

GAO

Briefing Report to the Chairman,
Subcommittee on Human Resources,
Committee on Education and Labor,
House of Representatives

October 1989

CHILD CARE

Government Funding Sources, Coordination, and Service Availability





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

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The Honorable Dale E. Kildee
Chairman, Subcommittee on
Human Resources
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

As requested in your May 19, 1988, letter, we reviewed government funding sources for child care, coordination of the sources at federal and selected state and local levels, and service availability. In October 1988, we briefed your staff on our early results, and later we provided comments on your bill, the Act for Better Child Care Services of 1988, H.R. 3660. On July 11, 1989, we issued a selected child care bibliography (GAO/HRD-89-98FS). This briefing report discusses our final results. It identifies child care funding, describes the coordination of child care programs and services, and summarizes current information on the availability of child care. Because of your expressed interest, we have included some specific information concerning how programs affect low-income families seeking child care.

In our work, we obtained information on federal programs that support child care and related services. We also gathered information on child care in two states, Michigan and Ohio, and a county in each state (Cuyahoga, Ohio, and Washtenaw, Michigan). We defined "child care" broadly to mean temporary arrangements for children while the parent or other caretaker worked. Thus, we included such programs as Head Start, which, although not providing "child care" in the traditional sense, do serve this purpose for parents who work. To identify funding for low-income families' child care, we used applicable programs' eligibility criteria, which may differ by program. (See pp. 7-8 for a detailed description of our objectives, scope, and methodology.)

**Federal Child Care
Funding Exceeded
\$6.6 Billion in
Fiscal Year 1988**

We estimate that in fiscal year 1988, federal funding for child care or related services exceeded \$6.6 billion. These services were provided through 46 programs. About 89 percent of the funding was for four major programs—(1) the Child and Dependent Care Tax Credit, (2) the Social Services Block Grant (SSBG), (3) Head Start, and (4) the Child Care Food Program. The other 42 programs subsidize care so that parents can work or attend training and support various aspects of the service delivery system, such as agencies to help parents find care. No one agency is

responsible for tracking or guiding all agencies' federal child care efforts.

Low-Income Families' Share of Federal Assistance Declined

In the past 11 years the federal government has increased its support for child care by about \$2 billion in constant 1988 dollars. During that time, support to low-income families remained about the same in constant dollars, but declined as a proportion of the total federal child care budget.

In fiscal year 1988, about \$3.3 billion, or 53 percent of total federal child-care assistance, was directed at low-income families. In fiscal year 1977, although about the same amount in constant dollars was spent for low-income families, federal child care assistance for low-income people was 83 percent of the total.

This decline in the share of dollars spent for low-income families occurred mainly because families with higher incomes expanded their use of the child care tax credit. This change accounted for almost all of the \$2.1 billion increase in real dollars in federal assistance between 1977 and 1988. Many low-income families do not owe taxes and therefore cannot claim the tax credit. Further, tax credits cover a maximum of 30 percent of child care costs, and many families may not be able to claim even this maximum. During this same period, programs such as SSBG, which directly purchase care for low-income families and are more likely to cover a greater portion of the cost of care, experienced reduced federal funding.

Coordination Left to States and Local Communities

No federal agency is responsible for coordinating all federal child care efforts. Some states and local communities have established administrative arrangements to identify the need for services, plan how to meet these needs, and arrange services to meet them. Some states have established lead agencies and legislatively encouraged or mandated child care linkages with early childhood programs. Other ways of coordinating child care at the state level include developing state-local child care plans; bringing state agency officials together as an advisory group to the governor or state legislature; and funding private, nonprofit agencies to perform coordination functions. We found examples of these various approaches in Ohio and Michigan and in the counties we visited.

Availability of Child Care Difficult to Assess

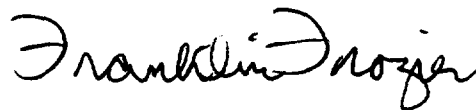
The supply of child care is difficult to measure because much care is privately provided and not regulated. In addition, it is difficult to determine whether parents can find child care arrangements and whether parents are prevented from working when they cannot find or afford child care. Available national studies provide limited information about the adequacy of the current supply of care. However, information indicates that certain types of care are in short supply at the local level. These include care for infants and toddlers, school-age children, and sick children.

Quality Care a State and Local Responsibility

Although the federal government has established specific program performance standards for Head Start and promotes standards for other child care-related programs, the responsibility for assuring quality of care rests mainly with state and local governments. States attempt to assure the quality of care by regulating some providers, establishing standards that regulated providers must meet, and monitoring compliance. States vary widely in whom and how they regulate. Michigan, for example, regulates all categories of providers (centers, group home shelters, and family homes) and requires family home providers to register with the state. (See app. III for definition of the categories of care.) Ohio regulates centers and group homes and requires counties to regulate family providers that receive public funding, such as through the SSBG program.

As agreed with your office, unless you release its contents earlier, we will restrict distribution of this briefing report for 30 days. At that time, we will distribute it to various interested parties. Major contributors to this report are listed in appendix IV.

Sincerely yours,



Franklin Frazier
Director, Income Security Issues
(Disability and Welfare)

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Abbreviations

AFDC	Aid to Families With Dependent Children
CCCC	Child Care Coordinating Council
CDBG	Community Development Block Grant
CDF	Children's Defense Fund
GAO	General Accounting Office
JTPA	Job Training Partnership Act
SSBG	Social Services Block Grant
WIN	Work Incentive Program

Introduction: Child Care Is a National Concern

Significant demographic changes occurring in the United States have moved child care to the forefront of national debate. The past decades have seen shifts in labor participation by women, in family structure, and, more recently, in the number of children placed in organized care (centers, nursery schools, and preschools).¹ These shifts have made access to high-quality, affordable care increasingly important.

The growth in the labor force participation rate for women with children has been dramatic. For example, in 1947, only about 12 percent of mothers with children under age 6 were in the labor force. By 1987, nearly 60 percent were in the labor force, including more than half of the women with children under age 2.

Accompanying this change has been a change in family structure. Single mothers with children now represent a greater share of all families with children than in the past. In 1988, single mothers headed one-fifth of all families with children, a rate about double that of 25 years ago. The working mother clearly makes a difference in these families; the poverty rate for single mother families who are working is about one-third the level of poverty for such families when the mother does not work. Even so, families headed by a working mother are far more likely to be poor than married-couple families.

The use of organized care by working parents also is becoming more common. In 1965, 6 percent of children under age 6 were in organized care. By June 1977, about 13 percent of working mothers used such care arrangements for their youngest child under age 5. By 1984-85, this proportion had increased about 25 percent.² In the winter of 1984-85, about 4 million children under age 5 and almost 1 million children age 5 or over were cared for outside their homes. Mothers who work full time are more likely to use organized care than those who work part time. Single mothers also are more likely to purchase care than their married counterparts, reflecting their greater tendency to work full time to meet the economic responsibilities of being the sole family supporter.

The federal government, as well as state and local governments, has had a role in child care for many years. Government programs generally subsidize parents (1) indirectly by providing a tax credit to repay parents for a portion of the money they spent or (2) directly by giving parents

¹In some states preschools and nursery schools are included in the definition of centers.

