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Report by the

Iowa Department of Human Services

to the

Governor's Office and the Iowa General Assembly

A Plan for Creating Sustainable Funding Sources to Support Child Care Providers in Meeting Intended Child Development Home Licensing Requirements

Prepared in Response to

Senate File 478,

Eighty-third General Assembly

Submitted

December 21, 2010

Introduction

This report is presented in response to SF 478, Division XVII, Section 205, Eighty-third General Assembly. The legislation directed the Department of Human Services (DHS) to develop a plan for providing financial resources to support child development homes in meeting child care rules and regulations in conjunction with the intended implementation of licensure July 1, 2013.

Legislative Directive

"The department, in collaboration with representatives of the community empowerment initiative, the state child care advisory council, the early childhood Iowa council, child care providers active with the Iowa affiliate of the American federation of state, county, and municipal employees, and others involved with early care, shall develop a plan for creating sustainable funding sources to support home-based child care providers in meeting the intended child development home licensing requirement. The plan shall be submitted to the governor and general assembly on or before December 15, 2010."

Background

SF 478 , Division XVII, established a child care regulatory fee for child care centers, established a child care facility fund, established the allowance of child care centers to access the state single contact repository (SING) to conduct criminal and child abuse record checks for persons subject to a record check in a child care facility, established the addition of federal fingerprint (FBI) record checks in addition to the state criminal and child abuse record checks for person subject to a record check, established the responsibility and cost of record checks to child care centers.

Furthermore, the legislation states the intent of the general assembly to enact required licensure for child development homes July 1, 2013 and provided for transition activities including a provision for the Department of Human Services (DHS) to implement voluntary child development home licensing program on or after July 1, 2010.

Approximately 5,600 child development homes are currently registered but not licensed with the Department in order to legally care for six or more children for the purposes of child care. Registration refers to the process by which providers self certify that they will comply with rules and regulations adopted by the Department. Providers seeking registration complete an application form to become a registered child development home. The application is available at local DHS offices or on the DHS website. Providers may also complete an on-line application via the KinderTrack on-line system, which is sent electronically to DHS. Applicants also need to submit additional information confirming their education and experience, and information allowing the

DHS to run state criminal and child abuse record checks as well as the sex offender registry for the applicant and anyone over the age of 14 residing in the home. DHS Registration staff review the application for completeness and the applicants' responses in the application. DHS registration staff also review the results of the record checks. If all is in order, a registration certificate is issued, which is good for 2 years from the date of issuance. A pre-registration visit by DHS prior to issuing the registration certificate is not required.

The intended licensing process would change how a registration certificate is issued. The submission of the application and clearance of the record checks would be supplemented with a pre-licensure visit to assure compliance with DHS rules, prior to issuing a registration certificate. There is currently no appropriation to fund this new activity and cost estimates, given the number of individuals to license, are considerable.

Licensure of child development homes would also include annual visits or inspections of the homes to assure compliance is maintained by the provider. Up until FY 2010, DHS made inspection visits to 20% of the registered child development homes. With this legislation, DHS is seeking to visit 40% of the homes in FY 2011 and increase the visits by 20% each year until 100% of the homes are visited annually in FY 2014. There is currently no appropriation to fund these increased spot checks and cost estimates are considerable.

Even though it is not anticipated there would be major changes in operating regulations for child development homes, the implementing of pre-licensure visits and the increasing percent of homes receiving annual visits would likely also result in a higher identification of compliance issues.

Most compliance issues are related to the number of children in care or non-compliant record keeping and file maintenance. However, these visits also identify compliance issues related to heath and safety standards in the regulations. Having pre-licensure and annual on-site visits will inevitably increase the number of identified compliance problems related business practices and to the health and safety of children. In the instances of when non-compliance is noted, the DHS worker and the child care provider develop a plan for correcting the issues. When health and safety concerns are identified the child care provider may be required to purchase equipment or make modifications to the structure of the home. Some of the specific health and safety issues include, for example:

- The lack of or expired fire extinguishers
- Inoperable smoke detectors
- Approved safety gates
- Properly enclosed or covered pools or other water sources

- Adequate or compliant emergency exits, including basement egress windows
- Safe, fenced in, outdoor play areas
- Lead removal

Many of these can be quite costly and even those that are not, may be above the child care provider's resources to repair, replace or purchase. This may be particularly true of low income providers. In the end, if such child care providers cannot continue to operate, families will have fewer choices for child care.

