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June 29, 2023

Honorable Phil Murphy
Governor of New Jersey

Honorable Nicholas Scutari
President of the Senate

Honorable Craig Coughlin
Speaker of the General Assembly

Dear Sirs:

The Division of Family Development (hereafter "DFD") in the Department of Human Services (hereafter "DHS") is pleased to submit its report pursuant to P.L.2021, c.324. The enactment directed that DFD "shall conduct a study and submit a written report to the Governor and… to the Legislature comparing the costs of basing child care provider subsidy payments on the number of children enrolled who are eligible for child care services [based on enrollment] and basing such subsidy payments on the number of children in attendance who are eligible for child care services [based on attendance]."

DFD collaborated with the New Jersey State Policy Lab, which is an independent research center operated by the Bloustein School of Planning and Public Policy and the School of Public Affairs and Administration at Rutgers University, to research and report on how total State spending will vary depending on whether subsidy payments are based on enrollment or attendance and how the subsidy payment system impacts different stakeholders.

We are sharing the report written by the New Jersey State Policy Lab. The researchers conducted a quantitative analysis that included two approaches: (1) a historical comparison of a similar pay period ending in November from 2019 and 2021, and (2) a comparison of actual enrollment-based payments with simulated attendance-based payments in July 2022. They also conducted a qualitative analysis that included focus groups and interviews with key stakeholders.

The quantitative analysis suggests that paying based on enrollment would be approximately 5 percent higher than paying based on attendance. This difference equates to about $800,000 in a two week period when comparing the stated, similar pay periods in 2019 and 2021. However, this amount is not a budget projection as this amount cannot be annualized since payments vary depending on the pay period. In particular, enrollment varies seasonally including significant changes during the summer pay periods. Furthermore, enrollment has increased considerably since the timing of the data sample and therefore we cannot infer future costs solely off these analyses.

This report provides the basis for DFD to make budget projections moving forward. Furthermore, the landscape of perspectives of key stakeholders illustrated in this report will inform policy and procedural enhancements in the program moving forward.

Sincerely,

Natasha Johnson

Digitally signed by Natasha Johnson
Date: 2023.06.29 09:28:17 -04'00'

Natasha Johnson
Assistant Commissioner

RUTGERS
New Jersey State Policy Lab

June 2023

Child-Care Provider Subsidies in New Jersey:

An Analysis of Issues, Impacts, and Options

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The New Jersey State Policy Lab is an independent research center operated by the Bloustein School of Planning and Public Policy and the School of Public Affairs and Administration at Rutgers University. The Lab thanks the New Jersey Department of Human Services, Division of Family Development for its funding of this project. The contents of this report do not necessarily represent the policy of the Department or Division. Any omissions or errors are the sole responsibility of the authors.

The research team was led by Professor Andrea Hetling, Principal Investigator, and Professor Gregory Porumbescu, Co-Principal Investigator. Professor Emeritus Henry Coleman provided expert review and guidance throughout the project. Mauricio Astudillo, Ph.D. candidate, and Janet Venancio, Ph.D. student, conducted the qualitative data collection and analyses. Adam Scavette, Ph.D. student and Ali Jan, MPI, worked extensively on the administrative data cleaning and quantitative analyses. Excellent research assistance was provided by Masters students, Abigail Alcala, Epiphany Munz, Liliana Ordonez, and Mylena Resende-Guimaraes. Elizabeth Cooner, Ed.D. serves as Executive Director of the New Jersey State Policy Lab, and Megan McCue serves as Public Relations Specialist.

The research team thanks the parents, child-care providers, and public and non-profit agency staff who shared their experiences and time with us through interviews and focus groups. We also thank the leadership and staff of the New Jersey Department of Human Services, Division of Family Development for sharing their data, expertise, insights, and time.

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Executive Summary

Introduction and Overview

Public child-care subsidies are designed to reduce the financial burdens of child care for households that meet certain income thresholds in order to improve employment and/or educational opportunities for parents and other legal guardians. In New Jersey, child-care subsidy payments are made directly to child-care providers, including licensed child-care centers, registered family providers, and approved homes.

Over the last two decades, two mechanisms have been used by the State to pay child-care subsidies to all types of providers:

1. An ***attendance-based system***, where providers are paid based on the number of days a child attended (as well as excused absences) within a given pay period.
2. An ***enrollment-based system***, where providers are paid based on the number of children enrolled at the facility as of a specific date.

In 2012, New Jersey adopted an attendance-based payment system following an audit by the New Jersey Office of the State Comptroller, which indicated that this system would reduce the number of erroneous overpayments to providers. However, in 2020, in response to the COVID-19 pandemic, New Jersey switched to an enrollment-based subsidy policy, for public health purposes and to ensure a consistent stream of income to providers at a time when attendance fluctuated significantly due to (federal and State) COVID mitigation protocols. This shift in subsidy payment mechanisms was supported by temporary federal government COVID relief funds, which are set to expire on December 31, 2023.

The Policy Issues

Against this backdrop, the Rutgers University New Jersey State Policy Lab research team was asked to analyze the relative costs and other implications of these two payment mechanisms. This request was operationalized using two key questions:

- How would total State spending vary, depending on whether the system of subsidy payments is enrollment-based or attendance-based?
- How does the subsidy payment system choice impact key stakeholders, including parents (and other guardians), child-care providers, and county Child Care Resource and Referral agency staff?

Study Methodology

To address these questions, the Rutgers project team designed a study that combines findings from two types of analyses:

1. ***A (quantitative) financial analysis of each payment system using state administrative data.***

The quantitative analysis consisted of two approaches. The first approach analyzes payments using historical data from the State for two illustrative payment dates: November 10, 2019 and November 7, 2021. These dates were chosen to reflect typical 2-week pay periods in the fall semester that were not disrupted by major holiday breaks. The second approach analyzes the difference between actual enrollment-based payments and simulated attendance-based payments during the same two-week pay period in July 2022. To conduct these analyses, we drew on data sets related to: 1) the eligibility of children (CARES), 2) the characteristics of the child-care providers (NJCCIS), 3) the State payments for child care (EPPIC), and 4) pilot child attendance at individual child-care providers (DFD-AS).

2. ***A qualitative approach that provides insights based on key stakeholders' experiences gathered through focus groups and interviews.***

The qualitative analysis was based on in-depth focus groups and interviews with five groups of stakeholders: a) parents/guardians participating in the program, b) child-care providers, c) county Child Care Resource and Referral agency staff, d) New Jersey child-care advocates, and e) State agency staff. These qualitative data were collected by the Rutgers project team from August to October 2022. In total, 87 individuals participated in this aspect of the project.

