DOCUMENT RESUME

ED 175 532 PS 010 799

AUTHOR Ahart, Gregory J.
TITLE Opportunities for HEW to Improve the Administration of Day Care Programs.
INSTITUTION General Accounting Office, Washington, D.C. Div. of Human Resources.
REPORT NO HRD-78-81
PUB DATE 22 Mar 78
NOTE 30p.
AVAILABLE FROM U.S. Gene... Accounting Office, Distribution Section, P. O. Box 1020, Washington, D.C. 20013 ($1.00)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Administration: Class Size: *Day Care Programs: Early Childhood Education: Eligibility: *Federal Aid: Fees: *Guidelines: *Program Improvement: Student Teacher Ratio: Teacher Qualifications
IDENTIFIERS Department of Health Education and Welfare: *Federal Interagency Day Care Requirements: *Social Security Act: Social Security Act Title XX

ABSTRACT

A review of selected aspects of day care programs in Colorado, Missouri, Arkansas and New York which were funded under Title XX of the Social Security Act produced the following findings. The developmental needs of most children could be met with standards requiring less staff than those mandated by Federal Interagency Day Care Requirements (i.e., those requirements specifying standards for group sizes, staff-to-child ratios, and services to be provided). Methods used by the states to compute staff-to-child ratios were inconsistent. Family home day care was generally provided by persons with no formal training in child development. Graduated fee schedules are needed to help income-eligible families make an orderly transition from subsidized to nonsubsidized day care. Some states were not providing employment-related day care for two parent families. Recommendations for the formulation of guidelines in the areas of minimum care standards, staff-to-child ratios, minimum training requirements, and graduated fee schedules are made. This report was submitted by the General Accounting Office to the Secretary of Health, Education and Welfare. (Author/RH)

REPORT BY THE U.S.

General Accounting Office

Opportunities For HEW To Improve The Administration Of Day Care Programs

Day care programs, provided by the States to permit parents to work, look for work, or attend training, cost about $675 million in Federal funds for fiscal year 1977.

GAO reviewed the reasonableness of the Federal rules and regulations under which States administered these programs.

This report describes the need to develop less costly standards for staff-to-child ratios and the need for more specific criteria for computing ratios. It discusses qualifications of family day care home providers, day care fees, and eligibility of two-parent families for day care.

UNITED STATES GENERAL ACCOUNTING OFFICE

HRD-78-81
MARCH 22, 1978

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-164031(3)

The Honorable
The Secretary of Health,
Education, and Welfare

Dear Mr. Secretary:

We have reviewed selected aspects of the administration of day care programs authorized by the Social Security Act, as amended. Federal day care expenditures in fiscal year 1977 amounted to about $675 million. About 78 percent ($529 million) of this amount was provided by title XX of the Social Security Act.

Day care standards have been developed by the Federal Government to protect the interests of children receiving federally funded day care. These standards are referred to as the Federal Interagency Day Care Requirements (interagency requirements). They are contained in part 71 of title 45 of the Code of Federal Regulations. Part 71 requires that, as a condition for Federal funding, agencies administering day care programs assure that the interagency requirements are met in all facilities which the agencies establish, operate, or use with Federal support. The interagency requirements include specified standards for group sizes, staff-to-child ratios, and services to be provided.

In 1975 the interagency requirements, with slight modifications, were mandated by law for day care funded under title XX. The amended interagency requirements were to be effective, with respect to payments made under title XX, after September 30, 1975. However, State opposition has caused the Congress to defer the effective date of the staff-to-child ratios for children under age 6 through a number of public laws (Public Laws 94-120, 94-401, and 95-171). The most recent legislation extended the effective date to September 30, 1978. However, day care centers and group homes must maintain the staffing levels existing in such facilities on September 15, 1975.

Our review focused on the administration of selected aspects of day care programs funded under title XX. Title XX day care expenditures amounted to about $128 million in the four States we reviewed; this represented about 84 percent of their day care expenditures. We reviewed

--the reasonableness of the Federal staff-to-child ratios mandated for day care centers,

--the adequacy of Federal efforts to assure that family day care homes provide suitable care,

--the reasonableness of fees charged income-eligible families, and

--the type of care provided by day care centers and family homes.

We made our review at HEW headquarters, Washington, D.C., and at HEW regional offices in Denver, Dallas, Kansas City (Missouri), and New York City. We also made reviews at the State Departments of Social Services in Colorado, New York, Missouri, and Arkansas and at county welfare departments in Denver, Little Rock, St. Louis, and New York City. Our review included:

--A review of the nature of the day care programs and the conditions under which day care was provided at 30 day care centers selected at random in the four States.

--A review of the nature of the day care program and the conditions under which day care was provided at 28 day care homes selected at random in the four States.

