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Implementation of New Childcare Policies in New Orleans

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Abstract

The high number of working parents in the U.S. means that there are millions of child in need to care during working hours. Research shows that the quality of this care is of high importance in a child's development, both in the short-term and the long-term. States have used a variety of policy tools to regulate child care and to attempt to improve the quality of care. Louisiana has recently implemented a new policy called the Quality Rating System. Directors of centers in Orleans Parish, Louisiana, were interviewed to determine the impact of participation in QRS. Centers are struggling to meet the requirements and feel that changes need to be made for the program to have a better outcome.

Keywords:
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Introduction

Louisiana has recently made changes to its child care policies by creating a Quality Rating System (QRS), a measure intended to encourage child care centers, both private and nonprofit, to make improvements beyond basic licensing requirements. At this time, participation in the QRS is voluntary, though it is anticipated that participation will become involuntary in the future. The Quality Rating System (QRS) ranks participating centers on a scale of one to five stars using a set of criteria believed to improve the quality of care. The QRS policy provides incentives for participating centers, as well as for their teachers and some low-income parents. Small grants are available for centers that need to make improvements to meet the criteria for higher ratings.

This study examines the voluntary standards policy, QRS, and raises the question of whether it is the most appropriate policy for Louisiana, or if changes or alternative policies should be considered. This study is not able to assess the effectiveness of the QRS as a program, or to evaluate the implementation of QRS. Because the policy is a recent one, there is no data available to measure the impact of the rating criteria and there are very few participating centers. There are a number of measures that centers will have to undertake to obtain a high QRS rating and many of them will be costly. Child care centers rarely have much profit, and meeting these expenses could be difficult or impossible. If these improvements lead to higher costs, will care be priced beyond the reach of many families who need it? Will the anticipation of high costs dissuade centers from participation?

The pursuit of this information leads to broader questions. Is the state merely interested

in protecting the health and safety of citizens who choose to use child care services? Or does the government have an interest in ensuring that all or most citizens have access to this service, as they do with K-12 education? The answers to these questions are beyond the scope of this project. The purpose of this study is to examine the current child care policies in Louisiana and open discussion and future study by looking at the importance of quality care, to children, parents, private business, and society as whole, by showing the policy instruments available and how they can be used to meet different goals, by collecting information on the effects of other policies in various locations, and by questioning if the current policy is capable of ensuring quality care for the majority of Louisiana's children. As part of the process, the directors of selected Orleans Parish child care centers were interviewed to obtain information that will help in determining whether or not Louisiana's Quality Rating System can achieve this, or whether changes or alternatives should be pursued.

Review of Literature

The Importance of Quality Child Care

Nationwide studies show that child care is an important public issue. The quality of child care affects a large part of the population. The number of working mothers with children under the age of six has increased dramatically, from thirty-nine percent in 1975 to sixty-five percent in 1997. This leaves 10.3 million children that must be cared for during working hours. (U.S. General Accounting Office, 1998) A 2005 report by Johnson found that the typical American family spends 7 percent of its income on child care, while families living in poverty spend an average of 25% of household income on child care.

"According to several studies, the vast majority of child care centers provide mediocre to poor care and most family child care homes provide only custodial care." (Groginsky, Robison, & Smith, 1999). Children who receive high quality early childhood education have better language, cognitive, and social skills. They have fewer behavior problems and stronger maternal relationships. In the long-term, better quality child care leads to more job achievement, better academic success, and a reduced chance of being arrested. (Groginsky et. al., 1999) The differences in development hold true even when controlling for pre-existing family conditions. High quality childcare is especially beneficial to children who are at risk for school failure.

Child care also benefits other private businesses and the economy. Without enough child care, employees miss work, are tardy, and are distracted on the job. (Shore, 1998) Employees are sometimes forced to leave a position because of inadequate child care, which increases hiring and training costs for businesses. Access to affordable quality care reduces turnover, tardiness, and absenteeism, while increasing employee morale and commitment (Smith, Fairchild, & Groginsky, 1997). It is estimated that absenteeism caused by poor child care costs American businesses more than three billion dollars per year (Smith et. al., 1997).

To ensure that the quality of child care provided is safe and adequate, policies need to be in place setting standards for the care. It is also important, however, that those policies are not too expensive or difficult for centers to achieve. Making them too costly or cumbersome could have the unintended effect of pushing providers to go out of business. This would have a negative impact on not just parents, but also the businesses for which they work and society as a whole.

This study focuses on childcare policies in Louisiana, specifically in Orleans Parish. This is an area that has been struggling to revive its economy, both before and since the event of Hurricane Katrina, and that suffers from a high level of children living in poverty. The service-based economy has suffered because of a lack of low-income workers, who often need, but cannot afford, child care. For parents to be able to work and for businesses to be able to retain employees, there needs to be an adequate level of childcare. If national studies hold true for New Orleans, high quality child care could help address problems such as the struggling public school system and the high juvenile crime rate.