Findings and Limitations

Results from the historical quantitative analyses reveal that total costs of the enrollment-based system for the two-week attendance period paid on November 7, 2021 were approximately $15.8 million, while they were estimated at $15 million for November 10, 2019. This suggests that, had an attendance-based subsidy payment mechanism been in place, cost of the subsidy program would have been approximately 5 percent lower.

The simulation analysis using July 2022 data also indicated that child-care providers receive smaller payments under the attendance-based system in comparison to the enrollment-based system. Moreover, the July 2022 data revealed different impacts of the two systems on providers, with payments made to licensed centers affected to a lesser degree than those made to registered homes, findings which were supported with the qualitative data as well. Due to overall data quality concerns with the July 2022 simulation, as well as the greater number of errors in the data collected from registered homes, we were unable to use these findings to estimate cost. Considering the data collection error patterns along with the qualitative findings, the evidence suggests that registered homes are more negatively impacted by attendance-based rules than are licensed centers, particularly in terms of the non-financial burdens associated with the system.

Results from the qualitative analyses offer three key findings, including:

1. that providers preferred the enrollment-based subsidy payment mechanism due to the greater financial stability it afforded them, and the greater ease of administration,
2. that the attendance-reporting procedure used in the attendance-based payment mechanism left parents that receive a subsidy feeling stigmatized, and it often required providers to redirect resources away from serving children and toward ensuring that attendance-reporting requirements were met, and
3. that there was a consensus among stakeholders that the enrollment-based subsidy payment mechanism would benefit from more accountability, and that the attendance-based payment mechanism would benefit from using better and more recent technology to streamline attendance taking and reporting.

Policy Implications

In sum, when comparing the attendance-based subsidy payment mechanism to the enrollment-based system, we find that the difference between operating an enrollment-based system in compared to an attendance-based one is about 5 percent. This estimate represents the relative cost of operating the two systems at any given point in time. It is not a projection of budgets over time or what one or both systems would cost in the future. Applying this estimate to the annual cost of the program in FY2022, which was just under $586.2 million and operated under enrollment-based payment rules, we would expect that costs for the same year under an attendance-based system would have been 5 percent less or about $29.3 million.

Our findings also indicate that the administrative resources needed to operate the attendance-based payment mechanism may offset some of these cost savings and potentially trigger a reduction of child-care services, as providers redirect resources away from service provision and toward administration or choose to serve private paying families over those receiving subsidies.

Conversely, while the enrollment-based subsidy payment mechanism has advantages in terms of requiring fewer administrative resources, this system generates risks of less accurate attendance record keeping and increased risk of overpayments. A further concern is that as temporary COVID-related federal funding sources end, the enrollment-based subsidy system may become costlier and more challenging to continue, especially if the number of children eligible for subsidies rises and returns to (or exceeds) pre-COVID numbers. This raises questions about the sustainability of an enrollment-based payment mechanism in a post-COVID setting.

Conclusion

Ultimately, deciding between the two child-care subsidy payment options may depend on identifying and balancing several criteria to evaluate the impact of the policy, particularly related to program costs and demand. Specifically, for questions related to program costs, critical evaluation criteria should, at a minimum, attempt to account for several factors, including the need to serve the largest number of eligible children, the resulting financial cost to the State budget, the (fixed and variable) operating cost of providers, as well as the extent of any compliance burdens experienced by families.

Report Overview

Child care plays an important role in many of the personal and professional decisions made by individual households. However, for low- and moderate-income families, it can be unaffordable. In the U.S., the federal and state governments cooperate to subsidize the cost of child care for low-income families. The policy surrounding how such payments are made to providers is made at the state level. The two most common options across states are: 1) an enrollment-based system (where providers are paid based on the number of eligible children enrolled as of a particular date), and 2) an attendance-based system (where child-care subsidy payments are paid to providers based on a formula related to the number of children in attendance on specific days over a designated period).

This report examines the potential impacts of these two different subsidy payment structures (i.e., enrollment and attendance subsidy payments) using a broad set of criteria that address the perspectives of key policy stakeholders. After summarizing relevant background information and the New Jersey child-care subsidy program, this report presents quantitative analyses using New Jersey program data on child-care attendance and provider payments between January 2019 and July 2022. The report also draws on qualitative data, including focus groups and interviews with child-care providers, parents and guardians, public agency staff at the county and state levels, and advocates from select New Jersey nonprofit groups. Finally, the report discusses the nuances and limitations of the findings and provides recommendations for consideration by policymakers.

Background

The Importance of Child-Care Subsidies

From child-development and wellbeing, to economic growth, and to gender equity in the workforce, the benefits of quality child care are far reaching. These benefits notwithstanding, recent data indicate that many families struggle to cope with the costs of child care. On average, a two-parent household in the United States will pay roughly 25 percent of their net (i.e., after-tax) income on child care, while single-parent households pay over 50 percent. The same data also indicate that the strain of child care is most significant among those who earn less: "on average, a low-paid single mother, who takes up full-time work, loses almost two-thirds of her in-work earnings to child-care costs and taxes."[1] Moreover, these costs are growing rapidly over time. In New Jersey, the market rate of care for a toddler (between 18-29 months) at a licensed child-care facility was $814 a month for full-time care in 2019. By 2021 for the same age group and amount of time in care, the cost rose by $236, amounting to $1,050 a month.[2]

Public child-care subsidies are used to help defray the costs of child care and assist low-income parents in obtaining affordable, accessible, and reliable child care. These subsidies aim to reduce the financial burden of child care by providing households that meet certain income thresholds assistance on a per-child basis. By promoting access to child care, child-care subsidies improve employment opportunities and outcomes for parents and caregivers, including increased salaries and hours worked,[3] and may improve the quality of the state's workforce by facilitating human-capital investment opportunities for many potential workers. For example, Ha and Miller (2015) found that the receipt of more than a year of child-care subsidies was positively and significantly associated with increases in earnings and number of quarters in the year employed.[4] According to another study, the odds of experiencing a child-care, work-related disruption were 75 percent lower for parents receiving a subsidy than for parents not receiving a subsidy.[5] Thus, existing evidence indicates that these programs can serve as an important economic catalyst.

