OFFICE OF EARLY CARE AND EDUCATION AND CHILD CARE PLANNING & ADVISORY COUNCIL

Ad-Hoc Access-Expansion Committee Meeting

Monday, December 10, 2018 6:00 - 8:00pm

Children's Council, 445 Church St, San Francisco, Room 120

M E E T I N G   N O T E S

Welcome & Introductions –
39 participants

Prop C Updates –

- While Prop C is held up in court, CPAC is advocating for the City to release money for early care and education.
- For the SF "windfall" funds, CPAC has made a request that $10 million of that go toward ECE teacher salaries.

Prop C Priority: 'Clear the Waitlist' -
Following on from questions that were raised last month:
2,900 children, mostly infants and toddlers (1,800)
Do we have capacity?
Are there vacancies? What do we know about vacancies?

- Where are they? Are they quality? Do they fit need?
- Do ELS providers have vacancies? Do non-ELS-providers?
- What system supports do we need for better matching?
- How much under-enrollment is there? How much is due to staffing issues?
- Unused licensed classrooms

Expand licensed capacity, esp. for Infants and Toddlers

- New centers coming on line
- SFUSD
- Business planning/Supports for new operators
- Convert preschool spots to infant/toddler? (But preschool is still less than needed for population)
- What additional supports/incentives will spur capacity-building—new centers or FCCs?

We need to expand ELS capacity, primarily for infants and toddlers

- Encourage non-ELS providers to become ELS providers
  - quality supports for providers that don't meet quality standards
  - barriers to participation
  - incentives

Discussion: Possible strategies to address meeting this priority and initial recommendations
Prop C priorities:

- Clearing the wait list

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- Increase compensation for workforce
- Expand to middle income families

Discussion - key recommendations for expanding capacity in the system:

- How many slots are available within existing centers and FCC's?
    - Licensed capacity is not always a true indicator of slots that are available
    - How many programs have kept their slots open because they can't get staff?
    - Why can't a Center afford to fill slots? Contract rates don't sustain a workforce. (Especially for infant/toddler ratios)
- What do we know and not know?
    - There aren't enough licensed infant/toddler slots in the City
    - Strategies for preschool are different than strategies for infant/toddlers.
    - Some operators are choosing not to operate their classrooms before they can't afford to, or can't hire staff
    - Raising rates is a way to increase capacity
    - We don't know which slots are ELS and non-ELS.
    - We don't want to build capacity in areas where there is not high demand
    - "rates" = subsidy amount for a child
- STRATEGY IDEAS:
    1. Distribute a survey that lets us know how many slots are possible in SF (idle classrooms, already licensed, but don't have the money to make them available)
    2. Figure out what it costs to raise rates to the current workforce; see how that impacts the wait list
    3. Capacity in high demand zip codes
    4. "nanny share" (alternative care) – unlicensed care (can't spend public dollars for unlicensed care)
    5. FCC's
        - More FCC's are needed
        - Help FCC providers meet requirements of the ELS system – what are the barriers to them meeting requirements?
        - Some FCC's have openings for infant/toddlers
    6. More vouchers for families
    7. Non-traditional hours (accommodate unusual work hours)

- PRIORITY IDEAS:
    1. Fill current ELS spaces- more vouchers
    2. Recruit more providers to ELS—rates, identify barriers
    3. Under-used licensed capacity that is idle by choice (rates)
    4. Expansion – new FCC's; centers, SFUSD pipeline, LEP's alternative care
    5. Licensed exempt care and non-traditional hours care

Prop C Priority: 'Supporting Middle/Moderate Income Families' – Sandee Blechman

Presentation by City of San Francisco Controller's Office – Glynis Startz and Jessie Rubin
Moderate Income Pricing Model Research
4 pricing models presented

1. 10% of income as family fee- capped at the final fee
2. Progressive rate structure
3. Flat tuition credit

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4. Transferable flat credit

Evaluation criteria (6 criteria) to frame the discussion

1. Distributive impact
2. Administrative costs and burdens
3. Transparency – how easy to understand
4. Targeting/price discrimination capacities – narrow in on specific groups
5. Flexibility of use for families
6. Adjustment based on child care pricing

Impact of the 4 models:
Prop C only gives funding up to 200% of AMI.
It would allow providers to charge more and pay higher salaries.
Low-income and middle-class children to be in the same programs.

Questions about the analysis and strategies:
Controllers office is drafting a report for distribution.

Option 1 – makes sense if concerned with balance and simplicity
Option 2 – most efficient, would go to low income groups
Option 3 – could have lower admin costs, value politically
Option 4 – if concerned about capacity and quality concerns

COMMENTS:

- City-wide plan – committed to serving highest need target populations first.
- Also embraced quality and education for ALL children in SF.
- $7-8 million of CDE subsidies we can't access; use city dollars to offset the gap at the right tier. Use local Prop C dollars for low income dollars. Tiered reimbursement as a rate strategy.
- Unclear who would do the administrative work to make 10% happen.
- Continuity of care is an issue when talking about solutions of infant/toddler expansion

What are the **strategic reasons** to focus on middle class?