The State of Childcare in Louisiana and Orleans Parish

According to the National Association of Child Care Resource and Referral Agencies (2008), there are 301,375 children between the ages of 0 and 4 living in Louisiana, and about one-third of them live below the poverty level. There are more than 200,000 young children in Louisiana that need child care while their parents are at work. The average annual cost of full-time care for an infant in Louisiana is over $5,000 (and more than $4,600 for a four-year-old). This is 8% of the median income for a married couple with children and 31% of the median income for a single parent. More than 39,000 children are served by child care fee assistance in the state, and 73% of those are cared for by licensed child care centers. The remainder are cared for by relatives or other non-regulated care.

There are 1,822 child care centers in Louisiana, with 70 of them being nationally accredited. Orleans Parish itself has 127 child care centers and 2 that are nationally accredited. Before August 2005, when Hurricane Katrina devastated the area, Orleans Parish had 275

centers, more than twice the current number. Though the need for child care capacity has been somewhat reduced due to population losses in the area, half the capacity is inadequate for the roughly 80% of residents that have returned to live in New Orleans.

The quality of the care being provided is also questionable. Though all open centers meet the basic regulatory requirements for Louisiana, this is not necessarily an indicator of good care. A 2007 report by the National Association for Child Care Resource and Referral Agencies (NACCRRA) ranked Louisiana 51 out of 52 states (Washington, D.C. and the Dept. of Defense systems were included) for child care center standards and oversight. Louisiana's basic regulations for child care centers do not require background checks for any employees. Education requirements for directors and teachers do not meet the national recommendations, and teachers are not required to have first aid training. Child/staff ratios are also inadequate. Something beyond the current regulations needs to be put into place to improve the quality of care, while maintaining, or even increasing, the capacity of care available.

In short, the care available in the area is inadequate in both quality and quantity. What can be done to improve this situation and provide quality childcare to Louisiana's parents and their children? Government policies can be put into place, but it is important to carefully look at the types of policy tools available before deciding on a course of action. One type of policy may force centers to provide better care, but may be too expensive and cause centers to go out of business. Others may sound good or provide information, but not be firm enough to cause significant change.

Policy Tools of Government

Evert Vedung (1998) divides policy tools into three main categories: regulations (sticks), subsidies (carrots), and information (sermons). Policy tools are the means to translate a policy goal into concrete actions. Bressers and O'Toole (1998, p.217) write "the type of mechanism used in a policy matters—for how and whether the policy is executed, how a proposed initiative is greeted during policy formation, and how likely the effort is to achieve the intentions of the policymakers." They also assert that the policy tool chosen is often done so in a way that does not disturb the existing features of the network that the policy involves. Simply put, a policy and the appropriate policy tool cannot be chosen only because it is the best and most cost-effective way to address an issue.

A number of factors have to be taken into consideration. Those making the policy have goals and objectives in mind, though they may not all be the same. Policymakers have to consider the effects that the policy will have, both intended and otherwise. There are usually competing interests involved, and there are often time and money constraints. All of these factors influence the type of tool that is chosen to implement a particular policy. Schneider and Ingram (1990) suggest that the policy instrument chosen should take into account the population addressed by the policy and not just the policy in a vacuum. Which policy tools are chosen can depend on a variety of factors—the political environment or a bias toward certain values associated with particular instruments—but instruments are most effective when they are carefully considered and chosen based on their ability to accomplish the goal of the policy itself.

Policymakers often use regulatory mandates as an initial and/or immediate response to a

problem. Regulation as a policy tool can work well for setting a minimum standard of some sort; indeed, this is how it was used in setting standards for childcare. A problem with regulation, however, is that it alone does not offer an incentive for the target to reach beyond the minimum standard. A regulation's effectiveness is also dependent on other factors. The standards to be met need to be clear and well-defined. Policymakers also need to consider the ability of the target to meet the standards. There are typically costs for the government in enforcing the regulations and often costs for the targets in meeting the standards. If the costs and standards are too high, the targets might choose to remove themselves from the business or action, rather than expend the costs required.

It has also been noted recently that using regulation to control behavior often shifts costs from the public to the private sector. Initially, this may sound appealing for policymakers, however, the cost to the private sector could be sufficient to close the business. For child care, a business that many other businesses depend on, this is of significant concern. It also has the effect of masking the costs of a policy from the public, since the public is less likely to see the costs incurred by the private sector. "Regulation is seen as an alternative to public ownership, one that allows governments to pursue nonmarket goals…while leaving ownership unchanged and displacing the costs of the policy onto the private sector." (Woodside, 1986, p.783). This also allows politicians to obtain credit for the policy without dealing with the costs.

