County of Santa Clara
Social Services Agency

85082

DATE: April 25, 2017

TO: Board of Supervisors

FROM: Robert Menicocci, Social Services Agency Director

SUBJECT: Child Care Pilot Subsidy Plan

RECOMMENDED ACTION

Approve Santa Clara County Individualized Child Care Pilot Subsidy Plan relating to the local child care subsidy needs and priorities.

FISCAL IMPLICATIONS

There is no negative impact to the County General Funds associated with the Recommended Action.

REASONS FOR RECOMMENDATION

The California Department of Social Services (CDSS) guidelines require the attached Santa Clara County Child Care Pilot Subsidy Plan be approved by the Board of Supervisors.

CHILD IMPACT

The recommended action provides direct positive impact to the **Safe and Stable Families** indicator by providing stability of care placements for families and lessens disruptions to children and families.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action balances public policy and program interests, and enhances the Board of Supervisors' sustainability goal of social equity and safety by providing safe and stable child care subsidies to low income families.

BACKGROUND

In 2003, AB 1326 (Simitian) authorized San Mateo County to develop and implement an individualized county child care subsidy plan to respond to challenges that the state child care subsidy system presents to children, working families, and providers in a county where the cost of living is well beyond the state median.

The plan was designed by the diverse members of the local child care planning council and subsequently approved by the San Mateo County Board of Supervisors and the San Mateo County Superintendent of Schools in 2004. The California Department of Education approved the plan for implementation on October 1, 2004.

In 2005, SB 701 (Migden) authorized the City and County of San Francisco to develop and implement its own individualized county child care subsidy plan, modeled on San Mateo County's pilot project. San Francisco's plan was developed and approved for implementation on September 8, 2005. Due to the success of the plans, the Legislature made the San Mateo and San Francisco county pilots permanent last year.

Last year, AB 833 (Bonta) authorized the Alameda County to develop its own individualized county child care subsidy plan, which would sunset January 1, 2021.

Without taking funds from other counties, or increasing state costs, these pilot projects allow for waivers of specific state rules.

Santa Clara County serves approximately 12,600 children in state subsidized child care programs. Unfortunately, the fiscal reality of living in a high-cost county means that many families are deemed ineligible for subsidized child care and that provider reimbursement rates are insufficient to cover the cost, as a result, child care subsidy funds allocated to Santa Clara County are not fully utilized or expended.

In fact, according to Santa Clara County's Local Early Education Planning Council, approximately $9.3 million under the Title 5 state subsidized child care contracts has been returned to the state. This roughly translates to 1,100 children who could have been served in the county.

Santa Clara County has lost subsidized child care contractors. For example, last year, Gavilan College in Gilroy ended its State Preschool contract. This provider shut down its child care program due to high cost, concluding that it was no longer cost effective to offer subsidized child care.

As a result, children and families in Santa Clara County are unable to access quality child care in part by the unintended consequences of living in a high-cost county.

AB 2368 (Gordon) would authorize Santa Clara County to develop and implement an individualized county child care subsidy plan until January 1, 2022. This bill is modeled on AB 833 (Bonta-Alameda) from last year as well as on the prior pilots.

This bill would require the child care subsidy plan to be submitted to the local planning council and the Santa Clara County Board of Supervisors for approval. This bill would also require the Early Education and Support Division of the State Department of Education to review and approve or disapprove the plan and any subsequent modifications to the plan. In addition, AB 2368 would require Santa Clara County to annually prepare and submit to the Legislature, the State Department of Social Services, and the State Department of Education a report that contains specified information relating to the success of the county's plan.

Like similar pilot projects before, AB 2368 would give Santa Clara County limited local flexibility to maximize allocated funding and efficiently use child care subsidy funds in order to meet local conditions and serve the needs of more children and their working families. AB 2368 does not change the total amount of funds allocated to Santa Clara County for subsidized child care. Therefore, this bill would not result in additional state costs.

CONSEQUENCES OF NEGATIVE ACTION

The negative action would result in a loss of funding for subsidized child care and a large number of children will face instability in their lives.

STEPS FOLLOWING APPROVAL

The Clerk of the Board will notify Natalie Allen from Social Services Agency upon completion.

ATTACHMENTS:

- AB2368-SantaClaraCounty-PilotPlan.28Mar17 (PDF)

LOCAL EARLY EDUCATION PLANNING COUNCIL
OF SANTA CLARA COUNTY

Santa Clara County

Individualized Child Care Subsidy Pilot

Local Child Care Policy and Evaluation Plan

March 2017

Prepared by:

MISSION ANALYTICS GROUP

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SUMMARY

Assembly Bill 2368 (Gordon) authorizes an individualized child care subsidy plan for the County of Santa Clara to ensure that funding for child care subsidies in the county address local needs and priorities. The existing subsidy regulations do not meet the needs of either families or child care contractors in the county. Children in Santa Clara County are less likely than other California qualify for subsidized child care, because their families' income is above the statewide income threshold. However, housing costs are substantially higher in the county than the statewide average: the "housing wage" to afford fair market rents in Santa Clara County is 70% greater than the income cutoff for subsidies. Families in Santa Clara County also face child care prices for unsubsidized care that are 22% to 35% higher than in California overall. Child care contractors offering subsidized care are also financially squeezed. Reimbursement rates for direct service providers are well below market rates in the county, even though regulations for subsidized care make it substantially more expensive to provide. In the major cities in the county, minimum wages are also going up faster than the state increases, which will further pressure subsidized child care contractors. The large share of families above the income threshold coupled with low reimbursement rates and other regulations have resulted in child care contractors not drawing down all the funding available in contracts in the county. Thus, fewer children are receiving subsidized care than intended with the funding for the county.

This local child care subsidy plan, therefore, has two main goals. First, the pilot will better meet the early education and child care needs of families in Santa Clara County through policies that support low-income families and promote stable care. Second, the pilot will expand subsidized care by implementing policies that improve reimbursement rates for contractors, promote contractor retention, and reduce unearned contract funds. AB2368 requires the plan to meet these goals under the following restrictions:

- No family who would have been eligible under state rules can either become ineligible or be asked to pay higher family fees;
- Provider participation is entirely voluntary;
- The number of child days of enrollment across participating providers must increase overall from the base year; and
- There are no additional resources for the pilot – only unearned and unallocated funds from existing contracts and funding streams.

The Santa Clara County Local Child Care Policy will therefore include 10 components that differentiate it from the existing requirements in child care subsidy contracts, as shown below. The pilot will monitor the effect of these changes on the aggregate earned child days of enrollment among participating contractors. In addition, the County will monitor how many children are served from families with income above the state income threshold and the year-to-year retention of children in subsidized care. From the contractor side, the pilot will track the retention of contractors and the value and share of unearned direct service contract funds.

