Table 7.3

Percentage of APP Respondents Who Agree with Statements About Parental Choice

Statement	Percentage Agreeing
Parents are the best judge of the types of child care their children should have	71
All children would benefit from licensed care	69
License-exempt care might be convenient, but is not good quality	64

sanction, even though in practice a phone call to their worker would provide them more time to find care without penalty.

As many observers expected, most of the Stage 1 care that is being provided to CalWORKs recipients is license-exempt. According to the Trustline manager to whom we spoke, between 1,900 and 2,000 clearances are run monthly; over 1,000 are for Stage 1 care. (According to this same Trustline manager, about 8 percent of providers are denied a clearance.) Moreover, this number does not include the many Trustline-exempt Stage 1 providers. As shown in Table 7.4, data from the APP/ACIS indicate that almost half the APP clients use license-exempt care. The figure is even higher for Stage 1 families.

The counties have dealt with this quality concern differently. In most counties, the APPs absolve themselves of responsibility for kinship verification, citing the law and regulations: "The regulations don't require proof of kinship," said one county manager responsible for child care. Moreover, concerns about the Fair Labor Standards Act, discussed below, have led at least a few of the counties in which we pursued child care issues to retreat even further from any kinship verification effort. At the same time, Fresno County has taken a proactive stance on Trustline-exempt providers. After several cases where a Trustline-exempt provider was later determined to have a criminal record, the county has refused to make payments in cases where there is good information that a relative would not be granted a clearance if they were Trustlined. According to a Trustline

Table 7.4

Mean Percentage of Families Who Use Type of Care

Type of Care	All Families	Stage 1 Families
License-exempt care in the child's home	11.64	15.45
License-exempt care not in the child's home	37.70	47.82

NOTE: Cell entries are simple tabulations of APP responses.

manager to whom we spoke, in nine out of 10 such cases, the parent switches providers after payment is denied.

The Fair Labor Standards Act

The Fair Labor Standards Act (FLSA) has presented a major challenge to CDSS in terms of some of the child care services it pays for. The FLSA specifies that regular work in other people's homes must pay at least the minimum wage. The terms of the act apply to child care providers who deliver care to the children of CalWORKs recipients. Because licensed care providers may serve up to six children, FLSA requirements are generally moot in licensed care. However, FLSA requirements can become an issue when an unlicensed provider (who may care only for her own children and those of one other family) delivers in-home care and that family has just one child. In this case, the provider cannot earn the minimum wage based on CDE reimbursement rates. According to a CDE interviewee, the U.S. Departments of Labor and Social Security, as well as the Franchise Tax Board (FTB), CDSS, and CDE have all tried to deal with this issue but are unsure how they can settle it. At the county level, APPs in Los Angeles and Orange Counties have refused to pay such "in-home" providers because of FLSA concerns; Sacramento County awaits clarification from its County Counsel. These payments are processed by each of the counties.

County Concerns

County concerns that have surfaced during our analysis center on a number of issues, including planning, how the various counties define stability—the key criterion for moving between Stage 1 and Stage 2—and how to organize staff to deal with child care issues. The concerns also include training for county staff, training for providers, and training for participants about selecting child care for their children. In addition, there are concerns about fraud and about how the institutions involved—CWDs, APPs, and providers—will work together. Finally, we examine some county variations in spending child care funds and in organizing the administration of child care funds across the three stages.

The Lack of Local-Level Planning

Just like every other aspect of CalWORKs, local-level planning for child care services for CalWORKs recipients suffered from the accelerated CalWORKs implementation schedule. According to a CDE respondent, the law passed with relatively little thought about implementation of new requirements.

Neither was there time to consider, much less to plan for, the difficulties that have arisen because of other initiatives, including the expansion of Head Start and California's Class Size Reduction Initiative. This latter initiative prescribed class sizes of no more than 20 in first- and second-grade classrooms in participating districts throughout the state in its first year (school year 1997–1998), with expansion to two more elementary grades each year. This initiative has created a strong demand for early childhood teachers, thus reducing both the numbers and the aggregate education level of child care providers.[213] It has also reduced available space in local schools for preschool programs.

Definitions of Stability

As noted above, while the CalWORKs legislation suggested that participants stay in Stage 1 care for six months, most interviewees believe that the intent of the law was to have participants use Stage 1 care until their work or training situation was stable. The authority to define stability and to establish rules and procedures for moving from Stage 1 to Stage 2 care devolved to the counties.

Transferring a case from Stage 1 to Stage 2 represents a change in funding streams and, in those counties that retained Stage 1 care, a change in sponsoring and payment agency. The CalWORKs legislation stipulated that families are to move to Stage 2 when they become "stable"; each county defined stable as part of its CalWORKs plan, as shown for our six focus counties and Riverside County in Table 7.5. These definitions vary in terms of specificity and in terms of who decides whether or not a family is stable. Data from the APP/ACIS survey show that 80 percent of APPs report that their county has issued guidelines "about the criteria for transitioning a CalWORKs family from Stage 1 to Stage 2." Eighty-nine percent of responding APPs in the seven counties represented in Table 7.5 believe that their county has issued such a guideline.

The key feature of these guidelines is their enormous flexibility in practice. We asked respondents to the APP/ACIS about seven factors that may influence APP decisions to transition families from Stage 1 to Stage 2. As shown in Table 7.6, the importance of these factors varies substantially. The availability of Stage 2 slots was considered an important factor in transition decisions by virtually all (96 percent) the responding APPs. County rules or definitions were ranked next in importance, with 85 percent of APPs making county rules this way.

---

[213]Since teachers must have a college degree and a teaching credential to teach (some with less preparation may teach with an emergency credential), many of the most qualified child care providers have left child care for better-paying elementary teaching jobs.

