



Issues and Options:

# Developing Safety and Quality Ratings for Child Care

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Although the state licenses about 58,000 child care facilities serving up to 1.2 million children, there is little information readily available to parents about the safety and quality of this care. This report describes options to improve the availability of such information. These are: (1) improve the availability of existing information, (2) establish ratings based on a provider's safety history, (3) establish ratings based on safety and self-reported quality measures, and (4) establish safety and quality ratings using trained assessors. We recommend pursuing options 1 and 2 in the near term, followed by a phased implementation of the third option. Our approach would limit state costs, while increasing parents' ability to assess their children's care, creating a market incentive for providers to improve their services, and helping the Legislature to measure the impact of investments in child care quality. ■

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## INTRODUCTION

In recent years the Legislature has considered the issue of safety and quality of care in licensed child care facilities and whether enough information about these aspects of child care are available to parents. Specifically, Assembly Bill 1565 (Pavley), would have established a pilot program to study the impacts of a quality rating system for child care providers. However, this legislation was vetoed by the Governor. Among other related changes, Chapter 545, Statutes of 2006 (AB 633, Benoit), improves the availability of licensing information to child care consumers. Moreover, in May 2006 the Bureau of State Audits found that information concerning licensing compliance history for child care providers is not readily accessible to the public.

This report presents a series of options to improve the availability of information concerning child care safety and quality. For each option, we discuss implementation issues and estimate the respective costs. Prior to our discussion of the options, the report provides background on the state's investment in child care and current practice with respect to licensing and assessment of child care safety and quality.

### State's Investment in Child Care

Through a variety of different child care arrangements—licensed and unlicensed—most working families in California with young children use child care services. Correspondingly, the state makes a considerable investment in child care—both to monitor a vast network of licensed facilities and to provide direct subsidies to low-income working families in need of child care services. The Community Care Licensing Division (CCL) of the Department of Social Ser-

vices (DSS) monitors about 58,000 facilities that have the capacity to care for up to 1.2 million children in California each year.

In addition, the state spends approximately \$3 billion annually in state and federal funds to provide subsidized care in either licensed facilities or informal “license-exempt” care for close to 450,000 low-income children. (The shaded box on the next page explains the state's subsidized child care system.)

### Information About Child Care Providers Is Lacking

Despite the widespread use of licensed child care and the considerable state investment in monitoring facilities and in subsidizing care, comprehensive publicly available information about child care providers is lacking. Moreover, the information that is publicly available, primarily through licensing, is difficult to access and understand.

**Why Is Information About Child Care Important?** Public communication of information about licensed child care is important for (1) parents who may use licensing information to assess safety and quality, (2) providers who may modify services in response to consumer expectations, and (3) policy makers who could target resources based on information about the quality of care.

At a minimum, parents may assume that a license issued by the state confirms the facility's safety and its compliance with basic regulatory standards. Parents, as child care consumers, also may seek information in order to choose among providers. The license can serve as one tool to help them evaluate whether a provider

is suitable. However, because the license only measures whether or not a provider meets the licensing standards, it cannot be used to make

comparisons among licensed providers nor to evaluate other components of care, such as the quality of the learning environment, staff-to-child

## SUBSIDIZED CHILD CARE SYSTEM AND PROVIDER REQUIREMENTS

The state funds child care for families who receive support through the state’s welfare program (California Work Opportunity and Responsibility to Kids) and for working poor families. Families receive subsidized child care in one of two ways: either by (1) receiving a voucher or (2) through placement in a center or family child care home network under contract with the California Department of Education (CDE). Families receiving a voucher typically are served by a “Title 22” program, which is only monitored by the state for health and safety, or by a “license-exempt” provider. (License-exempt providers are friends or relatives who provide in-home care

and, are generally required to be pre-screened for prior criminal activity.) By comparison, providers under contract with CDE, commonly referred to as “Title 5” providers, are held to higher standards and are subject to greater monitoring than the Title 22 and license-exempt providers. The figure compares requirements for license-exempt, Title 22 and Title 5 providers.

### Provider Safety and Educational Requirements

#### Preschool-Aged Children

	Voucher Providers			CDE Contractors
	License-Exempt Providers	Title 22 FCCHs	Title 22 Centers	Title 5 Providers Including Preschool
<b>Provider/teacher education and training</b>	None.	None.	Child Development Associate Credential or 12 units in ECE/CD.	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units).
<b>Provider health and safety training</b>	Criminal background check required (except relatives). Self-certification of health and safety standards.	15 hours of health and safety training. Staff and volunteers are fingerprinted.	Staff and volunteers fingerprinted and subject to health and safety standards.	Staff and volunteers fingerprinted and subject to health and safety standards.
<b>Required ratios</b>	None.	1:6 adult-child ratio.	1:12 teacher-child ratio or 1 teacher and 1 aide for 15 children.	1:24 teacher child and 1:8 adult-child ratio.
<b>Accountability, monitoring, and oversight</b>	None.	Unannounced visits every five years or more frequently under special circumstances.	Unannounced visits every five years or more frequently under special circumstances.	Onsite reviews every three years. Annual outcome reports, audits, and program information.

FCCHs = family child care homes; CDE = California Department of Education; and ECE/CD = Early Childhood Education/Child Development.

ratios, or qualifications of teachers. If consumers have and can use these other types of information to make comparisons, the collective impact of consumer decisions could influence the overall quality of the provider market. Furthermore, with additional statewide information, policy makers would be able to target resources to address areas of need and reward providers who excel in maintaining healthy, safe, and high quality child care programs.

**Continuum of Options to Improve Information and Assess Quality**

In this report, we identify a continuum of options (shown in Figure 1) that would improve the nature and dissemination of information related

to child care licensing and quality. Figure 1 provides a description and an estimate of the fiscal impact of each option. (More detail on each estimate is provided later in the report.) This report is focused on licensed care only. While license-exempt care accounts for a substantial portion of the public and private child care in the state, this type of care is, by definition, an informal arrangement that at most serves only the children of one unrelated family and thus is not well-suited for inclusion in a public information system.

The report is structured according to the continuum of options in Figure 1. We begin by providing background on the licensing information that is currently available to child care

**Figure 1**  
**Options to Improve Information and Assess Quality in Child Care**

*(Dollars in Millions)*

	One-Time Cost	Ongoing Cost
<b>Option 1</b>		
<ul style="list-style-type: none"> <li>• Communicate existing licensing information more broadly.</li> <li>• Improve visibility of existing licensing information.</li> <li>• Post licensing information on the Internet.</li> </ul>	—	\$0.4
<b>Option 2</b>		
<ul style="list-style-type: none"> <li>• Create ratings that consolidate and communicate licensing information.</li> <li>• Establish rating system to summarize licensing compliance.</li> <li>• Rate facilities according to their compliance with licensing standards.</li> <li>• Post rating information on the Internet.</li> </ul>	\$2.0-11.5	0.4
<b>Option 3 Basic</b>		
<ul style="list-style-type: none"> <li>• Expand Option 2 ratings to include quality criteria.</li> <li>• Develop ratings for licensing elements that are associated with quality child care (for example, ratios, group size, and staff qualifications).</li> <li>• Rate facilities according to their performance on these three elements, along with licensing compliance standards.</li> <li>• Post rating information on the Internet.</li> </ul>	2.0-11.5	2.8
<b>Option 3 Plus</b>		
<ul style="list-style-type: none"> <li>• Expand the Option 3 Basic ratings to include additional quality criteria including direct observational assessments.</li> <li>• Develop new rating scale to incorporate additional quality criteria.</li> <li>• Rate facilities according to their performance on these new criteria in addition to Option 2 and 3 Basic criteria.</li> <li>• Post rating information on the Internet.</li> </ul>	2.5-12.0	13.0

consumers, and, in Option 1, suggest ways to increase the visibility of this existing information. Option 2 creates a consumer rating system that consolidates and simplifies currently available information. In the section on Option 3, we explain quality rating systems and their use in other states as well as in some local areas of California. We then outline models under Option 3 for both a basic and an enhanced quality rating

system that would require collection of substantial new data.