Authority tools are one of the oldest and most commonly used types of policy tools. It is also the case that targets have their own values of tools. People tend to feel resentful towards regulatory tools, and this feeling likely contributes to a desire to only meet the bare minimums required. Targets are more likely to view economic tools in a positive light, particularly when

they are capacity building tools. "Incentive tools assume individuals are utility maximizers who will change their behavior in accord with changes in the net tangible payoffs offered by the situation." (Schneider and Ingram, 1990, p.515)

"If people are not taking actions needed to ameliorate social, economic, or political problems, there are five reasons that can be addressed by policy: they may believe the law does not direct them or authorize them to take action; they may lack incentives or capacity to take the actions needed; they may disagree with the values implicit in the means or ends; or the situation may involve such high levels of uncertainty that the nature of the problem is not known, and it is unclear what people should do or how they might be motivated." (Schneider and Ingram, 1990, p.514) In the case of childcare, it is reason number two that has needed to be addressed.

Finally, information can be a policy tool. This typically happens when the government seeks to influence behavior by providing some sort of knowledge to citizens. Information is best used when compliance is not absolutely necessary, since not all will be convinced or influenced. This is the least intrusive of the three policy instruments and is often used when government wants to appear to be concerned, but does not want to pass a more serious regulation. This is also useful when it is expected that private interest will be in line with public interest, making it less costly to impact behavior.

All of the three main policy tools have been used to affect child care in various states, with many states using a combination of policy tools to attempt to address different aspects of child care needs without overstressing the providers with overly harsh and financially prohibitive requirements.

Child Care Policies

An overview of child care policies is needed in order to put Louisiana's policies in perspective. The following overview draws upon articles by William Gormley Jr. (1991; 1999).

Child care centers can take a variety of forms. Some are large for-profit centers, and others are small family care homes. Other centers are affiliated with churches or are independent nonprofits. Child care policies are typically adopted and enforced by state governments. The federal government has shown reluctance to get involved with the issue and impose national standards of any sort. At the state level, child care policies have covered a variety of issues (child-staff ratios, staff qualifications, food preparations, emergency procedures, etc.) and frequently are administered by a state department of social services. Local governments can also play a small role in child care regulation, but these rules usually involve issues such as inspections and safety regulations. In many states, church-affiliated centers are exempt from regulations. All states regulate family care homes, but may exempt providers that are small enough. Many home providers do not register and are, illegally, unregulated.

Until recently, most states had all-or-nothing regulatory policies regarding child care. If a provider was in violation of requirements to a certain degree (this varied from state-to-state), the provider could be shut down. This has not done much to improve child care quality, since it provided little incentive for going beyond the minimum needed to stay open. It has also done little to motivate unregistered home providers to register. Traditionally, the regulations that states have handed down have largely concerned facilities, and health and safety. A few rules have concerned development, such as those requiring a certain amount of space. Until recently, there has been little regulation on the people involved, such as training or education requirements for

the staff. This is increasing as states become more aware of research indicating the importance of early childhood care on future education and development.

In the case of childcare, it was easy to determine that policymakers and others wanted children to be in environments that met basic safety and health guidelines. But how can they go beyond that? The environment of young children can have a significant impact on their future development. Unfortunately, few daycare providers can afford the high costs of meeting many of the standards that policymakers and accrediting organizations might like to see implemented.

Policymakers cannot, however, ignore that child care has two primary roles—to provide early childhood care for children *and* to provide work support for parents and the businesses for which they work. Policymakers are likely to consider the nature of the targets when deciding what particular tool to use to implement a policy. Woodside (1986) states that governments are much more careful and respectful in their dealing with big business than they are when pressed to respond to the needs or demands of less powerful groups. While child care providers are not considered a powerful group themselves, they impact more powerful groups. Businesses, large and small, depend on the provision of child care for many of their employees. Education organizations, some of which are quite powerful politically, also tend to get involved in child care, since the quality of it has an impact on future education.

McDonnell and Elmore (1987) note that state policymakers often lean towards mandate regulations when trying to implement education reform, and that they often have very strong opinions about what needs to be done. However, once a minimum standard has been set, and they wish to move performance above a minimum, they shift from mandates towards

inducements. This is what is happening with child care.

Though states are responsible for child care regulations, the federal government does provide a tremendous amount of subsidies to invest in child care. Middle-class families frequently qualify for tax breaks that subsidize the cost of child care. Low-income families often qualify for child care vouchers. These vouchers can be used at state-licensed facilities, which will be reimbursed by the government for all or part of the cost of care. In addition, at least four percent of the money from Child Care Development Block Grants must go to improvements in care quality and related activities, though the federal government allows states to determine how this will happen. Head Start and some nonprofit organizations provide reduced-cost or free child care to qualifying families. They typically do so using federal subsidies. Most licensed centers are also subsidized by participating in the USDA food program, which pays for a portion of food costs for children in their care. States are also investing in early care by using funds from tobacco taxes, tobacco settlements, and lotteries.

Earlier federal welfare regulations required states to reimburse child care providers at the 75th percentile of market rates for the child care of welfare children. This is now recommended, but not required. It is also a requirement of the Child Care Development Block Grant that subsidized children receive the same level of care that unsubsidized children receive. Policymakers have to ensure that providers are receiving ample compensation for providing care to subsidized children; otherwise, they may choose not to provide this care.