²Thomas Gabe and Sharon Stephan, Child Day Care: Patterns of Use Among Families With Preschool Children (Washington, DC: Congressional Research Service, Dec. 1988), p. 23.

money to buy care or paying providers. Government also funds early childhood education programs, which some parents use to meet their child care needs. Recently, the Congress has been considering legislation that would further support child care either through programs that purchase care directly or through subsidies in the tax code.

Objectives, Scope, and Methodology

The Chairman, Subcommittee on Human Resources, House Committee on Education and Labor, asked us to study child care—focusing on funding sources for child care, coordination among sources, and availability of child care arrangements. He expressed particular interest in obtaining increased insights on child care for low-income families.

In doing this work, we surveyed child care services at the federal, state, and local levels. We visited federal departments and agencies to identify child care programs and obtain information on these programs. We also visited department or agency offices in two states, Michigan and Ohio, and a county within each state—Washtenaw County, Michigan, and Cuyahoga County, Ohio. At the local level, we visited service delivery sites, including both a Head Start and state-funded Early Childhood Education center in Michigan, as well as human service and resource and referral agencies in both states. During these site visits, including meetings with officials from the Federation for Community Planning (Cuyahoga) and the Child Care Coordinating Council (Washtenaw), we discussed child care with agency officials and obtained related program information, including available recent child care studies.

In surveying programs, we used a broad definition of child care-related services. We considered child care to mean temporary arrangements for children while the parent or other caretaker worked. We included such programs as Head Start, which do not provide “child care” in the traditional, custodial sense, but do serve this purpose for parents who work. Our definition and approach are consistent with those used by others, including the Congressional Research Service, in attempting to catalog child care-related programs. To identify funding for low-income families’ child care, we used applicable programs’ eligibility criteria. Because these criteria differ by program, the definition of low-income families used in this report depends on each program’s criteria. With respect to the Child and Dependent Care Tax Credit, we used \$15,000 or less to define low-income recipients, which was somewhat higher than the 1988 poverty income for a family of four.

Section 1
Introduction: Child Care Is a
National Concern

In developing an approach to our child care review, we complied and used a bibliography on child care in the United States. This examination of the child care literature helped provide information on the experiences of other states and communities. The bibliography was issued as a separate report to the Subcommittee (GAO/HRD-89-98FS, July 11, 1989).

Our work was performed from July 1988 to March 1989 in accordance with generally accepted government auditing standards.

Federal Child Care Exceeded \$6.6 Billion in Fiscal Year 1988

In fiscal year 1988, estimated federal child care-related funding totaled over \$6.6 billion and was provided through 46 programs. No federal focal point or agency acts to track or provide guidance for all these programs. In addition, there is much diversity in the way various programs approach aspects of child care, such as the type and level of subsidies provided to parents.

Four Major Federal Programs

About 89 percent of the \$6.6 billion was attributable to the four largest programs, two of which help parents buy child care. The four programs are (1) the Child and Dependent Care Tax Credit, which provides working parents a tax credit for child care expenses; (2) the Social Services Block Grant (SSBG), which most states use to buy child care for low-income families, either by paying the provider or by giving parents a subsidy that they use to purchase care; (3) Head Start, an early childhood education program, which some parents use for child care for part of the day; and (4) the Child Care Food Program, which provides nutritional assistance to child care providers serving needy children. (Table 2.1 shows funding for these and 42 other federal child care-related programs.)

Table 2.1: Federal Programs Supporting Child Care-Related Services (FY 1988)

Dollars in millions		
Program	Estimated funding	Percent
Child and Dependent Care Tax Credit	\$3,419	52
Social Services Block Grant	660	10
Head Start	1,206	18
Child Care Food	586	9
Subtotal	5,871	89
Other child-care related programs	750 ^a	11
Total	\$6,621	100

^aThe funding shown is for 26 of the remaining 42 programs. We were unable to identify the portion of program funding for child care in the other 16 programs.

In addition to the four largest programs, the federal government supports child care through 42 other programs. These programs provide many services, such as subsidizing child care so parents can attend training courses, providing parents information and referral services, and training child care providers. (App. I lists the 46 federal sources of child care-related support.)

Low-Income Families' Share of Federal Child Care Dollars Declined

Over the past 11 years the federal government has increased its support for child care by about \$2 billion (in constant 1988 dollars). During that time the identifiable share of federal child-care assistance for low-income families has declined. In fiscal year 1988, about \$3.3 billion was directed at low-income families. This amount is about 3 percent less than in 1977 in constant 1988 dollars. However, the proportion of identifiable federal child care assistance for low-income families dropped from 83 percent in 1977 to 53 percent in 1988.

The major reason for this change is the increased use of the child care tax credit by families with higher incomes. Estimated federal funding in general for child care increased from \$4 billion in 1977 to \$6.6 billion in 1988 (in 1988 dollars). As shown in table 2.2, this \$2.1 billion increase was due almost entirely to growth in the use of the tax credit by families earning more than \$15,000 per year. Therefore, the overall level of funding for low-income families now represents a smaller share of the total federal child care funding, although low-income funding in constant 1988 dollars remained about the same.

Table 2.2: Increase in Estimated Federal Funding 1977-88 Through Use of Tax Credit

Dollars in millions, expressed in 1988 dollars

	1977	1988	Change
Total estimated funding	\$4,048	\$6,170 ^a	\$2,122
Tax credit for families earning \$15,000 or more	681	2,775	2,094

^aFunding shown is 7 percent less than shown in table 2.1. It does not include \$100,000 Appalachian regional funding and funding for other programs where comparable 1977 data were unavailable.

Federal Funding for Low-Income Shifts From Helping Parents Buy Care to Child Development

While overall federal funding for low-income families was about the same in 1988 as in 1977, a change occurred in the kind of programs funded. Funding for Head Start and the Child Care Food Program increased by 62 percent, while funding to help parents buy child care directly through SSBG decreased substantially during this period. In constant dollars, SSBG funding for child care in 1988 was 58 percent less than funding in 1977 for the predecessor program, which was referred to as Title XX, also of the Social Security Act. Support for other programs that helped parents purchase care to attend job training or educational courses also declined.

Also, although federal dollars for low-income families' child care tax credits increased by an estimated 92 percent over the period, this increase was outweighed by decreases in SSBG and other programs for purchase of care. Overall, therefore, in 1988, the federal government

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contributed about 3 percent less for programs to help low-income families purchase care than it had 11 years earlier. (See table 2.3.)

Table 2.3: Change in Estimated Low-Income Funding for Subsidies and Developmental Needs (1977-88)^a

Dollars in millions, expressed in 1988 dollars

Program	1977	1988	Percent change
Subsidies to purchase care:			
Title XX/SSBG	\$1,579	\$660	(58)
Tax credit ^b	336	644	92
AFDC	164	40	(76)
WIN	111	^c	•
JTPA	0	9	•
Food Stamp	68	50	(26)
Pell Grants	0	65	•
Subtotal	2,258	1,468	(35)
Developmental needs:			
Head Start	875	1,206	38
Child Care Food	234	586	150
Subtotal	1,109	1,792	62
Total low-income funding	\$3,367	\$3,260	(3)

^aPrograms shown define low-income families differently.