- Diversity in classrooms – mixed income classrooms
- Prop C was marketed as helping middle income families; stay in integrity
- Families at lower middle income are struggling to pay for child care. They are at great risk, even if they are not the *greatest* risk.
- Any small burden in figuring out child care is huge for families – ease of enrollment, ease of administration.
- Public program – most people will stand up to defend it

Discussion: Reflection on presentation/possible strategies to address meeting this priority

Next meeting and Adjournment

- Next meeting – January 14th
- Structure conversation for next meeting – why put more funding towards middle class families?
- Middle income strategies – what is the system for deciding who gets funding?
- How to achieve mixed-income classrooms?

ACTION ITEMS:

1. Look at existing data (e.g. Needs Assessment), and survey as needed (report back in January)
2. Survey to know how many openings there are/un-used capacity

Early Care & Education
Pricing Alternatives for Moderate Income Families

CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
City Performance Unit

Glynis Startz | Jessie Rubin

12.10.2018

Glynis Startz & Jessie Rubin

SF Controller’s Office, City Performance Unit

Intro

The Office of Early Care and Education asked us to conduct primary and secondary research into four pricing alternatives under consideration.

The Controller's Office:

- Spoke to community experts and stakeholders including early care and education providers
- Reviewed academic research on similar alternatives

OECE asked the Controller's Office to explore four pricing models

1

10% of income as family fee

Families would have their fee capped at 10% of household income

Proportional price support

2

progressive rate structure

Families would be charged a rate that increases as household income increases

Progressive price support

3

flat tuition credit

Families would receive a tuition credit for the same amount regardless of family income (within eligible incomes)

Regressive price support

4

transferrable flat credit

Families would receive a transferable credit for child care for the same amount regardless of family income (within eligible incomes)

Regressive income support

Evaluation criteria

these six criteria guided our research on pricing models

Distributive impact

Progressive – provides more support to low income families
Proportional – provides proportionally the same support to all families
Regressive – provides proportionally less support to low income families

Administrative costs

What is the administrative burden of determining the subsidy level, and distributing it?
Who does that burden fall on (the City, child care providers, or families)?

Transparency

How easy is it to understand how the subsidy amount is determined?
Is it easy for families to find out and understand how much subsidy they will receive?

Targeting/price discrimination capabilities

How easy is it to target specific income groups for subsidy amounts?
How easy is it to modify subsidy levels over time?

Flexibility of use for families

Licensed versus license exempt care

Adjustment based on child care pricing

Does this model allow for differentially priced child care?
If not, who does that burden fall on (the City, providers, or families)?

Option 1: 10% of income as family fee

Families with would have their fee capped at 10% of household income

Distributive impact
Proportional pricing structure—neither progressive nor regressive

Administrative costs
Continues an existing administrative function

Transparency
Relatively simple and interpretable formula

Targeting/price discrimination capabilities
Does not allow for sophisticated price discrimination or targeting of families

Flexibility of use for families
Does not provide families with ability to use flexibly

Adjustment based on child care pricing
Is not immediately workable for differentially priced child care

Option 2: progressive rate structure

As household income increases, families would be charged a rate that increases as a percent of their income

Distributive impact
Progressive pricing structure—provides relatively higher supports to lower income families

Administrative costs
May have high administrative costs depending on the complexity of the subsidy algorithm

Transparency
Level of subsidy is not easy for families to interpret

Targeting/price discrimination capabilities
Allows for high levels of price discrimination and targeting

Easy to test and modify differing levels of support over time

Flexibility of use for families
Does not provide families with ability to use flexibly

Adjustment based on child care pricing
Is not immediately workable for differentially priced child care

Option 3: flat tuition credit

Families would receive a tuition credit for the same amount regardless of family income (within eligible incomes)

Distributive impact
Regressive pricing structure

Administrative costs
May have lower administrative costs if less exacting income verification is needed

Transparency
Very transparent and easy to understand for families

Targeting/price discrimination capabilities
Does not allow for any price discrimination or targeting

Flexibility of use for families
Does not provide families with ability to use flexibly

Adjustment based on child care pricing
Allows for differential child care pricing if desired

Option 4: transferrable flat credit

Families would receive a transferable credit for child care for the same amount regardless of family income (within eligible incomes)

Distributive impact
Regressive pricing structure

Administrative costs
May have lower administrative costs if less exacting income verification is needed