1 OECD. (June, 2020). "Is Childcare Affordable? - OECD." https://www.oecd.org/els/family/OECD-Is-Childcare-Affordable.pdf

2 School of Social Work Rutgers, the State University of New Jersey. (2022, July 5). 2021 Child Care Market Rate Survey. Child Care New Jersey. Retrieved December 2022, from https://www.childcarenj.gov/ChildCareNJ/media/media_library/FINAL_2021_NJ_Child_Care_Market_Rate_Survey.pdf

3 Matthews, Hannah, Schulman, Karen, Vogtman, Julie , Johnson-Staub, Christine, & Blank, Helen. (2017). Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States. Washington, D.C.: National Women's Law Center and the Center for Law and Social Policy (CLASP). https://www.clasp.org/publications/report/brief/implementing-child-care-and-development-block-grant-reauthorization-guide

4 Ha, Y., & Miller, D. P. (2015). Child care subsidies and employment outcomes of low-income families. Children & Youth Services Review,59, 139-148. https://doi.org/10.1016/j.childyouth.2015.11.003

5 Forry, N. D., & Hofferth, S. L. (2010). Maintaining work: The influence of child care subsidies on child care—related work disruptions. Journal of Family Issues, 32(3), 346–368. https://doi.org/10.1177/0192513x10384467

Federal Policy Context and State Flexibility

Child-care subsidies in the State of New Jersey are shaped by the Child Care Development Block Grant (CCDBG) Act of 1990 and subsequent readoptions, as well as available federal and state funding. At the federal level, the CCDBG Act of 1990 established the Child Care and Development Fund (CCDF), which is administered by the U.S. Department of Health and Human Services' Administration for Children and Families (ACF). There are four primary objectives associated with this 1990 legislation: (1) to promote the wellbeing of children in child care; (2) to provide parents with better information regarding child-care options; (3) to promote more equitable access to high-quality child care; and (4) to support the workforce and human capital investment activities of parents with young children.[6] Since the CCDF was initially established in 1990, the legislation was reauthorized in 2014,[7] and funding was increased in subsequent legislation enacted in 2018.[8]

The CCDF outlines broad eligibility requirements for states – children must be under 13 years of age (or under 19 years of age for children with special needs or who are under protective services) and come from families with a household income level that cannot exceed 85 percent of the state median income. The law also provides guidance on the affordability of co-payments, capping them at seven percent of income with flexibility only at redetermination or phase-out from the program. Further, providers must comply with health and safety training requirements, as well as conduct a criminal background check on current and prospective employees. Aside from general guidelines in terms of licensing and income eligibility requirements for programs using this funding, this legislation grants states discretion in terms of determining:

1. Which families qualify for a subsidy;
2. How much qualifying families must pay out of pocket; and
3. The way in which the child-care subsidy will be paid to providers.

Because there are more families that qualify for CCDF than there are funds, states must determine the extent to which they prioritize vulnerable families. This is done in three ways. The first is by determining which vulnerable families should be guaranteed a subsidy and which vulnerable families are prioritized for funding once the guaranteed subsidies are exhausted. The second is by defining who qualifies as a 'vulnerable family.' Generally, there are six categories of vulnerable families that are eligible for CCDF funds, provided they meet federally mandated income guidelines. These include: 1) families with children with special needs; 2) low-income working families (including those participating in training programs); 3) families receiving Temporary Assistance for Needy Families (TANF); 4) families with children under protective services; 5) children in foster care; and 6) homeless families. Given limited funds, individual states will

6 U.S. Department of Health and Human Services, Administration for Children and Families. (2022, May 19). Child care and development fund reauthorization. Retrieved December 7, 2022, from https://www.acf.hhs.gov/occ/ccdf-reauthorization

7 Child Care and Development Block Grant (CCDBG) Act of 2014 (P.L. 113-186)

8 The Consolidated Appropriations Act, 2018 (P.L. 115-141)

prioritize certain vulnerable families over others, meaning that not all vulnerable families eligible for a child-care subsidy will receive a subsidy. The third way is by varying payments according to the child's age and household income. Depending on the age of children (e.g., infants versus toddlers) or household income (i.e., a pre-determined percentage below the federal poverty line), the per-child subsidy can increase. In sum, states are granted discretion to determine which groups are guaranteed receipt of a subsidy, which groups are prioritized to receive a subsidy pending funding, and how much to subsidize any given child.

In addition to prioritizing certain types of vulnerable families, states also use differential rates to encourage child-care providers to deliver certain types of child care and to address supply-side issues in the provision of child care (e.g., expand access to children with special needs, infant care, or part-time placements). Without differential rates to encourage care for children requiring greater oversight, providers would face a financial incentive to engage in cream skimming, where they focus their efforts on child-care provision for children that are less costly to serve.

Federal policy responses to COVID-related public health and economic concerns provided additional, temporary funding for child care. Specifically, the Coronavirus Aid, Relief and Economic Security Act (CARES) of 2020 increased funding for CCDF by $3.5 billion, while the American Rescue Plan Act (enacted in 2021) included $24 billion in child-care stabilization funds for all fifty states, and an additional $15 billion for CCDF.[9] Through the CARES Act, New Jersey received $62.6 million in CCDBG. These major investments in child care, although temporary, represent a significant expansion of the CCDF and enabled many states to expand child-care subsidies across the board. Specifically, many states provided a temporary differential payment to cover the gap between child-care subsidies and how much a specific child-care provider was charging – this differential was offered to all parents who were already receiving a subsidy. Further, states also used these funds to shift from attendance-based payments to enrollment-based payment systems. The decision to shift to an enrollment-based payment system was motivated by a variety of different factors, including public health safety measures and concerns related to the financial stability of the child-care sector.

9 Child Care Aware® of America. (2021, May 25). Covid-19 resources for policymakers. Retrieved December 7, 2022, from https://www.childcareaware.org/emergency-child-care-technical-assistance-center/covid-19-resources-for-policymakers/

New Jersey's Child-Care Subsidy Policy

Eligibility Requirements

The State of New Jersey guarantees a subsidy for families currently enrolled in the Temporary Assistance for Needy Families (TANF) program, children in protective services, and children in foster care. Families with children with special needs, families with very low income, and homeless families are given some priority, but are not guaranteed a subsidy. In New Jersey, families must meet the following eligibility requirements, in addition to those outlined in the CCDF, to qualify for a subsidy:

- Parents must:
  - Be a New Jersey resident;
  - Work full time, be enrolled in school full time, or participate in 20 hours/week of job training;
  - Meet state income and federal poverty threshold requirements (200 percent of the Federal Poverty Level).
- Children must:
  - Live with custodial parent(s) or individual(s) acting as custodial parent(s).
- Providers must:
  - Be licensed and approved by the State.