^bIncludes credits claimed by families earning \$15,000 or less, about the poverty line for families with six members in 1988 of \$15,570. Many low-income families have fewer than six members; therefore, this number slightly overstates the benefit such families received from the Federal Child and Dependent Care Tax Credit.

^cNot available, but likely to be small since total Work Incentive program (WIN) funding was only \$93 million.

Tax Credit Subsidies Less Than SSBG

The shift in federal child care assistance from the SSBG to tax credits means that low-income families may have access to less purchase-of-care assistance than previously. This occurs in three ways.

First, the tax credit covers only 30 percent of child care costs. The maximum credit that any family can receive per year for one child is \$720 (30 percent of actual expenditures up to \$2,400). The maximum credit for two or more children is \$1,440 a year (30 percent of \$4,800 in actual expenditures). In contrast, although child care costs vary across the nation, a recent Census Bureau survey estimates costs of child care at \$45 a week, or \$2,340 annually.

Second, many low-income families may not be able to claim the maximum credit. To receive the maximum credit families have to pay a substantial amount for child care (e.g., 70 percent of \$4,800, or \$3,360, for more than one child). For a low-income family, an outlay of \$3,360 is substantial, and data indicate that some low-income families choose less costly child care options.

Third, the tax credit is applied against taxes owed; thus low-income families with insufficient tax liability (income) cannot take advantage of it, even though they may spend a considerable proportion of their income on child care. The Congressional Research Service estimates that the typical family spent 20 percent or more of its income on child care in the winter of 1984-85.

In contrast to the tax credit, in fiscal year 1988 the SSBG, in combination with state-funded programs, provided these families larger subsidies. The minimum subsidies for center-based care under these programs ranged from about \$1,200 to \$7,476, higher than the tax credit provided. Further, states can directly reimburse the provider, helping parents to avoid an out-of-pocket expenditure.

Purchase-of-Care Programs May Not Meet All Needs

Although the SSBG program may provide each beneficiary funding for more care than tax credits, the SSBG and other direct purchase-of-care programs may be limited in the services they can fund for low-income families. Child care assistance in states competes with other human services, as states have discretion over what proportion of federal SSBG funds to allocate for child care and how much, if any, state funds to add. The decisions states make with regard to the SSBG, and other direct purchase programs, can mean that some low-income families either are not provided assistance or are not provided sufficient assistance to cover the full market rate (cost) of care.

For example, Ohio used SSBG funds to support low-income parents who worked or attended training, adding state funds to make up for federal reductions. Ohio's decision meant not all families could be served, although those who were served were generally given a large enough subsidy to afford care. According to the Children's Defense Fund (CDF), state funding in fiscal year 1988 was 65 percent of what it was in fiscal

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year 1981, adjusted for inflation, reducing the number of children served about 40 percent.¹

The state sets a maximum daily rate of \$17.35 for both center and family-based care, although counties could set a lower rate based on local market rates. In Cuyahoga County, services were allocated using a full and partially subsidized eligibility system. About 1,000 children eligible for partially subsidized care were not served in calendar year 1987, according to a local Department of Human Services official. Moreover, in August 1988, the number of applicants was so great that the county restricted new placements to those families eligible for free services, continuing to target public assistance recipients as their first priority for services.

Michigan also used a portion of its SSBG funds to support child care. While the state has recently increased its support for the SSBG program, most low-income families that receive assistance obtain less than the market rate of care, reflecting the state's decision to fund more families, but at a lower rate.

In fiscal year 1981, the Michigan Department of Social Services shifted assistance for the state's Aid to Families With Dependent Children (AFDC) employment, education and WIN participants from SSBG to AFDC child care subsidies. The purpose was to help contain costs and maintain services following federal budget reductions in human service programs. A state study completed in March 1982 found that the effect of this change, for AFDC employment services recipients, was a reduction in the use of center care and greater use of family-based care. Indications are that the current pattern of state child care support could continue that trend today.

Although Michigan has increased overall support for SSBG funding in recent years, a 1988 CDF study of state child care found that Michigan's SSBG child care funding was less than one-half of what it was in 1981, adjusted for inflation. Moreover, the average number of children reported served by SSBG was about one-fifth of the number served in 1981, possibly indicating a greater increase in the cost of child care per individual child.

¹Helen Blank, Jennifer Savage, and Amy Wilkins, State Child Care Fact Book 1988 (Washington, DC: Children's Defense Fund, 1989), pp. 85, 86, 88, 89.

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Michigan funds its SSBG child care program using a full and partial payment eligibility scale that varies by family size. Families meeting income and family size eligibility requirements are then eligible for between 30 and 90 percent of the maximum state payment. Other families, such as migrant workers or young parents under 21 in high school completion programs, are eligible for the maximum payment regardless of income. Maximum allowable payments in Michigan under the SSBG program vary, with daily rates set at \$6.76 for family-based care and \$12.90 for center care for infants and toddlers. According to a 1989 report on Michigan child care,² this system does not cover the full cost of care for most families, with parents paying the difference.

A more detailed cost analysis for Washtenaw County, Michigan, shows that families would incur out-of-pocket expenditures, even if receiving the maximum subsidy and using the least expensive child care in the county. (See table 2.4.)

**Table 2.4: Child Care Costs Compared
With SSBG Rates in Washtenaw County
(1988)**

Type of facility/age of child	Costs per week	Maximum SSBG rates
Child care center:		
Infants	\$70 - 130	\$64.50
Toddlers	65 - 150	64.50
Preschoolers	65 - 150	42.90
Family day care home:		
Infants	35 - 150	33.80
Toddlers	35 - 150	33.80
Preschoolers	35 - 150	33.80

In addition to SSBG, states may use other federal program sources, such as funding subsidies available through the AFDC program that also limits services. For Michigan AFDC families who want center-based care, assistance may not provide as much as SSBG. For families who want family-based care, the AFDC assistance could be slightly more advantageous than the SSBG payments, but still far below the lowest cost for this type of care in some Michigan counties.

²Margaret Crowley, Leslie DePietro, and J. Mark Sullivan, Child Care in Michigan: A Profile, (Michigan 4C Association, 1988), pp. 27, 28.

Coordination Left to States and Local Communities

No federal agency is responsible for coordinating all federal child care efforts. Some states and local communities have established administrative arrangements to coordinate various child care and related programs. Although arrangements vary, the purposes of this coordination include identifying the need for services, planning how the needs could be filled, and finding the services to fill them.

Federal child care programs originate in multiple departments and agencies (see app. I). At the state level, federal programs are administered by several government departments, as are programs funded only with state funds. Several agencies also are involved in administering child care at the local level. In addition to federal and state programs, local governments and private organizations also provide child care programs. Because administration of child care services is spread among multiple organizations, coordination is necessary to ensure efficient service delivery. (App. II provides more information on the administration of select child care programs.)