Transparency
Very transparent and easy to understand for families

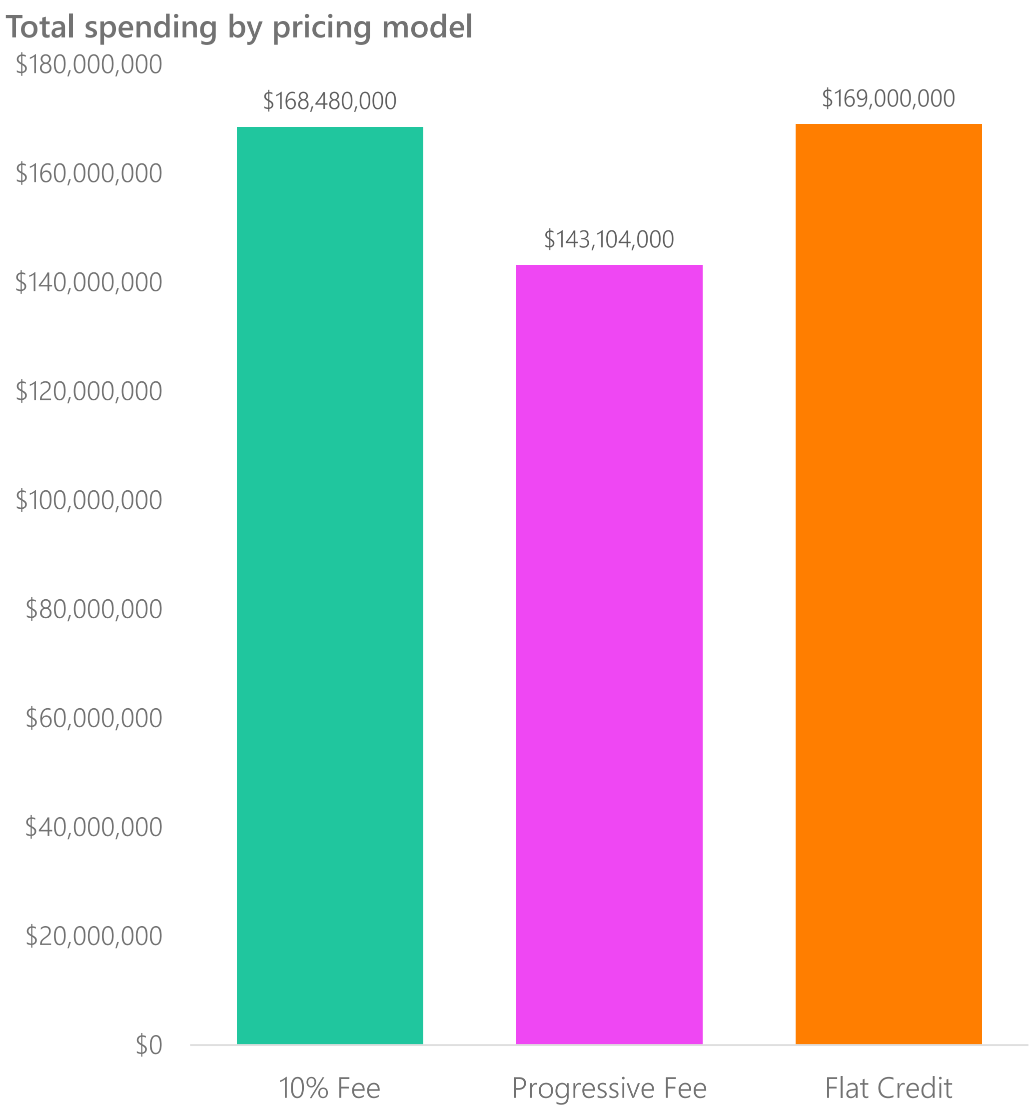
Targeting/price discrimination capabilities
Does not allow for any price discrimination or targeting

Flexibility of use for families
Could allow families to use for license exempt care

Can create a larger pool of child care options

Adjustment based on child care pricing
Allows for differential child care pricing if desired