Why do child care centers need financial incentives to meet certain standards when the government could just require certain standards for quality and threaten with closure? First,

governments do not want to close child care centers. The availability of early child care is already threatened in most U.S. locations, with parents finding waiting lists to be longer and longer. In some states, waiting lists for a high quality center can be more than two years long. In addition, child care wages are already amazingly low, typically at or barely above minimum wage, with high turnover. At such pay, employees are not likely to be willing or able to meet training or education requirements. Centers are additionally challenged to find more staff by lower child/staff ratios. For this to happen, more money has to come from the government, parents, or both. Most centers have low profit margins that leave them little room to make costly improvements or hire more staff.

To deal with this problem, many states have adopted tiered reimbursement systems that reward child care providers with more funds as they achieve greater levels of quality (often tied to NAEYC accreditation or other standards). Typically, this reimbursement affects those centers that were already receiving subsidies for caring for lower-income or at-risk children. Providers that meet higher levels of quality or accreditation become eligible for higher subsidy rates than others. These incentives are meant to induce providers to become better quality and to meet the expenses that come with higher standards, such as meeting lower child/staff ratios.

Though the federal government does not have a national regulation system, the National Association for the Education of Young Children (NAEYC) has developed an accreditation program. They have a strict set of requirements for their accreditation, including child/staff ratios, training requirements for staff, health and safety rules, and more. A 1996 study by Marcy Whitebook found that NAEYC accreditation is a good method of improving care quality and that accredited centers consistently demonstrated a higher level of care quality. Many states have

decided to include NAEYC accreditation as part of their rating system or reimbursement plan.

States offer different amounts of increases on the tiered reimbursement system. Some offer five percent, while others offer twenty percent or more. Most states stipulate that a provider cannot receive a higher subsidy amount than what they charge an unsubsidized family. All states with reimbursement policies accept NAEYC accreditation, though some also accept credentials from other accrediting bodies as well. Some states with tiered reimbursement policies also allow family child care homes to participate by achieving accreditation through the National Association of Family Child Care (NAFCC).

A study directed by Gormley and Lucas (2000) attempted to assess the success of tiered reimbursement programs in attracting applicants by looking at the rates of NAEYC accreditation applications from 1995 to 1999. Applications from Florida, Kentucky, Mississippi, Nebraska, New Jersey, New Mexico, Ohio, Oklahoma, Utah, and Wisconsin were included, as these states implemented a tiered reimbursement system during the time period under analysis. For Kentucky, Utah, and Wisconsin, the results were not statistically significant, most likely because they did not have enough centers participating. In New Mexico, applications increased by 10.8 per year. Oklahoma's application rates increased from 11 to 25.9 annually, and Nebraska's increased 8 to 17 per year. In the larger states, the results were even more substantial. New Jersey saw applications increase by 144 per year, and Ohio by 38.4 per year. Florida's results were more complicated, since they allowed accreditation by several organizations other than NAEYC, but when applications from all accepted accrediting bodies were included, the results showed an additional 86.4 centers applying for accreditation per year. The study did warn that NAEYC has a sixty percent failure rate amongst centers applying for accreditation; however, this

still shows a significant improvement in the attempts toward improvement for the centers applying. The study also showed that states with higher rates of reimbursement had a great impact on the number of centers applying for accreditation, and recommended that states which wanted to see a significant increase in applications should increase reimbursements by fifteen percent or more for accredited providers.

Each center applying for accreditation serves numerous children each year, on average a little less than one hundred. Therefore, the increases in applications show improvements in the standards of care for numerous children. Additionally, because subsidized care is almost entirely for low-income and at-risk children, these improvements in care will primarily affect those groups, which research shows are more likely to be positively affected by improvements in care quality than other children (Groginsky et. al., 1999).

Some states are also providing Child Care Development Block Grants toward accreditation. In some cases, they directly cover the fees and costs of applying for accreditation. In other cases, they assist employees and managers in paying for the education they need to acquire so that the center they work for can become accredited. Others pay for center improvements that are needed.

States are participating in other methods of financial incentives to improve child care quality. In Florida, centers are given "Gold Seal" status when they achieve accreditation. "Gold Seal" providers are exempt from property taxes and sales taxes on supplies. Some states offer grants or other funds to help pay for the costs associated with accreditation. In Minnesota, a family child care provider can receive increased reimbursements if they obtain a state-approved

early childhood education certificate (Groginsky et. al., 1999).

The only way to ensure accreditation as a truly effective means of improving childcare for all is to require it. The federal government has done this, when it required that all federal child care programs (including those operated by the Department of Defense and the General Services Administration) be NAEYC accredited (Gormley & Lucas, 2000). For most states, this is not a reasonable option. Many providers would simply shut down when faced with the financial burdens of accreditation. Instead, financial incentives have a positive impact on quality improvements, including accreditation, without seeming to diminish the quantity of care available. As of 2007, Tennessee was the only state to require participation in the state Quality Rating System (Mitchell, 2007). (A new policy that was implemented after the focusing event of several deaths at child care centers.) Other states make participation voluntary, though opting out typically means that the center makes itself ineligible to receive subsidies for the care of low-income and at-risk children.