Summary of Plan Components	
1.	Increase income threshold for eligibility for subsidized care from Title 5 contractors to 85% of the state median income
2.	Establish contract terms for pilot year one to reallocate unearned funding
3.	Update contract terms in subsequent years of the pilot, including offering contractors the option of two-year contracts
4.	Authorize 24-month eligibility for families entering subsidized care and eligible based on need other than job search
5.	Authorize 12-month eligibility for families certified with seeking employment as the only need
6.	Establish a family fee schedule for families with income above the state eligibility cutoff to set fees at approximately 10% of family income
7.	Support transitions from preschool to Transitional Kindergarten (TK) by allowing children aged 2.9 to be served in state preschool contracts
8.	Treat all contracts and age groups consistently in the use of adjustment factors
9.	Incorporate additional changes to meet the needs of low-income families in Santa Clara County, such as prioritizing children with special needs and allowing sibling preference
10.	Apply eligibility criteria to child care voucher programs, including CalWORKs Stage 2, CalWORKs Stage 3, and the Alternative Payment Program.

1 INTRODUCTION

In September 2016, Governor Brown approved Assembly Bill 2368, authorizing an individualized child care subsidy plan for the County of Santa Clara. Authored by Assemblymember Rich Gordon and co-sponsored by the Santa Clara Office of Education and Kidango, the legislation allows Santa Clara County to develop and implement a plan through January 1, 2022. Modeled on similar bills, especially AB833 for Alameda County, the legislation removes some of the regulatory constraints in providing subsidized child care through Title 5 contracts with the California Department of Education. Under AB2368, the individualized child care plan is designed to "ensure that child care subsidies received by the County of Santa Clara are used to address local needs, conditions, and priorities of working families in the community."

AB2368 provides the county only limited flexibility in designing its subsidy rules. There are four fundamental limitations on the pilot:

- No family who would have been eligible under state rules can either become ineligible or be asked to pay higher family fees;
- Provider participation is entirely voluntary;
- The number of child days of enrollment across participating providers must increase overall from the base year; and
- There are no additional resources for the pilot – only unearned and unallocated funds from existing contracts and funding streams.

This plan lays out the County's goals for its subsidized child care system. It contains three main parts: Chapter 2 reviews local economic and child care market conditions in Santa Clara County and the challenges to be addressed by the pilot. Chapter 3 summarizes the County's goals for the pilot and describes the components of the local plan to be implemented to meet these goals within the constraints of AB2368. Chapter 4 offers a list of outcome measures to evaluate the success of the plan.

As called for by the legislation, this plan will go through the following approval process:

Review Body	Approval Date
Local Early Education Planning Council (LPC) of Santa Clara County	
Board of Supervisors of the County of Santa Clara	
Early Education and Support Division, California Department of Education	

2 LOCAL ECONOMIC AND CHILD CARE MARKET CONDITIONS

In developing this plan, Santa Clara County stakeholders assessed the local child care market, economic conditions for working families, and the needs for and costs of child care. This review included consideration of:

- Level of need for various types of subsidized child care services
- General demographics
- Income eligibility levels for subsidized child care and family fees
- Trends in the County's unemployment and housing affordability index
- County's self-sufficiency income level
- Cost of providing child care
- Standard reimbursement rates and regional market rates
- Current supply of available subsidized child care

Santa Clara County is home to over 400,000 children, including almost 300,000 with all parents employed.

In 2014, an estimated 421,852 children lived in Santa Clara County, including 142,222 children under age 6 and approximately 143,651 children aged 6 to 12. Among children under six years of age in Santa Clara County, 64% have all parents working compared to 61% statewide. For children six to 17 years of age, the percent increases to 70% in Santa Clara County and 66% statewide.[1]

Table 1: Santa Clara County Children with All Parents Working, 2014 Estimates

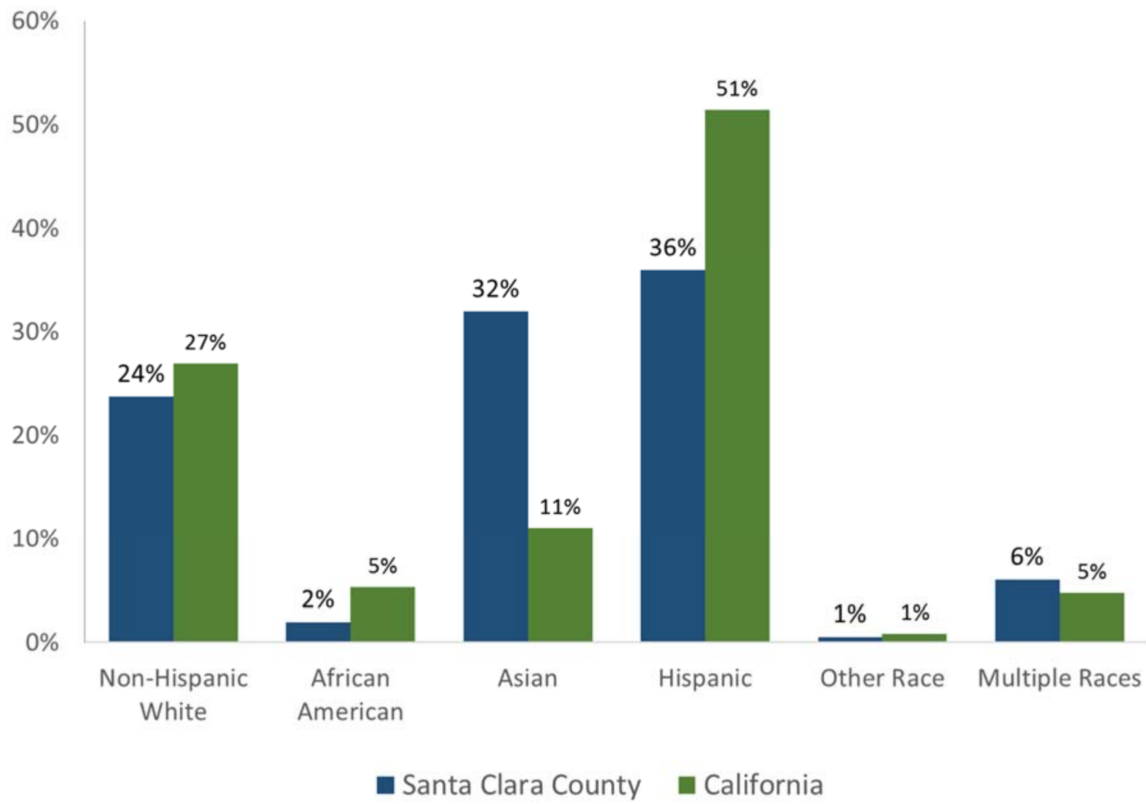
Age Category	Number of Children in Santa Clara County	Number with All Resident Parents in Workforce	Share with All Parents Working[2]
Under 6 years	142,222	91,616	64%
6 to 17 years	279,630	195,382	70%
Total	421,852	286,998	68%

Source: 2014 American Community Survey 1-Year Estimates (Table C23008)

[1] 2014 American Community Survey 1-Year Estimates
[2] Includes children of working single parents and children in two-parent families where both parents work

The racial/ethnic profile of children in Santa Clara County differs from California overall. As elsewhere, Hispanic/Latino children represent the largest share of children in the county, but Asian children represent nearly as large a share. Non-Hispanic white children account for just under one-fourth of the children. The county has a relatively small population of African American children, but a slightly higher share of children classified as multiple races.