***Continuum Highlights Cost-Benefit Tradeoffs.*** The continuum of options in Figure 1 represent a progressively increasing depth of assessment and communication of child care information. Progression along the continuum also comes with additional investments in data collection, analysis, and reporting.

## BACKGROUND

### Licensing of Child Care Facilities

All public and private child care providers must receive a license to operate in the state. The CCL Division within DSS is responsible for the inspection of approximately 58,000 child care centers and family child care homes. In order to receive a license, every facility must receive an initial inspection. Current law requires inspection at least once every five years after the initial licensing inspection. This is accomplished through targeted visits to providers with compliance problems and through a random sampling procedure. In addition to these visits, CCL focuses on response and follow-up with facilities that have complaints, a history of violations, or serious incident reports.

***What Does Licensing Monitor?*** The state monitors basic health and safety standards and ensures that facilities maintain all legally required documentation. Licensing inspectors review facility safety and hygiene, including the handling of potential hazards such as unguarded pools, household chemicals, and medications. The department also ensures that there is documentation of required training, criminal background clearances, and other personnel

records. Licensing inspectors monitor providers' compliance with regulations regarding total capacity and staff-to-child ratios. Regulations do not require any monitoring of curriculum or activities for children in centers or family child care homes.

***How Are Licensing Violations Documented?*** If an inspector identifies a regulation violation, the inspector is required to issue a citation. Citations are categorized by their severity, or the immediacy and level of risk the violation poses to the children in care. If a facility is cited for violations, CCL will follow-up to ensure correction of the violation or impose a civil penalty if the facility fails to correct the problem. When a facility demonstrates repeated noncompliance, the local DSS licensing office can hold a noncompliance conference at the regional office or refer the case to the department's legal staff to initiate administrative actions that could result in license probation or revocation. A serious, substantiated complaint or incident report, which presents an immediate risk of harm, may result in a Temporary Suspension Order (TSO), which requires immediate shutdown of the facility, pending the results of a hearing.

**Communication of Licensing Information**

**Information Available From Licensing Office.** Parents may inquire about facilities through the DSS licensing office in their local area, requesting a summary of recent file information over the phone or in person. Upon request, the CCL staff provide the results of inspections for the previous two years, including any citations, complaints, noncompliance conferences, or administrative actions. The information that is contained in the files is shown in Figure 2.

**Resource and Referral Agencies (R&Rs) Disseminate Some Licensing Information.** The R&Rs are part of a statewide network designed to assist parents in finding child care to meet their family’s needs. The R&Rs respond to parents’ requests for child care services, and maintain basic information on child care providers in their local area. Current law requires R&Rs to inform parents of their right to view inspection reports at facilities or to review files at the licensing office. The R&Rs also receive notification from CCL if a facility (1) has been asked to have a noncompliance conference, (2) has been placed on probation, or (3) has received a TSO. If a facility is placed on probation, the R&R agency must suspend referrals and send notification by mail to parents that have been referred to the provider. Because this requirement only applies to the R&R

agency’s customers, other parents who have children at the facility are not informed in this manner. Moreover, due to liability concerns, R&R agencies are unable to provide parents with any additional information about providers, beyond the status of the license.

**Facilities Are Required to Post Inspection Information.** Current law requires child care facilities to post the reports of every inspection visit as well as an additional page documenting detail on any serious violations cited by the licensing agency. These reports are required to be posted for 30 days following the visit. The law specifies details of the posting location and the print size of the form. Failing to maintain such a posting is an additional violation, subject to a civil penalty levied against the provider. Regulations also require that providers inform parents of the availability of inspection information and of their rights to contact the local agency for

**Figure 2**  
**Contents of Community Care Licensing Files**

- ✓ The facility’s initial licensing application, inspection reports, and license.
- ✓ Staff rosters and the results of criminal background checks required for providers’ staff and family members if a family child care home.
- ✓ Complaint investigation reports.
- ✓ Inspector reports from any visit, whether a regular inspection or follow-up to a violation or incident report. Reports are generated from a software program used by inspectors in the field and include narrative outlining the violations found at the facility.
- ✓ Violation citations and a plan for compliance.
- ✓ Documentation from any noncompliance conference held with a provider.
- ✓ Any letters or correspondence between the licensing agency and provider.
- ✓ Any order from an administrative law judge.

detailed information. Facilities must document their compliance of this requirement.

As described above, licensing information is available by request, and facilities are required to post information regarding serious violations. However, there are gaps in these requirements and limitations on the accessibility of this in-

formation. Consumers must actively seek out information, one provider at a time, through an inquiry to a licensing office. In the following section, we present the first of four options that would improve the availability of key licensing information to the public.

## OPTION 1—IMPROVE COMMUNICATION OF EXISTING LICENSING INFORMATION

Currently, there is limited information regarding provider compliance with licensing standards that is actively communicated to the public. Option 1 would improve the notification of consumers when there are licensing compliance problems and would post available licensing information on the Internet.

### Improving Current Procedures

**Postings.** Regardless of the severity of a violation of licensing regulations, the on-site posting mentioned earlier is the only direct notification parents currently receive of such violations. The postings have limited distinguishing features, primarily a slightly larger typeface size. Option 1 would make this posting more visible through larger and more readable typeface or a different visual appearance. Such postings would also be more obvious if they were required to be adjacent to the sign-in sheets that parents use two times a day.

### Internet Access to License Information

Option 1 also includes posting licensing inspection and compliance information on the Internet. Of the ten largest states, California is

one of five that do not have health and safety compliance information available to the public online. Web sites in the five other states usually contain results of the most recent inspections or visits, the reasons for the visit, and a list of any violations/citations. Based on our review of these web sites in other states, we believe an effective Internet information system should include at least the following items:

- A list of inspections, complaints, incident reports, and contacts with the licensing agency.
- Detailed description of the regulation violated.
- Easy to understand descriptions of:
  - The schedule of regular inspections.
  - The items that are evaluated during inspections.
  - Helpful definitions or Frequently Asked Questions about licensing compliance.