Tiered reimbursement systems are not perfect. States must be careful regarding which accrediting bodies they will recognize; some are not a significant improvement. A bad provider that is struggling to meet state standards isn't likely to attempt certification even with the addition reimbursement incentives. The system will not reach all providers, especially those working in family child care homes.

Another drawback of the use of subsidies as a policy tool for child care regulation is ensuring compliance. Inspections and other check-ups are necessary to make sure that centers are performing up to the standards that they claim to be. The use of NAEYC and other

accrediting bodies alleviates some of these costs for states, since they then assume the responsibilities of inspections and compliance.

North Carolina has taken an innovative step by combining tiered reimbursement with a quality rating system, beginning in 1999. The state, using licensors, assigns each center one to five stars. The number or stars determines the reimbursement rate for subsidies, and becomes publicly known information. Though North Carolina does recognize NAEYC accreditation, the policy does not depend on it. Licensors actually observe staff/child interactions during inspections. This policy was innovative because it includes a new policy tool for child care regulations—information. (Gormley & Lucas, 2000).

Parents claim to care a great deal about quality of child care, but a 1989 study by Ellen Kisker found that more than half of preschool-aged children had mothers who investigated only one main child care option for their children, and they spent less than half a day searching for that care. There is no reason to doubt that parents do actually care. They are held back by time constraints and a lack of information. This is one argument for quality rating system regulations.

Some states, particularly those that have implemented quality rating systems, are providing the ranking information to the public. This helps parents, who are short on the time and information to make a decision about childcare, quickly and easily see how the centers measure up. Obviously, this can motivate the providers to improve, particularly the for-profit centers that are in a competitive market. This is likely to be even more effective in locations where the shortage of care is not as severe, and parents have more choices.

This information provides an inducement to comply with standards because the public

will be notified of any violations. This particular policy tool is relatively low-maintenance and has low costs, though the obtaining of the information for rankings may be more expensive. It addresses the issue of providing parents with information. A simple one-to-five-star system makes it easy for parents to choose a facility based on quality.

Using published rating systems empowers parents to choose better care for their children. It also "promotes accountability so donors, legislators, and tax payers feel confident in investing in quality" (Mitchell, 2007, p.2-3). All of these system use symbols that make the ratings easy to understand; most use stars. A small number of levels is also important, with most states using three to five. Most states make additional information available for parents who want more in-depth explanations of the rankings. Many of them use a website with a searchable database to accomplish this. Parents often do not know how to determine quality and studies have shown that they usually overestimate it when compared to the estimations of professionals.

According to Mitchell (2007), most states have found that providers are accepting and supportive of the rating systems if they have a chance to provide input during the policy design phase. It is also a good idea to have a "lag time", that is, a period that allows for improvement before the ratings will be publicized. The ratings must also be well-publicized to effectively motivate centers and influence consumer behavior.

There is little research on the use of information as a tool in child care policy, since the practice is a relatively new one. It does, however, show promise as a means of improving quality and competition for objectively-assessed good care.

A policy is often actually a package that uses a combination of policy tools. This is true of childcare as well. What began as strictly regulatory policies have evolved and are evolving still to include a heavy dose of economic-based subsidy policy tools, and in some instances, have begun to involve informative policy tools. The regulations are still there, since it is still the case that a center that is seriously unsafe or negligent needs to be shut down, however, the use of more tools has been added to additionally target the issue of improving the quality of childcare.

An Alternative to Current Policies

There is an alternative to regulating the mixed-sector child care industry, and while it has not been a popular alternative in the United States, it is a route taken by many other industrialized nations. That alternative would be for the government to directly subsidize childcare and make it a public good, by providing government funded and run child care centers. Gomby et al. (1996) argue that such an investment is justified because of the significant benefits of high-quality child care services, and suggests that such a service could be provided in the same manner as K-12 education. Placing child care in this context would help emphasize the importance of quality care, use an already established system to provide it, and standardize it as a publicly funded service.

According to Gomby et al. (1996), there are a number of advantages to making child care a publicly provided service. The government would have greater control over the quality of the care provided. Available and affordable care would facilitate parental employment and help parents reach and maintain economic self-sufficiency, possibly reducing the number of parents relying on welfare. Providing quality child care would also benefit society; long-term benefits of

quality care are increased K-12 school achievement, decreased special education placement, and decreased involvement in the criminal justice system, and higher life-long earnings.