Income eligibility for child-care subsidies in New Jersey is divided into five tiers. The first three tiers (A, B, and C) deal with income upon entry into the subsidy program, and determine the co-pay amount a family must contribute. Tier D addresses a parent's household income at the time of redetermination (i.e., benefit renewal). Parents enrolled in the child-care subsidy program must apply to renew their benefit every 12 months. As part of the renewal process, a parent provides updated information about their child-care needs, as well as their employment status and income.

Tier E addresses a parent's household income upon exit from the subsidy program. Parents enrolled in the child-care subsidy program, but whose income surpassed the thresholds outlined in tier D can qualify for a graduated phase-out period, where the amount of subsidy they receive gradually decreases to zero over the course of one year. To qualify for this phase-out program, a parent's new household income must be no greater than 85 percent of the state's median household income.

To complete the enrollment process, parents/guardians must identify an eligible child-care provider and then apply to participate in a child-care subsidy program at the Child Care Resource and Referral agency in the county where they reside. If approved, the chosen child-care provider will receive bi-weekly payments from the State to cover a portion of the cost of child care.

Subsidy Amount

Five factors influence the child-care subsidy rate providers receive for a qualifying child: (1) whether the child attends the facility on a full-time or part-time basis, (2) the age of the child, (3) whether the child has special needs, (4) the type of provider (such as centers or family homes), and (5) provider quality as determined by the state's quality rating system. (Please see Appendix A for the current rate schedule.)

Full-time versus part-time: If a child is enrolled for a minimum of six hours per day in child care, they are considered full-time and qualify for a full benefit. If a child is enrolled for fewer than six hours per day in child care, they are considered part-time and qualify for half the subsidy they would otherwise receive.

Child's age: The State of New Jersey provides child-care subsidies to qualifying families with children ranging in age from birth to 13 years-old, or up to 19 years-old for children with special needs. Children ranging in age from birth to 17 months are classified as infants; toddlers range from 18 to 29 months; preschool children from 30 months to five years; and school age from five to 13 years of age. The amount of subsidy declines as the child ages.

Special needs: Providers who serve special needs children qualify for higher payments for children in this category and receive regular rates for the other children in their care.

Provider type: Three types of year-round providers qualify for child-care subsidies in New Jersey:

- *Licensed child-care centers*
- *Registered family child-care providers*
- *Approved homes (family, friend, or neighbor providers)*

A ***licensed child-care provider*** cares for six or more children, under the age of thirteen years-old, for less than 24 hours a day. A ***registered family child-care provider*** cares for five or fewer children in the provider's home and has received a Certification of Registration. An ***approved home*** is a friend, family, neighbor, or in-home placement that is evaluated and approved by DFD to care for a child receiving a subsidy. Subsidy rates differ among providers, such that licensed centers receive the largest subsidy and approved homes receive the smallest subsidy per child served. Additionally, ***summer camps, school programs (such as Head Start and public pre-K) and before- and after-school programs*** qualify for subsidies and provide important services for school-aged children. These types of programs, however, are outside of the scope of this report.

Provider quality: The State of New Jersey's ***Grow NJ Kids*** program is used to assess and improve the quality of child-care programs in New Jersey. Participation in this program is voluntary and it is open to child-care centers and family child-care homes. A participating provider is evaluated, such that a provider may receive a score of either 3, 4, or 5 stars, with a 5-star rating being the highest. Participation in this program is incentivized such that providers receiving a rating of three stars and above qualify for a progressively larger subsidy.

Finally, the **Temporary COVID-19 Family Differential Payments** provides additional money. Enacted to help alleviate the financial burden of child care during the unprecedented times of the early pandemic, the program provides child-care providers an additional monthly payment of $300 for each subsidized child in full-time care and $150 for each child in part-time care.

How these factors combine to determine the amount or rate of current subsidy payments is illustrated in Appendix A.

Subsidy Payment Policies: Enrollment-based and Attendance-based Approaches

Child-care subsidy payments are made directly to the child-care provider on a bi-weekly basis. As mentioned earlier, states determine whether to use an attendance or enrollment-based subsidy payment system. Per licensing and registration regulations in New Jersey, both enrollment and attendance information are mandatory regardless of how subsidy payments are calculated.[10] Children are enrolled with a provider based on a child-care agreement, and all child-care providers record attendance for child safety and accountability reasons per guidelines from the New Jersey Department of Children and Families (DCF). All center records must be maintained on file for a year and must be available for review by authorized representatives. Providers may use different attendance procedures, including electronic, app-based, and paper records, which can be organized by classroom or facility, as long as the records can be made available for review.

New Jersey adopted an attendance-based payment system in 2012 following an audit by the State of New Jersey Office of the State Comptroller, which indicated that this system would reduce the number of erroneous payments to providers and improve the accuracy of state-mandated attendance record keeping by providers. Specifically, the audit found that, in one month, 17 percent of the sample records included an overpayment. Moreover, providers were unable to provide attendance records for 14 percent of the children in the sample.[11] At the same time that the State adopted the attendance-based policy described below, they embarked on efforts to modernize the system, replacing the mostly paper-based record-keeping with a new electronic system that included swipe cards and telephone-based attendance reporting.

10 New Jersey Administrative Code, Title 3A, Chapter 52 Manual of Requirements for Child Care Centers.

11 State of New Jersey Office of the Comptroller. (2012). Oversight of the New Jersey Child Care Assistance Program.

Attendance-based subsidy payments are made bi-weekly to a child-care provider via direct deposit. Under this system, states pay providers based on the number of days a child was present for care or under certain circumstances absent due to illness. To qualify for two full weeks of pay, a child would need to be present at the provider's location for a minimum number of days per week. If a child is present for fewer days, the provider is paid a daily rate.

In the State of New Jersey, to qualify for a full two weeks of pay, a child cannot have more than two unexcused absences in the two-week pay period. In the event of illness, a provider will receive the full two weeks of pay as long as a child is not absent for more than five consecutive days due to illness and a doctor's note is provided. In other words, a child must be present for care 80 percent of the two-week pay period (i.e., at least eight out of the 10 days unless they have a doctor's note). If a child is present seven or fewer days, providers are reimbursed using a daily rate.