**Benefits of Internet Information.** Internet information would allow consumers to easily review and compare licensing information for

child care providers. This information could also help to educate consumers about what a license requires and, to some extent, could increase the transparency of the operations of the licensing division and the details of facility monitoring. From the providers' standpoint, the availability of this type of information online increases the risk to a business of being publicly identified as being noncompliant with regulation. Thus, this increased information not only informs the consumer, but has the potential to improve the adherence to licensing standards. There is also some research that suggests that this type of Internet information can have an impact on the quality of the care provided by facilities (see nearby box).

***Considerations in Providing Online Inspection Information.*** Online inspection informa-

tion may be problematic for parents who do not have access to the Internet, lack computer skills, or have a language barrier. These potential access problems could be partially addressed through R&Rs, which already serve as information sources relating to child care providers. These parents could use the R&Rs to access online information. Another consideration is that online licensing information, especially if it is provided in the format of inspection reports, does not simplify or consolidate potentially confusing or jargon-filled information for the consumer. As we discuss in Option 2 below, a rating system offers distinct advantages to using this online approach alone, by making licensing information more understandable and facilitating a simpler comparison between providers.

### **INTERNET AVAILABILITY MAY AFFECT QUALITY OF PROVIDERS**

Under a grant from the federal Administration for Children and Families, the Wellesley Child Care Research Partnership and the National Bureau of Economic Research conducted a study of online inspection data in Broward County, Florida. Beginning in 2001, the county started posting a copy of health and safety inspection reports on a new Web site. In addition to posting the data, the county undertook a significant effort to publicize the availability of this information on the Web site. Researchers examined data collected separately for a subset of providers who participated in a program that evaluated them on other observed quality measures, such as staff/child interaction.

The study compared the program quality scores of providers before and after the implementation of the Internet information campaign. The study indicated that placing reports on the Internet, combined with media coverage of this information availability was associated with a moderate increase in the quality of care. The study also pointed to changes in inspector behavior as a result of the Internet initiative, including increases in number of inspections performed and increases in the number of centers reported as not meeting minimum standards. These observations indicate that after the information became available via the Web site, inspectors may have changed elements of their assessments, presumably as the result of increased public scrutiny of investigation activities.

### **Relatively Minor Costs for Improving Flow of Existing Information**

Improving the availability of existing information gathered through the current licensing system has minor cost implications (relative to the overall CCL budget). The department estimates

that development and ongoing maintenance of Option 1 would require four positions at an ongoing cost of about \$400,000. The Governor vetoed funding in the 2006-07 budget for the staff that would be necessary for this information to be posted online.

## **OPTION 2—CREATE RATINGS THAT CONSOLIDATE AND COMMUNICATE LICENSING INFORMATION**

Option 2 develops and implements a system that simplifies and translates a provider's licensing record into a rating. Such a rating would provide consumers with an easily understandable scale, such as a letter-grade, stars, or numbers.

### **Ratings Provide More Information and Incentives**

In the current licensing system, the license itself is the only standard of compliance. In other words, a facility either qualifies for a license or it does not. A health and safety rating would create levels for a license that could provide consumer information about *how* healthy and safe a facility is, rather than *whether* it has met a minimum standard. Because it would be publicly displayed, the rating could be an incentive for facilities to proactively comply with licensing regulations.

**Model for Ratings From Restaurant Regulation.** Rating systems that communicate compliance with health regulations are used in Los Angeles, San Diego, and Riverside Counties in Southern California. Restaurants receive a letter grade, such as an A, B, or C indicating their level of compliance with the standards. Violations of regulations are categorized into point value deductions that are based on the level of the health risk of the particular violation. The

resulting score translates to a letter grade, which is posted in the window of the establishment. This type of risk-based grading is also used as a measure for health and safety in some of the child care quality rating systems we discuss later in this report. There is some evidence indicating that the restaurant ratings in Los Angeles County have had a positive effect on the level of hygiene in restaurants as well as consumer behavior. (See the shaded box on the next page.)

**Types of Ratings and Methodology.** There are several possible approaches for establishing a rating system. Each of the examples of rating methods shown in Figure 3 is used by another state or locality that has implemented ratings for child care providers, and each has advantages and disadvantages.

All three rating types consolidate available information to provide insight for consumers into a provider's general compliance with regulations. The advantage of a point system (type 1) is that it accounts for the seriousness of a particular violation. The point system can focus on areas of greatest concern for the regulatory agency, or areas that present the greatest opportunity to improve care. In doing so, it creates a clear path for providers to improve. The second rating type creates a threshold level above the license itself.

### RESEARCH ON RESTAURANT RATINGS

In 1998, Los Angeles County implemented a policy of providing hygiene quality grade cards to all restaurants upon inspection. Depending on local municipal law, restaurants either were required to display the ratings or could voluntarily choose to display them. A study conducted by researchers from the University of Maryland and University of California, Los Angeles, found a statistical relationship between the required posting of the grade card and an average 4 percent to 5 percent increase in hygiene grade scores upon reinspection. Using sales revenue information, the study also identified an average revenue increase of 5.7 percent for restaurants with an A rating. The effect on revenue did not occur for restaurants receiving B ratings. Those receiving ratings of C actually experienced a decrease in revenues of 1 percent. These effects were found, to a lesser extent, in areas where displaying the rating was voluntary. Similar restaurant ratings systems have been implemented in Toronto, Canada as well as in Denmark. In both of these locations, internal studies by health authorities documented improvement in hygiene quality scores.

**Figure 3**

### Child Care Provider Rating Types

Type	Methodology
1. Point System	<p><b>Rating Based on Accumulated Points</b></p> <ul style="list-style-type: none"> <li>• Licensing violations assigned point value based on seriousness.</li> <li>• Points subtracted starting from a total of 100.</li> </ul>
2. “Clean License”	<p><b>Rating Based on Specified Criteria for Past Three Years:</b></p> <ul style="list-style-type: none"> <li>• No more than one “personal rights” violation,</li> <li>• No civil penalty imposed,</li> <li>• No informal or formal licensing noncompliance conference, and/or</li> <li>• No administrative action taken, including probation or temporary suspension order.</li> </ul>
3. Compliance History	<p><b>Rating Based on Time Without Serious Licensing Violations</b></p> <ul style="list-style-type: none"> <li>• Example: One year without violation = one star.</li> </ul>

This standard identifies a “clean” license, by evaluating a general lack of violations over time along with reviewing providers for certain serious indicators of compliance problems. Though the point system (type 1) is more comprehensive and detailed, the clean license system (type 2) can also be used to rate the seriousness of a particular violation if it is included in the criteria for a higher rating.

A rating based on compliance history (type 3) rewards compliance with regulations over time. This type of rating might be most useful when inspections are regular and frequent. It is less useful in those situations, such as in the case of CCL, where facilities inspections are random, and significant time elapses between inspections (up to five years in California). In addition, there is

a high rate of turnover in family child care homes, which results in many providers having a limited history to be used for such a rating.

**Ratings Symbols Can Vary.** The developers of the Los Angeles restaurant rating system believed that an A, B, or C grade would be the clearest marker for the public, given the widespread experience with school grades. If the state were to eventually expand the usage of ratings to encompass additional standards (an option we discuss later in this report), the marker would need to be one that can be extended to include these as part of a more complex system.