--Discussions with State and HEW regional officials responsible for administering the day care program (in each State) on the adequacy of the day care being provided. These discussions were based on our observations as well as their knowledge of the program.

--Discussions with day care center personnel on the number of children for which caregivers can adequate care.

--A study of the day care standards published by the Child Welfare League of America.

--A study of the day care literature published by various experts in the field.

We found that:

--The developmental needs of most children could be met with standards requiring less staff than those mandated by the interagency requirements.

--Implementing current Federal standards could increase the cost of providing day care and reduce the availability of day care centers for children receiving federally funded day care.

--Methods used by States to compute staff-to-child ratios were inconsistent.

--Family home day care was generally provided by persons with no formal training in child development.

--Graduated fee schedules are needed to help income-eligible families make an orderly transition from subsidized to nonsubsidized day care.

--Some States were not providing employment-related day care for two-parent families.

In initiating our review, we recognized that HEW had funded a number of day care studies and that the information obtained from them would be used to determine the appropriateness of the interagency day care requirements, as amended, and to develop new standards, if necessary. Our review was intended to complement HEW's studies. The chairperson of the Federal Interagency Day Care Requirements Appropriateness Committee has stated that the standards must ultimately be judged by those affected by them and that they could be effectively implemented only when there is an informed consensus of what is reasonable. Therefore, we attempted to determine whether there was a consensus among center personnel and State and HEW officials on the appropriateness of the title XX staffing requirements.

The President, shortly after taking office, said that, if day care services are too costly and regulations too strict, it would be cheaper to pay the mother to stay home and take care of her own children. The President advocated a day care system that is practical and not too costly. We are sending you our report so that you may consider it in your efforts to establish new Federal day care standards.

We discussed the contents of this report with HEW officials and considered their comments in finalizing it.

ADEQUATE DEVELOPMENTAL CARE CAN BE PROVIDED UNDER RATIOS THAT REQUIRE LESS STAFF THAN SPECIFIED BY EXISTING FEDERAL DAY CARE STANDARDS

The States we visited were providing day care primarily under the title XX program to permit parents to work, look for work, or attend training. All the day care centers that we visited were providing adequate developmental day care, as defined below. We made this determination by visiting the day care centers and observing their programs and the conditions under which they provided care. Our observations were discussed with State and HEW regional officials, who commented on the adequacy of the care. Our review showed that the present standards could increase the cost of day care and result in children who receive center-based care under a Federal program being segregated into a limited number of centers.

Adequate developmental care was being provided

Day care provides three basic services for children--health, safety, and learning opportunities (that is, activities designed to enhance their social, cognitive, and communication skills).

The Federal Interagency Day Care Requirements did not define the various types of day care that can be provided or indicate what type of care the standards were intended to provide. We, therefore, developed the following categories of care based on our review of various day ca literature and the day care program.

<u>Protective care</u>--primarily concerned with maintaining children's physical well-being and safety.

<u>Developmental care</u>--concerned with children's general needs. In addition to providing protective care, it fosters physical, cognitive, and social development.

<u>Compensatory care</u>--primarily concerned with the individual needs of developmentally disadvantaged children.

We used these categories in evaluating the day care program.

The interagency requirements specified the staff-to-child ratios that day care facilities must meet to be eligible for a federally funded program. A consultant who studied numerous aspects of the interagency requirements under an HEW contract said that, without a written rationale for the Federal ratios, educated guesses must be made on why the specified ratios were chosen. The consultant said such ratios were probably set because day care was viewed as a compensatory program. The consultant questioned whether a compensatory day care philosophy was appropriate under the title XX program, especially since title XX authorizes federally funded day care to persons earning up to 115 percent of a State's median income.

The Child Welfare League of America has published standards for adequate developmental day care service. The guidelines recommend group sizes varying from 12 for 3-year-olds to 25 for 10-year-olds. Regarding staff-to-child ratios, the guidelines state that each group should have at least one full-time teacher or group leader and an assistant permanently assigned to it. The guidelines also recommend that day care programs be planned with some order, to offer appropriate time for active play, rest, development of skills, group discussions, solitary occupations, and meeting physical and emotional needs. Activities recommended by the guidelines for children include

--having direct experiences with other children;

--having simple experiences with natural phenomena;

--making usable things;

--listening and responding to music, stories, and poetry;

--using scissors, paste, paint, brushes, and crayons; and

--developing concepts of time, space, weight, distance, measurement, and symbols.

To observe day care programs of States that were providing federally funded day care under ratios that require less staff than the interagency requirements, we visited 10 day care centers in Colorado and 10 in Missouri. The following table shows the staffing ratios used in these States, compared to those required by the amended interagency requirements.