Impact in Practice

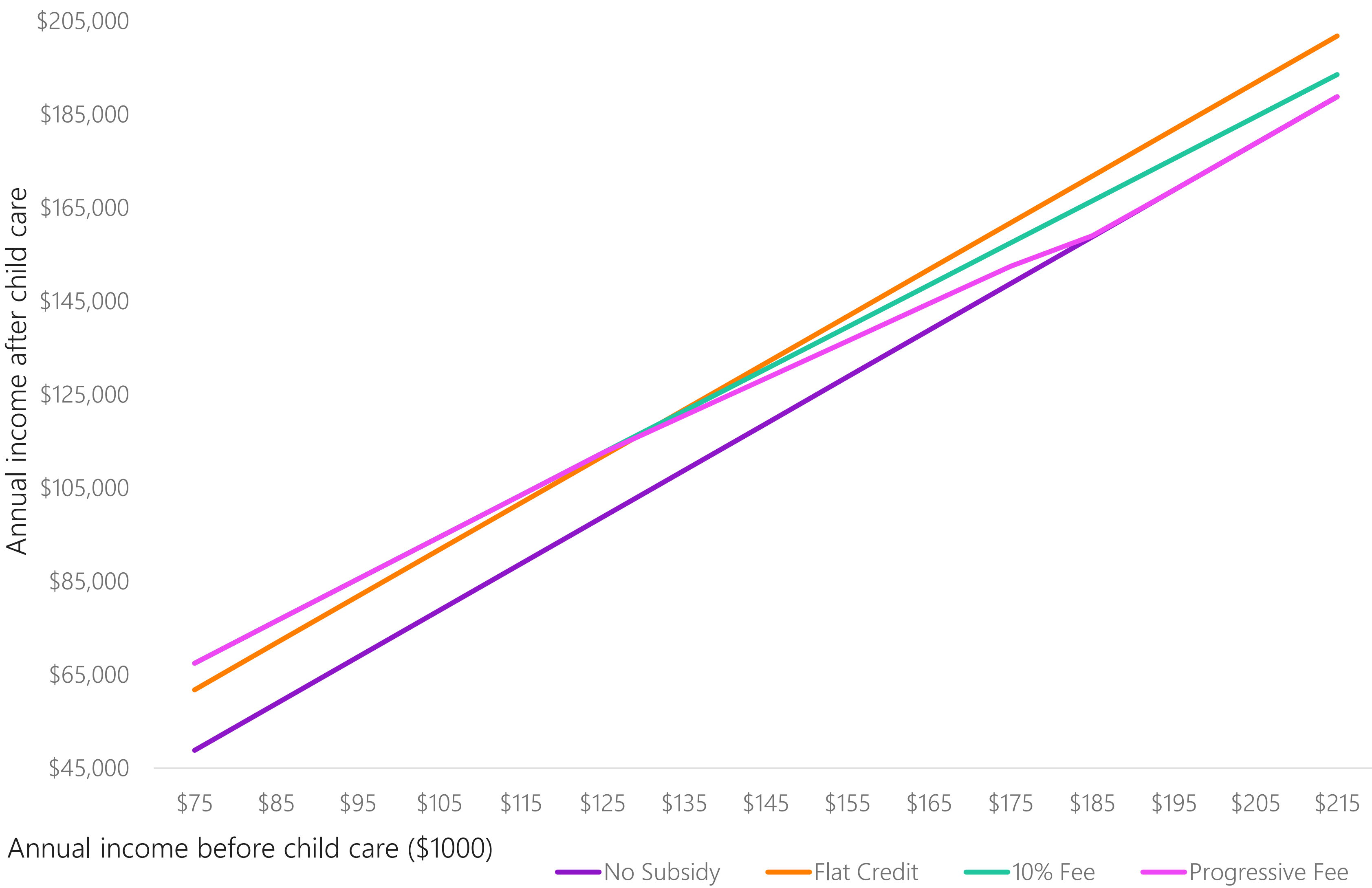


Under the following parameters

- Subsidies delivered to **100%** of the estimated 13,000 eligible families
- Flat credit of **$13,000**
- For a family of three, the progressive fee structure charges
  - **10%** of income up to $125,000
  - **20%** of income between $125,000 and $175,000
  - **35%** of income between $175,000 and $215,000

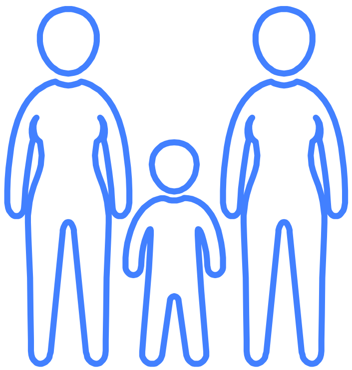
Impact in Practice

Family income before and after paying for child care, under different pricing models



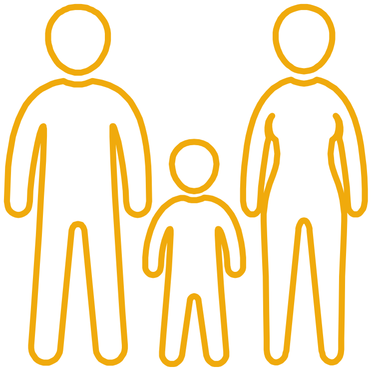
How do these subsidies look in practice?