**Limitations of Inspection Information Used for Ratings.** As mentioned previously, CCL conducts approximately 13,000 inspections each year and is required by law to visit all child care facilities at least once every five years. Some providers—those with a history of compliance problems or those who have had a complaint against them—will receive more frequent visits or follow-up. However, the current licensing inspection requirement means that the data used to construct a rating could be up to five years old. Option 2 would not change the frequency of this monitoring, but is designed to ensure that the results of the state-designated level of monitoring are available and understandable to consumers.

### **Alternatives and Costs for Rating License Information**

The cost of this option would depend on the information used to establish the initial ratings for providers. The state could rely on current licensing data obtained through a file review, which, as discussed may be up to five years old or it could fund additional staff to gather updated information on all providers for an initial rating.

**File Review Is Lowest Cost Option.** Under the current licensing system, approximately 13,000 inspection visits will be conducted of providers during 2006-07. For this group of providers, the results of these inspections (along with other compliance history) could be used for a baseline rating. For those without an inspection visit within the prior year, the state could conduct a file review process using existing inspection information and update ratings as visits take place over the subsequent five years. In this scenario, the information used for the rating would be the same information that is currently available to consumers who inquire through a visit or a phone call to a licensing office.

A similar type of review is used by the Los Angeles Universal Preschool (LAUP) program (discussed in more detail below) to establish a compliance rating for providers who apply for preschool funding. The reviewers spend slightly less than an hour reviewing each provider's file for instances of noncompliance with regulations. Using the LAUP cost model, we estimate that completing such a review over one year would represent a one-time cost of about \$2 million for additional staff and related costs.

**Using Inspection for Initial Ratings More Costly.** A more costly and difficult alternative would fund additional staff to conduct inspection visits specifically to define baseline ratings of all facilities. We estimate that such an effort would need to be conducted over at least a two-year period because of the number of providers, and would cost approximately \$11.5 million for additional staff. This approach could present difficulties due to the number of new inspectors needed for an inspection effort of this magnitude. Ongoing costs for both approaches would be equivalent to those for Option 1.

## OPTION 3—CREATING A QUALITY RATING SYSTEM

The next option to improve child care provider information and its dissemination to consumers is a rating system that includes indicators of quality over and above the minimum licensing requirements. Before describing this option, we provide background on quality rating systems.

### WHAT IS A QUALITY RATING SYSTEM?

Quality ratings systems (QRSs) evaluate child care providers according to a range of criteria believed to be associated with child care quality and improved child outcomes. While compliance with basic licensing standards is generally a baseline criterion for participation in any QRS, most comprehensive QRSs include other criteria such as staff qualifications and staff-to-child ratios. The QRSs are intended to measure and facilitate improvements in the learning environments of child care. Figure 4 lists some of the key criteria used by the QRSs that have been developed in other states and localities. (See the box on the next page for terms used in this section.)

### *Approaches to Establishing Quality Ratings.*

The Legislature could consider at least two different approaches to quality ratings:

- **Option 3 Basic—Establishing a QRS.** Option 3 would establish the basic structure of a QRS while minimizing the associated costs. An Option 3 rating—based upon a few simple quality criteria such as staff-to-child ratios, group size, and staff qualifications—would build on data already collected through the licensing process. In this approach, the state would monitor information about participating providers through document review and verification coupled with an audit mechanism.
- **Option 3 Plus—Expanding on the Basic QRS.** Over time, the state could broaden and deepen its QRS effort with add-ons to the basic framework of Option 3. In “Option 3 Plus,” we discuss possibilities

for enhancement, including (1) additional quality criteria that would provide a more comprehensive picture of the child care environment and (2) on-site, direct assessment of individual providers. This would, of course, be more costly to administer due to the greater number of standards included in the rating system and the more intensive review process required.

**Figure 4**

### Criteria Most Common in Quality Rating Systems

- ✓ Professional development, qualifications, and training.
- ✓ Structure of the learning environment (including curriculum and instructional materials).
- ✓ Licensing status and compliance.
- ✓ Staff compensation.
- ✓ Staff-child ratios/group size.
- ✓ Internal program standards and evaluation.

In the remainder of this discussion of Option 3, we review QRS efforts underway in other states as well as in California itself. Next, we discuss details on Option 3 Basic including development and implementation of this approach.

The subsequent section presents Option 3 Plus, discussing the potential limitations of Option 3 Basic and possibilities for addressing them with various add-ons. We then turn to “Other Considerations” in which we discuss issues and

## GLOSSARY OF QUALITY RATING TERMS

*Quality Rating Systems (QRS)* attempt to assess, improve, and communicate the level of quality in early care and education settings. Terms that are commonly used include:

- **Quality Criteria.** Specific areas of measurement within a QRS—for example, staff-to-student ratios.
- **Environmental Rating Scale (ERS).** Contains scales that rate certain aspects of the child care environment. The most widely used scale, the Early Childhood Environmental Rating Scale, evaluates 43 program components, including physical environment, curriculum, schedule structure and staff education. For each component, providers are rated from one (inadequate) to seven (excellent).
- **Standards.** Levels of quality criteria established within the tiers of a QRS. For example, a system could require that three-star providers meet a 1:8 staff-to-child ratio for pre-schoolers.
- **Measure.** Test, assessment, or other tool that is designed to produce qualitative or quantitative data related to a particular quality criterion. For example, observational assessments are often used to evaluate the learning environment in child care facilities.
- **Validity.** The extent to which an instrument or test accurately measures what it is supposed to measure. For example, an observational quality assessment would be considered valid if it measured certain aspects of the quality of child care environment, rather than other unrelated factors.
- **Reliability.** The extent to which a measurement instrument yields consistent, stable, and uniform results over repeated observations or measurements under the same conditions each time.
- **Inter-Rater Reliability.** Inter-rater reliability is the degree to which different raters provide similar assessments.

tradeoffs relevant to both Option 3 Basic and Option 3 Plus. Finally, we provide cost estimates and potential funding sources for both possible quality rating approaches.

## **CURRENT EFFORTS TO MEASURE QUALITY IN CHILD CARE**

Several other states as well as local areas within California have pursued quality assessments for their licensed child care.

### **Quality Rating Efforts in Other States**

According to the National Child Care Information Center (NCCIC), 30 states have instituted some type of quality rating program that expands upon basic licensing requirements. However, the majority of these programs use a rating system with only *two levels*, the higher of which rewards programs that are accredited by an approved accrediting organization. (The rewards come in the form of tiered reimbursement—that is, paying differential reimbursement rates for subsidized child care based upon the assessed quality of care.) Thirteen states, on the other hand, have pursued a more comprehensive QRS with multiple levels. These states' systems are distinguished by their common inclusion of the following elements that support the ratings and related quality improvement efforts: (1) comprehensive standards (or quality criteria) for early childhood care and education, (2) program and practitioner outreach and support to help providers improve the quality of their child care, (3) financial incentives linked to compliance, and (4) parent education aimed at informing parents about the QRS. Appendix 1 identifies the 13 QRS states.