Figure 1: Race/Ethnicity of Santa Clara County Children, 2016

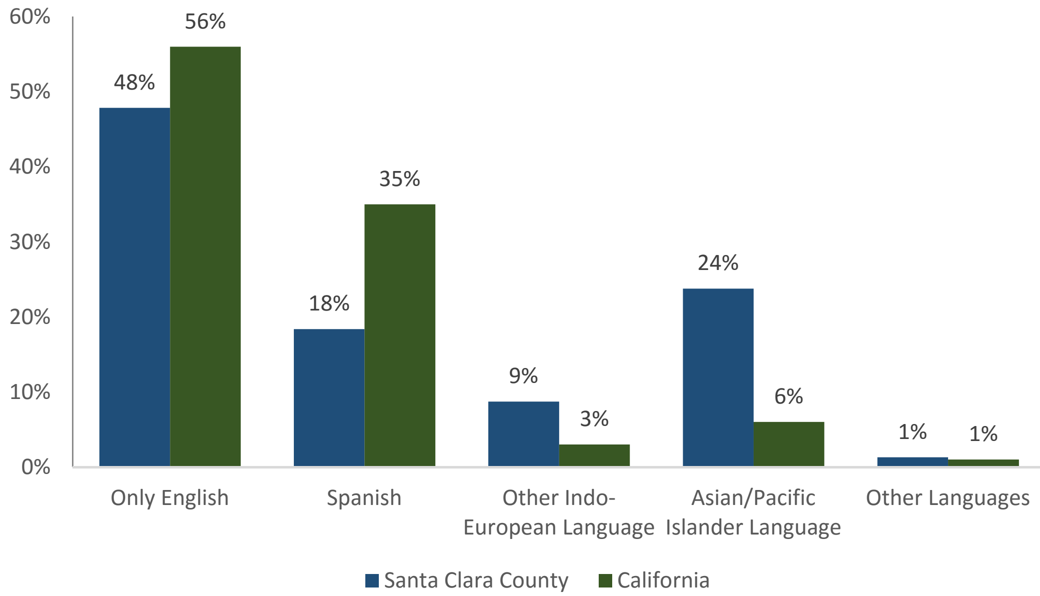


Source: Kidsdata.org from California Dept. of Finance, Race/Ethnic Population with Age and Sex Detail, 1990-1999, 2000-2010, 2010-2060; U.S. Census Bureau, Current Population Estimates, Vintage 2015 (Jun. 2016)

Consistent with this profile, a higher share of children speaks Asian/Pacific Islander languages (24%) in Santa Clara County than statewide (6%). Nearly 51% of children in Santa Clara County speak a language apart from just English at home. The County also has a slightly higher percentage of English Language Learners compared to the statewide average, with about 25% of public school students in English Learner programs compared with 23% statewide.[3]

[3] http://www.kidsdata.org/topic/51/english-language-learners/table#fmt=205&loc=2,127,347,1763,331,348,336,171,321,345,357,332,324,369,358,362,360,337,327,364,356,217,353,328,354,323,352,320,339,334,365,343,330,367,344,355,366,368,265,349,361,4,273,59,370,326,333,322,341,338,350,342,329,325,359,351,363,340,335&tf=79&sortColumnId=0&sortType=asc

Figure 2: Language Spoken at Home of Santa Clara County Children, 2014



Source: 2014 American Community Survey Data (Table B16007)

Fewer Santa Clara County children live in households that qualify for subsidized child care, yet families face significant financial pressures from high costs of housing.

Children in Santa Clara County are about half as likely as other California children to live in families that qualify for child care subsidies. The monthly income threshold for subsidized child care in California stands at $3,908, or $46,896 per year. Approximating this at $50,000, Census Bureau data show only about 21% of Santa Clara County families with children under 18 have incomes below $50,000 compared to 41% statewide.

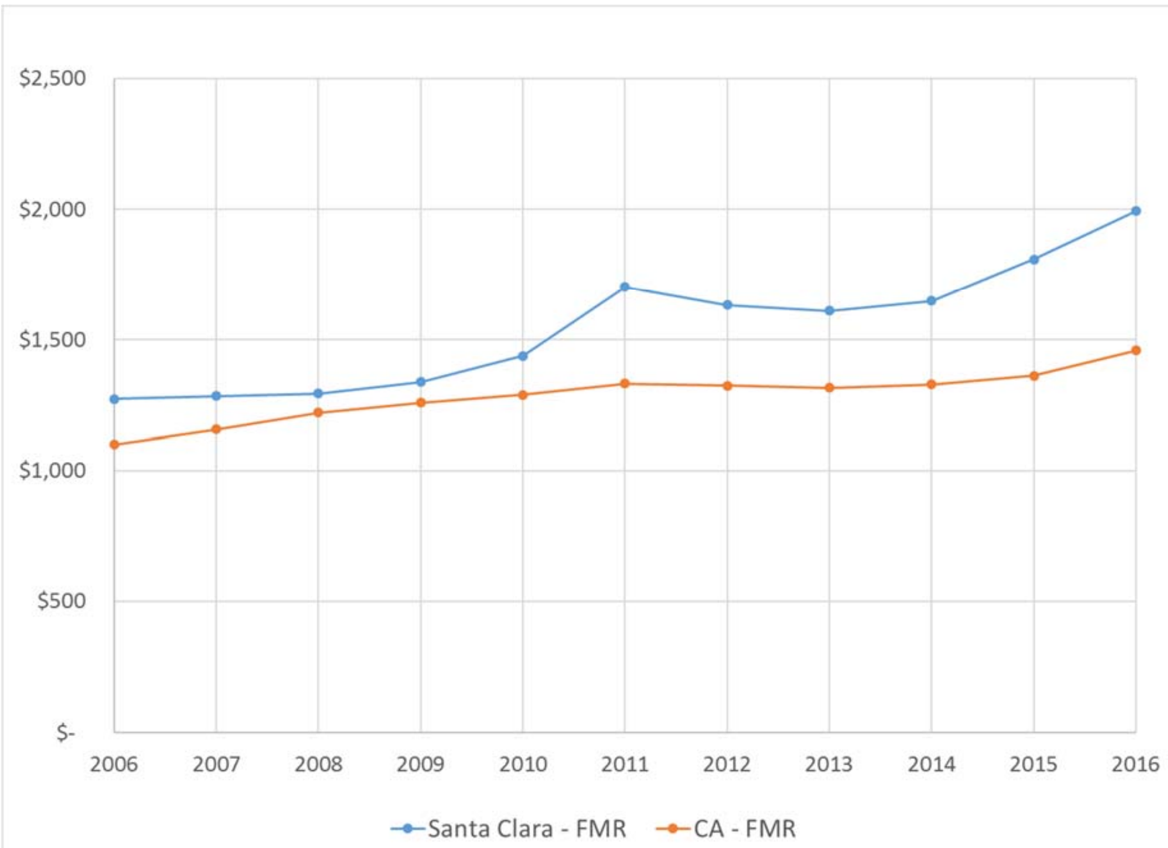
Table 2: Income Distribution of Santa Clara County Families with Children Under 18, 2014