Family 1 has an annual income of $85,000, approximately 80% of Area Median Income



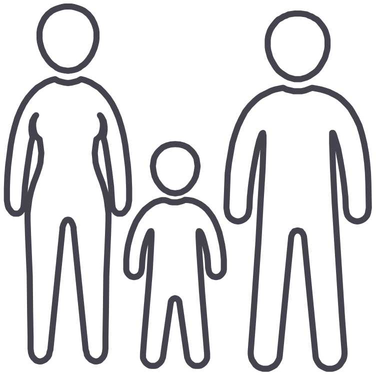
$85,000

Family 2 has an annual income of $155,000, approximately 145% of Area Median Income



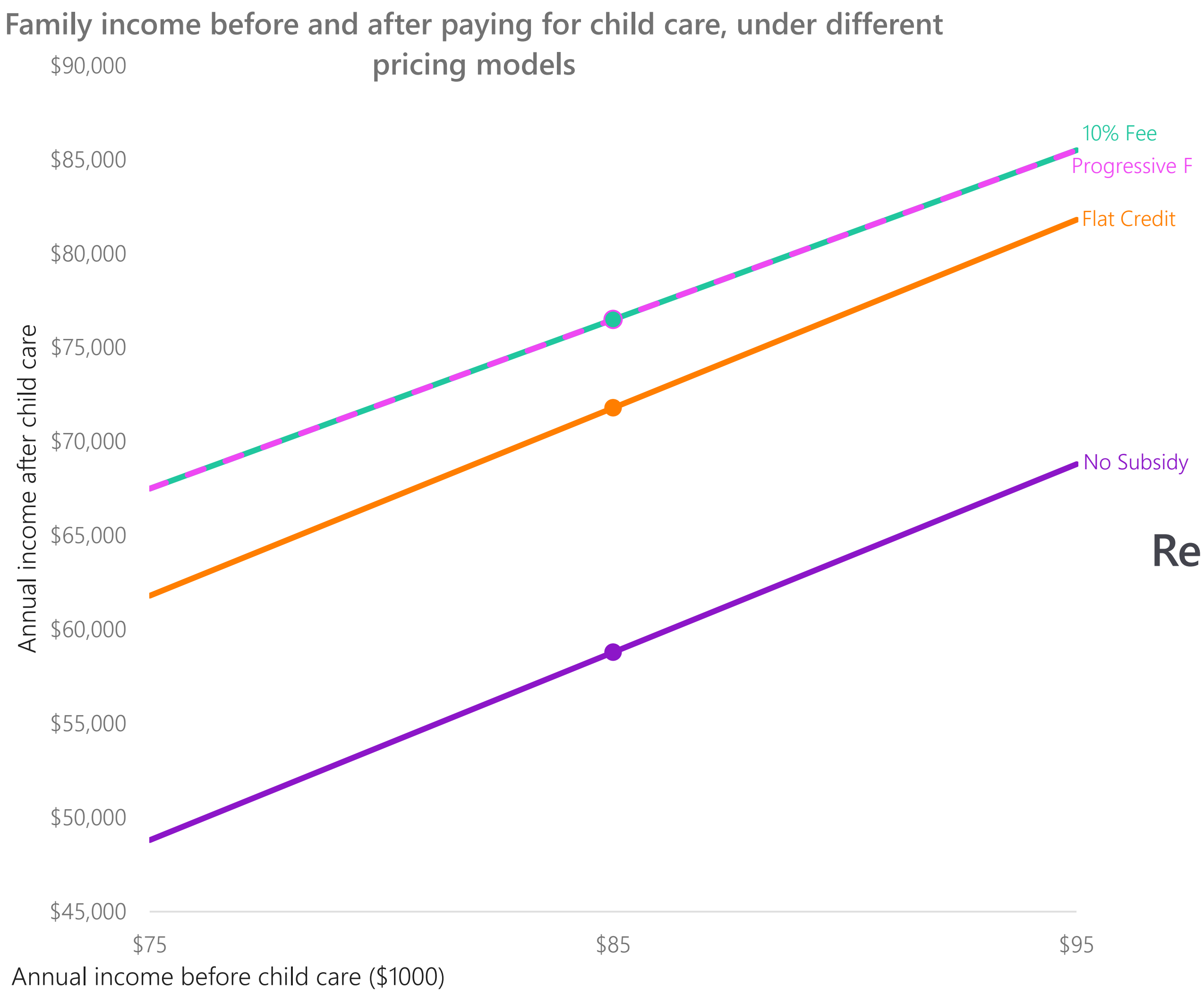
$155,000

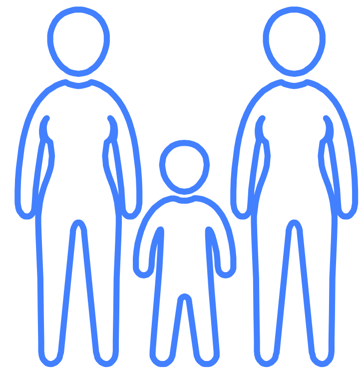
Family 3 has an annual income of $205,000, approximately 195% of Area Median Income



$205,000

Impact in Practice





$85,000

Remaining income under...