Attendance-based systems must also include a way to ensure attendance data are reported to or collected by the state. The State of New Jersey relies on both a swipe-card system and a phone-based system to gather attendance data. Both systems rely on a card that parents with subsidy-eligible children receive – this card contains a unique identifying number for each child in the family that must be recorded when the child arrives and leaves child care each day to record their attendance. Under a swipe-card system, parents must swipe their card twice – once when the child arrives and a second time when the child leaves for the day. If the card is only swiped once during a day and a correction is not issued within the reconciliation period, the child is not considered in attendance for payment purposes. A provider is issued one swipe-card machine per 25 children enrolled. Providers with five or fewer enrolled children receiving a subsidy rely on a phone-based system to record attendance, where parents must key in their child's unique identifying number instead of swiping their card upon arrival and departure. Under both systems, the State of New Jersey allows parents to request up to two additional cards for people authorized by the parent to drop off or pick up their child – these individuals must be registered by the parent at the Child Care Resource and Referral Agency (CCR&R). When the State shifted to the enrollment-based payment system to help families and providers cope with the COVID pandemic, the swipe-card attendance system was disabled and the State paused the collection of attendance records.

New Jersey allows for a 14-day reconciliation period, where parents can "back swipe" to confirm that their child was in attendance for a day, but their attendance was not recorded. Outside of this window, the provider is required to submit a payment discrepancy form/request within 60 days of the unrecorded attendance date. Reconciliation of excused absences also occurs during this window (e.g., if a child was absent due to illness and a doctor's note was provided to the provider after their return). If no effort has been made to correct the record within this timeframe, the provider foregoes the subsidy payment for the number of days that were missed.

Enrollment-based subsidy payments are based on the number of children enrolled with a given provider, rather than the number of days a child is actually in attendance. New Jersey, along

with many other states, switched to an enrollment-based subsidy policy at the beginning of the COVID-19 pandemic. Under this system, providers are still paid bi-weekly by the state. A child is defined as being enrolled at a provider if an approved child-care agreement was established between the parent and the provider. Parents and providers can update enrollment numbers with the CCR&R in their county in the event they choose to change providers or move to a different county.

Research Objectives and Approach

The New Jersey State Policy Lab research team was asked to examine available data to analyze costs related to the impacts of these two payment mechanisms (attendance-based and enrollment-based subsidy policies). We operationalized this request in the following research questions:

- How total State spending varies, depending on whether the system of subsidy payments is enrollment-based or attendance-based.
  - How these State subsidy payments under each system vary by type of provider (i.e., in-home, licensed, registered).
  - How these State subsidy payments under each system vary by the age of the child being serviced (i.e., infant, toddler, pre-school, or school age).
- How the choice of either an attendance-based or an enrollment-based subsidy payment system impacts the experiences of key stakeholders, including child-care providers, parents and guardians, and CCR&R staff.

To answer these questions, we designed a mixed-methods research project that analyzes State administrative program data through a quantitative lens to obtain an understanding of the financial/fiscal implications of each payment system. We also conducted focus groups and interviews to gather data through a qualitative lens to learn about key stakeholders' experiences with each of the payment systems. The next two sections of the report present these findings separately before we consider them jointly in the final section of the report.

Administrative Program Data Analysis

This section of the report presents findings from two quantitative approaches to analyzing State child-care administrative data:

A. The first approach analyzes payments from the State data system on a historical basis for two payment dates: November 10, 2019 vs. November 7, 2021. These dates were chosen to reflect pay periods in the middle of the fall semester that were not disrupted by major holiday breaks. We analyze per-child payments to each provider to determine whether the switch in March 2020 from an attendance-based to enrollment-based calculation for payments significantly impacted the a) average pay per day and b) average paid days per period. We also compared the first payment dates of December for each of the two years using a similar approach to ensure that our choice to analyze November payment dates did not materially impact our results.

B. The second approach analyzes the difference between actual enrollment-based payments to simulated attendance-based payments during the same pay period in July 2022. We implement a formula that determines the pay per day of attendance based on the type of the child-care provider as well as the age of the child. We then use the simulated attendance-based payment for each child in the dataset to compare it to the amount paid (under the current enrollment-based calculation) to determine whether there is a significant difference in the payment amount.

Data Sources

The New Jersey Department of Human Services (DHS), Division of Family Development (DFD), the agency responsible for administering the state-sponsored child-care subsidy program, provided several data files from four different data systems for our analyses. The four systems are:

1. **Child Care Automated Resource and Eligibility Systems (CARES) –** This is the application and eligibility system which stores and processes parent and child data. This system tracks child characteristics for each pay period, along with whether the frequency, type of care, and facility used allows for reimbursement by the state.
2. **New Jersey Child Care Information System (NJCCIS) –** This is the repository for provider data. NJCCIS tracks key characteristics of the child-care facilities, such as their license information, county, type of child care provided, ages of children served, and whether they provide transportation.

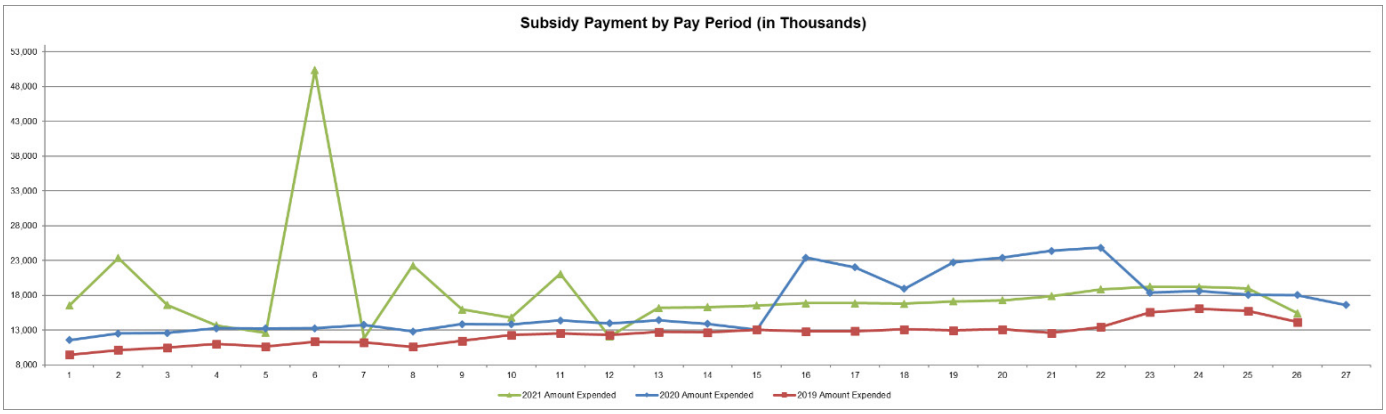
3. **Electronic Payment Processing and Information Control (EPPIC) System/e-Child Care System** – This is the child-care provider payment system. EPPIC tracks payments made from the State to the child-care provider for approved children according to bi-weekly pay periods that are determined by DFD.
4. **DFD Attendance Simulation (DFD-AS)** – This is attendance data for selected 2022 pay periods as reported by providers. As explained in greater detail later, these data were collected for research purposes, not for subsidy payments. The data track how often eligible children attend a child-care center on a daily basis. Additionally, these data include whether a student was marked absent and whether the provider excused an absence.