Income Category	Santa Clara County	California
Less than $25,000	8%	20%
$25,000 to $50,000	13%	21%
$50,000 to $75,000	11%	15%
$75,000 to $100,000	10%	11%
$100,000 to $150,000	19%	15%
$150,000 and up	39%	18%

Source: 2014 American Community Survey 1-Year Estimates (Table B19131)

The smaller share of families below $50,000 income in Santa Clara does not mean that families find it easier to afford child care. The higher average incomes reflect in large part higher housing costs. Housing costs are commonly measured using fair market rent (FMR), the Department of Housing and Urban Development's measure of current costs for available rental housing. The FMR for a two-bedroom in Santa Clara County in 2016 was 37% higher than the state ($1,994 in Santa Clara County compared to $1,458 statewide).[4] The difference in housing costs in Santa Clara relative to the state was higher in 2016 than at any time in the last decade.

Figure 3: Fair Market Rents (FMR), 2006-2016 (2 Bedrooms)

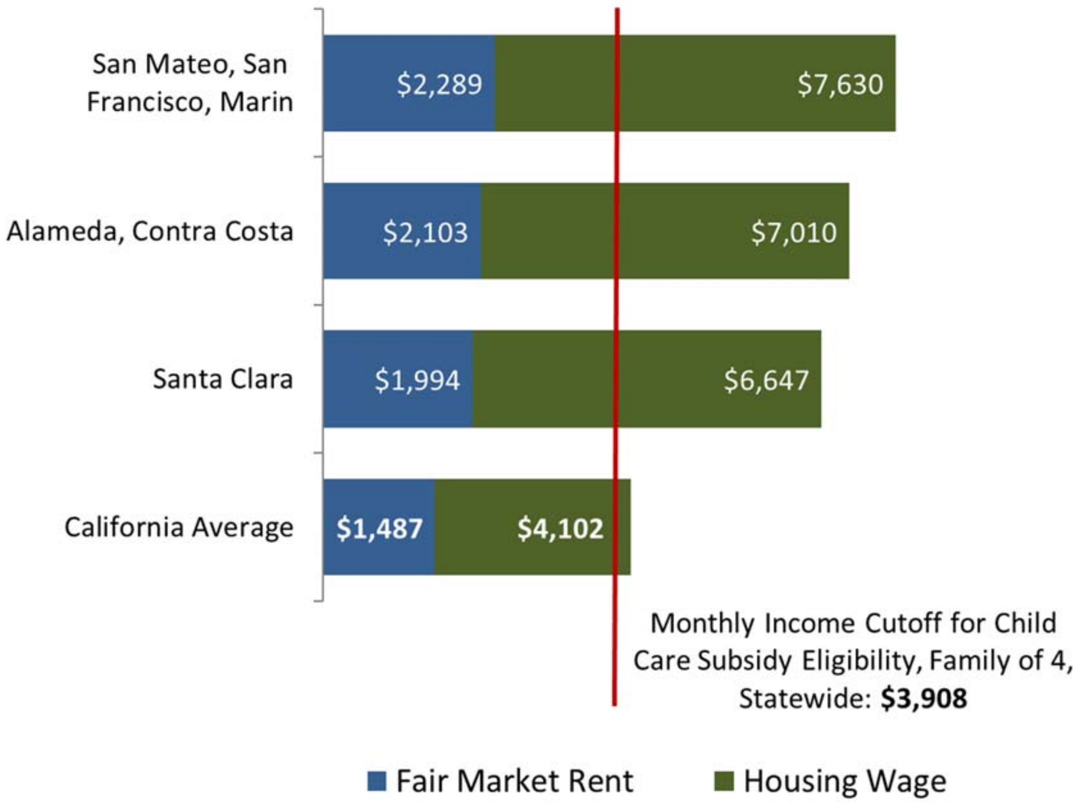


Statewide the income cutoff for subsidized child care is just below the income level where average California rents would be considered affordable. The National Low Income Housing Coalition uses the FMR to calculate a "housing wage," defined as the wage income required pay no more than 30% of income to afford rent at the FMR.[5] The average housing wage for

[4] The Department of Housing and Urban Development (HUD) defines the FMR as the rent level where 40% of recent movers pay less than the FMR and 60% pay more than the FMR.
[5] http://nlihc.org/oor/california

California was $4102 per month in 2016. In Santa Clara County, the equivalent housing wage was $6,647, or 70% higher than the income cutoff. Only two metropolitan areas in California have higher housing wages: the San Francisco-San Mateo-Marin area and the Alameda-Contra Costa Counties area.

Figure 4: FMR, "Housing Wage" Income, and the Statewide Child Care Subsidy Eligibility Cutoff for High Cost Counties, 2016

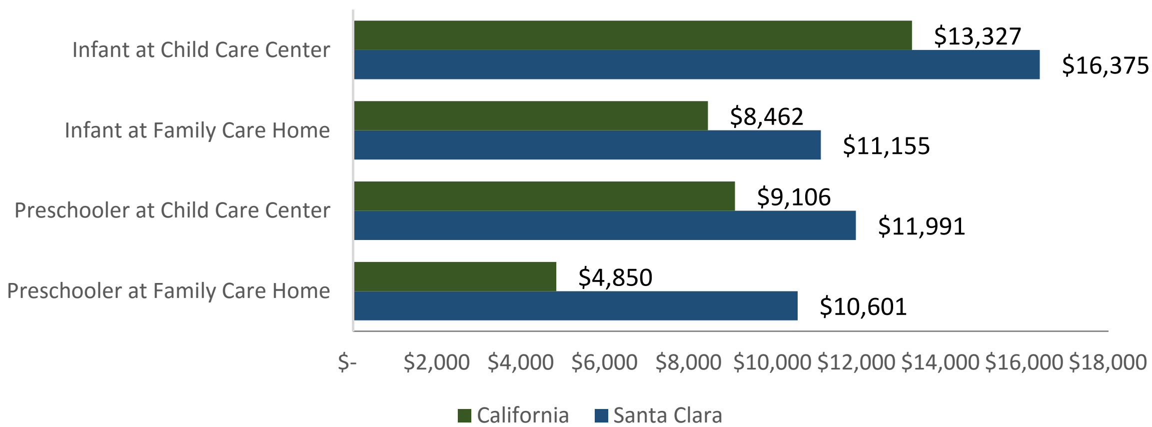


Market prices for child care are 22% to 35% higher in Santa Clara County than in California overall.