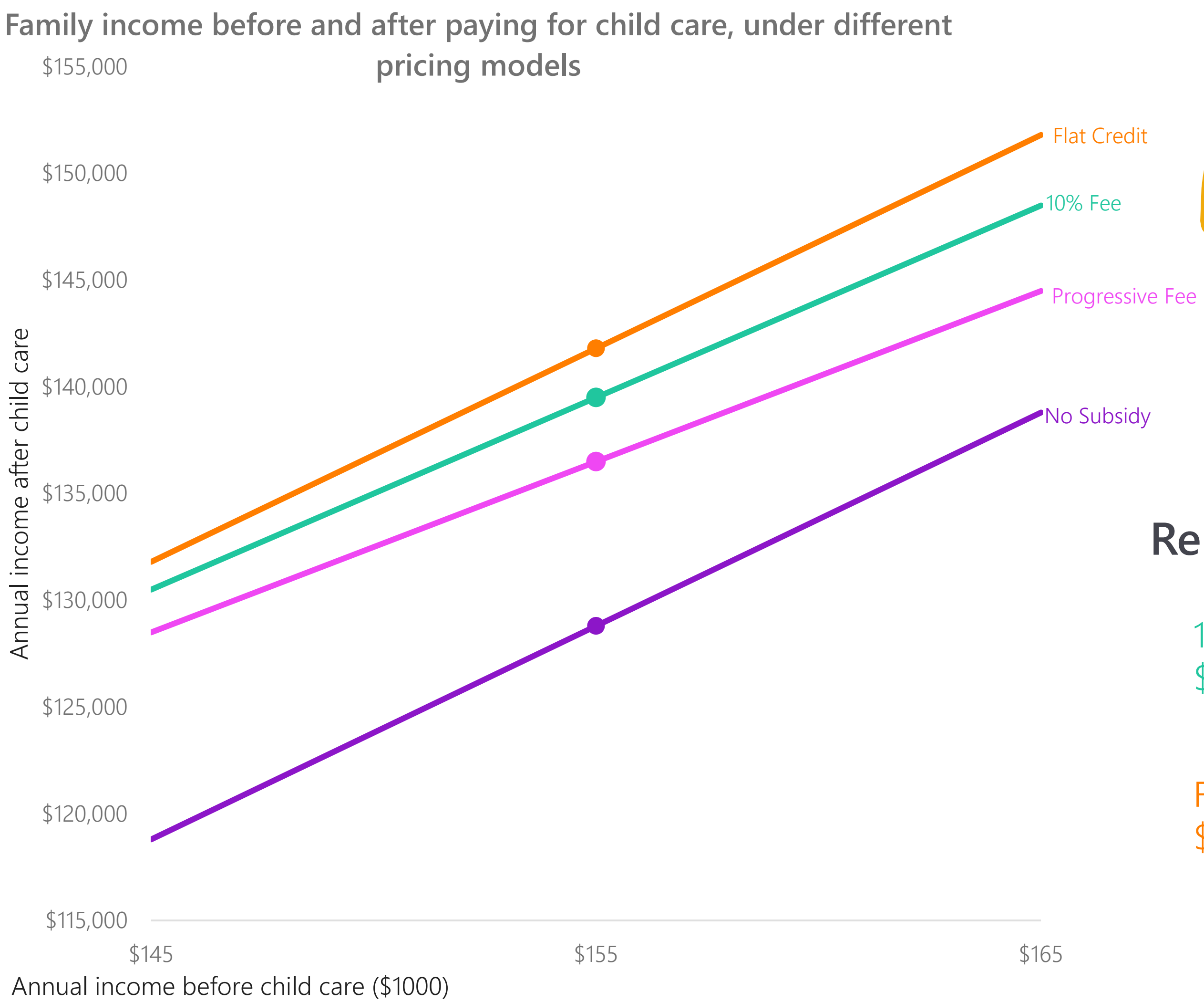
10% Fee
$76,500

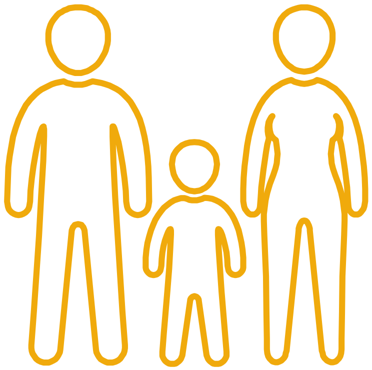
Progressive Fee
$76,500

Flat Credit
$71,800

No Subsidy
$58,800

Impact in Practice





$155,000

Remaining income under...