### **Efforts in California**

While California currently lacks a comprehensive statewide system for assessing and rating child care quality, there are some initial quality ratings efforts underway at both the state and local levels. For example, the California Department of Education (CDE), which has direct contracts with Title 5 providers (which serve close to 50 percent of the state's children in subsidized care), has developed a system for monitoring the quality in these settings that has some similarities to a QRS. However, a substantial portion of the data is self-reported by programs. Also, the CDE system, aimed primarily at promoting program improvement, does not translate the assessment results into public quality ratings. (See the nearby box for additional details about the CDE's "Desired Results" monitoring system.)

**Accreditation Organizations.** There are also numerous organizations that review and accredit child care providers. The most prominent are the National Association for the Education of Young Children (NAEYC), which reviews child care centers, and the National Association for Family Child Care Homes (NAFCCH), which reviews family child care homes. Interested consumers can research providers through the accrediting agency's Web site, which typically lists the standards required for accreditation and includes a mechanism to search for facilities. However, because the process of review is time-consuming and costly, only 5 percent of the licensed centers in California have been accredited by NAEYC and less than 1 percent of the licensed family child care homes in California have been accredited through NAFCCH (as of January 2005). As a result, the information that is made available to consumers through accrediting organizations is limited.

***Some Local Areas in California Have Begun QRS.*** Within California, both San Francisco and Los Angeles Counties have begun implementing quality ratings. In addition, local First Five commissions in Sacramento and Fresno are currently in the initial planning stages of QRSs. The box on the next page describes the efforts underway in Los Angeles and San Francisco.

### **OPTION 3 BASIC—AN INITIAL EFFORT TOWARD QUALITY RATINGS**

Option 3 Basic would build on the information monitored through the current licensing system to create ratings that recognize higher levels of performance on some existing standards. Specifically, it would rate providers according to specified criteria such as staff qualifications, staff-to-child ratios, and group size. Such an approach could produce defensible quality ratings at a lower cost than the QRS adopted in the 13 states discussed earlier. Though Option 3 Basic has some limitations compared to these more comprehensive approaches to quality ratings, it would create a consumer information system with significant advantages over the status quo.

### **Initial Criteria on Which to Focus**

In selecting additional standards for performance above licensing requirements, we suggest focusing on three areas: staff qualifications, staff-to-child ratios, and group size. These data provide information about the quality of interaction between caregivers and children.

Both group size and staff ratios reveal information about the level of supervision and interaction that occur in a child care environment. Ratios show the number of teachers/staff available for each student, while group size accounts for the total number of children that can be in one classroom. Staff qualifications (such as formal education and specialized early childhood training) can provide information about the overall quality of the child care environment. Research has demonstrated a strong relationship between staff qualifications and quality.

A study conducted by the National Institute of Child Health and Human Development, suggests that children in care facilities that meet higher standards with regard to staff qualifications, staff-to-child ratios, and group size have better language comprehension, school readi-

### **CDE “DESIRED RESULTS” MONITORING SYSTEM**

The California Department of Education (CDE) contracts directly with Title 5 child care providers. The CDE evaluates these providers for quality of services using the “Desired Results System.” The system requires that contracted programs collect data on individual students using the Desired Results Developmental Profile, conduct parent surveys, conduct self-assessments using an environmental rating scale (ERS), and retain program records and submit annual reports that reflect compliance with state and federal regulations. Every three to four years, the CDE conducts a monitoring visit to verify the submitted data and to administer certain parts of an ERS. This information is designed to be used for CDE’s internal monitoring purposes, rather than as public information.

ness, and fewer behavioral problems 24 months and 36 months after the initial study period.

Two of these three criteria are already monitored through current licensing requirements. Minimum licensing standards exist for staff qualifications and staff ratios in all types of facilities. Group size, on the other hand, is only monitored by CCL for the care of infants and toddlers. Group size data would be relatively easy to collect as DSS currently collects information on provider staff and the number of children enrolled.

### Implementation Steps

The state would need to create a continuum for each of the three quality criteria that captures the range of performance on each and establishes additional standards for higher quality care. In

doing so, the state could consider performance standards set by the Federal Head Start program and NAEYC (the accreditation agency mentioned above), both of which include standards for group size, staff qualifications, and staff/child ratios.

The state could also build on efforts already underway in the state. Tiered standards for these three criteria have been identified by the initial QRS efforts in Los Angeles and San Francisco. In both cities, providers who meet the Title 5 standards for staff ratios and professional qualifications are recognized with higher ratings. The two Los Angeles QRSs (from LAUP and Los Angeles County) also include group size criteria.

We also suggest the following additional steps in the implementation of Option 3 Basic ratings:

### QUALITY RATINGS EFFORTS UNDERWAY IN CALIFORNIA

**San Francisco.** In San Francisco, the Child Care Planning and Advisory Council began assessing all licensed providers in 2003-04 as part of an effort to raise the level of child care quality in the city/county and to collect information for planning purposes. Programs are reviewed using an environmental rating scale (ERS). After receiving the assessments, providers can receive technical assistance and various financial incentives such as quality improvement grants, wage augmentations, and facilities grants. Generally, the assessed providers are eligible to receive these incentives regardless of their rating scores. The current San Francisco model does not provide a publicly available rating for providers it has assessed. San Francisco also plans to implement a quality rating system that will include other criteria in addition to the ERS ratings and will provide public ratings when funding is available.

**Los Angeles.** Two related but separate efforts in Los Angeles (L.A.) have developed multi-level rating systems. The first is the county's universal preschool initiative, funded by the local First Five Commission. Los Angeles Universal Preschool (LAUP) has developed a 5-star rating system. Providers may participate and receive funding if they meet the 3-star standard or above. Los Angeles County has also developed a quality rating instrument that would apply to all licensed child care in the county if the system were to be funded. The LAUP and L.A. County quality rating instruments both require all providers to meet a threshold standard of health and safety compliance in order to receive any rating.

- **Collect Information Through a Document Submission Process Verified Through Audit.** Document review, coupled with an audit, would eliminate the need for an initial on-site review. For example, a provider might send documentation of staff with qualifications beyond licensing standards and evidence of meeting a lower staff-to-child ratio in order to receive a rating that reflects their performance on these criteria. The licensing division would then conduct periodic audits of a proportion of providers who have requested a higher rating, or could combine them with the regular inspection visits as they occur.
- **Maintain Separate Ratings.** We suggest providing a rating for each quality criterion (staff/child ratios, group size, and staff qualifications) separately, rather than collapsing all criteria into one rating. Providing separate ratings for each of the three criteria will maintain a certain degree of transparency, ensuring that consumers understand what the ratings represent. While these three quality criteria are evidence based, further research would be necessary to help the state determine the relative importance of these quality criteria. In the interim, separate ratings for each rated area would provide child care consumers with information about the relative differences among child care providers in these three areas.