Of course, there are also disadvantages and concerns about public provision of child care (Gomby et al., 1996). The cost of care is estimated at $6000 per year, a substantial increase over what government already pays to indirectly fund care through vouchers and tax credits. Publicly provided care would also present a business threat to privately owned centers, possibly causing a loss of employment for workers at these locations. Public care could also be opposed by voters and politicians who feel that the current school system is already providing a poor level of service. Indeed, in locations where the K-12 school system is already struggling to provide high quality services, providing quality child care could be a problem. This might have the same result that it has had in the K-12 system—the abandonment of the public education by parents who can afford private education, leaving the low-income children to fall further behind in a poor quality environment.

Current Policies in Louisiana

Louisiana is also using new policies to improve the level of child care provided. The state has recently implemented a Quality Rating System for the state's child care centers. Centers are rated in four broad categories—administration practices, family and community involvement, staff qualifications and programs. Two instruments are used in these evaluations, the Infant/Toddler Environment Rating Scale (ITERS) and the Early Childhood Environment Rating Scale (ECERS). Only portions are used from each instrument, with trained observers rating items on the scales. It is hoped that this will be an improvement over the state's child care

licensing system, which was ranked 51 of 52 (Puerto Rico and the U.S. Virgin Islands were included) in 2005 by the National Association for Regulatory Administration. Louisiana's standards and oversight for child care were given only 37 points out of a possible 150.

At this time, participation in the rating system is voluntary and only 17 centers in Orleans Parish are participating. However, as the public becomes more aware of the ratings of centers, more may be pressured by parents to participate. Furthermore, it is anticipated that after a few years of voluntary participation, laws will be pushed for involuntary participation.

It is inarguable that meeting many of the requirements of the Quality Rating System (QRS) will require more funds for the centers. Many centers will have no choice but to raise fees that parents pay. However, in a state and parish with such a high rate of poverty, there may be a limit to how much parents can pay for child care services. There are some financial incentives for participation in the QRS, including bonuses for centers that serve children using child care assistance funds and tax credits for staff that have meet certain experience and education levels. These financial inducements are small, though, and not likely to significantly aid centers in paying for improvements needed to improve their rating.

One of the most significant costs to centers is probably going to be salaries for staff. Under the new rating system, staff will need to obtain certain education levels and/or experience. With many currently receiving wages at or just above minimum wage, and typically no benefits, it is difficult to attract employees at all, much less those with experience and educational qualifications. In order to attract and retain those that do have those qualities, centers are undoubtedly going to need to increase pay substantially, and will likely need to pass those costs

on to their parent consumers. Centers will also need to reduce their staff: child ratios to improve their ratings, meaning that many will need to pay for more staff than they are currently.

It is too early to collect hard data on the new requirements and stresses that child care centers are facing, but it is not too early to begin to talk to centers and their staff about the problems they have currently and are anticipating. What stresses do they face now? How can new regulations and incentives improve their workplaces and the services they provide? What might suffer as tradeoffs are made?

Methodology

To obtain a sense of the challenges faced by centers with different funding sources and financial stresses, four centers were interviewed and studied. One center is affiliated with a private university, residing on the campus and offering preferential admission to the children of faculty, staff, and alumni. A second center is a nonprofit childcare founded by a group of parents who needed to replace the child care they lost because of Hurricane Katrina. Two of the centers are privately owned centers, one being a mid-size center with capacity for 50 children and the other a large center with a capacity for 281 children. The centers are located in a variety of neighborhoods in Orleans Parish and accept infants through preschoolers (the large private center also provides after-school care for older children). Three of the centers are Class A centers that participate in the Child Care Assistance Program (CCAP), Louisiana's program for providing low-income parents with vouchers for child care. The nonprofit center is ineligible to participate in CCAP because of their status as a Class B center; they do not serve food at their location and therefore, cannot obtain Class A status. All four centers have signed up to participate in

Louisiana's Quality Rating System (QRS), though all are new participants and as such, only have one-star ratings at this time.

The university-affiliated center was chosen for participation because of its previous status as a NAEYC accredited center, with the intention of studying how it was able to achieve this high level of quality status and if those strategies might be applicable to other centers. This center is no longer able to participate in NAEYC accreditation due to the conflicts presented between NAEYC and QRS requirements.

Directors at each center were interviewed. Though a list of questions was used to guide interviews, an informal, open-ended format was followed with additional questions being asked as the interviews developed. Questions covered several areas. Participants were asked basic questions abut their child care center: their capacity and enrollment, the ages of children served, the business structure, and participation in the CCAP. The bulk of the questions covered current and expected center conditions as the center tried to improve its rating in the Quality Rating System. The discussion included their reasons for participating in the voluntary QRS, the challenges they've faced and anticipate, and the anticipated benefits of their participation.

Directors were also asked about the administration of the QRS policies. How did they feel about the input that centers had in the formation of the QRS, and did they feel that the incentives provided for participation were adequate or appropriate? Questions also covered the impact that QRS did or would have on center staffing and budgets. Would centers be able to attract and retain staff that meet the required qualifications, and if so, would other budget areas

have to be cut to meet this requirement or others? Finally, do center directors feel that the QRS can truly improve center quality and impact parent choice?