Ages of children	Staff-to-child ratios: Federal requirement	State requirement: Colorado	State requirement: Missouri
Up to 6 weeks	1:1	(a)	(a)
6 weeks to 1-1/2 years	1:4	1:5	(a)
1-1/2 to 2 years	1:4	1:5	(a)
2 to 2-1/2 years	1:4	1:5	1:8
2-1/2 to 3 years	1:4	1:7	1:8
3 to 4 years	1:5	1:7	1:10
4 to 5 years	1:7	1:10	1:10
5 to 6 years	1:7	1:10	1:15
6 to 10 years	1:15	1:15	1:15

a/Center-based day care not authorized for children of these ages.

Colorado

The 10 day care centers we visited in Colorado were generally staffed in accordance with the State's prescribed staffing standards. They were caring for children between the ages of 2-1/2 and 6. They were generally being cared for in groups of less than 20 children.

The following table shows the various group sizes for the 10 centers.

Group size	Number of groups
6 to 10	9
11 to 15	9
16 to 20	4
21 to 25	1
over 25	1

All the centers followed a similar day care program. A typical daily schedule was as follows:

Time	Activities
6:00 a.m. to 9:00 a.m.	Arrival, free play, and breakfast
9:00 a.m. to 11:30 a.m.	Activity time--group and individual
11:30 a.m. to 12:00 noon	Lunch
12:00 noon to 2:30 p.m.	Nap time
2:30 p.m. to 3:30 p.m.	Snacks and social time
3:30 p.m. to 6:00 p.m.	Free play and departure

Children we observed during their activity time were involved in such things as:

--Singing, listening to music, and dancing.

--Playing with puzzles, manipulative toys, blocks, and dolls.

--Art projects (for example, coloring and painting).

--Craft projects.

--Science projects, such as learning about fish or insects.

--Playing games.

--Learning numbers and letters.

The above activities were of the type recommended by the Child Welfare League of America to help children

--learn about social relationships,

--learn to deal with reality,

--develop muscle coordination, and

--learn about ideas.

We discussed the day care programs with HEW regional day care officials, including one who accompanied us on one of our visits. According to them, the day care centers visited were providing adequate developmental day care as defined in this report. State and local day care officials also believed that centers in Colorado were providing adequate developmental day care. This assessment was based on our discussions with them about our observations as well as their knowledge about the programs.

Missouri

The day care programs of the 10 centers visited in Missouri followed daily schedules similar to those described for Colorado. The programs involved arrival and free play, a core period of educational activities, lunch, a nap, and mixed activities before departure. All age groups at a particular center normally engaged in the same type of activities; however, the time span and emphasis of different activities were geared to the children's age and ability. The centers were generally staffed in accordance with the State's staffing requirements shown on page 6. The centers were primarily caring for children between 2 and 5 years old, and care was being provided in groups that generally contained less than 15 children. Only 5 of the 53 groups at the 10 centers contained more than 15 children.

The following table shows the various group sizes for the 10 centers.

Group size	Number of groups
1 to 5	1
6 to 10	23
11 to 15	24
16 to 20	3
21 to 30	2

We discussed the day care programs we observed with Missouri local and State officials in the Division of Family Services and with HEW regional officials. All agreed that the data and examples were indicative of developmental care. Several officials noted that the presence of a few or all of the following factors--stimulation of the imagination, group socialization, freedom of expression, and structured activities--characterize developmental care. In their view, the care provided under Missouri's day care regulations is developmental care.

Arkansas

The day care centers visited in Arkansas were generally meeting the staffing requirements specified by the interagency requirements. Also, as indicated below, care was being provided in group sizes similar to those in Colorado and Missouri. The centers were primarily caring for children between 6 months and 6 years old. The following table shows the group sizes for the five centers visited in Arkansas.

Group size	Number of groups
1 to 5	2
6 to 10	16
11 to 15	8
16 to 20	2
21 to 25	1

The centers provided group developmental activities similar to those previously described for centers in Colorado and Missouri. State and HEW regional officials we spoke with about our observations all agreed that these centers provided adequate group developmental care.

Caregiver views on group developmental care

We also interviewed 41 day care center staff in Colorado and Arkansas to get their views on the number of children to whom caregivers could provide adequate group developmental care. The responses showed that most caregivers believed they could provide adequate care to more children than permitted by the Federal standards. The following table shows the responses received from caregivers as to how many children, by age group, they could adequately care for.

Number of children to whom adequate group care could be provided by a caregiver	Number of caregivers responding for children in each age group
3-year-olds (Federal staff-to-child ratio is 1 to 5) (note a)	
5	7
6	4
7	0
8 to 10	9
11 to 12	4
4-year-olds (Federal staff-to-child ratio is 1 to 7) (note a)	
7	6
8 to 10	14
11 to 12	4
13 to 15	3
5-year-olds (Federal staff-to-child ratio is 1 to 7) (note a)	
7	2
8 to 10	7
11 to 12	7
13 to 15	3

a/Day care centers visited were primarily serving these age groups.

