



Office of Performance Evaluations Idaho Legislature

Report 06-02F

August 2006

Idaho Child Care Program Follow-up Report

We made seven recommendations for improving management in a November 2002 report of the Idaho Child Care Program (ICCP). In a follow-up review two years later, we found the Department of Health and Welfare had fully implemented three recommendations and partially implemented two others. This second follow-up report reviews progress on the remaining two recommendations related to fiscal management. The department has fully implemented one of the recommendations and has not implemented the other.

Background

The Idaho Child Care Program provides financial assistance for child care services to low-income working parents. Program expenditures for fiscal year 2005 were \$35.6 million—86 percent of program funds from federal sources and 14 percent from the State General Fund. During the same year, the program served approximately 7,000 families and 9,800 children per month.

In a 2004 follow-up review, we reported the Department of Health and Welfare had fully implemented three recommendations that improved information provided to the program's advisory panel, providers, and parents. The department also partially implemented two

recommendations to strengthen child care provider requirements and offer incentives for improving the quality of child care. Health and Welfare said that fully implementing these two recommendations would strengthen requirements for program providers, but it could increase child care rates and discourage providers from participating in the program. Instead, the department implemented a voluntary professional development program that offers child care providers monetary incentives for completing specific levels of training.

Current Status

At the time of the 2004 review, Health and Welfare was in the process of addressing the remaining two recommendations related to fiscal management. This report discusses the department's subsequent efforts in implementing these recommendations. The department's self-assessment of its implementation efforts is provided in appendix A.

Program Eligibility

Idaho Administrative Rule specifies that client eligibility for the program is based on the 1998 federal poverty rate. We recommended the department amend the rule to reflect eligibility

This report was completed at the request of the Joint Legislative Oversight Committee under the authority of Idaho Code § 67-457 through § 67-464. Questions about the report may be directed to the Office of Performance Evaluations through e-mail at opeinfo@ope.idaho.gov or phone (208) 334-3880.

based on the current federal poverty rate, which reflects the present cost of living. This suggested rule change would allow more families to qualify for the program.

The department reports it has not pursued changing the eligibility requirements since 2004 because such a change would require more funding as more families qualify for services. Even without the rule change, the program currently serves about 1,000 more families each month than in 2003, which has added to program costs.

The department reports it has focused on limiting other program criteria to free up funding to meet the increased demand for services. It expects to pursue eligibility rule changes in fiscal year 2008. Because the eligibility rule continues to be based on the 1998 federal poverty level, we have assessed this recommendation as **not implemented**.

Program Financial Management

We recommended the department evaluate the program's fiscal practices to maximize the amount of funds available for providing child care services while ensuring federal spending requirements are met. Since the 2004 review, the department has made substantial changes to its financial management practices. Program managers now have ready electronic access to key budget reports that provide information about all funds available to the program.

The department meets the federal requirements for spending a minimum of four percent of program funds on quality related activities through existing contracts, which ensures compliance while maximizing the amount available for child care services. Based on these changes, we conclude that the department **has fully implemented** this recommendation.

We appreciate the cooperation and assistance we received from the Department of Health and Welfare in conducting this follow-up review. A.J. Burns of the Office of Performance Evaluations conducted the review.

Joint Legislative Oversight Committee (JLOC)

Sen. Shawn Keough, Co-chair
Sen. John Andreason
Sen. Bert Marley
Sen. Kate Kelly

Rep. Margaret Henbest, Co-chair
Rep. Maxine Bell
Rep. Debbie Field
Rep. Donna Boe

Office of Performance Evaluations

Rakesh Mohan, Director

Appendix A

Department of Health and Welfare's Self-assessment of Implementation Efforts



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HEALTH & WELFARE

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Rakesh Mohan, Director
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Dear Director Mohan:

Thank you for the opportunity to update the Department's progress on implementing the Joint Legislative Oversight Committee's recommendations for the Idaho Child Care Program. I will be pleased to answer any questions you or members of the committee have on this progress report.

I would like to address the seven recommendations made by the Office of Performance Evaluation in November 2002:

- *"We recommend the Department of Health and Welfare standardize and strengthen provider participation requirements for the Idaho Child Care Program to include accepted quality care components".*
- *"We recommend the Department of Health and Welfare create a progressive financial incentive system that will increasingly reward Idaho Child Care Program providers that implement quality child care components."*

Status: Completed.

We agree that business practices within the Idaho Child Care Program should be standard across the state. As of July 1, 2003, we have standardized business practices by contracting with a single provider – the University of Idaho – to create a program to handle resource and referral and professional development services statewide. This program is called Idaho STARS. In the last two years, we have also been working with the District Health Departments to standardize Health and Safety inspection requirements for child care providers across the state. This has been accomplished through the development of a single Health and Safety manual which is used by each health inspector and regular monitoring of the contracts.