Current Sources to Assist Child Care Providers

In addition to traditional loans through financial institutions such as banks and saving and loans, there are very few and limited other sources available to child care providers wishing to start up their business, or to make improvements to their child care home. Each of the sources has its own eligibility criteria for obtaining funds. The sources include:

First Children's Finance (FCF)

First Children's Finance, a nonprofit organization governed by national child care and business leaders was formed to meet the growing demand for quality early care and education, especially in low-income communities. For 16 years, FCF has actively engaged partners and collaborators to create, support and expand affordable, education-focused, safe and caring child care options for children, their families and communities. (From the FCF Website: http://www.firstchildrensfinance.org/About_FCF.html)

Since 2003, FCF has provided lending and technical assistance to child care providers in Iowa. Programs currently provided in Iowa:

- The Loan Fund provides loans to early education businesses, especially those serving lower-income communities, in Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, South Dakota and Texas. FCF finances new child care centers, child care homes and schools (including Head Start). It also supports expansion, quality improvements and operations for existing providers. In FY 2009, FCF reports for every $1.00 invested in the Loan Fund, an additional $4.18 was leveraged by FCF from private foundations.
- The Iowa Growth Fund provides technical assistance to nonprofit child care center directors and their boards identify and tackle critical business challenges. Centers work with local expert business advisors and also receive FCF grants to help. Most of FCF involvement in Iowa is with the Iowa Growth Fund by child care centers.

- The Quality First and Loan Program is a special grant and loan package to help child care centers, but not homes, pay for quality improvements and facility expansion.

The DHS entered a contract with FCF in FY 2008 with $65,000 to support the Iowa Growth Fund and the Quality First Program, but does not provide funding for the Loan Fund. This contract continues for the provision of these programs.

Early Childhood Iowa Areas

Early Childhood Iowa board may use their Early Childhood funds from the DHS to support child care providers with limited equipment purchases and minor facility remodeling to meet health and safety standards required by licensing or registration, e.g., purchase of cribs for infants, installing a sink in an infant room, installing egress windows. Few local boards have chosen to provide such grants.

U. S. Small Business Administration (SBA)

While the SBA is not a direct lender of funds, it does provide guaranteed loans made by private financial institutions for eligible applicants.

When faced with the need for financial assistance through loans and grants, child development home providers, for the most part, are on their own to find the resources. While the sources described above do their own marketing, there is not 'one-stop" source for the providers to look at possible sources available to assist child development home providers with their search for funding.

An Existing Public and Private Partnerships focusing on Early Childhood Services

First Years First – A Public and Private Approach for Supporting Local Early-Childhood Programs

The legislatively created First Years First was established as a private/public investment partnership to raise public and private contributions at the state level that in turn, make funds available at the community level. The combined private/public state- level funds also are intended to leverage additional local private matches through grant opportunities for early childhood-related programs. Local early childhood applicants that receive First Years First funds are to garner private sector support of at least a 40% match to funds received from the State.

In its first cycle of requesting proposals, First Years First received 25 applications, with a total funding request of $1,153,630 and a private sector match of $850,996. These total matching funds reflect 74% of requested funds, exceeding the required 40% private sector match, which is almost $390,000 over the required match amount.

The program is currently suspended due State budget reductions in FY 2010.

Plan for Establishing Sustainable Funding to Support Child Development Home Providers

In light of the current economic and budget environment, creating low cost options for establishing sustainable funding sources must be taken into account. With limited resources and state staffing, it is best to build upon low cost and existing efforts to support the early care system, including child development homes who may need financial assistance in meeting DHS rules and regulations. It is critical, however that increased staffing costs associated with this shift be addressed as part of the planning. Quality child care cannot be established unless there is adequate oversight integrated into the development process.