State Coordination Efforts Vary

States use a variety of administrative arrangements to coordinate child care services:

- Some states have established a lead agency or position with oversight responsibilities. For example, in Vermont, the legislature has created a Division of Child Care Services, and New Hampshire has established a state-level position to coordinate child care services.¹
- Some states have legislatively encouraged or mandated child care linkages with early childhood programs. Florida's Pre-kindergarten Early Intervention program, approved in 1986, legislatively encourages full school day and full working day programs. Illinois' 1985 education reform legislation encouraged linkages with other social programs and permits educational programs to be provided on a full working day schedule. And Vermont's 1985 legislation authorizing programs to serve disadvantaged 3 and 4 year olds requires funding applicants to demonstrate that they will engage in collaborative efforts with other programs or agencies in the community.
- Other means to coordinate child care in states include using state-local human service plans, bringing state agency officials together as an advisory group to the governor or state legislature, and funding private,

¹Helen Blank, Jennifer Savag., and Amy Wilkins, State Child Care Fact Book 1988 (Washington, DC: Children's Defense Fund, 1988), pp. 75 and 79.

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nonprofit agencies to help coordinate child care. We found examples of these various approaches in Ohio and Michigan.

Ohio's administrative coordination arrangements varied. One arrangement was the state's Comprehensive Social Services Plan. Developing the plan, which includes child care, required interaction among the state's Human Services, Mental Health, and Mental Retardation and Developmental Disabilities Departments and various county governments and other interested groups. Also in Ohio, a Day Care Advisory Council was created under the child care licensing law to advise and assist the Department of Human Services in administering sections of that law and in developing child care services. The 18 council members are appointed by the Director of Human Services, with approval of the Governor, and include the Superintendent of Public Instruction, Director of Health, and representatives from financial centers and parents among others.

Michigan also had coordination arrangements at the state level. One arrangement was the Governor's Human Services Cabinet Council, which includes many state departments with oversight responsibilities for child care programs. Although the state's Department of Education, which administers several large or expanding child care-related programs, was not represented on the Council, the Superintendent of Public Instruction was.

Other Michigan arrangements included the 13 local/regional Child Care Coordinating Councils (CCCCs) and a state-level association of these councils. Discussed further on pages 17-18 for Washtenaw County, Michigan, CCCCs have existed since the early 1970s and work to improve the availability, affordability, and quality of child care. Using state and federal funds, Michigan's Department of Social Services contracts with CCCC to provide information and referral and to offer provider training.

Although the state office created to support CCCC programs was eliminated during the recession of the early 1980s, in January 1988 the directors of the local CCCC, with a grant from the state's Women's Commission, formed a state-level organization termed the Michigan Community Coordinated Child Care Association. Also partially state funded, this association was responsible for investigating methods of directing resources to the child care industry, performing outreach to identify families eligible for services, and identifying all departments, agencies, and committees involved in child care and helping them coordinate their activities.

A less formal, arrangement used for child care coordination in Michigan was the Michigan Child Care Task Force. Although it has no formal directive powers, the group works on a broad range of child care issues. These issues included the state budget for child care and state activities, such as the "Month of the Young Child." According to its minutes, task force representatives included Michigan's licensing bureau, various Michigan cccc agencies, local Head Start agencies, various schools and universities, and other national associations.

Counties' Coordination Efforts Also Vary

The two counties we visited had varied arrangements for coordinating child care. Cuyahoga County had a formal coordination effort, termed the Child Day Care Planning Project. In Washtenaw County, a local Child Care Coordination Council worked to identify county child care needs, plan how to fill them, and obtain the resources to address them.

In 1984, Cuyahoga County established the Child Day Care Planning Project to develop a cooperative community approach to solving child care problems. This planning group identified and addressed child care problems in several areas. For example:

- After identifying problems of unequal access to financial assistance and inflexible funding arrangements, the project developed a plan to distribute scarce child care funds. It also established a scholarship program to help parents pay for care.
- Because studies by the project found uneven levels of care in centers and homes, the project tried to assess and improve the quality of county child care providers.

Coordination in Washtenaw County occurred through the local resource and referral agency, the cccc, a private nonprofit organization, partially funded through a variety of local, state, and federal sources. Its main purpose was to refer parents to child care providers in the community. It also used its vantage point in the community to identify needs, such as shortages in funding, and plan to find ways to fill those needs. For example, after identifying a shortage in local child care funding in Ann Arbor, the cccc arranged to administer a federal Community Development Block Grant fund, obtained by the City of Ann Arbor, as a scholarship program to primarily help low-income families pay for child care. In addition, operating under state contract, the cccc helped to provide training and assistance in the area of sexual abuse prevention.

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In both counties, resource and referral agencies played an important role in coordinating child care from the parent's perspective. In Cuyahoga County, the local resource and referral agency matches families in need of child care with community resources that answer those needs. In Washtenaw County, the CCC consulted with the local Department of Social Services to help parents receive eligible financial assistance. The agency sometimes created "packages" of assistance from various sources, according to the CCC's Executive Director.

Availability of Child Care

Much of the current child care debate centers on its availability, including the quantity, quality, and (as discussed on pages 10-14) affordability of care. Although all families may have an interest in availability issues, problems in these areas may be particularly acute for low-income families. We examined information on the supply of child care, including evidence of child care shortages both nationally and in the local areas we visited. We also looked at how different levels of government try to assure quality of care.

Limited Information on Adequacy of Supply

The nation's child care supply is difficult to measure because much care is privately provided and not regulated. In addition, it is difficult to determine whether parents can find child care arrangements and whether some parents are prevented from working because they cannot find or afford child care.

A Census Bureau survey provides some information on child care arrangements made by working mothers in the winter of 1984-85. Of the more than 8 million children under age 5, a little more than one-half were placed in primary¹ care arrangements outside their own homes. This includes about 3 million such children cared for in another home, predominately by nonrelatives. It also includes another 1.2 million children cared for in organized facilities (centers, nursery schools, or preschools). Still another million children age 5 to 14 were cared for outside their own homes before or after school, with the majority in an organized facility versus care in another's home by nonrelatives. Finally, about half a million other children, age 5 to 14, were reported by the Census Bureau as caring for themselves, while their mothers worked.

Little descriptive information, however, is available about out-of-home arrangements for children. The Congressional Research Service estimates that in 1986-87 fewer than 3 million regulated child care slots existed in the country, about 2.1 million in licensed child care centers. This is about 73 percent of the number of children age 0-4 and about 59 percent of children age 5-14, of working mothers who used out-of-home arrangements by nonrelatives in the winter of 1984-85. This leaves a substantial number of children in unregulated care, primarily family home care.

¹Defined as what the child was doing or the way the child was cared for during most of the hours the child's mother was working.

A recent study of child care in three urban locations found some mismatch in parental preference and available care. Some parents whose children were in family home care preferred center care that would offer a wider range of learning experiences, but such facilities were filled to capacity.²

An important policy concern is the extent to which lack of child care prevents parents from working. Again, information is scarce. A 1982 Census Bureau survey found that 45 percent of nonworking single mothers and 22 percent of nonworking mothers in two-parent households said they would work if adequate child care was available. Low-income families were more likely to say lack of child care was a barrier to working. The study of three urban areas also found parents who wished to work, if acceptable and affordable child care were available. Recognizing the need for additional research, the Department of Health and Human Services has recently sponsored two studies that will examine the child care supply and parental decision-making in child care, contributing needed information on the child care market.