We also agree that child care providers should be rewarded for improving quality. The Idaho STARS program is responsible for developing a professional development system that provides incentives to child care providers to improve the quality of care they provide. This incentive program includes enrollment incentives, incentives for moving up in the career ladder, scholarships, and grants to individuals who participate in an Early Childhood Environmental Rating Scale (ECERS) assessment. July 2004 through June 2005 Idaho Stars expended \$616,012.93 on incentives to providers and July 2005 through April 2006 Idaho Stars have expended \$300,645.40 on incentives to providers. 100 child care providers participated in ECERS assessments in 2005. Over 1000 providers are enrolled in the professional development system. The training registry consists of 139 trainers and approximately 90 Idaho STARS approved training sessions occur across the state each quarter.

We continue to believe it would not be wise to make the criteria for ICCP participation more stringent than criteria required for state licensing. It makes no sense for the state to license providers based on one set of criteria and tell the same providers they must meet another, higher standard before the state will pay for services. In fact, we believe to do so would be counterproductive. Doing so will make it more difficult and more expensive for ICCP parents to find child care and may prevent some parents from maintaining employment.

Idaho STARS is working with providers to develop a voluntary quality rating scale. This is the first step in setting up a system that would accommodate tiered reimbursement.

- *“We recommend the Department of Health and Welfare evaluate the level of funding for quality improvement activities to ensure priorities are addressed while maximizing the amount of subsidies that can be paid to Idaho families.”*

Status: Completed.

The Department has sufficient funding for the quality improvement program identified above and sufficient funding for the current child care caseload. The caseload is projected to grow, and we expect to face an increasing challenge to maintain an appropriate balance between quality improvement and subsidy expenditures. Monitoring this balance and making recommendations for addressing such challenges is the responsibility of the Department and the ICCP Advisory Panel. We work closely with management services budget analysts to achieve this balance.

- *“We recommend that the Department of Health and Welfare amend its administrative rules to specify eligibility rates based on the current federal poverty level.”*

Status: In process.

The Department supports this recommendation and has implemented the following strategies to amend its administrative rules to specify eligibility rates based on a more current federal poverty level. The following activities have been or will be undertaken to improve the Idaho Child Care Program.

Efforts to increase ICCP funding to update eligibility limits to more current federal poverty rates were unsuccessful prior to 2005. In July 2005 a projected budget shortfall in SFY 2007, shifted attention to basic program funding. With little support to increase ICCP funding to meet the budget shortfall, two program modifications were proposed to decrease ICCP spending and balance the budget.

One modification required a rule change to limit the time ICCP would be given to a family looking for work (approved in the 2006 legislative session, this went into effect April 2006). The second modification did not require a rule change but created a new rate category for children in day care but attending school (this will go into effect August 2006). These two modifications will save approximately \$2.4M annually, offset caseload growth costs, and balance the ICCP budget through SFY 2007.

In 2006 strategies were again explored to fund an increase in the eligibility limits to more current federal poverty rates in SFY 2008. Rules are proposed (requiring approval in the 2007 legislative session) to impose limits on ICCP subsidies for two school-related situations: adults attending school would have to work to be eligible for ICCP AND shortening the length of time when ICCP will be provided while adults attend post-secondary education (from the current four years to only two years). This will save an estimated \$1.6M.

Caseload growth in SFY 2008 is expected to be around \$200,000; caseload fluctuations in child care make this a very tentative estimate at this time.

Updating the ICCP eligibility limits to the 2005 Federal Poverty Limits will cost approximately \$1.4M in SFY 2008. Using the savings from the school-related rule change (described above) will fund this update (as well as the anticipated caseload growth in SFY 2008). The rule change to update the eligibility limits will be submitted in July 2006, with an anticipated implementation of July 2007 (SFY 2008).

In September 2006, meetings will be held with child care providers across the state to discuss this rule change, additional program changes, and associated costs. At this time, the Child Care market rate changes will be discussed. If the market rate is updated (with increases likely) ICCP costs for SFY 2009 will increase; requiring additional funding. Implementation of criminal history background checks for child

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care providers will also be discussed and may result in new rules for the 2007 or 2008 legislative session. At this time criminal history background checks are expected to be cost neutral based on adding a provider fee to offset costs.

The following recommendations have been determined to be fully implemented.

- *“We recommend the Department of Health and Welfare include information about the U.S. Department of Agriculture Child and Adult Care Food Program in the information disseminated to child care providers.”*
- *“We recommend the Department of Health and Welfare regularly report all expenditures and program information for the Idaho Child Care Program to the advisory panel.”*
- *“We recommend the Department of Health and Welfare improve its current use of the Idaho Child Care Program website by adding resources and pertinent literature.”*

Again, thank you for the opportunity to provide this update.

Sincerely,



RICHARD M. ARMSTRONG
Director

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