Proposed standards could result in increased costs and increased segregation of children

Staffing accounts for most of the cost of operating day care centers. As indicated below, the existing interagency requirements would require certain centers to hire more staff than required under most State day care licensing regulations, thereby increasing their day care costs.

Age group of children	Staff-to-child ratios: Federal requirement	Staff-to-child ratios: Average requirement of all 50 States
6 weeks to 1-1/2 years	1:4	1:5
1-1/2 to 2 years	1:4	1:6
2 to 2-1/2 years	1:4	1:7
2-1/2 to 3 years	1:4	1:8
3 to 4 years	1:5	1:10
4 to 5 years	1:7	1:12
5 to 6 years	1:7	1:15
6 to 10 years	1:15	1:17

The law permits States to furnish day care services in a center that does not meet the Federal standards if the center (1) complies with the State staffing standards and (2) serves few title XX children. HEW regulations have defined "few" title XX children as either not more than five children or not more than 20 percent of the total number of children served at any given time.

No large-scale studies of day care were available to policymakers when the Federal ratios were established. The chairman of the committee that established them said the ratios generally reflected a consensus of the committee after considering the opinions of experts in day care.

In 1972 HEW prepared a revised draft of the interagency requirements, which established the following staff-to-child ratios:

Age of children (years)	Proposed staff-to-child ratio
Up to 1-1/2	1:3
1-1/2 to 3	1:4
3 to 4-1/2	1:7
4-1/2 to 6	1:10
6 to 9	1:13
9 to 12	1:16
over 12	1:20

These revisions were developed in anticipation of welfare reform legislation that was never enacted. Thus, the proposed revisions were never acted upon. Nevertheless, the proposed interagency requirements specified staff-to-child ratios that required significantly less staff than those previously specified.

Since the 1972 draft of the interagency requirements was not enacted, the Federal day care standards continued to be those contained in the 1968 Federal Interagency Day Care Requirements, as amended by title XX. The staff-to-child ratios required by the amended interagency requirements would increase the cost of day care at centers serving more than a "few" title XX children and reduce the availability of centers for children receiving federally funded care.

An HEW consultant who studied the legal aspects of the interagency requirements stated:

> "* * * Many day care programs, however, have tried to provide a community service, not just to the funded children, but to all the families in a community. Day care can have important community-building goals, offering a focal point for bringing young adult parents into a feeling of belonging and contributing to the community. For programs trying to serve all income groups, the pressures have been intense toward abandoning their goals and either serving only federally funded children or else excluding federally funded children. All the pressures of the system lean heavily toward segregation of Title XX children, not because that is a human goal, but because of the fact that standards, guidelines, accounting systems, and all aspects of administration by the government were designed as if only the funded children exist."

We believe that the above statement is a reasonable assessment of the impact that the present Federal staffing requirements would have on day care centers that are serving both federally subsidized and fee-paying families and that do not meet the definition of few title XX children.

We interviewed the operators of 13 day care centers in Colorado and Missouri that were primarily serving children from families who paid the full cost of day care (fee-paying families). All the operators said that, if the current standards were implemented, the cost of day care would increase. Nine operators said they would probably stop serving children receiving federally funded care rather than raise the rates for the fee-paying families served. Four operators did not know what they would do if the current standards were implemented. Thus, high cost staff-to-child ratios could reduce the number of day care centers available for children receiving federally funded day care and tend to segregate children along socioeconomic lines.

We also interviewed the operators of 11 day care centers in Colorado and Missouri that were primarily providing care to title XX children. The operators of these centers generally stated that, because of their dependence on title XX children, they would have to meet the present staffing ratios if the requirements were enforced. However, they believed that (1) meeting the ratios would cause them to raise their rates and (2) such rate increases would cause them to lose their fee-paying families to centers that did not have to meet the same ratios.

The additional cost that would be incurred by those centers required to meet the staff-to-child ratios specified by the interagency requirements will vary by State, as some States' staffing requirements are closer to the Federal standards than others. Day care centers in Colorado generally charged between $23 and $30 a week for full-time day care; these costs would increase by about $5 a week for centers that had to meet the staffing ratios specified by the interagency requirements. For instance, one center visited in Colorado would have to increase its staff as follows.

Group age	Number in group	Staff requirements Federal	Staff requirements State
(years)			
2-1/2 to 3-1/2	7	2	1
3-1/2 to 4	19	4	3
5	21	3	2
Total staff requirement		9	6

This center employed a director, an assistant director, and five teachers or aides. It met the State staffing requirement on the basis of the five teachers or aides plus half the time of the director and assistant director. To meet the Federal requirements, it would have to hire three additional persons. Employing the additional staff at the minimum wage would increase the center's rates by about $5 a week.