### **Benefits of Option 3 Basic Approach**

Option 3 Basic offers several advantages over the status quo. First, because Option 3 Basic relies mainly on information already collected

(only group size is not uniformly collected), it can be implemented for minimal additional costs. Quality ratings would provide valuable information to consumers that can help them make choices about child care. This information would also allow the R&Rs to share information with consumers in a way that is not currently feasible. Second, the three indicators we suggest as starting points have been shown by other studies to be suggestive of the quality of care. Third, such an approach would lay the groundwork for pursuing a more comprehensive QRS in the future, should the Legislature decide that is desirable. We discuss the options for a more comprehensive QRS in the next section, Option 3 Plus.

### **OPTION 3 PLUS— EXPANDING ON A BASIC QRS**

While Option 3 Basic offers several advantages, it also has limitations. First, a rating instrument would ideally include comprehensive, collectively agreed-upon quality criteria. However, the state has not yet engaged in the process necessary to establish a comprehensive quality instrument that could be used to assign a single quality rating for each licensed provider. Second, Option 3 Basic relies in large part on self-reported information. While reports of staff qualification levels can be verified with supporting documentation from institutions of higher education, reports of group size and staff/child ratios could not be easily cross-checked without direct observation of the facilities. Third, these three criteria are meant to act as proxies for the nature of the care provided, namely the quality of the interactions between staff and children and the nature of the learning and care environment. However, without regular direct observation of the care, there is no guarantee that these proxies would produce an accurate enough

assessment of the quality of the environment for all child care providers.

Option 3 Plus would address many of these limitations by expanding the QRS to include additional information about program quality and, potentially, direct observational assessments by independent reviewers. Because Option 3 Plus would rely on the collection of new data, it represents a departure from the other two ratings options (Option 2 and 3 Basic) we have discussed thus far, which rely primarily on existing data. While Option 3 Plus would likely include Option 3 Basic criteria (staff qualifications, staff/child ratios, and group size), it would also incorporate measurement of other features of the care environment.

### **Expanding the QRS to Include Additional Quality Criteria**

Option 3 Plus would include a broader spectrum of quality criteria than the Option 3 Basic

ratings. This approach would parallel that of the 13 QRS states—most of which have included a wide range of quality criteria covering areas such as the nature of the learning environment and curriculum, parent and family involvement, and/or administrative policies and procedures.

In developing a comprehensive quality rating instrument, it would be important to bear in mind that each additional area of measurement requires corresponding increases in workload and monetary costs. Costs of measurement vary widely, depending on the criteria and related measures selected. Observational assessments, parent surveys, and substantial document review can add significantly to costs of the QRS and should be carefully considered in terms of their value to the overall rating. In the nearby box, we discuss Los Angeles County’s proposed rating instrument, which is an example of a comprehensive yet costly approach to quality ratings.

#### **COMPREHENSIVE QUALITY CRITERIA—THE LOS ANGELES COUNTY APPROACH**

The rating instrument that Los Angeles County developed monitors the following areas of program quality: teacher/child relationships, learning environment, identification and inclusion of children with special needs, administration, and family and community. Option 3 Basic criteria are used to monitor “teacher/child relationships” (group size and staff/child ratios) and “administration” (staff qualifications). However, substantial additional data are also required by this quality rating system (QRS). For example, the system requires independent assessors to administer two different direct observational assessments—an Environmental Rating Scale as well as one that measures adult involvement. In addition, the QRS requires significant provider document review for the “identification and inclusion of children with special needs,” “administration,” and “family and community” categories. For example, to determine the ratings for the special needs category, assessors would review child records to verify provider practices such as the frequency of special needs screenings and lesson plans to determine their appropriateness for children with special needs. Finally, a parent survey is required to assess the degree to which parents are supported by the program.

The quality criteria should efficiently and effectively measure key aspects of what research suggests are critical facets of program quality. Based on our review of the literature, we believe that a QRS should have the following characteristics:

- **Research-Based.** The criteria should be linked to observed quality according to empirical data.
- **Simple.** Child care consumers should be able to understand the rating system and what it represents.
- **Efficient.** Measurement costs should be minimized.
- **Objective.** The ratings must attempt to minimize subjectivity.
- **Valid.** Ratings must be fair and representative of the care that is provided.

**Direct Observational Assessments**

Like Los Angeles County, most states that have pursued a QRS include direct observational assessments, typically as a way to measure the nature of the learning and care environment. Eleven of the 13 QRS states have opted to use

an Environmental Rating Scale (ERS.) The advantage of assessments such as the ERS is that they can provide an additional layer of insight into the child care environment since trained assessors directly observe a wide range of aspects of the care that is provided. The most widely used ERS has been validated and measures many aspects of child care quality.

However, one of the major downsides of these instruments is their cost to administer. Figure 5 shows three different alternatives for direct observation, ranging from a full implementation of an ERS for all providers in the QRS (Alternative A) to administration of the ERS for only certain providers (Alternative C).

The Los Angeles County approach, where all participating providers are assessed with at least one direct observational tool, is an example of the Alternative A approach. Alternative B emanates from RAND research findings that suggest that a streamlined version of the most widely used ERS could offer valid assessments of program quality. Streamlining the ERS would reduce the cost of administering it. Alternative C uses direct observational assessments for a specified subset of providers. North Carolina’s Star Rated License System has pursued this model.

**Figure 5**  
**Observational Assessment Alternatives**

	Description	Example
<b>Alternative A</b>	An environmental rating scale (ERS) and/or other direct observational assessment for all participating providers seeking a rating above the minimum licensing compliance rating.	Los Angeles County
<b>Alternative B</b>	Streamlined direct observational assessment.	RAND findings regarding ERS
<b>Alternative C</b>	Reduced direct observational assessment—only for certain providers.	North Carolina Star Rated License System

### Implementation of Option 3 Plus

The state could take an incremental approach to expanding the Option 3 Basic ratings by simply adding a couple of additional criteria that would require little or no direct observation—or opt to pursue a comprehensive and integrated approach akin to the Los Angeles QRS. As discussed below, the latter approach would come at a considerable cost.

Regardless of the particular level of additional data collection, the state would need to engage in a planning process to implement Option 3 Plus. As with the initial effort to develop the Option 3 Basic ratings, the state could begin the planning process by reviewing standards set by other agencies and the CDE. In addition to the standards already noted above, the CDE's Pre-K Learning and Development Guidelines, Desired Results System, and standards for Pre-K and Infant-Toddler care (in progress) may also be helpful starting points. It is unlikely, however, that any one of these existing frameworks would alone serve as a template for the development of the QRS—they have each been developed for particular purposes.

Depending on the particular approach, the planning process for an Option 3 Plus rating system could take 6 months to 18 months, according to the NCCIC. This process should include representatives from the state who are knowledgeable about the current systems of licensed and subsidized care, providers, and researchers who are familiar with the measurement of child care quality and can ensure that the rating instrument will produce valid and reliable assessments across a wide range of programs. Also some level of pilot testing would be important regardless of the particular approach to the Option 3 Plus ratings.

Next, we discuss other considerations relevant to both Option 3 Basic or Option 3 Plus approaches.

### OTHER CONSIDERATIONS

Under either an Option 3 Basic or Option 3 Plus approach, there are other key considerations for implementing a QRS. Experience from other states as well as within California can be instructive as to how the state might address these issues.