In both family care homes and child care centers, Santa Clara County residents can expect to pay more annually for child care than other California residents (Figure 5). The average price for center-based preschool care was about 32% higher than the state average. For center-based infant care, families may pay nearly 23% more than the statewide average. In fact, with income just over the subsidy threshold – say $4000 per month – a family in Santa Clara County would typically have to pay one-quarter of their income to have one child in center-based preschool care at $11,991 annually or $999 per month. Add an infant and even family care home care would require 45% of a family's income.

Thus, once child care costs are considered, an even higher income is required to meet self-sufficiency standards in Santa Clara County. The California Budget Project (CBP) and the Insight Center for Community Economic Development have both calculated self-sufficiency standards with and without child care. With child care, these organizations estimate that a family of four with two working parents would have to earn $7,744 to $7,959 per month to meet basic needs, based on 2013 and 2014 data. Given the increasing costs of housing and child care, these would be even higher with more current data.

Figure 5: Average Annual Rate for Child Care, by Age Group, 2014



Source: California Child Care Resource & Referral Network, California Child Care Portfolio (Nov. 2015); Cost data are from the Child Care Regional Market Rate Survey, 2014.

Table 3: Subsidy Cutoff Relative to Self-Sufficiency Standards

Monthly Income for "Basic Needs" for a Family of Four with One Infant and One Preschooler	Santa Clara County	California
Income Cutoff for Child Care Subsidy	$3,908	$3,908
NLIHC Housing Wage (2016)	$6,647	$4,102
CBP Monthly Family Budget (December 2013)[6]		
Without Child Care	$6,413	$5,688
With Child Care	$7,744	$6,796
California Self-Sufficiency Standards (2014)[7]		
Without Child Care	$5,621	N/A
With Child Care	$7,959	N/A

[6] Estimated family budget (for a 4-person family, both parents working) from the California Budget Project (CBP), Making Ends Meet: How Much Does It Cost to Raise a Family in California (December 2013). http://calbudgetcenter.org/MakingEndsMeet/
[7] Insight Center for Community Economic Development: Self-Sufficiency Standard Tool for California for a 4-person family with one infant and one preschooler. http://www.insightcced.org/tools-metrics/self-sufficiency-standard-tool-for-california/

Reimbursement rates for direct service providers are well below market rates in Santa Clara County, even though Title 5 regulations make care more expensive to provide.

Direct service providers who contract with CDE to provide subsidized child care typically receive the Standard Reimbursement Rate (SRR) of $40.45 per day for full-time preschool care, regardless of where they are located (Table 5). In contrast, child care vouchers allow providers to receive up to the 75th percentile of the local child care market, based on 2014 data from the Regional Market Rate (RMR) survey. The maximum RMR payment rate for preschool is 93% higher than the SRR. Adjustment factors applied to the SRR increase the reimbursement for contractors serving infants 0 to 18 months and toddlers 18 to 36 months. The infant adjustment is 1.7 and the toddler adjustment is 1.4, providing effective SRRs of $61.37 and $50.54 respectively. However, these still fall short of market prices, which go up to $103.76 for center-based infant care.

Table 5: Estimated Costs and Reimbursement Rates for Child Care Centers in Santa Clara County, 2017

Age Category	Daily RMR ceiling	Standard Reimbursement Rate (SRR)	% Maximum RMR Exceeds SRR
Full-time Infant (Age 12 months)	$103.76	$68.34	52%
Full-time Preschooler (Age 3 years)	$74.71	$40.45	85%
Full-time School Age (Age 7 years)	$58.94	$40.20	47%

Source: Reimbursement Ceilings for Subsidized Child Care 2017, CDE Management Bulletin 16-11

Families who qualify for child care vouchers – largely current and former CalWORKs participants – can use the voucher for care at a licensed child care center or family child care home or with a relative. For preschool care, the SRR is lower than the Santa Clara County RMR in all three settings. Yet the Title 5 contractors must meet more stringent regulations than state licensing requires under Title 22. There are higher education qualifications for Title 5 and stricter child staff ratios. For example, Title 22 requires one adult per 12 preschool children in child care centers; Title 5 requires one adult per 8 preschool children.[8] There are similar differences for younger children.

[8]For a comparison of the regulations see: https://d3n8a8pro7vhmx.cloudfront.net/rrnetwork/pages/78/attachments/original/1451607399/CA_Licensing_Regulations_Compare.pdf?1451607399

Minimum wage boosts increase labor costs for child care providers in Santa Clara County.

It will be increasingly difficult to provide child care at the SRR as labor costs rise in Santa Clara County. Labor costs are the largest budget item for child care centers; one recent study estimates labor to account for 64 percent of operating costs.[9] In 2016, child care workers in Santa Clara County had an average wage of $14.38 per hour, with one in four making less than $11.13 per hour. Wages were slightly higher for preschool teachers, who made an average of $18.11 per hour, with one in four below $15.03.[10] At the time, the California minimum wage was $10 per hour.