10% Fee
$139,500

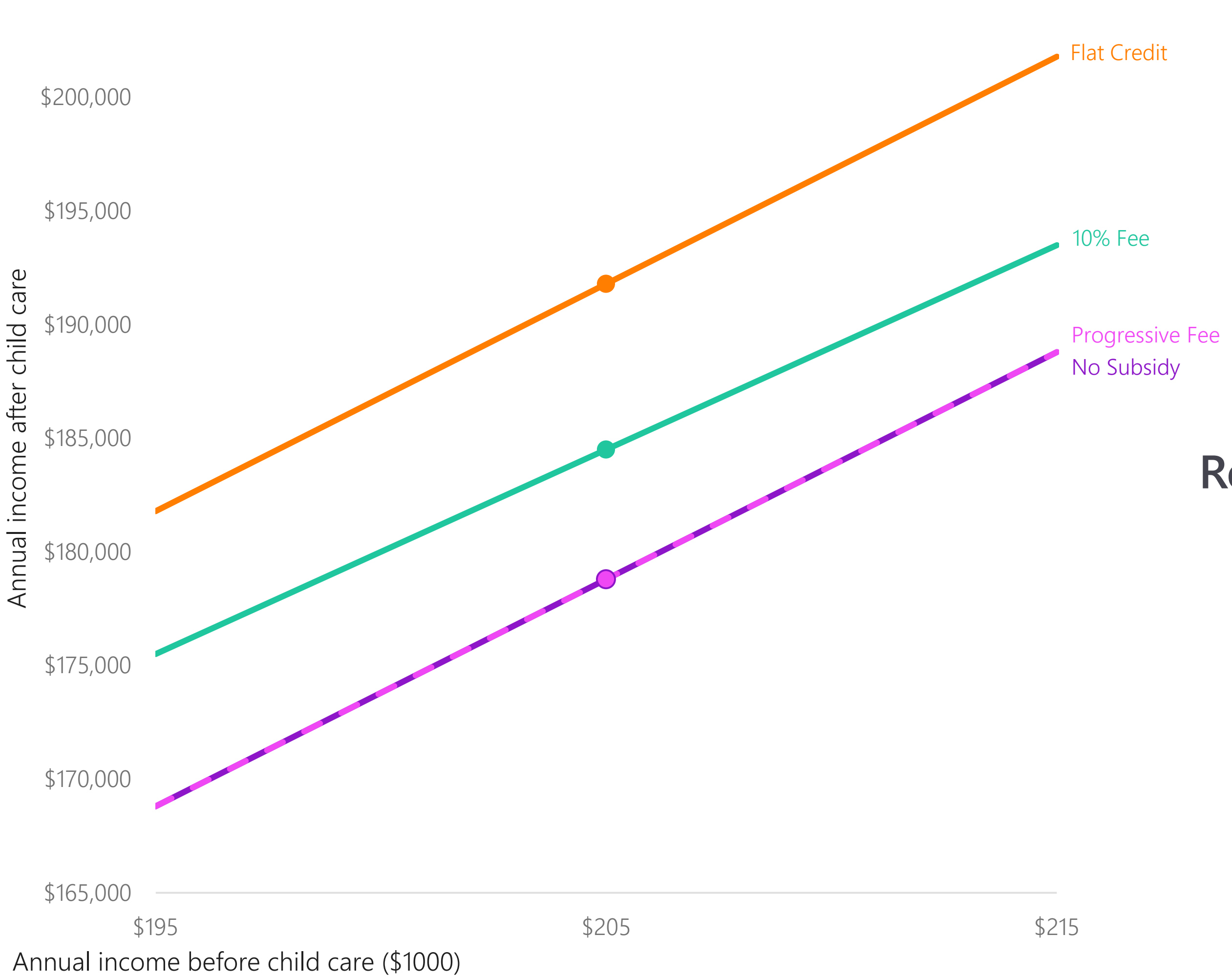
Progressive Fee
$136,500

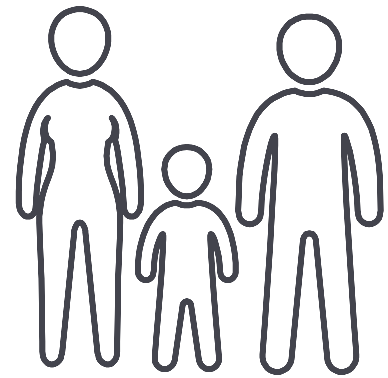
Flat Credit
$141,800

No Subsidy
$128,800

Impact in Practice

Family income before and after paying for child care, under different pricing models





$205,000

Remaining income under...