Table 7.5

Definitions of Stability for Selected Counties

County	Stability	Source
Alameda	Work activities are stable and there is sufficient money in Stage 2	Key informant interviews
Butte	Work activities have become stable or are transitioning off aid	CalWORKs plan
Fresno	Working full-time for six months; can shorten to one month (on a case-by-case basis)	Key informant interviews
Los Angeles	In long-term WTW activity or stable employment child care is stable and funds are available	County communication
Sacramento	Contracting out all stages means that APP (Child Action) determines move, based on employed or in an SIP six months, and availability of funds	Key informant interviews
San Diego	Determined by case managers; when work activities have been in place for a minimum of sixty days, are stable, and are expected to continue for a minimum of six months	CalWORKs plan, key informant interviews
Riverside	Off assistance	Key informant interviews, CWD

Table 7.6

APP's Ratings of Importance of Factors in Determining Transition Between Child Care Stages

Factor in Transition Decisions	Important	Not Very Important	Not At All Important
Availability of Stage 2 slots	95.5	1.5	3.0
Amount of time in Stage 1	39.3	49.2	11.5
Full-time employment	52.5	37.3	10.2
Length of time employed in a full-time job	54.1	41.0	4.9
County rules or definitions of "stability"	84.6	12.3	3.1
Agency policies	55.7	29.5	14.8
Desire to stop the TANF clock	44.2	30.8	25.0

Interestingly, some of the county definitions shown in Table 7.5 were not often considered important by APPs. For example, less than 40 percent of APPs considered amount of time in Stage 1 to be an important factor in their decision to transition families to Stage 2.

In a few counties where the CWD administers Stage 1 care, the lack of flow of participants into the Stage 2 APP at the outset of CalWORKs led to pressure on the CWD from APPs to transfer cases. Since APPs are paid on the basis of caseload, holding participants in Stage 1 care reduces income flow to the APP. For example, in Sacramento County, the APP told us that the CWD promised to send cases in batches (office by office). However, as was true with many other CalWORKs functions, slow start-up and limited caseworker training led to a "trickle" of clients. Moreover, the CWD told us that they were concerned that they would flood the APP with cases if staff from all offices referred at once, because the APP was not fully at staff capacity. Responding to the APP's complaints, the CWD quickly dropped the office by office approach and organized Saturday workdays to facilitate transfer of cases to the APP. A similar outcome occurred in Alameda County, but there the impetus was different. The county had been sending "invitations" to CalWORKs orientation to small numbers of AFDC recipients. Included in the invitation was an explanation about child care availability and how to access it. When large percentages of invitees failed to show and orientation slots went empty, the county changed its policy. A mass mailing to all those receiving aid produced a torrent of recipients clamoring for APP services.

According to one interviewee familiar with child care in many counties, "a lot of counties are keeping them in Stage 1 until they are off aid. That's an option, not a good one, but an option."

Indeed, according to one high-level CDSS staff member, "many" county officials have expressed a desire to define stability as "off aid" in order to make a cleaner break between CDSS- and CDE-funded care. A compelling argument for this approach is that CDSS has, in fact, been able to quickly move Stage 1 funds to the counties as they were assumed to be able to do in assigning CDSS Stage 1 care. The speed with which CDSS has moved Stage 1 funds to the counties stands in some contrast to the delays on the part of CDE in making Stages 2 and 3 funds available at the county level. These delays reflect the much more complex administrative and financial arrangements required of CDE in moving funds into the field. For example, while CDSS can allocate funds to the counties and they are sent out, CDE must, after allocating funds, draft contracts with providers that often must be reviewed and signed by County Boards of Supervisors and then returned to the state for additional signatures of scrutiny by the Department of Finance. This process, which is time consuming to put in place and time consuming to complete, may lead to perceptions in the field that there is less money available than is the case.

Who Should Staff Child Care?

In addition to the decision to keep or contract out Stage 1, counties chose who at the welfare office would serve as liaison (or staff) for child care services. The counties also made different decisions about which staff would work directly with CalWORKs participants to ensure that child care needs are met. As shown in Table 7.8, there are five approaches to assigning this responsibility. In those counties with a combined worker, that worker generally handles child care. In counties where the workers divide eligibility and WTW responsibilities, it may be either the EW or the job specialist (JS) worker who assumes this task, depending on when in the process child care is needed. (See Table 7.7, Alameda County entry, for an example of this model.) Orange County has created a unique supportive services worker category: Ancillary Child Care and Transportation Team (ACTT) workers are responsible for participants' support services needs. The ACTT worker stays with a CalWORKs participant throughout the time the person is receiving welfare. Referrals are made to the ACTT worker at appraisal, so that a child care plan can go into effect almost immediately. The final model, shown in Table 7.7 for Riverside County, involves allowing any worker to arrange child care when it is needed.

Table 7.7

Organization of Workers Who Authorize Child Care in Selected Counties

County	CWD Staff
Alameda	An eligibility worker authorizes child care for clients employed at same time of application; an employment counselor handles it for clients who began work or training past orientation.
Butte	A specialized EW unit handles all child care for the county (it also handles all Spanish-speaking cases).
Fresno	Job specialists authorize child care hours as needed; clerks cut the checks to providers.
Los Angeles	EW, GAIN worker, or child care coordinator makes referrals to APP, or collocated APP staff accept and process requests.
Sacramento	The CW sends the authorization for child care to the AP.
San Diego	Initially, each case manager referred the client to child care; under the revised system, the case manager schedules the child care referral appointment. An EW refers working non-WTW clients to Stage 2 and Stage 3.
Orange	An "ancillary child care and transportation team" unit of workers processes all support services payment, including child care.
Riverside	Any worker can refer a participant to the APP staff member who authorizes payments.