Counties Report Shortages

While little national data exist on the extent to which the current child care supply matches demand, certain types of care are reported to be in short supply at the local level. These include infant and toddler care, school-age child care, care during odd hours (night shifts and weekends), and care for sick children.

The two counties we visited were able to identify service gaps, or unmet need. Some gaps, like for infant, sick child, and after-school care, are similar to those cited in other studies.

Both counties had a shortage of infant care. For example, in Cuyahoga County in 1986, about one-fourth of parents requesting infant care from the community resource and referral service could not find it. Cuyahoga also reported a shortage of toddler care.

Officials in both counties cited the need for "wrap-around" care, or care for children attending half-day early childhood education programs who need supervision for the balance of the day. Nationally, 80 percent of Head Start programs operate on a part-day schedule. Such programs, oriented toward the low-income and handicapped preschool children's

²Ellen Eliason Kisker, et al., The Child Care Challenge: What Parents Need and What is Available in Three Metropolitan Areas (Princeton, NJ: Mathematical Policy Research, Inc., 1989), p. 13.

needs, do not mesh with some parents' work schedules. Cuyahoga County officials said the county has many low-income families with children eligible for Head Start who are unable to take advantage of the program because they need full-time care. Others used half-day Head Start programs, but had to make informal and, according to the officials, at times unsatisfactory arrangements for the remainder of the day.

Officials in Washtenaw County also reported parents who were faced with moving children from one facility to another to take advantage of early childhood education programs. In Washtenaw, however, a child care center was collocated with the Head Start center, making it easier to arrange wrap-around care.

Other child care needs identified in Cuyahoga included care for school-age children, children with various handicapping conditions, sick children, and homeless children. Washtenaw County had particular difficulties with care for odd times, such as evenings, weekends, or varied schedules.

Both counties had made efforts to expand the care supply. Cuyahoga County had established a capital loan/grant project to help fund start-up or expansion costs for providers. It also had a project to expand the infant care supply by linking regulated centers with regulated family providers. The Washtenaw County CCCC also tried to expand child care, offering a training program grant for people interested in starting a new child care business in their home. Partially funded by Ann Arbor's Economic Development Corporation and Michigan's Department of Social Services, program graduates were also eligible for a low-interest start-up loan.

Limited Federal Role in Assuring Quality

Quality in child care has many dimensions, affecting whether the child's time in care will be a positive experience. Quality starts with basic health and safety protections. Research suggests that features such as teacher training in early childhood development, the stability of the caregiver, and the total number of children in a class are critical elements in programs that promote child development. Parent involvement is an important part of quality through access to the facility and communication with the provider.

The federal government plays a limited role in assuring quality for child care. Before the SSBG was created, the federal government attempted to play a role in the quality of care funded through Title XX. In response to

a congressional mandate, the Department of Health, Education, and Welfare formulated national child care standards (Federal Interagency Day Care Requirements) in 1968 as a condition of funding for child care. These requirements covered such areas as caregiver training, health, nutrition and state enforcement. The Omnibus Budget Reconciliation Act of 1981 changed Title XX from a categorical to a block grant program, and the requirement was eliminated. The SSBG program which followed Title XX, requires that care purchased with this subsidy meet applicable state or local standards. In contrast, the federal child care tax credit program requirement to meet applicable state or local standards applies only to center care, defined by IRS as a place that provides care for more than six persons.

The federal government has tried to improve quality by promoting model standards for specific aspects of child care. In 1985, for example, the Department of Health and Human Services published its "Model Child Care Standards Act," which provides states guidance in developing a law to prevent child abuse in child care facilities. More recently, it awarded a project grant for the American Academy of Pediatrics and the American Public Health Association to develop national performance standards for health, safety, and nutrition in child care settings. This project is funded through June 1990. States may use these federal standards as guidelines but are not required to adopt them.

In contrast, Head Start, the federal early childhood program, sets specific program performance standards that local programs must meet. These standards cover such items as parental involvement and health and safety practices. The Administration for Children, Youth, and Families of the Department of Health and Human Services is responsible for maintaining compliance with program regulations.

State Regulation Varies Widely

Assuring that a floor of quality exists for both general and publicly funded care is largely a state responsibility. States carry out this function by regulating some providers, establishing standards that regulated providers must meet, and monitoring providers to determine compliance. Regulatory coverage and standards for providers receiving public subsidies may differ from those of providers in general. States, however, vary widely in whom and how they regulate.

States do not regulate the same providers, and many providers are exempt. States define and regulate three main categories of child care facilities—centers, family homes, and group homes.

All states regulate centers, generally defined as facilities with capacity to serve 13 or more children. Most states also regulate family homes, generally defined as homes with capacity to serve up to seven children. Some states require family homes to be registered rather than licensed, thus allowing the provider to operate legally during the period between applying for and receiving a license. Thirty-five states use a third category classification, usually called group homes. This category is larger than family care with two or more adults and up to 12 children.

Not all centers are covered in every state. Many states exempt centers run by religious institutions and state education agencies from licensing requirements.³

Coverage for family providers is even less complete. Although only two states did not regulate family day care in some way in 1986, states that did regulate did not necessarily cover all providers. Five states regulated only those family homes providing subsidized care. Three states had voluntary registration for family providers. Coverage also was limited by the fact that almost half the states defined family day care so that many providers were excluded.

Requirements in Michigan and Ohio illustrate the differences in states' regulations. Michigan regulates all categories of providers (centers, group homes, and family homes), requiring family providers to register with the state. In contrast, Ohio regulates only centers and group homes, requiring county human service agencies to certify family homes to receive public funds.

The standards that providers must meet to become licensed also vary. A range of program features, including facility, staff, and programmatic characteristics, are regulated. For example, in 1986, states' child/staff ratios for infants in centers ranged from three to more than eight children for every adult. Most states, including Ohio, required a maximum ratio of six children, or less, per adult for centers. Michigan's maximum ratio was four children to one adult. Maximum class size for infants, in those states that regulated it, ranged from 4 to 20. Ohio permitted class sizes of up to 12 children. Michigan did not regulate this feature.

Developmental content is another feature regulated in most states, meaning that programs are not allowed to be merely custodial or

³Gwen Morgan, *The National State of Child Care Regulation 1986* (Watertown, MA: Work/Family Directions, 1987).

babysitting services. All but three states require a developmental program in centers. Thirty-four states also have requirements for family providers. Both Michigan and Ohio require a developmental component for both centers and family day care homes.

Parents can play an important role in monitoring program quality. In 1986, 38 states guaranteed parents the right to visit centers, and 18 guaranteed the right of unannounced visits. Fewer states addressed parents' visitation rights for family care arrangements. Only 11 states guaranteed this right, with 3 others offering qualified visitation rights. (App. III provides more detail on state standards, including a comparison of standards in Ohio and Michigan.)

States assure that standards are complied with through monitoring inspections. Most states require routine visits to centers at least once a year, many of them more frequently. Ohio requires inspections twice a year, at least once unannounced. Michigan requires inspections somewhat less frequently, at least once a year. Many states also require routine visits to family day care homes at least once a year. In Michigan, family homes are required to be inspected initially and afterwards on a sample as well as a complaint basis.