Taken together, these data systems track data related to the eligibility of children (CARES), the characteristics of the child-care providers (NJCCIS), the State payments for child care (EPPIC), and child attendance at individual child-care providers (DFD-AS). Appendix B shows the relationship between the four respective datasets. The Child ID is shared across all four datasets, allowing the datasets to be merged. Additionally, the eligibility, payment, and attendance datasets each have a time dimension that follows the bi-weekly pay periods for which child-care providers are reimbursed according to a schedule set by DFD. This time variable allows us to match simulated payments based on attendance to actual payments historically.

Background on Recent Changes in Expenditures and Enrollment

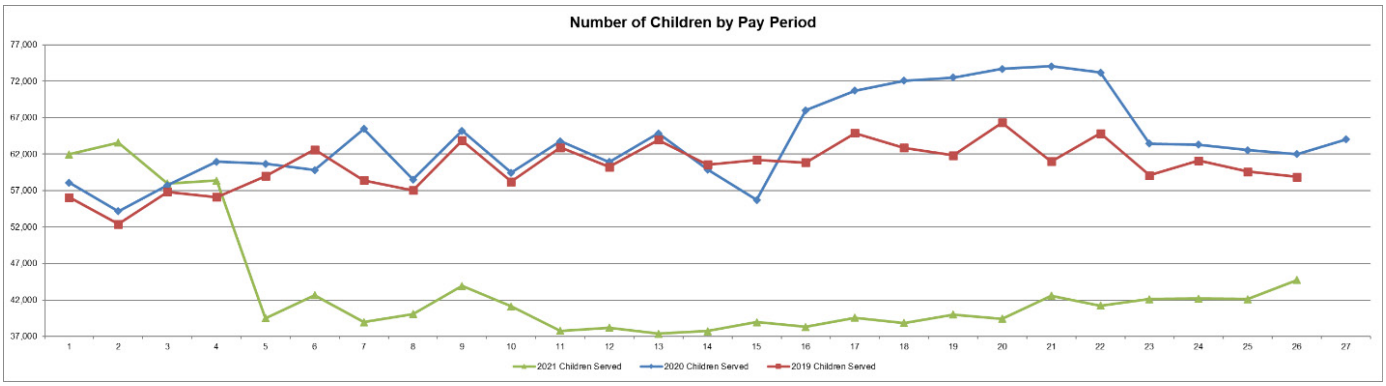
Figure 1 (pg. 26) plots child-care subsidy payment cash flow by pay period (in thousands of dollars) for each of the past three fiscal years. The dollar figures represent the cash flow of total subsidy payments, the sum of normal and adjusted payments in each pay period. Each year is plotted as a separate line, and with few exceptions, the trends look similar. Comparing the average spending per pay period made in FY2019 to that made in FY2021, we see a 46 percent increase ($18,274,000 vs. $12,487,000). This average, however, is greatly influenced by the spike seen early in FY2021, when a large number of adjusted payments were made in order to disperse retroactive COVID-related funding to providers. As seen in the figure, spending in the last few pay periods are more uniform across all three years.

Figure 1. Subsidy Payment by Pay Period (in Thousands of Dollars)



Source: New Jersey Division of Family Development (2021)

Figure 2. Number of Children by Pay Period, beginning in October and ending in September of Fiscal Years 2019-2021



Source: New Jersey Division of Family Development (2021)

Despite the increased cost of the subsidies to the State, the State-supported 17,000 fewer children per period in 2021 than it did in 2019 (28 percent reduction), as seen in Figure 2, which plots the number of children who received a New Jersey child-care subsidy by pay period for each of the past three years. Given this information, we can conclude that the subsidy increases seen in Figure 1 were due to scheduled rate increases in subsidy payments rather than any changes in the number, age-profile, or services provided to children covered by the program.

Table 1, below, lends evidence to support this conclusion. The table shows the subsidy-rate schedule for licensed centers across child-age groups from 2018 through 2021. From January 2019 through November 2021, subsidy-rate increases ranged between 35 percent (for Infants) and 46 percent (for School-Age), and the differentials among children by age also increased over time.

Table 1. History of Monthly Child-Care Subsidy Rates – Full-time Care at Licensed Centers

Child Age	5/1/2018	1/6/2019	9/1/2019	1/5/2020	1/3/2021*	11/1/2021*	3/1/2022*+
Infant	$723.98	$904.02	$976.34	$994.42	$1,324.25	$1,524.25	$1,548.74
Toddler	$717.04	$761.46	$814.76	$829.99	$1,150.74	$1,350.74	$1,371.75
Pre-school	$585.42	$644.96	$677.21	$690.11	$1,007.36	$1,207.36	$1,225.51
School-Age	$579.36	$581.90	$622.63	$634.27	$950.13	$1,150.13	$1,167.13

Source: New Jersey Division of Family Development (2022)

** Rates include Temporary COVID-19 Family Differential Payments, which provide up to $300 for full-time care, or $150 for part-time care, per eligible child, per month on top of the child care assistance rate paid by the state. Family Differential Payments will be made through the end of 2023.*

+ As of May 2023, this is the current rate.

Keeping this historical context in mind, we next turn our attention to findings from two sets of analyses designed to examine the impact of subsidy payment (enrollment-based versus attendance-based) policies on payments.

Approach A. Historical Payments Analysis – November 2019 vs. November 2021

Our first approach analyzed historical EPPIC payment data from two different pay periods, one period during the attendance-based policy and one after the State switched to the enrollment-based policy. Our sample and analyses are focused on year-round child-care providers; summer camps and after-school programs are not included. Thus, our sample sizes differ from State reports of the numbers of children served during this period. With these data, we examine the average number of paid days per child per pay period for child-care providers in November 2019 and November 2021. We chose these dates to reflect pay periods in the middle of the fall semester that were not disrupted by major holiday breaks and from years associated with the two different payment policies. The payment dates for these two periods occurred on November 10, 2019 for the period of October 13-26, 2019, and November 7, 2021 for the period of October 10-23, 2021.