Providing Training for CWD Staff in Child Care Needs

There is a general consensus in the counties that those CWD staff who help CalWORKs participants with their child care needs should have some training. The training would ideally explain the three-stage system and would focus on what constitutes quality child care to help these gatekeepers provide appropriate information to participants. Interviewees generally agreed that if we expect parents to make good child care choices, the workers who present those choices should be able to educate parents. They also agreed that staff for the most part are not receiving or not receiving enough such training. We were told in Fresno County that while new staff training receives serious attention, in-service training happens on a "hit or miss" basis. In some counties, child care training has simply been pushed aside by the bigger issues involved in implementing CalWORKs. In other counties, poor labor relations affected training negatively.[214] In Sacramento County, because of a pending lawsuit filed by the union, EW training about the referral process was limited to the proper procedure for completing a transfer form but not about coordinating with the APP.

In Alameda County, nonmandatory child care training was available to EWs. The EWs to whom we spoke explained that they had muddled through the first year of CalWORKs implementation without this training. Training was voluntary because unions protested training and referral for services such as child care, arguing that these responsibilities were outside the negotiated scope of work. Said one interviewee, "EWs are not very well trained under CalWORKs. They didn't know anything about child care."

In Los Angeles County, resource and referral (R&R) staff train county workers; the county also sets up a team in each district office so there is a child care resource on-site. "We wanted a contact person in every district for the public and advocates," as one CWD interviewee indicated. These teams comprise former eligibility staff and report to a district deputy for child care. CWD administrators noted that there was so much training needed about so many topics that child care training has had to "take its place in line." In San Bernardino County, a respondent noted in September 1999 that the county is "just now getting to child care (training)." One respondent in Butte County remarked that in terms of managing WTW activities and providing child care services, "the right hand doesn't know what the left hand is doing." In San

[214]In one of these counties, the hostility was tied to the fact that the county employees union had filed a lawsuit alleging, among other things, that the county staff could do the child care referrals that had been outsourced.

Diego County, child care procedures were redesigned in the spring of 1999 with training in the fall of 1999.

Given the inconsistent delivery of training, it is not surprising that the content of training has received limited attention. The initial assumption in many counties is that training will focus on negotiating what may be a complex system and on helping workers understand the importance of quality licensed care, the latter so that they can help parents make more informed child care choices.

This general approach has broken down in several counties. In one county, we were told that the goal of understanding the value of quality licensed care was lost because of limited training time and the complexity of the child care system. Training in this CWD has ended up becoming a presentation of what everyone does and how to cope with the administrative difficulties of a system of multiple stages and multiple APPs. In another county, we were told that the training system was clearly inadequate. It relied on a supervisor who had sat on the child care planning committee to convene and train supervisors in two groups. According to our interviewee, each supervisor group got different information—from the same trainer. As our interviewee noted, if the same person gave different information and if those different supervisors then instructed their workers, a consistent message is clearly impossible.

Providing Training for Child Care Providers

Many APPs to whom we spoke felt strongly that license-exempt care was inappropriate and government subsidization of it even more so. There has been discussion in a number of counties about establishing some training for license-exempt providers as a means of improving the quality of care in license-exempt settings. A number of counties have taken the voluntary route, offering classes to CalWORKs child care providers. A few offer incentives for training, as shown in Table 7.8. Some counties have attempted to require license-exempt providers to participate in child development training but have failed to get approval from the Board of Supervisors (BoS) to implement such provisions.

According to the head of a county Child Care Planning Council, APPs in this county would like to have "a minimum of three hours of training . . . that would at least ensure some intentionality on the part of the license-exempt providers." It would also convey the county's expectation that child care provision is not being done exclusively to increase family resources, or as a favor, and would also convey some expectations of professionalism.

Table 7.8

Training and Support for Child Care Providers in Selected Counties

County	Proposed or Approved Plans
Alameda	The BoS rejected a proposal to require training for license-exempt providers because the requirements are too burdensome.
Los Angeles	Los Angeles CDE established an incentive for providers completing a voluntary training institute; providers receive fire extinguishers and toys.
Orange	Providers are put on a mailing list for future optional training opportunities.
Riverside	Riverside is planning a workshop for license-exempt providers; on completing the course and providing care for a CalWORKs family, the provider would be given a stipend of $100.
Sacramento	The county contracted with Child Action to provide training; Child Action provides toys, books, and household supplies to encourage participation, but enrollment has been low.
San Francisco	The county is using city funds to provide training stipends and is providing respite and nutrition education to providers through community-based organizations (CBOs).

Child Care Availability

One of the key issues in providing a large amount of care to CalWORKs participants is whether enough care, of the right type, is available in the right places. Sacramento County's CalWORKs plan, for example, noted that 26,704 additional licensed and license-exempt child care slots are needed. "This will require a child care system which is roughly double that which currently exists in Sacramento County."

Data from the APP survey indicate that at this point in CalWORKs, APPs perceive that significant gaps in the availability of child care in their communities. While they report that care for preschoolers and school-age children is not hard to find, toddler care is less available, and infant care is not easy to find.

Given the distribution of the ages of children in CalWORKs families, shortages in infant and toddler care could negatively effect the success of CalWORKs. Child care advocates have long bemoaned the lack of care for mildly ill children, a shortage our survey supported. For CalWORKs parents not working in jobs with flexible schedules, generous family leave time, or other options to care for sick children, a child's minor illness could cost a parent a job or at least a great deal of stress finding an alternate provider. Other results of note are the relative unavailability of weekend (58 percent) and night-shift (65 percent) care, often the only shifts available to welfare recipients.

Table 7.9

Availability of Child Care, as Reported by APPs (%)

Type of Care	Very Available	Somewhat Available	Rarely Available	Not At All Available
Infant	1.5	58.8	39.7	—
Toddler	16.2	58.8	25.0	—
Preschool	73.1	25.4	1.5	—
Mildly sick	—	13.4	58.2	28.4
Night shift	1.5	30.9	64.7	2.9
Weekend	1.4	39.1	58.0	1.4
Before and after school	23.5	67.6	7.4	1.5
Center-based	43.3	52.2	4.5	—
Licensed family	56.7	41.8	—	1.5
Licensed cultural	14.5	59.4	26.1	—
Licensed linguistic	17.4	52.2	29.0	1.4
Licensed near homes/jobs	13.4	79.1	7.5	—

NOTE: Rows may not add to 100 percent because of rounding errors.