GUIDELINES NEEDED ON HOW TO COMPUTE STAFF-TO-CHILD RATIOS

The interagency requirements do not provide criteria for determining how to compute staff-to-child ratios. They do not say whether the number of staff means the total employed by the center or only those in a classroom at any given time, or whether such staff as cooks and bookkeepers should be counted in the ratio if they are available as part-time caregivers. Without such criteria, States were computing staffing ratios by different methods. We believe Federal guidelines are needed to assure that staff-to-child ratios are computed in a consistent manner.

Only two of the four States we visited addressed the subject of ratio computation. However, their regulations lacked specificity and provided only minimum guidance in this regard. One State's regulations provided that only persons 18 years and older should be counted in meeting the required staff-to-child ratio and that persons employed solely for clerical, cooking, and maintenance should not be counted. The other States merely said that the center director may not be counted in the ratio if more than 50 children are enrolled.

The method of computing staff-to-child ratios differed in the States reviewed. New York computed a ratio for each group of children at the center. Missouri computed the ratio by dividing the total number of children in an age group by the number of caregivers assigned to the total group. For instance, at one center the following ratios were observed for groups that primarily consisted of 4-year-old children.

Group	Staff-to-child ratio
1	1:12
2	1:11
3	1:7
4	1:9

Although groups 1 and 2 appeared to exceed the State's 1 to 10 ratio, the ratio for all 4-year-olds was 1 to 9.8, which is within the State requirements.

Colorado and Arkansas computed the ratio on the basis of the total number of children and caregivers at the center. For instance, one Colorado center had the following caregiving arrangements:

Age group	Number of Staff	Number of Children	Staff-to-child ratio
(years)			
3 to 7	1	10	1:10
3 to 4	1	9	1:9
4 to 7	1	10	1:10
7 to 10	1	12	1:12
4 to 6	1	5	1:5
3 to 4	1	10	1:10

The State staff-to-child ratio for 3-year-old children was 1 to 7; thus, the ratio was not being met for the three groups that had 3-year-olds. However, because this center also employed a director and an assistant director, on a total center basis, it met the State staffing requirements (8 staff members for 56 children).

The method of determining total staff can vary by State. For instance, in Missouri such persons as clerks and cooks are not counted in computing staffing ratios. Such persons may, however, be counted in Arkansas when enough hours are devoted to direct care of children. Three States permitted volunteers to be counted as staff in computing ratios.

Computation of staff-to-child ratios was addressed in the 1972 draft revision of the interagency requirements. The 1972 draft prescribed that the ratio be computed by dividing the total child hours by total qualified caregiver hours. Such persons as volunteers and high school age aides were not to be counted. However, the 1972 draft revision was never implemented. Consequently, Federal guidelines on computing staff-to-child ratios are still not available.

CONCLUSIONS

We believe that the staff-to-child ratios specified by the Federal Interagency Day Care Requirements require more staff than are necessary to meet the health, safety, and developmental needs of children in day care centers. The staffing ratios may be too costly for certain centers providing both federally funded day care and day care to families who pay the total cost. As pointed out in an HEW-sponsored study, if such ratios are implemented, children receiving federally funded day care may be segregated into a limited number of day care centers that would meet the specified staffing ratios because they depend on such children.

Since HEW is using staff-to-child ratios as a means of assuring that children receive adequate care, we believe that such ratios should be computed in a consistent manner. HEW should include more specific guidelines on how staff-to-child ratios are to be computed because the interagency requirements are inadequate in this regard.

RECOMMENDATIONS

We understand that HEW is funding a number of day care studies and that such information will be used to develop new Federal day care standards. In developing such standards, we recommend that you

--determine the minimum care needed to provide for the health, safety, and developmental needs of children and develop staff-to-child ratios appropriate for such care and

--provide guidelines to assure that the ratios are computed in a consistent manner.

NEED TO ASSURE THAT FAMILY DAY CARE IS PROVIDED BY COMPETENT CAREGIVERS

In the four States visited, little has been done to assure that care in family day care homes is being provided by competent caregivers. Day care homes provide about 29 percent of the federally funded day care. Such care was generally provided by persons with no formal training in child development.

Family day care homes are an integral part of the day care program. They provide an alternative to day care centers and are especially suitable for infants and toddlers. The interagency requirements specify that all staff involved in the day care program must be trained; however, they do not specifically state how much training or experience family home providers must have.

Licensing regulations of the four States we visited also failed to provide adequate guidance on the level of training or experience that family day care home providers must have. The following were the licensing requirements pertaining to training and experience in the States we visited:

--The day care mother shall demonstrate the ability or willingness to learn to recognize and respond to the needs of children. (Arkansas)

--The day care provider shall have knowledge of the needs of children. (Missouri)

--The applicant must possess basic knowledge of child care. (Colorado)

--The applicant must have had training or demonstrated an interest in and ability to care for children. (New York)

Since State licensing staff lacked specific criteria for evaluating caregiver qualifications, licensing of day care homes focused on the health and safety requirements of their regulations. The experience or training of caregivers was not a factor in determining whether a home was licensed in the four States. For instance, in one State the standard form used to evaluate family day care homes for licensing purposes required a licensing official to evaluate (give a positive or negative response about) 26 items related to health and safety factors. However, the form only required a statement by the licensing official describing the caregivers' experience or education.