The variable "paid days" measures the number of days for which a provider received payment for a particular child. Under the enrollment-based system (November 7, 2021 payment), this variable refers to the number of days a provider was open and thus serving children, regardless of whether a particular child was in attendance or not. Under the attendance-based system (November 10, 2019), the number is a calculation based partially on attendance. Under the attendance-based system, the number of paid days includes days attended, two unexcused absences, and excused absences due to illness. Moreover, for children in attendance for at least 80 percent of the pay period or if they have excused absences above the limit, the number of paid days is the full 10 days.

We also ran the analyses for the first payment dates in December 2019 vs. December 2021 as a robustness check. In other words, we wanted to check to see if the results would be similar (or differ) in another pay period. Appendix C presents the December pay period results, which are not substantially different from the November results, and thus we focus only on the November results here.

Table 2 summarizes the number of children and providers in our sample, along with associated total subsidy payments for the two analytical pay periods. As seen earlier in the historical trend description, overall child-care subsidy cash flow in 2021 was greater than in 2019 despite the program serving a smaller number of children via a smaller number of providers. This difference is also clear in our sample. Table 2 shows that the average two-week normal payment per child was $198.59 on November 10, 2019 compared to $357.61 on November 7, 2021. In addition to rate increases over time, the increased payment is also inclusive of the Temporary COVID-19 Family Differential Payments. Conversely, adjusted payments are about 2.5 times larger in the 2019 pay period compared to 2021. Adjusted payments reflect reconciliations and/or payment policy changes such as differential payment increase and submission of late paperwork for priority service populations, e.g., special need, or children under child protection. Under the attendance-based systems, adjustments also include corrections to disparities in reported attendance and actual attendance as well as excused absences. Adjusted payments can be for any pay period within the past 60 days, not just the immediate past pay period.

Table 2. Enrollment and Payments for November 10, 2019 and November 7, 2021 Pay Dates

	Children Served	Unique Providers	Total Normal Payments	Avg Normal Payment Per Child	Total Adjusted Payments	Total Payments (Normal + Adjusted)
Oct 13-26, 2019	60,774	3,978	$12,069,404	$198.59	$1,131,897	$13,201,301
Oct 10-23, 2021	42,792	3,457	$15,302,805	$357.61	$443,709	$15,746,514

Source: New Jersey Division of Family Development (2021)

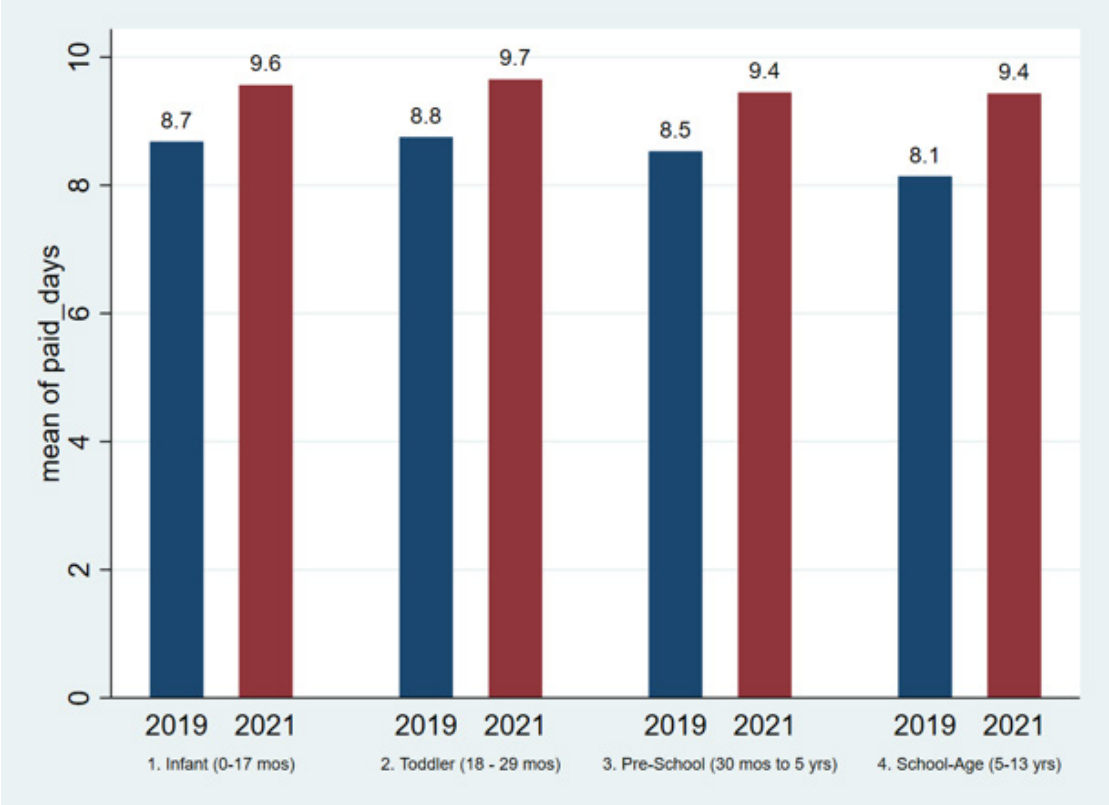
To understand the impact of the subsidy payment policy change, we next examine the average number of days a provider was paid for each child for a normal payment. We focus on this measure (and not payment amounts) since we know that average subsidy payments increased based on planned rate changes over time, as seen in Table 1. Thus, changes in subsidy payments are not a good measure of the impact of the change in payment policy. The number of days paid, however, is directly impacted by the policy. As described earlier, under the enrollment-based system, days paid equals the number of days a provider is open, while under the attendance-based system it is calculated based on attendance and excused/unexcused absences of each child.

The average paid days for all children in subsidized care during the 2-week pay period associated with the November 10, 2019 payment was 8.52 days while the November 7, 2021 subsidy payments were made for an average of 9.52 days, an increase of one (1) day or 11.7 percent (1 day /8.52 days) more than under the

attendance-based system. Alternatively stated, under an attendance-based system, we would expect that the number of days paid per payment period would be 10.5 percent (1 day /9.52 days) less than under the enrollment-based system.