Given the distribution of the ages of children in CalWORKs families, shortages in infant and toddler care could negatively effect the success of CalWORKs. Child care advocates have long bemoaned the lack of care for mildly ill children, a shortage our survey supported. For CalWORKs parents not working in jobs with flexible schedules, generous family leave time, or other options to care for sick children, a child's minor illness could cost a parent a job or at least a great deal of stress finding an alternate provider. Other results of note are the relative unavailability of weekend (58 percent) and night-shift (65 percent) care, often the only shifts available to welfare recipients.

In addition to meeting the need for age-appropriate child care, the cultural needs of children are an important developmental concern. Child care provided in a "first language" or with culturally sensitive providers is a priority for many families. Indeed, we heard mention of this lack of culturally and linguistically sensitive care as one reason families choose license-exempt care. Licensed care of this type was considered fairly difficult to find, according to our APP respondents. Respondents in the field told us that families that value first-language or culturally sensitive care may feel forced to choose license-exempt care.

Providing Training Enabling Participants to Become Licensed Providers

One way that counties have attempted to fill gaps in care and meet other needs at the same time is to develop programs to train CalWORKs participants (and sometimes others) to become licensed child care providers in their own homes, or to train them to provide care in licensed centers. By becoming a licensed, in-home child care provider or working in a licensed setting, a CalWORKs participant can find employment for herself while simultaneously enabling several other CalWORKs participants to find work outside their homes. In contrast, unlicensed providers can care for only the children of one other family in addition to their own.

We asked those who responded to the APP/ACIS survey whether they were receiving any child care capacity–building funds from the county or state, and, if so, what they were using them for. Just over one-quarter of responding APPs (28 percent) reported that they were receiving such funds. As shown in Table 7.10 below, nearly all (82 percent) were using these funds to train license-exempt providers; virtually all (96 percent) were using some portion of these funds to train licensed providers. Nearly all (86 percent) reported that they were using the funds in other ways to expand child care in their county. For example, in Sacramento County, the APP has partnered with the local community college to train CalWORKs recipients in child development and the licensing process. A second class of 40 students finished in the spring of 1999, with a placement rate of 50 percent in local licensed child care settings. This meets the dual needs of increasing the number of providers in the community and moving some clients closer to self-sufficiency, although the scale is small for child care capacity and numbers of CalWORKs clients trained.[215]

Table 7.10

APP Use of Capacity-Building Funds[a]

Purpose	Percentage of APPs Using Funds for This Purpose
Training license-exempt providers	82
Training licensed providers	96
Expanding child care	86
Serving more families in Stage 3	2
Other	32

[a]Only 28 percent of responding APPs reported receiving these funds from the county or state.

[215]The provision of child care is not an easy way to become self-sufficient. Reimbursement rates for license-exempt care are just over $2.00 hourly, depending on each child’s age, as discussed above. Moreover, unlicensed providers may care for the children of only one family, which substantially limits income. Licensed providers may care for up to six children. Wages in licensed settings for inexperienced providers are also low. Even more experienced staff may not earn above the $8.54 hourly wage required for self-sufficiency in a three-person family.

Butte County participates in an AmeriCorps training program for child care providers that involves 32 hours a week of classroom instruction and work experience. This program has a goal that is similar to the one in Sacramento County, but at the end of the program, participants receive a stipend of $2,400. The two classes that have completed the program have a combined 51 percent completion rate, with 60 percent of completers working in the child care field.[216]

San Francisco County began a program in 1999 to train providers for licensure. The county general fund is the source of support—providing $3 million. To date, the training program, including forgivable loans, has produced "540 slots in the pipeline," according to a high-level CWD staffer.

Programs to prepare CalWORKs participants to become child care providers have been criticized by child care advocates. Chief among the objections is the coerced aspect of the programs. Since CalWORKs participants must work, and many do not want to leave their children, they accept an assignment to these child care provider training programs to meet their key goal: getting to be with their children without sanction.[217] Advocates argue that providing child care is not like most other jobs, where it is generally understood that were it not for the pay, and perhaps a work requirement, no one would be there. Child care is supposed to be a labor of love. People should be child care providers only if they really want to be; this provides the best environment for children.

Child care advocates who criticize these programs also cite the low pay for child care workers—quoted in one county as $7.00 per hour—as the major drawback to training participants for careers in child care. It is unlikely that any CalWORKs participant can earn enough money to be off aid on this low salary. According to one county grappling with this problem, "it's important to figure out how to subsidize child care worker wages without distorting the market." Using $1.5 million from city funds, San Francisco County was able to subsidize wages from $5.75 to $9.00 per hour. One model that might be considered is being implemented in the military child care system. Under this model, the Department of Defense supplies a training program to child care workers in military child development centers and family child care homes. Workers complete the program modules at work, during nap times. Wage increases are tied to timely completion of the training, which also counts toward a Child Development Associate (CDA) degree (for which some course work is required.) (See Zellman and Johansen, 1995.)

---

[216]An additional 29 percent did not complete the program, but left to start paid employment. The CWD considers this a success.

[217]Some have argued that these programs provide valuable training that women can use in raising their own children even if the participant does not wind up being a child care provider.

APP and Provider Issues with CalWORKs Clients

The new CalWORKs clientele is different from the clientele the APPs had been serving, according to virtually all our APP interviewees. Unlike in the past, when most APPs provided child care for waiting families, they are now serving many families who do not want to participate. The APP representatives to whom we spoke told us that CalWORKs has been difficult. One APP director compared CalWORKs with GAIN and described GAIN as "a piece of cake compared to CalWORKs." We asked respondents to the APP/ACIS to indicate the importance of a range of issues in "impeding the delivery of child care to your CalWORKs APP families." As shown in Table 7.11, the barriers most often endorsed can be grouped into two types: client interactions and administrative barriers.