Family home day care in three States 1/ reviewed was generally being provided by persons with no formal training in child development. Their basic knowledge of children was that gained in raising their own. Although experiences gained in raising a family may prepare a person to provide adequate care, there is no assurance that this is always true. We believe that to provide adequate child care the caregiver should possess knowledge, attitudes, and skills that are not necessarily intuitive.

In August 1972, an article entitled "How to Succeed with Family Day Care" appeared in Human Needs--an official monthly HEW periodical. The article recommended that training be provided to all family day care mothers before children are placed in their homes and regularly thereafter. We believe such formal training is necessary to upgrade family home day care. The 28 family day care homes in the four States we visited were primarily providing protective care; that is, care that basically provided for children's health and safety needs. The caregivers took a relaxed, unstructured approach to providing care--a typical day included breakfast, television viewing, free play, lunch, a nap, and more free play. State and HEW officials generally agreed that this was primarily protective care. One HEW official commented that, historically, protective care has been associated with family homes and developmental care with day care centers.

All children need protective care. However, as pointed out in an HEW document entitled "Day Care," children also need care designed to provide a range of developmental opportunties, including opportunities to help them

--develop a sense of self and a sense of autonomy,

--develop a healthy personal identity,

--develop concepts of morals and personal rights,

--deal with psychological impulses,

--learn to get along with others,

1/In the fourth State caregivers were encouraged but not required to attend training sessions offered by various community organizations that sponsored day care homes. We did not evaluate this training program.

--improve language skills,

--learn about symbols and concepts of culture, and

--acquire concepts of space, time, and objects.

CONCLUSIONS

As previously indicated, the interagency requirements specify that day care be provided by trained staff members. Such vague language does not provide criteria to assure that caregivers have adequate qualifications. We believe that more specific guidelines need to be developed and implemented to provide more assurance that family day care home providers provide the types of learning opportunities recommended by HEW.

Family day care homes were basically providing protective rather than developmental care. In our opinion, the best way to upgrade such care is to assure that it is provided by caregivers with some knowledge about and training in how children develop and the part that the adult plays in that development.

RECOMMENDATION

We recommend that you (1) determine the minimum training needed to provide family home caregivers with a basic understanding of a child's developmental needs and the minimum skills needed to use such knowledge and (2) incorporate these training requirements into the interagency requirements.

GRADUATED FEE SCHEDULE WOULD HELP FAMILIES MOVE FROM SUBSIDIZED TO NONSUBSIDIZED STATUS

The four States we reviewed did not use graduated fee schedules that would help income-eligible families make an orderly transition from subsidized to nonsubsidized day care. The States we visited either did not have a fee schedule or charged fees so small that they were relatively insignificant. Thus, persons were not encouraged to earn more than the State income limits because they would lose their eligibility and greatly increase their day care costs.

Before title XX was implemented on October 1, 1975, only current, former, or potential recipients of assistance under the Aid to Families with Dependent Children (AFDC) or Supplemental Security Income programs were eligible for social services. Title XX added families whose income does not exceed 115 percent of a State's median income for a family of four (adjusted for family size) to help them remain self-sufficient. This group is referred to as income-eligible families. Day care to this group is a preventive service; that is, a service to help a family avoid going on welfare.

Title XX authorizes States to impose a fee or other charge for day care services provided to income-eligible families. The fee is optional for families earning up to 80 percent of the State's median income and mandatory for families whose income exceeds the 80-percent limit. An August 1976 report prepared for HEW by a consultant showed that 49 States were providing day care to income-eligible families. The report also showed that, of the 49 States,

--11 subsidized day care for families earning more than 80 percent of the median income and

--23 did not require income-eligible families to contribute toward the cost of day care.

The income limits for a family of four in the States we reviewed and the fees charged such families are compared below.

State	State eligibility criteria: As a percent of median income	State eligibility criteria: As a maximum monthly income (note a)	Monthly amount families contributed toward cost of day care
Arkansas	80	$ 793	$ 0
Colorado	55	781	1 to 43
Missouri	80	918	0
New York	115	1,217	b/1 to 40

a/Families earning more than these amounts are not eligible for subsidized care and thus pay the entire cost of day care.

b/Fees only applicable to families earning between 80 and 115 percent of State median income.