#### ***Technical and Financial Assistance Can Help Providers Work Toward Improvement.***

Technical assistance and compensation incentives can be used to help providers engage in continuous improvement. Approaches to technical assistance we have reviewed include: providing general information about the QRS, training and preparation for classroom assessments, support for establishing plans for improvement, on going site coaching, targeted training, and mentoring. Some states also provide targeted financial grants such as wage enhancements to help providers attract and retain high-quality staff. Several technical and financial assistance programs—such as Child Development Training Consortium, the Mentor Program, and the Salary/Retention Program—are already established. These programs could be integrated into a QRS with limited additional cost, if any.

***Tiered Reimbursement Reinforces Incentive to Improve Quality.*** Many states have tied quality ratings to tiered reimbursement for subsidized child care slots. Reimbursing providers based on the quality of care as assessed through quality ratings would create added incentives for providers to achieve and maintain quality programs, especially in a voluntary system. Moreover, it would help to rationalize the cur-

rent child care reimbursement system which in some cases pays higher reimbursement rates for lower quality care. (For a more detailed discussion of this issue, see the *Analysis of the 2005-06 Budget Bill* and the *Analysis of 2006-07 Budget Bill*.) However, if providers' ratings are linked with their reimbursements or any other financial incentives, the state will face an added layer of responsibility for ensuring that the ratings are consistently fair and reliable.

***Unintended Consequences Warrant Consideration.*** There are potential unintended negative consequences that may be associated with implementing ratings. First, as they strive to meet higher quality standards, providers are likely to face increased operating costs which they would attempt to pass on to child care consumers. For example, if the ratings are based upon staff qualifications, ratios, and group size, providers are likely to increase their payroll costs as they hire more qualified staff to meet the standards. Second, as we have seen in response to the state's standardized testing in K-12 education, providers may become narrowly focused on improving only those aspects of care upon which the QRS is based, ignoring other potential quality enhancements. Less tangible but equally important aspects of good care that are not measured may, as a result, be deemphasized. For example, research suggests that quality caregiver-child interactions are critical to a child's experience. If the ratings system emphasizes staff qualifications as measured by formal education, providers may be faced with hiring a teacher with more formal education over one who lacks formal training but exhibits greater skills in working with children.

***Mandatory Approaches Ensure Universal Participation While Voluntary Approaches Create Market Incentives at a Lower Cost.*** There

are two general approaches to QRS—voluntary or mandatory. Mandatory systems typically link the QRS to licensing through a “rated license.” In this system, the quality ratings are reported as a grade that is issued on providers' licenses. Mandatory systems offer the advantage of universal participation in the system, ensuring that child care consumers have information about any provider they may consider. To date, only North Carolina and Tennessee have implemented rated licensure systems.

Available data suggest that voluntary systems experience an average of approximately 20 percent to 25 percent participation from child care centers and 10 percent to 15 percent participation from family child care homes. Nonetheless, such systems may create market incentives for higher quality care among providers, as interested consumers use the available ratings to make child care choices. In addition, as we discuss below, costs for voluntary systems are typically significantly lower than for mandatory systems because fewer providers must be assessed. For these reasons, we believe that initially the state should implement the ratings in Option 2 and 3 on a voluntary basis.

## **COST ESTIMATES**

### **Costs for Option 3 Basic**

The least costly approach to implementation of quality ratings is to allow providers to voluntarily opt into quality ratings with documentation of group sizes, staff/child ratios, and staff qualifications. Because these ratings rely mostly on a paper process, the initial costs would depend on the level of on-site auditing by the state. As noted above, in other states where ratings are voluntary, between 10 percent and 25 percent of providers participate.

To estimate the cost of this approach, we assumed that 20 percent of California providers would participate and that the state would annually conduct on-site audits on a random basis for 30 percent of the participating providers. We estimate that additional staffing for the desk audit would cost about \$1.2 million annually and that additional personnel to conduct the field audits would add another \$1.2 million. Implementation of Option 3 Basic would also include the cost of maintaining Internet information, as in Option 2 (\$0.4 million), resulting in ongoing costs totaling about \$2.8 million. One-time costs would also be the same as those described for Option 2 (between \$2 million and \$11.5 million). Based on this assumption, an estimate for the desk audit process for the full 20 percent of providers opting into the ratings, and a field audit we determined that ongoing additional staffing costs would be about \$2.4 million.

Additional costs could include the effort to publicize this change in the ratings of providers to both the provider community and to the public. Given their mission to provide information to child care consumers, the R&Rs could

play a significant role in publicity efforts. The quality ratings, for example, could be added to the databases that the R&Rs are already using to make referrals.

### Costs for Option 3 Plus

Three main features, shown in Figure 6, would determine the costs of the system. The number of centers that require assessment, and thus the overall costs of the assessments, hinges to a large extent on whether the QRS is voluntary. In a mandatory system, all providers would require assessment, whereas in a voluntary system, as noted, we would expect only 10 percent to 25 percent of child care providers to participate.

The costs associated with offering other financial incentives and technical assistance would be largely discretionary given that these types of support could be provided at varying levels depending on the resources available. Nonetheless, the state could face added pressure to provide technical and financial support to providers that are identified by the QRS as needing improvement. This potential cost pressure can be ad-

ressed to some extent by targeting federal Child Care Development Block Grant (CCDBG) quality fund resources to these providers. (See discussion of the CCDBG quality fund below.)

Another significant driver of additional costs would be the choice of quality criteria and related measures. Both the number of classrooms

**Figure 6**

### Option 3 Plus— Key Factors Influencing Implementation Costs

- ✓ Mandatory or Voluntary
  - The level of provider participation (in a voluntary system).
- ✓ Technical Assistance and Financial Support
- ✓ Number and Type of Assessments
  - Type of quality criteria and related measures used.
  - Use of a direct observational tool such as an environmental rating scale.
  - Assessment of all classrooms versus a sample.
  - Frequency of assessments and ratings.

rated in each facility and the frequency of the ratings would also affect costs. The magnitude of these cost implications would largely hinge on whether the state opted to use a direct observational tool such as an ERS. As such, the remainder of the discussion is focused on examining the potential cost of this type of monitoring and assessment.

**Cost Estimate for ERS.** Our estimate of the cost for conducting ERS assessments includes the following assumptions: the system is voluntary, 20 percent of the licensed facilities participate, each facility is reviewed annually, and that every classroom—rather than a sample—is assessed. The estimate covers assessor time, administrative and travel costs, training and regular inter-rater reliability checks, but does not include any costs of technical assistance or financial incentives. Using these assumptions, we estimate the ongoing cost of using an ERS for assessment to be about \$11 million. Other ongoing costs for the implementation of Option 3 Plus would be \$1.2 million to continue the desk audit process for quality criteria set up under Option 3 Basic, and \$0.4 million for ongoing maintenance of Internet information. Thus, the total ongoing cost for this alternative would be almost \$13 million. One-time costs would be \$2.5 million to \$12 million, slightly higher than for Option 3 Basic, because of additional costs for training assessors.