The most often cited barriers, both in our survey and in field interviews with APP staff, are client interactions and characteristics. Under the CalWORKs regulations, clients must communicate changes in work hours or school schedules to the APP. This information determines provider pay. Most APPs (73 percent) note that parents are not communicating these changes. The lack of accurate information is a major barrier to successful implementation. In the field,

Table 7.11

Importance of Factors That Impede APP Delivery of Child Care (%)

Factor	Important	Not Very Important	Not At All Important
Too few families	11.9	16.4	71.6
Too many families	58.8	33.8	7.4
Too much paperwork	47.1	38.2	14.7
Clients come on CalWORKs just to get child care	10.4	28.4	61.2
Contract monitoring too demanding	22.7	39.4	37.9
Contract monitoring too lax	4.5	40.9	54.5
Child care paperwork not current with client status	45.6	39.4	15.2
Parents don't communicate changes	72.6	21.0	6.5
Staff stability/turnover is high	20.9	34.3	44.8
Participant frustration	43.9	48.5	7.6
Lack of cooperation from CWD	34.4	34.4	31.3
Clients missing appointments	64.2	32.8	3.0

NOTE: Rows may not add to 100 percent because of rounding errors.

we heard stories of belligerent clients and general problems with client-caseworker interactions compared with the voluntary GAIN participants. Variation in client needs and work activities also has proven to be a challenge for

APPs. In one county, the APP expressed frustration about Self-Initiated Program (SIP) clients in particular; their approved hours for child care changed nearly every semester, requiring reauthorization of payment. This, plus clients missing appointments, was the most often mentioned impediment to child care delivery.

Administrative barriers include paperwork requirements, contract monitoring issues, and staff turnover. They appear to be moderately important in impeding problems with service delivery. In particular, too much paperwork was discussed as an important impediment for nearly half (47 percent) the responding APPs. Said one interviewee in a study child care county, "We each (APP, CWD) send five forms to the state each month." Nearly half the APP respondents (46 percent) also noted that child care paperwork is not current with client status. This is a serious problem because it often leads to under- or overpayment of providers when a mother's activity hours change; incorrect payment leads to more paperwork.

APPs in several counties, including Alameda and Los Angeles, have found that CalWORKs families require more case management than other APP clients. Sacramento and Los Angeles County APPs report hiring more staff to ensure that these additional needs are met.

Payment to Providers

The new system of child care delivery also altered the way in which child care subsidies are delivered. AB-1572, Section 8357e, changed the mode of delivery from income disregards in computing the family's cash grant to subsidies paid directly to child care providers by counties or APPs.

One very significant (although to this point, unmeasured) effect of the switch to direct payments to providers was that provider income now had to be reported and taxed, unlike in the past. This new payment system may be deterring people from providing child care to children of CalWORKs participants.

APPs essentially have the same compliance problems as the CWD, but without the threat of sanction to force participation. APP and/or CDE requirements for contact with an additional agency only increase the likelihood of noncompliance.[218] In addition, and perhaps more significantly, license-exempt providers in Stages 2 and 3 have to be legal residents to receive those payments,

[218] Some CDSS staff have argued against requiring contact with the APP by the participant on grounds that required appearances, particularly when the family moves from Stage 1 to Stage 2, violate the intent of the legislation to develop a seamless system in which CalWORKs participants would not be aware of stage changes.

since a social security number is required by the APP to make payment. This, according to a number of our interviewees, has made it impossible for many people living in minority communities who had been caring for welfare recipients' children to continue to be paid for doing so.[219]

Coordination Between CWDs and APPs

CalWORKs participants are not the only new "client" for the APPs. APPs must now work more closely with their respective CWDs. Sacramento, Butte, and San Diego Counties all mentioned problems with communication, authorization of child care, and changes in approval hours.

In some counties, many agencies involved in child care as well as some with no previous experience stepped forward to take on the role of APP. The huge funds and caseloads involved held the promise of a steady flow of income to agencies that had, in some cases, been working on a shoestring for a long time. The APP/ACIS survey data indicate that most responding APPs (77 percent) are private, nonprofit agencies; the remaining 23 percent are county education departments.

The substantial CalWORKs funding created considerable potential for competition among APPs. Alameda and Los Angeles Counties solved this problem by creating APP catchment areas. This led, according to a county staffer, to a high level of cooperation among the APPs who often work together now to make demands of the county. Fresno County, which also has multiple APPs, did not establish catchment areas. There were some reports that this led to conflict between APPs and to difficulties in managing case flow among the APPs.

Across the responding APPs, 43 percent reported that they were the only one in their county; of those in counties with multiple APPs, 6 percent indicated that the county assigned cases to APPs on the basis of location; another 10 percent reported that their county assigns cases on the basis of stage; and 16 percent by location and stage. In 19 counties, another method was used.

Once the contracts were awarded, the county and APP still had to operationalize transferring cases between the agencies. This involves both the definition of stability, discussed earlier, and a set of policies and procedures for the transfer. One respondent noted, "we would like to see three months of employment

[219]In the field, we heard about "missing" children—families who received the income disregard for child care under AFDC but who are not getting CalWORKs-funded child care. One theory is that these children are getting care through license-exempt providers living in the assistance unit.

[before we move a family to Stage 2], but since APPs need families to . . . cover their administrative cases," the county sends cases over after one month.

Concerns About Fraud

Child care advocates are wont to cite fraud concerns when talking about parental choice and license-exempt care. Many believe the less professional nature of this care leaves it more open to fraud. This concern was echoed by interviewees in five of the counties we visited, a number of whom indicated that they had received such reports themselves. For example, one interviewee who manages child care in her county was visited by an estranged father who had learned that his children's mother, who worked nights, had been listing a close family member as the children's caregiver, even though he had been caring for his children while their mother worked. Other interviewees reported hearing about mothers who were told by their extended families to exercise their parental choice in favor of the family's bottom line. In more than one county, we were told that parents may be negotiating child care payment "deals" with providers. One CWD staffer responsible for child care told us she had heard stories that parents were using only those unlicensed providers who agreed to split the take 50-50 with the parent.