As stated above, income-eligible families received day care at little or no cost up to the State maximum monthly income limit and were required to absorb the entire cost of day care above that amount. Such a fee structure does not encourage working parents to earn as much as possible to support their families. For instance, in Arkansas one mother was earning $539 and receiving free day care that was costing the State about $124 a month. The maximum allowable income for this recipient was $539 (80 percent of the median income for a family of two); therefore, any increase in earnings would make her ineligible for subsidized day care. Under the Arkansas fee schedule, this person had no incentive to increase her earnings because she would suffer a loss in income unless her earnings increased by more than $124 a month. Another example is a mother in Colorado who refused a $50 pay raise because she learned that it would cause her earnings to exceed the State income limits and thus make her ineligible for federally subsidized day care. This family's day care costs would have increased from $34 to about $200 a month because of the $50 increase in salary.

We believe a fee schedule should be structured so that it prepares a family to move from a subsidized to nonsubsidized status rather than discouraging persons from earning more than the State income limit. The payment of a fee would accustom a family to paying for the full cost of day care as its income approaches the income limits if the fee schedule required a progressively larger contribution toward the cost of day care as income increased.

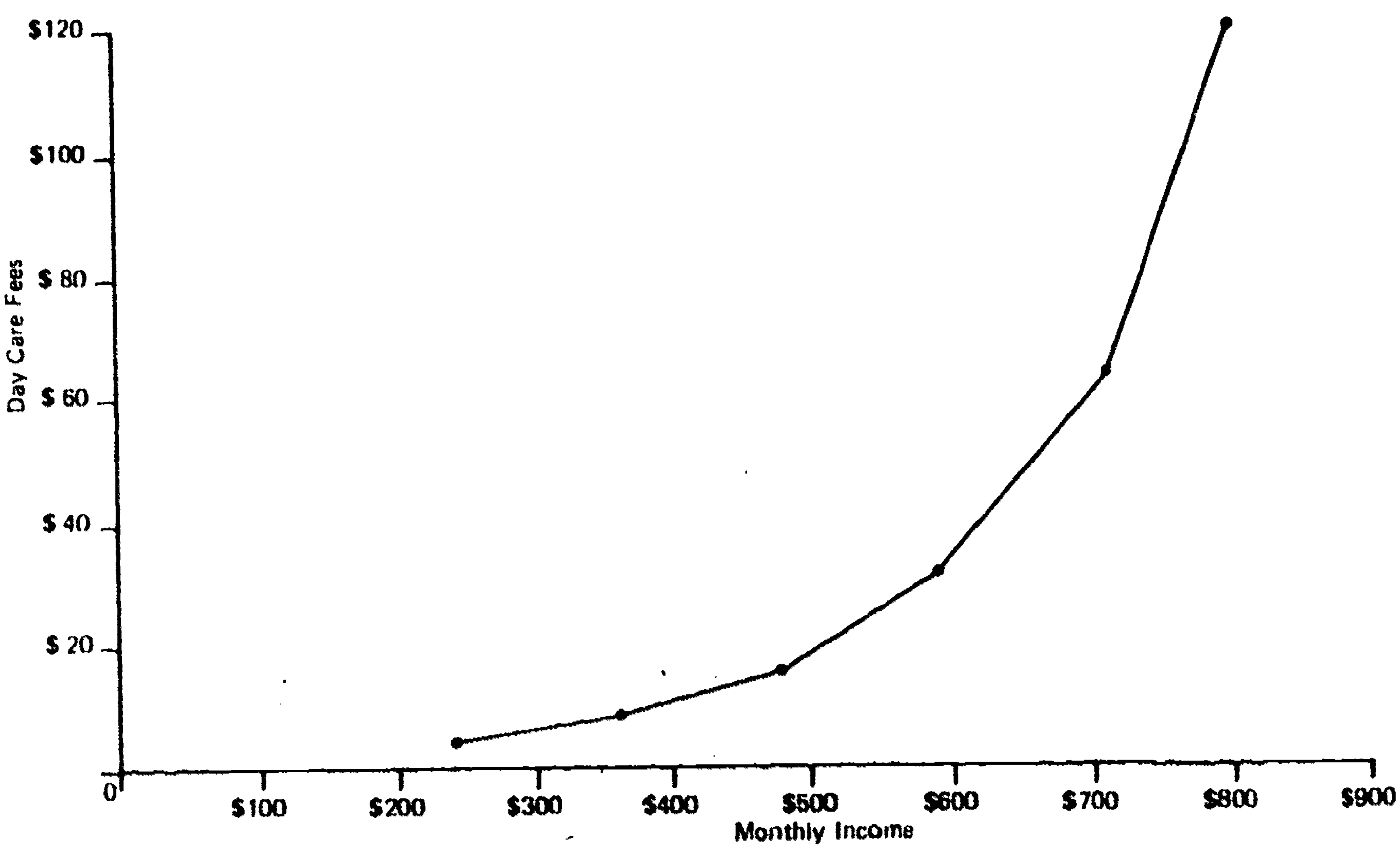
An example of a fee schedule that could be considered for the day care program is presented on the following page. This schedule is based on the following assumptions:

--That the median State monthly income for a family of two (parent and child) is $790.