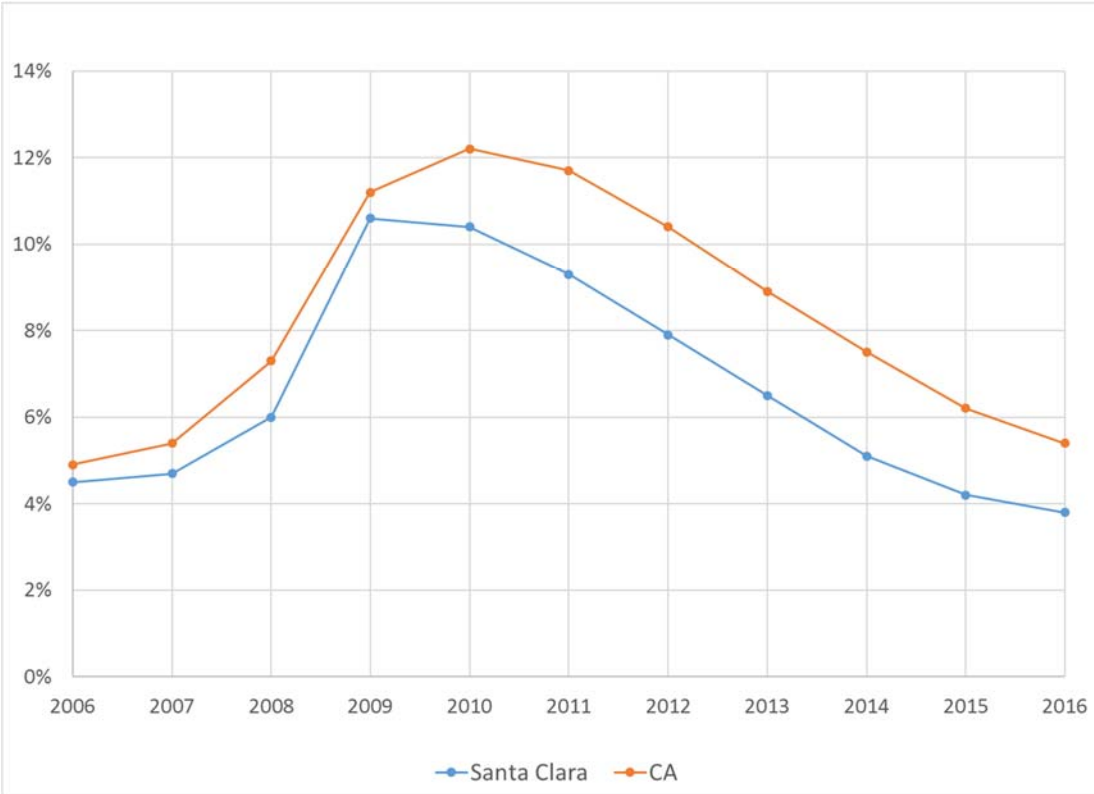
State and local minimum wage increases will push child care wages up further. Statewide, the minimum wage will rise to $15.00 in 2022 (2023 for small employers). Many Santa Clara County jurisdictions have increases going into place more quickly. San Jose, the county's largest city, will rise to $12.00 on July 1, 2017 and $13.50 on January 1, 2018, hitting $15.00 per hour in 2019. Cupertino is following the same pattern. Mountain View and Sunnyvale instituted $13.00 minimum wages on January 1, 2017 and will go to $15.00 in 2018. (These wage increases not only increase costs for child care providers, but under current regulations put minimum wage earners in families with two working parents over the income threshold for a family of four.)

Minimum wage increases generally increase wages not just for those workers previously earning less than the new minimum, but also for workers earning just above it, as employers seek to maintain wage differentials for experience and education. This is particularly important in early childhood education where educational requirements rise with increased classroom responsibilities. CDE and the Child Care Law Center warn of the increased turnover from wage compression and competition from other sectors as minimum wages increase.[11] Labor markets are tight in Santa Clara County. By the end of 2016, the county's unemployment rate was below 4%, more than a percentage point lower than the average for California.

A 2016 survey of Santa Clara providers with California State Preschool Program (CSPP) contracts asked contractors why they chose not to request expansion funds to serve more children. Sixty percent reported that they could not afford the cost of expansion due to staff salaries. Additional state staffing requirements and staff quality standards put additional pressure on salaries.

[9] Welsh-Loveman, J. (2015). The Impact of Minimum Wage Regulations on the Early Care and Education Industry in California. Oakland, CA: Alameda County Early Care and Education Planning Council. https://www.acgov.org/ece/documents/Welsh-Loveman_APA_5202015.pdf
[10] http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/oesWageReport.asp?menuchoice=OESWAGE
[11] California Department of Education. (2017). Bringing Child Care Policy in Line with the New Minimum Wage. Sacramento, CA.

Figure 6: Average Annual Unemployment Rate, 2006-2016



Source: Bureau of Labor Statistics; Labor force data by County, 2006-2016 annual averages http://www.bls.gov/lau/#tables

Families above the income threshold, low reimbursement rates and other regulations together led to underearned state contracts.

In each of the last two years, Santa Clara County providers with CSPP, General Child Care (CCTR) and Migrant Child Care (CMIG) contracts returned more than $8.855 million allocated to child care in the county. With funding for approximately 8,000 children, just over 7,000 children received subsidized care.[12] CSPP accounted for the largest share of unearned funds, with more than 18% of contract dollars unearned.

Many CSPP contractors cited low reimbursement rates as a barrier to serving more children. As one indicated

> *Yearly we face a $350,000 deficit due to low reimbursement rates. We have deteriorating facilities and materials, with negative funding to improve the quality and capacity of the child development centers for our youngest, most vulnerable learners.*

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[12] Calculated from expected child days of enrollment for an average of 236 days in operation per year at the SRR for preschool care.

Another contractor wanted to renovate, but could not take on more debt without passing the cost on to parents or lowering wages. Other contractors indicated that they could not hire adequate staff to provide the quality of service needed by families.

Other challenges included staffing to meet Quality Rating and Improvement System (QRIS) standards and enrollment losses to Transitional Kindergarten.

3 LOCAL CHILD CARE SUBSIDY PLAN GOALS AND COMPONENTS

Subsidies for quality early education and child care services are important supports for low-income families, helping parents gain and maintain stable employment. At the same time, high quality programs promote healthy development and school readiness for children, including cognitive development and social and emotional skills. Moreover, research shows that stable child care is important for children's development and may be particularly important for children at risk of poor developmental outcomes. The lack of reliable child care also affects mothers' ability to remain employed, while many parents who receive subsidized child care work in sectors such as retail and service areas that are associated with employment volatility.[13] Indeed, one goal of the reauthorization of the federal Child Care and Development Block Grant Act in 2014 was to incorporate more family friendly eligibility policies to promote greater child care stability for parents and children.

In its local child care subsidy plan, Santa Clara County seeks to address two major breakdowns in the child care subsidy system as currently exists. First, families barely earning enough to meet the high costs of housing in the county are too high income to qualify for child care subsidies under existing regulations and those that do qualify can easily lose subsidies with small increases in their income. Second, difficulties in finding, certifying and recertifying children as eligible for subsidies combined with very low reimbursement rates make it difficult for providers to utilize their full allocation of state and federal child care and child development funds. Thus, fewer children are subsidized through these providers, and funding goes unused in the county.

Recognizing these challenges, the local child care subsidy plan has two main goals:

Better meet the early education and child care needs of families in Santa Clara County through policies that

- Support low-income families, and
- Promote stable child care.