Nevertheless, few counties appear to have dealt with child care fraud aggressively. Fraud investigation and control efforts largely have focused on cash aid. Orange County put a welfare fraud investigator on the task force on child care in the CalWORKs planning stage, but most of the concern there focused on establishing appropriate guidelines for moving from Stage 1 to Stage 2. Said one interviewee, "we're not really concerned about (child care) fraud." This seems to be the stance even in rather egregious cases, for example, when a parent has requested payment for multiple providers, by working with multiple APPs, as we heard in one county.

One reason for the limited emphasis on fraud in child care is that direct payments to providers put a "broker"—the APP—in the middle of the transaction. This necessitates that the recipient report changes in work patterns both to her CWD worker and to the APP. Thus, if a parent decides to change her schedule and add child care hours, she will tell the provider because she will be using more care, but she may not inform her worker. When the provider submits the bill for the increased hours, the worker, who was never informed that the hours increased, will deny additional payment pending resolution. Indeed, as shown in Table 7.11, 73 percent of APPs who responded to our survey described this as an important issue that impedes the delivery of child care services. More than one APP to whom we spoke in the field stressed that the contract/ relationship is between parent and provider. Said one interviewee, "I think that the parent needs to be held responsible for the accuracy of the information and the terms of the services." She went on, "Without getting people paid on time and accurately, you are not creating incentives for more providers to come into the system . . . or to move from license-exempt to licensed, in-home care."[220]

Under the new CalWORKs system, providers provide care, then they present an invoice to the parent who presents it to the APP (or the county). If they provide care for children whose mother is subsequently denied aid or becomes ineligible, they can be out a lot of money. They may continue to provide care for a substantial period if no one informs them of the mother's changed status. We asked APPs who responded to the APP/ACIS survey about how they most often handle payments for families whose eligibility is ultimately denied after a delay. (This also may occur if a participant is sanctioned, but using child care.) The data indicate that many agencies (44 percent) either absorb the cost of care completely or for a set number of days. For agencies that pay for days, the mean number of days they absorb is 8.8—almost two weeks of child care.

Variation in County Spending on Child Care Services

Stage 1 child care in SFY 1998/99 was funded from several different sources (see Table 7.12): an initial allocation, funds from the child care reserve, and unspent SFY 1997/98 child care funds. Final spending in SFY 1998/99 was often above the initial allocation. However, with the funds from the Child Care Reserve, there were considerable unspent Stage 1 funds. Statewide over the full year, less than half of all funds were spent. Several factors explain this low level of expenditures. First, SFY 1998/99 was a very unsettled year. As discussed in Chapter 6, counties expected a high level of CalWORKs participation, which

[220]An article in the *Sacramento Bee* (8/19/99), "Day Care Operators Find Welfare Reform 'Nightmare'," makes the point strongly. "In many cases, [day care] operators said, they have unknowingly provided care for weeks or months to children of parents who were axed from the program because of attendance lapses. The county has refused to reimburse these costs. . . . " The article continues, "industry experts said the problem [of non-reimbursement] is occurring, to varying degrees, across the state. . . . [T]hey worry that day care operators, a key element in the success or failure of welfare reform, will start to bail out in droves if things fail to improve. . . . [S]ome already are balking at accepting CalWORKs clients."

Table 7.12

SFY 1998/99 Stage 1 Child Care Spending in Focus and Follow-Up Counties, Allocated Versus Actual ($ millions)

County	Initial Allocation	Child Care Reserve	Child Care Rollover	Total Funding	Total Expenditures	Percentage Spent
Alameda	16.6	10.7	4.1	31.4	24.0	76
Butte	4.3	2.1	1.0	7.4	2.6	35
Contra Costa	7.9	4.6	1.9	14.4	10.1	70
El Dorado	1.0	0.5	0.3	1.8	0.7	39
Fresno	16.8	3.3	4.1	24.2	10.9	45
Humboldt	2.0	0.0	0.5	2.5	0.9	36
Kern	11.5	0.0	2.8	14.3	10.0	70
Los Angeles	131.2	40.7	32.7	204.6	83.6	41
Monterey	3.7	0.5	0.9	5.1	3.0	59
Nevada	0.7	0.2	0.2	1.1	0.5	45
Orange	18.8	0.0	4.6	23.4	16.9	72
Riverside	16.2	12.1	4.0	32.3	23.4	72
Sacramento	24.5	9.0	6.0	39.5	24.5	62
San Bernardino	29.5	2.3	7.3	39.1	26.3	67
San Diego	29.9	12.0	7.4	49.3	26.2	53
San Francisco	5.9	13.9	1.5	21.3	9.3	44
San Joaquin	10.6	24.6	2.4	37.6	15.3	41
Santa Clara	13.6	10.5	3.3	27.4	12.5	46
Sonoma	3.6	2.9	0.9	7.4	6.0	81
Stanislaus	7.7	1.2	1.9	10.8	2.6	24
Sutter	1.2	0.0	0.3	1.5	0.6	40
Tulare	8.3	0.0	2.1	10.4	4.4	42
Ventura	5.1	2.6	1.2	8.9	8.4	94
Yolo	2.3	0.5	0.6	3.4	2.5	74
Total	372.9	154.2	92.0	619.1	325.2	53

NOTE: Allocated funds are reported in County Fiscal Letters (CFL): CFL 98/99-33, CFL 98/99-60, CFL 98/99-65, CFL 98/99-71, and CFL 99/00-24 (as reconciled by CDSS in memo dated February 8, 2000). Actual spending is from submitted expense reports.

implied a need for a high level of child care funds, but participation rates were low for a variety of reasons, as also discussed in Chapter 6. Moreover, counties had had little experience that would help them to predict the level of CalWORKs participation, the extent to which parents would take up child care, or the types of care parents would choose (which have very different costs-per-child implications, as discussed above). As well, funding changed under CalWORKs. Most notably, providers were paid directly for the first time. Some believe this has decreased the take-up of the child care subsidy, particularly in some immigrant communities, as discussed above.