--That the average monthly day care costs in the State are $120.

Although factors other than family size and income may be included in determining the fee to be paid, we based the following schedule on these two factors since they are currently used in identifying income-eligible families.

Example of Graduated Fee Schedule
for the Day Care Program



Assumptions:

--median State monthly income for a family of two (parent and child) is $790, and

--average day care costs in the State are $120.

The above family would be eligible for day care under title XX until its income exceeds 115 percent of median income, or in this case, $812. The proposed fee schedule would prepare this family to absorb the full cost of day care as the income limit is approached. Furthermore, the wage earner is not discouraged from making more money, since increased day care costs would never exceed increased earnings.

We discussed the merits of a graduated fee schedule with State and HEW regional officials. They generally believed that such a schedule has merit in that it would help a family move from a subsidized to a nonsubsidized status in an orderly manner. The following views were expressed by such officials.

--The ultimate goal of any public agency should be to help a family achieve complete independence.

--A sudden cutoff of day care assistance discourages a family from increasing its earnings and losing eligibility for day care.

--Fee schedules can prepare parents to assume the full cost of day care.

CONCLUSIONS

We believe that a principal function of a fee schedule is to provide an orderly means by which a family moves from a subsidized to a nonsubsidized status. The fee schedules in the States we visited not only failed to do this, but actually discouraged persons from earning as much as possible to support their families.

RECOMMENDATION

We recognize that title XX of the Social Security Act gives the States great latitude in administering their social services programs for income-eligible families. Nevertheless, we recommend that you encourage States to use graduated fee schedules that would accustom families to paying for the cost of day care and thus help them make an orderly transition to a nonsubsidized status. As a minimum, HEW should publish guidelines on what constitutes a reasonable fee schedule.

STATE POLICIES SHOULD NOT DISCRIMINATE AGAINST TWO-PARENT INCOME-ELIGIBLE FAMILIES

Two States we visited were not providing employment-related day care to two-parent income-eligible families on an equal basis with other families served. One State did not provide day care to such families; the other served such families but afforded them lower priority than one-parent income-eligible families or families receiving financial assistance under the AFDC program.

Colorado

Colorado did not provide title XX day care to two-parent families to permit both parents to work. Such families were not eligible for day care even if their total income was within the State income limits. The State only provided two-parent families day care

--as a protective service to children who had been abused or neglected or

--if one parent was employed and the other was unable to care for children.

There was a need in Colorado for subsidized day care for families in which both parents work. A 1976 survey of day care consumers in the State conducted by the University of Denver Graduate School of Social Work disclosed that 50 percent of all families with an income of $5,000 or less were two-parent families in which both parents worked.

The day care needs of two-parent families were also recognized by State and local officials. In April 1977 an overview report to the State Board of Social Services by the title XX division cited day care for low-income, two-parent households as an unmet need. Local officials estimated that in Denver County alone about 1,500 two-parent families need and could qualify for subsidized day care.

Missouri

Missouri provided employment-related day care to two-parent families in which both parents are employed. However, day care to such families was limited by the following

State practices. Missouri does not use State funds to provide the State matching share of the cost of day care services to income-eligible families. The centers serving such families must find a sponsor who will donate the funds required for matching purposes. Consequently, there are relatively few centers available for children from income-eligible families. For instance, in St. Louis County only 5 of the 84 licensed day care centers were available for such families. Each of the centers had a waiting list. In competing for vacancies at these centers, children from two-parent families have lower priority than those from AFDC families or one-parent income-eligible families.

CONCLUSION

We believe that, as long as families meet the State income criteria, subsidized day care should be as available to two-parent families who need it because both work as it is to AFDC and one-parent income-eligible families. In our opinion, it is as important to help such families remain self-sufficient as it is to help AFDC families become self-sufficient.

RECOMMENDATION

We recognize that title XX of the Social Security Act gives the States great latitude in administering their social services programs for income-eligible families. Nevertheless, we recommend that you encourage the States to adopt policies and practices that assure that all two-parent families who qualify receive subsidized day care.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the Senate Committee on Finance; Senate Committee on Governmental Affairs; House Committee on Ways and Means; House Committee on Government Operations; Senate Committee on Human Resources; House Committee on Appropriations; and Subcommittee on Labor and Health, Education, and Welfare, Senate Committee on Appropriations. Copies are also being sent to the Director, Office of Management and Budget.

We are available to discuss this information in further detail. We appreciate the cooperation and assistance given our staff during this review.

Sincerely yours,

Gregory J. Ahart
Director

(106118)

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