States can pinpoint quality problems through complaints about providers. Available information on complaints in the two states we visited showed some differences. The largest category of complaints in Michigan concerned unlicensed family day care providers. Since Ohio did not regulate this category of provider at the state level, this type of complaint would not be received by the state. Common complaints in both states included too few staff on site or over capacity, improper disciplinary practices, child abuse, and inadequate supervision.

Selected Federal Child Care and Related Programs

We identified 46 federal programs that provided some type of child care assistance in fiscal year 1988. Our definition of programs includes grants, scholarships, tax benefits, and agency child care activities. We included, where applicable, an identification number for programs listed in the Catalog of Federal Domestic Assistance, which describes all domestic assistance programs.

Department of Agriculture

1. Child Care Food Program (10.558)
2. Food Stamps (10.551)
3. Food Donation Program (10.550)
4. Special Milk Program for Children (10.556)
5. State Administrative Expenses for Child Nutrition (10.560)
6. Summer Food Service Program for Children (10.559)

Total: 6 Programs

Department of Commerce

1. Bureau of the Census Surveys

Department of Defense

1. Child Care in Military Installations

Department of Education

1. Adult Education: Workplace Literacy Partnership (84.198)
2. College Work-Study Program (84.033)
3. Education of Handicapped Preschool Grant (84.173)
4. Guaranteed Student Loan Program (84.032)
5. Pell Grant Program (84.063)
6. Perkins Loans (84.038)
7. State Student Incentive Grants (84.069)
8. Supplemental Educational Opportunity Grants (84.007)
9. Vocational Education (84.048)

Total: 9 Programs

**Department of Health
and Human Services**

1. Aid to Families With Dependent Children (AFDC) (13.780)
2. Child Development Associate Scholarships (13.614)
3. Child Welfare Research and Demonstration Projects (13.608)
4. Child Welfare Services State Grants (13.645)
5. Child Welfare Services Training Grants (13.648)
6. Community Services Block Grant (13.792)
7. Dependent Care Planning and Development (13.673)
8. Head Start (13.600)
9. Social Services Block Grant (13.667)
10. Temporary Child Care for Handicapped Children and Crisis Nurseries (13.656)

Total: 10 Programs

**Department of
Housing and Urban
Development**

1. Community Development Block Grant (14.218)
2. Community Development Block Grants/Small Cities Program (14.219)
3. Lower Income Housing Assistance (Section 8) (14.156)

Total: 3 Programs

Department of Labor

1. Job Training Partnership Act (JTPA), Economically Disadvantaged Individuals (17.250)
2. Job Training Partnership Act, Dislocated Workers Program (17.246)
3. Job Training Partnership Act, Job Corps
4. Job Training Partnership Act, Migrant and Seasonal Farmworkers (17.247)
5. Women's Bureau (17.700)
6. Work Incentive Program

Total: 6 Programs

**Department of
the Treasury**

1. Accelerated Cost Recovery System
2. Child and Dependent Care Tax Credit
3. Employer-Provided Child or Dependent Care Services
4. Employers Child Care Business Expense
5. Non-Profit Child Care Centers, Tax Exemption

Total: 5 Programs

**Appendix I
Selected Federal Child Care and
Related Programs**

**General Services
Administration**

1. Child Care in Federal Buildings

**Small Business
Administration**

1. Business Development Assistance to Small Business (59.005)
2. Small Business Loans (59.012)
3. Small Business Investment Companies (59.011)

Total: 3 Programs

**Appalachian Regional
Commission**

1. Appalachian Child Development (23.013)

Overall total: 46

Child Care Program Oversight and Administration

All levels of government—federal, state, and local—offer programs that provide child care assistance. Forty-six such federal programs were available in fiscal year 1988. (See app. I for a complete listing.) Congressional oversight and administration for these programs varies. For many federal programs, administrative responsibilities are delegated to state and local governments, or other community agencies. State and local agencies also initiate and administer child care-related programs on their own.

Figures on Oversight and Administrative Arrangements

To illustrate the oversight and administrative arrangements for child care assistance programs, we developed three figures to show the flow of these programs. The four major federal programs are underlined in each figure as applicable.

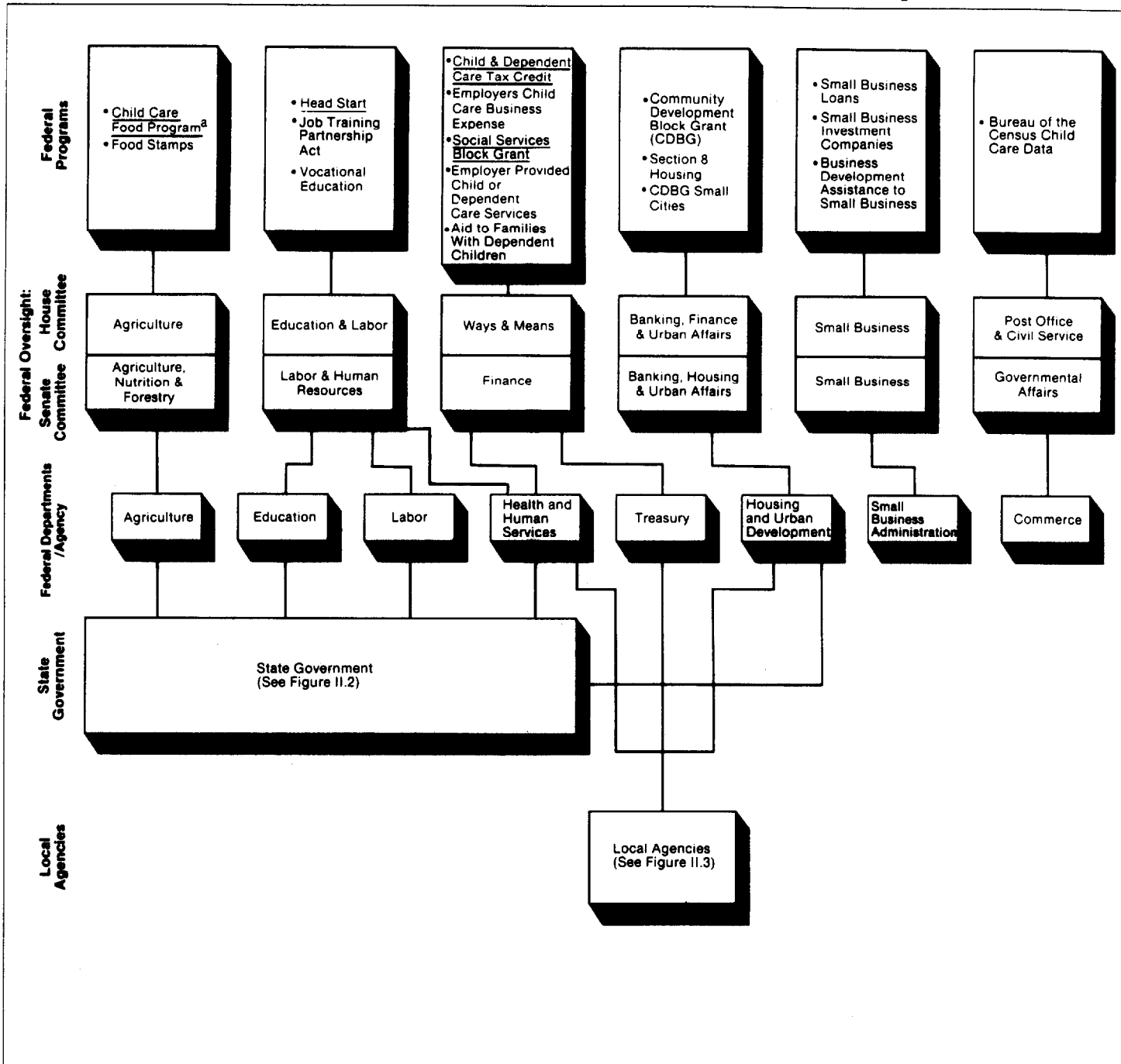
Figure II.1 illustrates congressional oversight and administrative arrangements for selected federal child care assistance programs, available in fiscal year 1988. It also shows the flow of administration to states or localities.