Overall, child care spending patterns differ dramatically by county, which bears out the view of county groups such as the California State Association of

Counties that argued strongly for local-level child care planning during the legislative process, on grounds that local needs vary. While some counties (e.g., Contra Costa, San Bernardino) overspent their child care dollars, other counties (most notably Los Angeles, but many others as well) have large child care surpluses in SFY 1998/99. However, most of the counties we spoke with told us that they do not expect surpluses in the next year. For one thing, most people do not lose eligibility for a child care subsidy through earnings. As more people participate in CalWORKs, demand for child care will therefore increase. In addition, the counties have learned not to trust assurances of rollover funding. The usual government agency incentive to spend down funds is firmly back in place. Finally, the counties now have some experience with CalWORKs child care on which to base their plans and take up projections.

The reasons for and implications of these cross-county disparities are not clear. The allocation formula may be inappropriate. If the spending levels reflect the very different speeds at which counties are rolling out CalWORKs services, the disparities may lessen over time. Alternatively, these disparities may be driven by political views that differ markedly across counties. Orange County, for example, was profoundly affected by its 1994 bankruptcy; CWD staff there believe that the public is resistant to spending any taxpayer dollars, not making the distinction that CWD staff elsewhere make between county (“our money”) and state funds.

Variations in How Counties Organized the Administration of Child Care Funds Across the Three Stages

Under California’s CalWORKs legislation, key decisions about the delivery of child care to CalWORKs participants devolved to the counties, as noted above. According to state-level interviews, 31 counties chose to contract child care services to local APPs, while the remaining 27 counties kept the management of Stage 1 care in the welfare department. More specifically, as shown in Table 7.12, three of our six focus counties chose to keep Stage 1 care, while the other three contracted it out to one or more local APPs. Two of the three follow-up counties in which we included a child care focus module kept Stage 1 care.

There were a number of reasons for these decisions. Those counties that kept Stage 1 care generally believed they were acting in concert with legislative intent. In Fresno County, they kept doing it because they had done it under GAIN and, according to administrative policy, outsourcing functions already performed by county staff would have required “meet and confer” with union representatives.

In Sacramento County (after the union brought suit),[221] CWD planners were told that county Measure B implied that any Stage 1 plan could not displace county workers. The county nevertheless outsourced Stage 1 to Child Action. The five workers who had processed child care payments under GAIN were reassigned to other positions. Los Angeles County convened a child care working group that was part of the larger CalWORKs planning process to decide on the structure of the child care system. This committee, made up of county staff, APP representatives, child care advocates, union representatives, and community members, decided that the value of "seamlessness" should be the driving force of the child care system. Los Angeles contracted Stage 1 to multiple APPs, and the same agencies provide Stages 2 and 3 child care (as shown in Table 7.13).

The decision to keep Stage 1 care in the CWD was reinforced in Butte County by the limited APP options. County CalWORKs planners assumed that Stage 1 would involve large numbers, at least initially, but as one interviewee noted, the volume "could not have been predicted." An APP would need to expand substantially and quickly to take on Stage 1 administration, so that issues of capacity and capacity building would be key. These concerns proved to be prescient. An interviewee in Fresno County told us that the volume of payments tripled from GAIN to CalWORKs. An interviewee in San Diego County described "a tidal wave of needs" that was unleashed by the CalWORKs work requirement. In San Diego County, the Stage 1 APP proved unequal to the task. At the time of our initial visit, delays in processing checks were so long that the APP stopped issuing checks entirely. The county was forced to step in and take over. But because San Diego County has such a strong commitment to outsourcing, the APP took back Stage 1 responsibilities soon thereafter.

Those who contracted with APPs for Stage 1 care did so for very different reasons. Alameda County wanted to open CalWORKs to the community as much as possible, and there were multiple strong CBOs available to take on the work. The BoS let the CWD know that it would be looking for active CBO involvement in all aspects of CalWORKs. San Diego County made the same choice for very different reasons. The BoS in this politically conservative county let the CWD know that CalWORKs was not to be viewed as an opportunity to increase CWD staffing. Outsourcing (which, of course, occurred on a much broader level in this CWD, as discussed above) was to be done whenever possible. The "yellow pages test" revealed that a nongovernment agency, the

[221]The union in Sacramento County that represents EWs sued the county in part because the contract with Child Action was displacing county workers. The suit also alleged that the bidding and selection process was unfair.

Table 7.13

Child Care Administration in Selected Counties

County	Stage 1	Stage 2	Stage 3	R&R Agency
Alameda	• Child Care Links and Community[a] • Community Child Care Council (4Cs) of Alameda[c]	• Bananas, Inc.[b] • Berkeley-Albany Lic. Family DC[b] • Child, Family, and Community Services, Inc.[c] • Child Care Links[b] • Davis Street Community Center, Inc.[b] • Oakland Licensed Day Care Association[b]	• Bananas, Inc.[b] • Berkeley-Albany Lic. Family DC[b] • Child, Family, and Community Services, Inc.[c] • Child Care Links[b] • Davis Street Community Center, Inc.[b] • Oakland Licensed Day Care Association[b] • Community Child Care Council (4Cs) of Alameda[c]	• Community Child Care Council (4Cs) of Alameda
Butte	• Butte County Department of Social Welfare[a]	• Valley Oaks Children's Services[c]	• Valley Oaks Children's Services[c]	• Valley Oaks Children's Services
Fresno	• Fresno County Human Services System[a]	• Supportive Services, Inc.[b] • Professional Association for Childhood Education[b]	• Fresno County Human Services System[a] • Support Services, Inc.[b] • Children's Services Network[b] • Professional Association for Childhood Education[b]	• Central Valley Children's Services Network