Expand subsidized care by implementing policies for child care contractors that

- Increase earned child days of enrollment
- Improve reimbursement rates for contractors
- Reduce contractor administrative burden
- Reduce unearned funds, and
- Promote contractor retention.

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[13] For an overview of the role of child care stability, see Adams, G., & Rohacek, M. (2010). *Child Care Instability: Definitions, Context and Policy Implications.* Washington, DC: Urban Institute.

These policies are incorporated in ten components where the local approach will differ from statewide regulations. For each component, we provide a conceptual overview, link it to the goals above, note whether the component is consistent with pilots in other counties, and provide additional notes for background or clarification.

Component 1: Increase income threshold for eligibility for subsidized care from Title 5 contractors to 85% of the state median income	
Concept	Families will be eligible for subsidized care if their income does not exceed 85% of the state median income SMI based on Census Bureau data as published annually by the U.S. Department of Health and Human Services (USDHHS) Administration for Children and Families (ACF) for the Low-Income Home Energy Assistance Program (LIHEAP). The pilot income threshold will be updated annually as updated data are published by ACF.
Goal(s)	• Support low-income families • Reduce unearned funds • Increase earned child days of enrollment
Matched to Other Pilots	San Mateo, San Francisco, Alameda
Notes	The median income as published for LIHEAP (a five-year estimate) is based on data from the American Community Survey, which is also the source for the one-year estimate of Median Household Income by State (Table H-8) published directly by the Census Bureau. Unlike Table H-8, the LIHEAP calculations are anchored in a specific family size (family of four). Following the structure used by CDE for the existing income thresholds, the SMI for a family of four can be adjusted for larger and smaller families.

Component 2: Establish contract terms for pilot year one to reallocate unearned funding	
Concept	The Santa Clara County LPC will provide EESD with recommended contract terms for participating pilot contractors, including maximum reimbursable amounts (MRA), child days of enrollment and the pilot reimbursement rate (PRR). The contract terms will reflect a reallocation of contract funds from direct service contractors who are not fully earning their contracts. Funds will be used in part to implement higher contractor reimbursement rates.
Goal(s)	• Reduce unearned funds • Increase earned child days of enrollment • Promote contractor retention
Matched to Other Pilots	Contract terms included San Mateo, San Francisco, Alameda. Distinction between year one and subsequent years (see component 3 below) is new in the Santa Clara plan.
Notes	Consistent with EESD requirements, the contract terms will maintain the existing funding streams and match the current county funding by contract type. At the end of the pilot or on a contractor's withdrawal from the pilot, contract terms would revert to the previous terms adjusted for any statewide changes in terms (e.g. changes in the statewide standard reimbursement rate). The PRR calculations for Santa Clara County are still pending.

Component 3: Update contract terms in subsequent years of the pilot, including offering contractors the option of two-year contracts	
Concept	Contractors find it difficult to predict how enrollment patterns may change under the new pilot, given expected greater stability of placements, additional children eligible for enrollment, and potentially higher family fees. The County of Santa Clara proposes to reassess the contract terms after year one and year three of the pilot to address any ongoing issues of underearning. The updated contract terms may change the MRA, child days of enrollment, and/or the PRR. Starting in year two, contractors may opt for two-year contracts.
Goal(s)	• Reduce unearned funds • Increase earned child days of enrollment • Reduce contractor administrative burden • Promote contractor retention
Matched to Other Pilots	This component is new in the Santa Clara plan.
Notes	In other counties, pilots have found that contractors were overly conservative in relinquishing funds to the pilot and/or overly optimistic in their estimates of likely earning. Explicitly allowing for a reassessment will allow the pilot to be more effective in reducing underearning and more responsive to changing circumstances with contractors. Two year contracts also allow the pilot to test whether overall enrollment can be increased when contractors are assured of the second-year funds.

Component 4: Authorize 24-month eligibility for families entering subsidized care and eligible on the basis of need other than job search; if the 24-month period ends in the last four months of a fiscal year, the family will be deemed eligible through the end of the fiscal year	
Concept	Consistent with federal goals to provide stable child care financial assistance to families, the Santa Clara pilot will establish 24-month redetermination periods for families who meet the income threshold for subsidized care and, as required by the contract type, meet the need criteria for eligibility. (See below for eligibility based on job search.) The 24-month eligibility would apply to all ages of children in CCTR, full and part-day CSPP, CMIG, and CFCC.
Goal(s)	• Support low-income families • Promote stable child care • Reduce contractor administrative burden • Promote contractor retention
Matched to Other Pilots	Alameda and San Francisco/San Mateo have variants of the 24-month eligibility. The Santa Clara version falls between the other pilots in allowing for eligibility to extend to the end of the fiscal year only within limits.
Notes	Except for the end-of-fiscal-year cutoff, eligibility redetermination guidelines would be consistent with those now embedded in contractor handbooks developed for Alameda and San Francisco Counties. Specific features of this component include: • Family fees and subsidized hours of care would be stable over 24-month eligibility period. • Earlier redetermination could be triggered by the family by their choice to lower the family fee or expand hours of care. • At initial eligibility and redetermination, eligibility may be based on either the previous month's income or the average of the previous year's income, consistent with federal statutory language regarding treatment of temporary income fluctuations. • Families will be instructed that they must notify the agency if their annual income will disqualify them for subsidies. • If the agency has information that the circumstances that form the basis of need will change within less than 24 months (e.g. end of vocational training, short-term incapacity), the redetermination date will be based on the expected end date of the need.

Component 5: Families certified with seeking employment as the only need will be eligible for up to 12 months, with a 6-month check in	
Concept	Stable child care financial assistance is also a goal for families seeking employment. For these families, the period of eligibility will be 12 months, with no more than 12 months' eligibility based on job search within a 24-month period. Contractors will check in at 6 months to confirm that job search is continuing.
Goal(s)	• Support low-income families • Promote stable child care • Reduce contractor administrative burden
Matched to Other Pilots	San Mateo, San Francisco, Alameda
Notes	At the 6-month mark, contractors will check if the family has employment and offer the opportunity for recertification with a basis that allows for 24-month eligibility. This may allow families with job instability to preserve future eligibility for care based on job search.

Component 6: Families with income above the state eligibility cutoff will pay family fees that represent approximately 10% of family income	
Concept	To promote transition from subsidized care, family fees will rise with income in the "pilot income range" between the state income threshold and the pilot threshold. The family fee scale will match those in the other pilots.
Goal(s)	• Support low-income families • Reduce unearned funds • Increase earned child days of enrollment
Matched to Other Pilots	San Mateo, San Francisco, Alameda
Notes	The pilot family fee scale will be updated following any changes in the state fess schedule and when the income threshold is updated annually.