10% Fee
$184,500

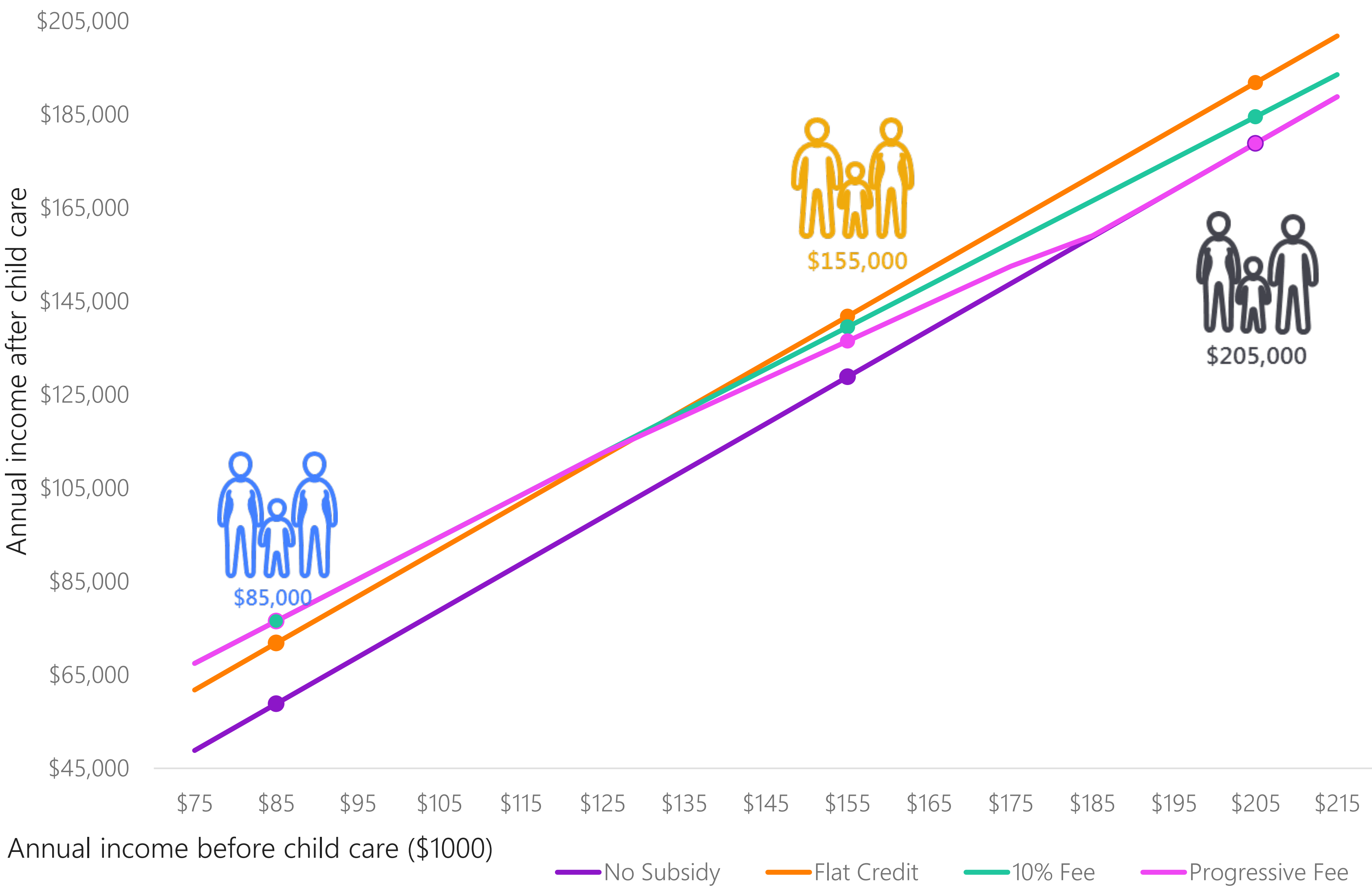
Progressive Fee
$178,800

Flat Credit
$191,800

No Subsidy
$178,800

Impact in Practice

Family income before and after paying for child care, under different pricing models



Thank you.

Any questions?

You can reach us at Glynis.L.Startz@sfgov.org or Jessie.Rubin@sfgov.org

Pricing Overview

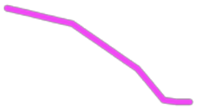
1

10% of income as family fee

- Proportional
- Potentially lower administrative costs
- Semi-transparent
- Not flexible within the subsidy structure
- Not usable with license-exempt care
- Not meant for differentially priced care

2

progressive rate structure



- Progressive
- Potentially high administrative costs
- Not transparent
- Flexible within subsidy structure for targeting
- Not usable with license-exempt care
- Not meant for differentially priced child care

3

flat tuition credit

- Regressive
- Potentially lower administrative costs
- Transparent
- Not flexible within the subsidy structure
- Not usable with license-exempt care
- Can work with differentially priced care

4

transferrable flat credit

- Regressive
- Potentially lower administrative costs
- Transparent
- Not flexible within the subsidy structure
- Usable with license-exempt care
- Can work with differentially priced care

Impact in Practice

Amount families pay for child care annually after subsidies