Results

Table 1 provides information on center capacity, actual enrollment, the ages of children served, and the percentage of their children that participate in the Child Care Assistance Program (CCAP). Capacity ranged from 28 to 281, while actual enrollment ranged from 32 to140. All of the centers accepted infants through school-age children, and one provided after-school care to older children. CCAP participation ranged from 0% to 91%.

Table 1: Characteristics of Centers

	Capacity	**Actual Enrollment**	**Ages of Children**	**Percentage of Children Participating in CCAP**	**QRS Rating (1-5 stars)**
University Center	63	62	4 mo-5 yrs	3%	1 star
Nonprofit Center	28	32*	6 wks-5 yrs	0%	1 star
Small Private Center	50	32	6 wks-5 yrs	91%	1 star
Large Private Center	281	140	6 wks-12 yrs	75%	1 star

*Some of the children enrolled at this center attend part-time. The actual enrollment is the equivalent of 28 full-time students.

Centers gave a variety of reasons for choosing to participate in QRS while it is still voluntary. All four noted that the tax credits provided for teachers at QRS centers were an important factor in their choice. The two private centers indicated that they chose to participate because they wanted to publicly show that they had a quality center, while the other centers felt

that they already had a quality program and received adequate acknowledgement of that through parental word-of-mouth and interest. The director of Nonprofit Center stated, "I know that it's going to be involuntary. I know it's voluntary now, but it's not going to be." She felt that choosing to participate now would put her center in a better position if QRS participation becomes mandatory, as most people involved expect it will.

All centers have found that staffing is their greatest challenge, both before QRS participation and now as they begin the QRS process. Large Private Center is operating at less than half of its capacity, a situation its director attributes to an inability to hire enough staff. Most centers offer caregiver wages at or just above minimum wage, and few are able to afford to provide benefits for employees. Both private centers paid very low wages, with no benefits, but are unable to raise salaries without charging rates above what parents can afford. The nonprofit center provides a slightly higher wage for its staff, and gives employees a health care plan and child care discounts, but to do this, has had to raise rates to a level that only middle and upper class families can afford. The university center has slightly higher salaries than the industry average, but still loses teachers frequently to private preschools and public programs, such as HeadStart, where salaries are higher. Teachers there are offered the university's health care coverage for employees. Another draw the center can provide is free tuition at the university for employees and their immediate families, but staff who utilize this tuition waiver often leave after they or their family members have completed their education.

Hiring staff that have the educational requirements of QRS is proving to be incredibly difficult for all of the centers, and all four directors reported that they are unable to take this into consideration when hiring teachers and assistants. QRS does not allow teachers to substitute

experience for education in the long-term. A teacher with 5 years of experience can use it as a substitution once, but has to have obtained the educational credits by the time of the next center assessment. This frustrates the directors. "It's difficult to tell someone that's been in the child care profession for years that they have to go back to school...(they) would just quit if I told them that because at this point in their lives, they aren't going back to school", said the university center director. However, obtaining a CDA (Child Development Associate) credential for caregivers is a requirement for centers to move up in QRS rankings and for the employees to receive the $2000 tax credit. Two of the directors expressed concerns that once caregivers have CDA credentials, they will be qualified for higher paying jobs with private schools and public programs, leaving the centers again without qualified staff. One director plans to give a small bonus to staff members as they complete levels toward their CDA credential, but knows that this cannot compete with the $10,000 per year salary increase they could obtain in the public school system.

When asked why they do not raise salaries for staff, all centers claimed that they cannot raise fees much beyond their current rates. The university center and the nonprofit center both charge $700 per month or more for infant care, a price that means they can only serve middle and upper-class families. Both private centers serve large numbers of families who are low-income and rely on the vouchers through the Child Care Assistance Program. These centers charge just over $100 per week, as this is all that CCAP will reimburse them for. The private centers could raise their rates, but the parents would have to make up the difference in the cost, something that few low-income families can afford.

The directors as a whole do not feel that centers had any input in the formation of the Quality Rating System. They report that they were simply informed of the new policy through meetings and mailings, and that it is administered by people who seem to have little or no experience in the child care industry. One director points out that the policy is copied directly from one in place in North Carolina, and that no adaptations have been made for applying the QRS in Louisiana. She stated that some of the QRS requirements directly contradict requirements for licensing through the Department of Social Services. If forced to choose which to follow it is necessary to adhere to state licensing requirements or risk being forced to shut down. Another stated that she did not understand why economic differences between the two states had not been considered—that Louisiana has a higher rate of poverty, more parents that depend on child care assistance, and provides roughly half the amount of assistance per child. The director of the nonprofit center stated "I just wonder how much math they have done. I wonder if they've really looked at the math of how much families can afford for child care, how much child care assistance is available, which is negligible, how much a qualified teacher has to be paid, how low ratios impact the overhead of the building. Have they really looked at that? Can this model work?"