Figure II.2 illustrates the administrative arrangements for selected child care programs at the state level. As such, it also includes selected state child care-related programs and shows the flow to the local level.

Figure II.3 illustrates the administrative arrangements for selected federal child care programs that bypass state government, flowing directly to the local level.

**Appendix II
Child Care Program Oversight
and Administration**

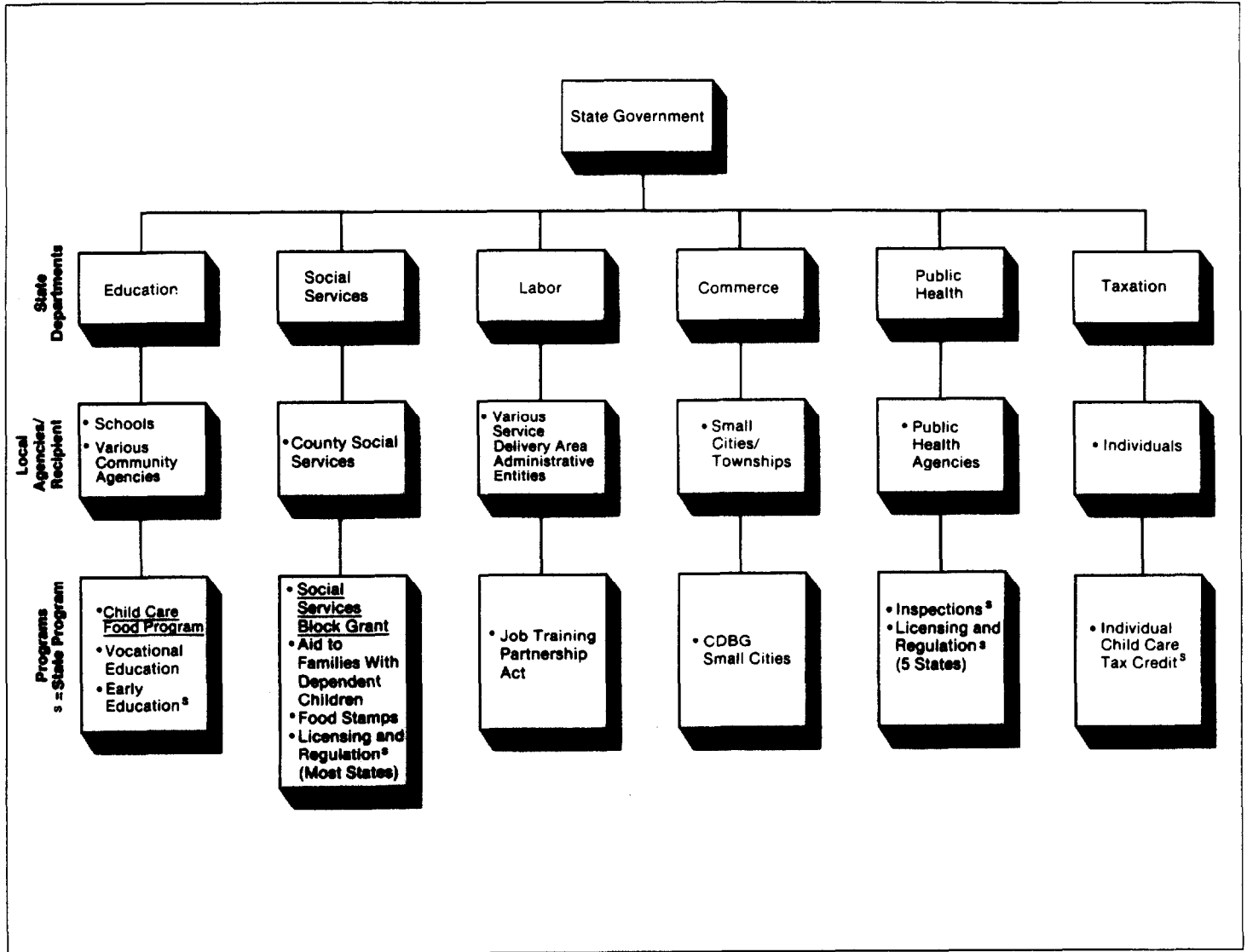
Figure II.1: Oversight and Administrative Arrangements for Selected Federal Child Care Assistance Programs



^aJoint oversight with the House Education and Labor Committee.

**Appendix II
Child Care Program Oversight
and Administration**

Figure II.2: State and Local Administrative Arrangements for Selected Child Care Programs