Component 7: Support transitions from preschool to Transitional Kindergarten (TK) by allowing children aged 2.9 to be served in CSPP contracts	
Concept	Serving children aged 2.9 to age 5 in CSPP will allow children to receive two years of state preschool before moving into TK. It will also allow contractors to fill CSPP classrooms at the beginning of the school year.
Goal(s)	• Promote stable child care • Reduce unearned funds • Increase earned child days of enrollment
Matched to Other Pilots	San Mateo, San Francisco, Alameda
Notes	

Component 8: Treat all contracts and age groups consistently in the use of adjustment factors	
Concept	All contractors will be eligible to use the adjustment factors in calculating adjusted days of enrollment including those for limited and non-English proficient children. This will allow any high-rate districts and school-age programs to receive adjustments.
Goal(s)	• Reduce unearned funds • Increase earned child days of enrollment
Matched to Other Pilots	Alameda, San Francisco (high rate districts)
Notes	

Component 9: Additional changes to meet the needs of low-income families in Santa Clara County, including: a. Prioritizing children with special needs b. Allow contractors the option to give preference to siblings of children already enrolled in a program c. Authorizing families for 6.5 hours of services if their only need is seeking housing or seeking employment d. Allow agencies to treat families switching between contractors or contract types, especially those aging out of a care setting, as ongoing enrollees rather than new families	
Concept	These additional components will assist in meeting the needs of families in the county and help contractors maximize enrollment
Goal(s)	• Support low-income families • Promote stable child care
Matched to Other Pilots	Alameda (b and c), San Mateo and San Francisco (c and d)
Notes	

Component 10: Apply eligibility criteria to child care voucher programs, including: a. CalWORKs Stage 2 (C2AP) b. CalWORKs Stage 3 (C3AP) c. Alternative Payment Program (CAPP)	
Concept	Families receiving child care assistance through voucher programs rather than through direct service contractors will be eligible for assistance under the same criteria, including the income threshold, the period of eligibility and the family fee schedule. Reimbursement rates for vouchers will not be affected.
Goal(s)	• Support low-income families • Promote stable child care
Matched to Other Pilots	San Mateo, San Francisco
Notes	Like CCTR and CSPP, C3AP and CAPP have allocations that cannot be exceeded, and new families only receive vouchers as funding is available. In contrast, families may receive C2AP for up to two years after leaving CalWORKs. However, C2AP has underearned in each of the last two years, by $310,319 in 2015-16 and by $420,595 in 2014-15. Current and former CalWORKs families can also qualify to receive subsidized child care through contracted slots, not using vouchers. Care in these slots would be reimbursed at the PRR.

4 MEASURING OUTCOMES

Each year the County of Santa Clara will prepare an annual report on the pilot project for submission to EESD. Each annual report will be submitted in November and will reflect on the previous fiscal year. The first evaluation report will be submitted by November 30st 2018 and will cover fiscal year 2017/2018. These annual reports will track outcomes on selected measures described below. In addition, each annual report will profile the children and families served under the pilot, including the demographic characteristics of the children. The reports will also describe any major issues that arose in implementation or special challenges affecting specific contractors. Finally, they will identify any modifications in the pilot plan based on the previous year's experiences.

The annual report will draw on the following data sources:

1) **801A Data:** Each month, contractors are required to submit to EESD a list of all families that received subsidized services. For each child in subsidized care, the 801A lists the date services began, family income, family size, child's date of birth, CalWORKs receipt, and other demographic and care information. Pilot contractors will provide an extract of their April submission for March 801A data for inclusion in the annual report. A subset of providers will provide more frequent reports as needed to track specific outcomes. To do a pre-post analysis, we will capture 801A data for March 2017 as a comparison.
2) **Attendance and Fiscal Reports:** Contractors will provide the LPC with a copy of each quarter Quarter Attendance and Fiscal Reports (8501 and 9500 Forms). This will provide information on earned CDEs and family fees.
3) **Provider Satisfaction Surveys:** Each provider will complete an annual online survey regarding their experiences with the pilot project. The survey will be developed in collaboration with Santa Clara County and will examine contractors' experiences both positive and negative, and their perception of the impact of the pilot on families.
4) **Additional Data from EESD:** We will also use data provided by EESD on the number of contractors and the unearned contract funds.

The measures tracked are structured around the two major goals of the pilot: better meeting the needs of families and expanding the supply of subsidized care.

Understanding how the pilot meets the needs of families

The first two measures will examine the effect of the higher income threshold and the longer recertification periods.

Measure 1: The number and share of children in subsidized care with family income above the state income threshold.

We will track the number and share of children from families with income in the "pilot range" (income above the state income threshold but below the pilot threshold). Over time, we expect to see a larger share of children with income in this range. These are children who, without the pilot, would not be eligible for subsidized child care. However, with 24-month recertification, we may not observe families as they move into this category.

Data Source: April 801A data provided by contractors

Measure 2: The time in services and year-to-year retention for children in subsidized care by contract type.

For children in subsidized care, we will measure the time in services, measured as the days since the date the child started receiving services. We will also measure the share of children observed in each year that were also included in the prior year's data. We expect children to remain in care longer, recognizing that children will "age out" of care especially in CSPP.

Data Source: April 801A data provided by contractors

Understanding how the pilot expands subsidized care

Additional measure will track the effect of the pilot on the supply of care and the stability of providers.

Measure 3: The number of active direct services child care and development services contractors in Santa Clara County.

We expect that higher reimbursement rates and lower administrative burden will promote the retention of contractors offering subsidized care through CSPP, CCTR and CMIG contracts. We will measure the number of direct service contractors providing contracted child care and development services on June 30th of each year. For comparison, we will also plan to obtain data from EESD on retention of direct service contractors in nearby counties over the same period.

Measure 4: The aggregate adjusted child days of enrollment among pilot contractors.

The legislation requires that the pilot achieve an increase in child days of enrollment compared to the baseline. For Santa Clara County, the baseline is the earned child days of enrollment among participating contractors in Fiscal Year 2015/2016. Each year the evaluator will re-calculate the baseline days of enrollment based on data provided by EESD to adjust for fluctuations in contract funds. Thus, the baseline is a formula rather than a static number. For example, if contract funds were reduced in a year of the pilot to 85 percent of the baseline contract funds, the baseline goal for that year would be calculated at 85 percent of the baseline

CDE. This strategy is in use in San Mateo and San Francisco Counties and was proposed by EESD staff to offset increases or decreases in funding provided to contractors.

Data Source: 4th Quarter Attendance and Fiscal Forms.

Measure 5: The value and share of unearned direct service contract funds returned to the California Department of Education.

This measure is defined as the total contract allocations during a fiscal year that are unearned (not spent). The amount of unearned contract dollars is defined as the difference between the total contract allocations and the total dollars earned by participating contractors.

Data Source: 4th Quarter Attendance and Fiscal Forms