**Additional Funding Pressures.** If the state chooses to adopt a tiered reimbursement system for subsidized care to complement the quality ratings, it could face additional cost pressures, depending on the particular approach to tiered reimbursement that the state pursues. In the past, we have recommended that the state implement a tiered reimbursement system that effectively balances two objectives: (1) promot-

ing quality and child development and, (2) ensuring that any rate reductions do not have the unintended consequence of reducing child care supply. (See the *Analysis of the 2005-06 Budget Bill*, page E-128.)

## POTENTIAL FUNDING SOURCES

As the costs section highlighted, the amount of funding needed for a QRS hinges on the particular approach the state adopts. Recognizing state funding pressures, we have identified two possible sources of funding for implementing quality ratings—federal quality dollars and fees on providers.

**Child Care Development Fund (CCDF) Quality Expenditures.** One potential funding source for quality ratings is the federal CCDBG, which provides substantial support to the state's subsidized child care system. Federal regulations require that a minimum of 4 percent of the CCDBG funds in each state be used to enhance the quality of child care (these funds are commonly referred to as "quality dollars"). Twelve of the 13 QRS states use the CCDBG quality dollars to either wholly or partially fund their initiatives.

In 2006-07, the CDE substantially exceeded the federal 4 percent requirement (\$79 million), with projected CDE quality expenditures reaching over \$90 million. While the CDE has committed these resources to funding a variety of programs (40 programs with annual CCDF funding ranging from \$100,000 million to \$22 million), the state has limited information about the effectiveness of these programs in promoting quality in child care. Over the last several years, the CDE has contracted with outside evaluators to assess the programs, however, only 14 of the 40 current programs have been evaluated since

the CDE began this process. Moreover, evaluators have reviewed just over one third of the programs with individual funding over \$1 million. Given this limited information about the effectiveness of the currently funded programs, the Legislature could consider redirecting some of these funds toward a QRS.

**Fees on Providers.** Another possible funding source for the QRS is to assess fees on providers who participate. In the case that the system is

implemented as mandatory (that is, as part of a rated license), these fees could be added to the licensing fees that providers are already required to pay. As is the case with current licensing fees, these new fees would be only a partial offset to the cost of the ratings assessment. Providers may be willing to pay such a fee if they have improved their rating since their last assessment and they believe that the public display of a higher rating will increase their business.

## SUMMARY AND CONCLUSIONS

This report presents a range of options to improve the communication of information to the public regarding child care health, safety, and quality. Figure 7 below describes each of these options, and shows their one-time and ongoing costs.

All of the options presented have the potential to expand the child care information available to parents. We believe that Option 3 Basic strikes the right balance between cost

and the relative value of the information that is provided to the public. This balance is the result of two factors. First, it builds on information that is already collected (staff/child ratios and staff qualifications) and information that is relatively easy to collect from providers (group size). Second, Option 3 Basic does not require the use of extensive on-site observational assessments. Nevertheless, it would still form the basis for a consumer information system that could impact

the quality of care by the state’s licensed providers.

If the Legislature chooses to implement this type of child care quality information system, we recommend a phased approach with Option 1 implementation as a first step. Improving access to data that is already available to the state about child care providers is an inexpensive way to make an

**Figure 7**  
**Summary of Child Care Information Options and Associated Costs**

*(Dollars in Millions)*

	One-Time Cost	Ongoing Costs
<b>Option 1</b> Communicate existing licensing information more broadly.	—	\$0.4
<b>Option 2</b> Create ratings that consolidate and communicate licensing information.	\$2.0-11.5	0.4
<b>Option 3 Basic</b> Expand ratings to include quality criteria.	2.0-11.5	2.8
<b>Option 3 Plus</b> Option 3 Plus Basic ratings plus environmental rating scales.	2.5-12.0	13.0

immediate impact upon child care information available to parents. Because both Option 2 and Option 3 Basic distill licensing records into a rating or grade, they both make it easier for parents to compare child care providers' records. Option 3 Basic provides this benefit while adding a new level of information with a relatively small increase in cost. Option 3 Basic

could be implemented initially by conducting a pilot in a sample of regions. Once this basic QRS is in place, the Legislature could then consider adding some of the aspects of Option 3 Plus, such as a streamlined use of observational assessments along with technical and financial assistance to help providers improve their ratings.

**APPENDIX 1: STATES WITH QUALITY RATINGS SYSTEMS**

State	Year Implemented	System Name and Web Site
Colorado	2000	Qualistar Rating System <a href="http://www.qualistar.org">http://www.qualistar.org</a>
District of Columbia	2000	Going for the Gold Web site not available
Iowa	2006	Iowa Child Care Quality Rating System <a href="http://www.dhs.state.ia.us/iqrs">http://www.dhs.state.ia.us/iqrs</a>
Kentucky	2001	STARS for KIDS NOW (Kentucky Invests in Developing Success) Child Care Quality Rating System <a href="http://www.education.ky.gov/KDE/Instructional+Resources/Early+Childhood+Development/STARS+-+The+Childcare+Quality+Rating+System.htm">http://www.education.ky.gov/KDE/Instructional+Resources/Early+Childhood+Development/STARS+-+The+Childcare+Quality+Rating+System.htm</a>
Maryland	2001	Maryland Child Care Tiered Reimbursement Program <a href="http://63.236.98.116/cca/creden/tiered.htm">http://63.236.98.116/cca/creden/tiered.htm</a>
Montana	2002	Star Quality Rating System <a href="http://www.dphhs.mt.gov/programsservices/starqualitychildcare.shtml">http://www.dphhs.mt.gov/programsservices/starqualitychildcare.shtml</a>
New Hampshire	2006	Licensed Plus <a href="http://www.dhhs.state.nh.us/DHHS/CDB/licensed-plus.htm">http://www.dhhs.state.nh.us/DHHS/CDB/licensed-plus.htm</a>
New Mexico	2005	Look for the Stars <a href="http://www.newmexicokids.org/caregivers">http://www.newmexicokids.org/caregivers</a>
North Carolina	1999	North Carolina Star Rated License <a href="http://ncchildcare.dhhs.state.nc.us/parents/pr_sn2_ov_sr.asp">http://ncchildcare.dhhs.state.nc.us/parents/pr_sn2_ov_sr.asp</a>
Oklahoma	1998	Reaching for the Stars <a href="http://okdhs.org/childcare/ProviderInfo/provinfo_stars.htm">http://okdhs.org/childcare/ProviderInfo/provinfo_stars.htm</a>
Pennsylvania	2002	Keystone STARS (Standards, Training, Assistance, Resources, and Support) <a href="http://www.dpw.state.pa.us/child/childcare/KeystoneStarChildCare">http://www.dpw.state.pa.us/child/childcare/KeystoneStarChildCare</a>
Tennessee	2001	Child Care Evaluation and Report Card Program (Required for all licensed and approved child care providers in Tennessee) <a href="http://www.tnstarquality.org">http://www.tnstarquality.org</a>
Vermont	2003	Step Ahead Recognition System for Child Care Programs (STARS) <a href="http://www.STARSstepahead.org">http://www.STARSstepahead.org</a>