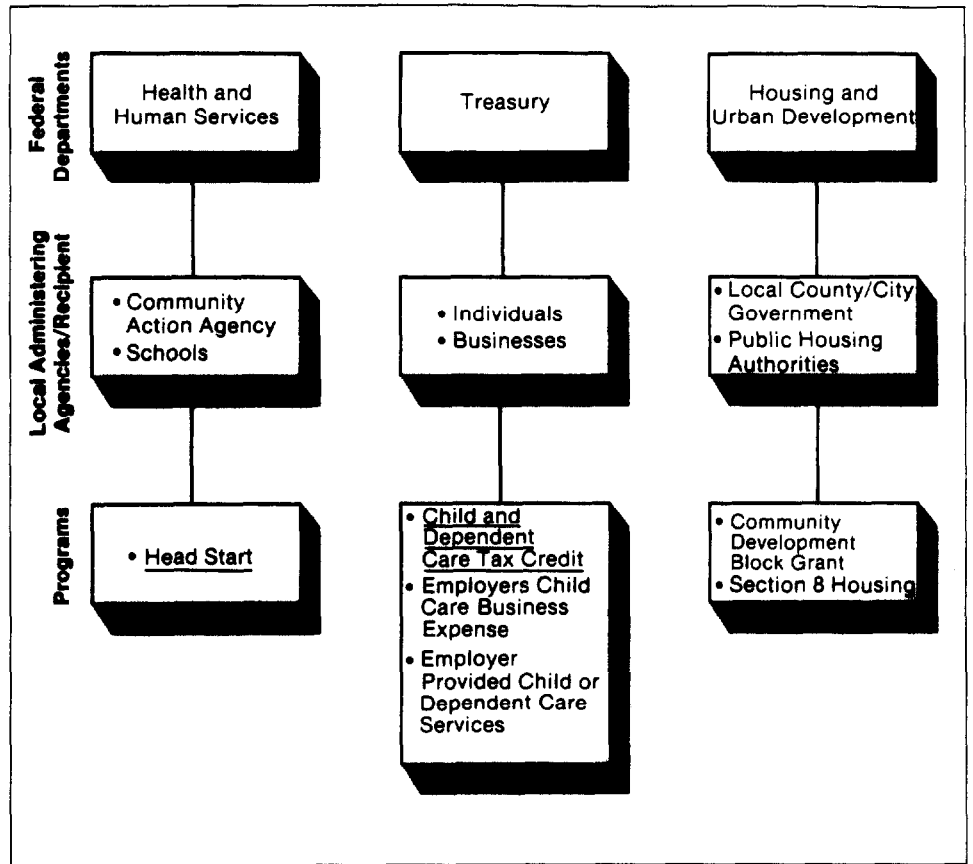


^aNot all programs shown were in both states and localities. In some cases, programs might be administered by different departments i.e., CDBG is administered by the Department of Commerce in Michigan and Development in Ohio.

* State program

Appendix II
 Child Care Program Oversight
 and Administration

Figure II.3: Administrative Arrangements
 for Selected Federal Child Care
 Programs That Bypass State
 Governments^a



^aSee footnote a in figure II.2 for additional clarification/qualification.

State Regulatory Coverage, Standards, and Monitoring of Child Care

Child care regulation in the United States is diverse. States vary in terms of defining and regulating various categories of care, what standards they use, and how frequently they inspect for compliance. The following sections and tables illustrate these variations. Information for the two states we visited, Ohio and Michigan, is highlighted. In most cases data were obtained from The National State of Child Care Regulation 1986, and thus generally reflect state-reported information as of 1986.

Definitions and Regulatory Coverage Vary

States define and regulate three main categories of child care facilities—centers, family homes, and group homes. All states regulate centers, generally defined as facilities with the capacity to serve 13 or more children. Most states also regulate family homes, generally defined as homes with the capacity to serve up to seven children. Thirty-five states use a third regulatory classification, usually called group homes. This category is larger than family care with 2 or more adults and up to 12 children. Table III.1 shows how many states regulate each of the three main categories of child care facilities.

Table III.1: Number of States Regulating by Type of Facility

Type of facility	Number
Centers	50
Family homes	48
Group homes	35

While all states regulate centers by licensing them, some of the 48 states that regulate family care arrangements use a less formal form of licensing called registration. One advantage to registration is that in states that also require licenses providers may operate legally, during the period after they apply for a license. Also, it typically eliminates lengthy waiting periods, and encourages providers to be regulated. As shown in table III.2, state methods of regulating family care vary and include traditional licensing and, on either a required or voluntary basis, registration. A few states regulate only subsidized care, using either licensing or registration. Two states do not regulate family-based care.

**Appendix III
State Regulatory Coverage, Standards, and
Monitoring of Child Care**

**Table III.2: Number of States
by Method of Regulation**

Method of regulation	Number
Traditional licensing	26
Registration, mandatory	16
Registration, voluntary	3
Regulation only for subsidized care (either licensing or registration)	5
Not regulated	2
Total	52^a

^aTotal exceeds 50 because two states use a combination of licensing and registration to regulate family child care.

Although states regulate both centers and family care, the extent of such coverage for children varies as states often exempt or otherwise exclude providers through their regulatory processes. Two cases in point are states' regulatory exclusions for centers and family care. First for centers, 21 states exempt those in nursery schools and preschools, and 12 exempt those in church-sponsored facilities. Second, for family care homes, 23 states exclude those with less than three children; 17, those with less than four; 19, those with less than five; and 4, those with less than six.

State Standards for Staff Ratio and Group Size Vary

State standards for child care also vary widely. Table III.3 on child/staff ratios and table III.4 on maximum group size, both for center-based care, illustrate how states' standards vary.

**Table III.3: Staff Ratio Standards
 by Age of Child**

Child/staff ratio	Number of states by age of children		
	6 months	2-1/4 years	4 years
3:1	3		
4:1	25 ^a	6 ^a	
5:1	12 ^b	7	
6:1	8	7	
7:1	2	7 ^b	1
8:1	2 ^c	10	
9:1		1	
10:1		4	16 ^a
11:1		1	
12:1		6	10 ^a
13:1		1	3
14:1			2 ^b
15:1			8
16:1			3
18:1			1
20:1			7
	52^d	50	51^d

^aMichigan child/staff ratio standard applies two different ratios for 4 year olds.

^bOhio child/staff ratio standard.

^cStaff ratio is 8:1 or above.

^dTotal exceeds 50 because some states have more than one ratio depending on class size.

Appendix III
 State Regulatory Coverage, Standards, and
 Monitoring of Child Care

Table III.4: Maximum Group Size
 by Age of Children

Group size	Number of states by age of children		
	6 months	2-1/4 years	4 years
4	1		
5			
6	2	1	
7	1		
8	11	3	
9	1	1	
10	3	1	
11	1		
12	6 ^a	2	
13			
14		5 ^a	
15		2	
16		3	1
17			
18			
19			
20 or more		4	16 ^a
Not available		3	
No regulation	24 ^b	25 ^b	34 ^b
	50	50	51^c

^aOhio.

^bMichigan.

^cTotal exceeds 50 because one state had more than one ratio depending on class size.

**Regulatory Monitoring
 for Child Care Also
 Varies**

States monitor compliance with child care standards by making both routine and complaint inspections of facilities. The number of times a state inspects a child care facility other than on a complaint basis varies. Table III.5 shows the reported frequency of routine child care inspections that states made in 1986.

**Appendix III
State Regulatory Coverage, Standards, and
Monitoring of Child Care**

**Table III.5: Number of States by
Frequency of Routine Inspection of
Centers**

Frequency of inspection	Number
More than once a year	26 ^a
Once a year	16 ^b
Less than once a year	3
Varies or not reported	5
Total	50

^aOhio (twice a year, at least one time unannounced).

^bMichigan (once a year).

States differ as to how they monitor complaints regarding child care facilities. Some keep data at the state level; others do not. Michigan recorded types of child care licensing complaints received in fiscal year 1986-87. Table III.6 shows these Michigan complaints, by nature and relative frequency.

**Table III.6: Number of Child Care
Licensing Complaints by Nature in
Michigan (FY 1986-87)**

Nature of complaint	Number	Percent
Unlicensed providers	456	39
Lack of supervision of children	204	18
Child abuse	121	11
Overcapacity	94	8
Environmental hazards	61	5
Unsuitable caregivers	60	5
Improper discipline	59	5
Others, such as child neglect and improper food service	104	9
Totals	1,159	100

In contrast, an Ohio state licensing official told us that Ohio does not have a state computerized license complaint system or statewide statistics on the number and type of complaints against child care centers. License complaint information is kept at the county level. Also, a 1985 Children's Defense Fund report indicated similar problems were found in Ohio.

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