The following recommendations include a progressive, phased-in plan leading to a long-term program with sustainable funding sources by July 1, 2013.

Phase 1: July 1, 2011 – June 30, 2012.

Estimated cost to implement this phase is $808,600.

- Designate funds, through the DHS contract, to the First Children's First loan fund or a similar institution, to finance through loans, new child development homes to meet initial compliance and to assist existing child development homes maintain compliance. In addition, expand technical assistance to support quality improvement efforts and business practices of providers of child development home services.

  Funding Resources Needed: An investment of $500,000. Prior to the release of the funds, FCF would need to document a match of at least $500,000. The goal would be for the institution to begin accepting applications and processing loans beginning January 1, 2012.

  Considerations for funding would be to dedicate a portion of the Child Care Tax Credit Fund to provide the investment or to redirect funds currently budgeted for expenditure from the Federal Child Care and Development Fund administered by the DHS.

- Once funds are available, ensure a statewide communication plan is in place to notify providers of the opportunity. Tools developed could include brochures to be handed out in the field, notices on the DHS web site, etc. This focus would reduce the time required by child care providers seeking out sources of funding, beyond the traditional financial institutions. This would be a low-cost effort to assist providers and could be implemented rather quickly. As new opportunities are identified these would be added to the information. Marketing of the opportunities could also include direct announcements to child care providers through emails, Iowa affiliate of the American federation of state, county, and municipal employees, Early Childhood Iowa and Child Care Resource and Referral Agencies.

  Financial Resources Needed: Minimal although there would be printing, mailing and web page change costs of approximately $3,000.

- Address personnel needs through an additional field appropriation.

  Financial Resources Needed: Estimates require resources totaling $305,600 for an additional equivalency for four full-time field workers necessary to provide pre-licensing visits and spot check activities for 60% of all providers.

Phase 2: July 1, 2012 – June 30, 2013

- Once appropriate staffing ratios have been established in order, to foster locally driven public/private partnerships, engage the First Years First Business Committee to assess their interest in developing private funding sources to create the public/private investments targeted to child development homes. If there is interest, a business plan and cost estimates would be developed and shared with the Governor's Office and the General Assembly.

- If a plan is provided and funded, the First Years First Business Committee would be directed to develop private funding sources to create the local public/private investments, specifically targeted to assisting child development home providers attain and maintain compliance with DHS rules and regulations. The committee, in collaboration with the DHS, would be charged to create the criteria for local community applications and the eligibility requirements for child development home providers. These eligibility requirements would include a commitment to continuing as a child development home in good standing and efforts to improve quality such as participation in the Child Care Quality Rating System or personal educational advancement.

- Address personnel needs through an additional field appropriation.

  Financial Resources Needed: Estimates require resources totaling $458,400 for an additional equivalency for four full-time field workers necessary to provide pre-licensing visits and spot check activities for 80% of all providers.

  Considerations for funding would be to dedicate a portion of the Child Care Tax Credit Fund to provide the investment or to redirect funds currently budgeted for expenditure from the Federal Child Care and Development Fund administered by the DHS.

Collaborators in developing the report:

The following persons are all members of the State Child Care Advisory Council and volunteered to provide input in to the report.

- Jeffrey Anderson, Iowa Department of Human Services, Child Care Bureau and DSH designee to the Council
- Shanell Wagler, Iowa Department of Management, Office of Early Childhood Iowa (formerly Community Empowerment
- Jill Dodds, Child Development Home provider, member and officer of Child Care Providers Together/AFSCME Council
- Laurine Price, Child Development Home provider
- Jeanine Hough, Child Care Resource and Referral
- Tom Rendon, Iowa Department of Education, Head Start Collaboration Office
- Lou Ann Mowery, At-Large Member to the Council

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