Table 7.13 (continued)

County	Stage 1	Stage 2	Stage 3	R&R Agency
Los Angeles	• Los Angeles County Department of Public Social Services[a] • Los Angeles contracts with all 10 of the Stage 2 agencies effective November 1998	• Pomona Unified School District[c] • Equipose, Inc.[c] • Crystal Stairs[c] • Mexican-American OPP Foundation[c] • Child Care Information Service[c] • Child Care Resource Center[c]	• Pomona Unified School District[c] • Equipose, Inc.[c] • Crystal Stairs[c] • Mexican-American OPP Foundation[c] • Child Care Information Service[c] • Child Care Resource Center[c]	• Pomona Unified School District • Equipose, Inc. • Crystal Stairs • Mexican-American OPP Foundation
Los Angeles (cont.)		• Options—A Child Care and Human Services Agency[c] • Children's Home Society of California[c] • Child and Family Services[c] • Connections for Children[c]	• Options—A Child Care and Human Services Agency[c] • Children's Home Society of California[c] • Child and Family Services[c] • Connections for Children[c]	• Child Care Information Service • Child Care Resource Center • Options—A Child Care and Human Services Agency • Children's Home Society of California • Child and Family Services • Connections for Children
Orange	• Orange County Social Services Agency[a]	• Children's Home Society of California[c] • Orange County Office of Education[b]	• Children's Home Society of California[c] • Orange County Office of Education[b]	• Children's Home Society of California
Riverside	• Riverside County Department of Public Social Services[a]	• Riverside County Office of Education[c]	• Riverside County Office of Education[c]	• Riverside County Office of Education
Sacramento	• Child Action, Inc.[c]	• Child Action, Inc.[c]	• Child Action, Inc.[c]	• Child Action, Inc.

San Diego	• YMCA Child Care Resource Service[c] (County staff as of March 2000)	• San Diego County Health and Human Services Agency[a] • Child Development Associations[b] • Child Care Resource Service[c]	• San Diego County Health and Human Services Agency[a] • Child Development Associations[b] • Child Care Resource Service[c]	• YMCA of San Diego County—Child Care Resource Service
San Francisco	• Children's Council of San Francisco[c] • Wu Yee Children's Services[c]	• Children's Council of San Francisco[c] • Wu Yee Children's Services[c]	• Children's Council of San Francisco[c]	• Children's Council of San Francisco • Wu Yee Children's Services

[a]CWD; [b]APP; [c]APP and R&R agency.

Young Men's Christian Association (YMCA), was already performing these functions. One respondent summed up the situation in San Diego as follows: "[C]DSS is not concerned with child care; the focus is on work."

In San Francisco, the decision to contract was made early, because "that is what we were doing with mental health." Child care was seen as part of a package of supportive services and, as such, subject to the same considerations as other supportive services: that agencies closer to the recipients could do a better job. The CWD in San Francisco was "happy to give it away," according to a CWD staffer, but it specified how child care would be provided. One priority was increasing utilization from the low GAIN numbers.

Sacramento and San Diego Counties mounted a formal RFP process to select the agencies that would administer Stage 1. Both of these counties had limited response to their RFPs, and awarded the contract to an APP with whom they had a relationship under GAIN. A respondent in Sacramento County noted "Child Action [the APP] is the only game in town."

Conclusion

The CalWORKs legislation included a complicated three-stage child care system. In order to ensure that child care was available to allow prompt entrance into required WTW activities, CDSS and the CWDs were to run Stage 1. To ease the transition into the broader child care subsidy system for the poor, CDE was to oversee Stage 2 and Stage 3; at the county level, APPs were to administer payments under contract to CDE.

As should have been expected from such a complicated arrangement, the interface between the two systems has been problematic, often requiring additional effort from participants, providers, and administrative agencies. CDSS and CDE have worked together to better integrate the two systems, but problems remain. In particular, CDE's system for providing funds to APPs does not seem well suited to the demand-based system implied by the CalWORKs legislation. CDE is considering a revision of its procedures. In the next year's report, we will explore the success of CDE's efforts.

Despite efforts by CDSS and CDE to improve the child care system—both separately and together—it continues to be true that the emphases of the two departments are different. Partially because of these different emphases, interactions between CDSS and CDE at the state level and between Stage 1 and Stages 2/3 at the county level remain less than ideal.

While, as in other parts of the CalWORKS program, there were substantial start-up problems in the administration of child care programs, real progress is being made. Some counties have moved aggressively to colocate APP staff in CWD offices to help participants connect to this system, and to provide training and support to providers.

As important, over half of the CWDs have moved to do what they could to streamline the system. Specifically, they outsourced the administration of Stage 1 child care to the same APPs running their county's Stage 2 and Stage 3 programs. For the participant, this outsourcing simplifies the transition from Stage 1 to Stage 2 and provides a single consistent point-of-contact for child care issues. We heard no major concerns about such decisions beyond those focused on initial APP capacity. Even in the one county where the APP could not handle Stage 1 at first, a reorganization led to the rapid reinstatement of the APP responsibility over Stage 1. This predominance of counties in which all stages are overseen by APPs suggests that a smoothly running CalWORKs WTW program may not require that the CWD administer Stage 1 child care; instead, CWDs may be able to contract the administration of Stage 1 to the APPs already administering Stage 2 and Stage 3. Perhaps this option was chosen in counties with more-capable APPs; if the other counties had chosen (or would in the future choose) this option, it might not be as successful. Nevertheless, complaints about seams in the system when the CWD runs Stage 1 and the experience in those counties that have outsourced Stage 1 to an APP suggest that the other counties should consider outsourcing Stage 1 to an APP.