When asked about the costs of meeting the Quality Rating System requirements, most directors stated that they have little or no excess funds in their regular budget, so they have had to look for outside resources. The nonprofit center has been able to obtain needed furniture through donations, but cannot apply for any grant assistance due to its Class B status. The university center is fortunate to have a wide variety of classroom materials in stock, and was able to obtain a Child Care Repair & Rebuild Grant that allowed them to replace noncompliant

furniture and shelving. The small private center has also been able to obtain funding through CCR&R and a partnership with the United Way. The large private center is eligible for some of the same grants, but states that they aren't enough. "I had a consultant from the program come in and assess our center to see how much it would cost us to be in compliance. The estimate is that the furniture alone would cost us about $500 per classroom. I have 15 classrooms. Where is this money supposed to come from?"

None of the center directors interviewed believes that the Quality Rating System will impact parent choice in the foreseeable future. The QRS seems to suffer from a lack of publicity and, out of all four centers, only two instances of parents inquiring about QRS were reported. One parent was aware of the new policy because of her employment with child services, and another was informed of a possible QRS-related tax credit by his accountant. Furthermore, directors seem doubtful that parents will take the star ratings into account unless they have multiple options, a scenario that is not likely given the current shortage of available care. Two of the centers have waiting lists of more than 200 children. The director of the university center reported that she has 100 families on the waiting list for the 6 spots in the infant room.

Despite reservations or concerns, directors had some positive things to say about the Quality Rating System. The small private center's director reports that the tax credit incentives have been helpful in motivating employees to work on CDA accreditation. Another reports that the QRS administrators are providing encouragement and working with centers to connect them with needed information and resources. Another hoped that in time, it would prove to be a way to validate their center and show that they provide high quality child care.

Analysis and Recommendations

Can Louisiana's Quality Rating System for child care be an effective policy? The subsidies provided to induce centers to participate are clearly a factor for those centers that are doing so. In particular, the tax credits provided for teachers are an important factor that centers consider. Still, out of the 127 centers located in Orleans Parish as of January 2009, only 26 have chosen to participate thus far. Clearly, something more will need to be done if the state would like for more centers to voluntarily participate.

At this time, it does not appear as if the Quality Rating System is effective as an informational policy. Very few parents appear to even be aware of the QRS and it does not appear to be having much effect on their center choices. In addition, the extremely long waiting lists that some centers have would indicate that parents may not have the luxury of choosing a center based on a rating system, but rather, may need to make their choice simply based on where they can secure a space for their child. If Louisiana wants parents to be able to better consider quality when choosing child care, then perhaps more needs to be done to increase the quantity of care available.

The centers studied simply do not have the funds to meet some of the QRS requirements. Buying all new furniture and supplies is difficult, particularly for larger centers. Directors feel that it is going to be impossible to attract and retain caregivers with the required education, and would like for staff members to be able to substitute years of experience for education. All express that they are going to need more money to meet these requirements and do not know where it is going to come from. Perhaps more grants and assistance can be made available.

There may be a need to raise the amounts and income cut-offs for the vouchers through the Child Care Assistance Program.

Furthermore, the Quality Rating System and its requirements should be adjusted to eliminate conflicts with state licensing requirements so that centers are not forced to choose one over the other. Though the policy has had some success in North Carolina, changes may be needed to meet the unique needs of centers and parents in Louisiana.

Alternatives to Current Policy

The choice could also be made for Louisiana to try another policy route completely. The state could use the policy tool of regulation by expanding the current required regulations to include standards of quality, but this would have the same costs disadvantage for centers as QRS does and would be mandatory. This policy step would probably price many centers out of business, decreasing availability that is already in short supply. It is not a realistic option for addressing the problems described in this study.

Another option would be to use the economic tool by adjusting the use of subsidies to improve care quality. Louisiana could combine the QRS policy with a plan for tiered reimbursement. Centers would receive a higher level of CCAP reimbursement as they improved their star ratings. This could help induce more participation, reward centers for improvement, and provide additional funds to meet the expenses that come with higher standards. The QRS policy could also be expanded to include family care homes by increasing CCAP reimbursement for homes that pursue accreditation through national organizations. This would increase the number of children affected by policies toward improving quality.

Louisiana could also make better use of the tool of information. More efforts need to be made to inform the public about the QRS and how they can benefit. If parents begin to ask centers if they are participating and why, more centers could be pushed to participate. Informing parents of the tax credits available may convince them to choose a participating center when they are able to do so.

Though it would be a large step for Louisiana to take, the option of directly providing child care as a public good should be considered. The argument has been made that quality child care benefits society as a whole. Direct provision would allow more control over both quality and quantity. However, the disadvantages of this policy option have been previously discussed, and it seems unlikely that the current policy environment would support such a large step.

Out of the many policy options available, the state of Louisiana has chosen to continue basic regulations in a combination with a new policy that uses incentive to induce improvements in center quality. The QRS policy may be able to achieve the goal of improved care, particularly if adjustments are made.

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