As shown in Figure 3, the change in average paid days and average subsidy payment per day did not vary substantially by age of child between 2019 and 2021, although the average paid days per pay period for school-age children increased the most (1.3 days).

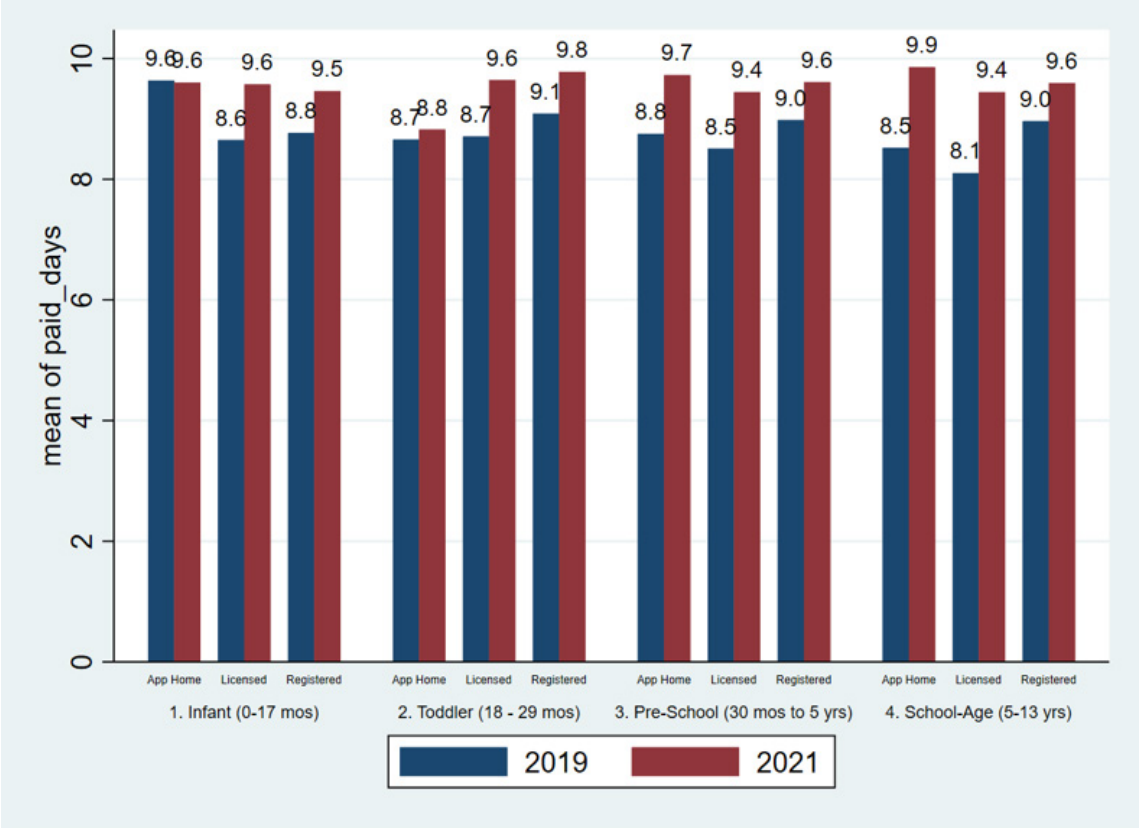
Figure 3. Average Paid Days by Age of Child, Nov. 10, 2019 vs. Nov. 7, 2021



Source: Authors' calculation (Note: The mean of days paid represents the number of days a provider was paid in a normal payment. It does not include adjusted payments. Differences between years are statistically significant at the 0.01 significance level.)

We then examined these differences by provider type to assess whether the policy change impacted different types of providers in distinct ways. Figure 4 (pg. 29) shows that changes in average paid days by age of child do not vary considerably across provider types.

Figure 4: Average Paid Days by Age of Child and Provider License Type, Nov. 10, 2019 vs. Nov. 7, 2021



Source: Authors' calculation

In sum, our historical analysis of subsidy payments made on November 10, 2019 and November 7, 2021 demonstrates that providers received payments for an average of one day more per child for the latter date.

Using these findings, we can make some cautious extrapolations about what payments would have looked like on November 7, 2021 using the days paid numbers of November 10, 2019. Specifically, based on our above findings, we assume that under an attendance-based system, days paid would be one fewer. That is, instead of payments being made for an average of 9.52 days, we assume that under an attendance-based system, payments would be made for an average of 8.52 days instead.

> Under this scenario, we calculate that the total normal payments of $15,302,805 made on November 7, 2021 (as shown in Table 2), would have been 10.5 percent less (one day divided by 9.52 days is 10.5 percent), or $13,696,010.50, a difference of $1.6 million for this two-week pay period.

This figure, however, is incomplete as the data in Table 2 also show that adjusted payments were greater in 2019 under the attendance-based system. To account for this difference, and come to an estimation of the total (normal + adjusted) payments, we calculate what total adjusted payments would be. Specifically, on November 10, 2019 the adjusted total was 9.38 percent of the total

normal payments. (We rely on comparisons and calculated percentages within pay periods to avoid the need to adjust for increases in payment rates, including temporary COVID money, in 2021 versus 2019.)

> Using our newly estimated normal payments of $13,696,010.50, the total adjusted payments, using the November 2019 trends, would be $1,284,685.78, as compared to the $443,709 shown in Table 2.

Thus, we extrapolate that total payments on November 7, 2021 would have been the following if the State were operating an attendance-based system:

> Total estimated normal payments, $13,696,010.50, plus
> total estimated adjusted payments, $1,284,685.78
>
> _____
>
> **for an estimated total payment of $14,980,696.30.**

Compared to the actual total of $15,746,514 paid on November 7, 2021, this estimated payment is a cost difference to the State of $765,818 (or $0.77 million) for this illustrative pay period, or about 5 percent.

The above calculations are estimates based on historical data, and thus they are presented with some caution. While one obvious factor that impacts the number of days paid is the change from the attendance to the enrollment-based payment policy, we cannot say with complete certainty that this is the only factor that impacted days paid during this study period. There are several other factors that we could not control for in this set of analyses not directly attributable to the payment system, most notably the impact of the COVID-19 pandemic on both the families and providers. It is reasonable to assume that the days paid patterns we observed in 2019 would have been different in 2021 even under the same attendance-based payment rules. To address this challenge, we turn our attention to our next set of analyses.

Approach B. Summer 2022 Simulation Analysis

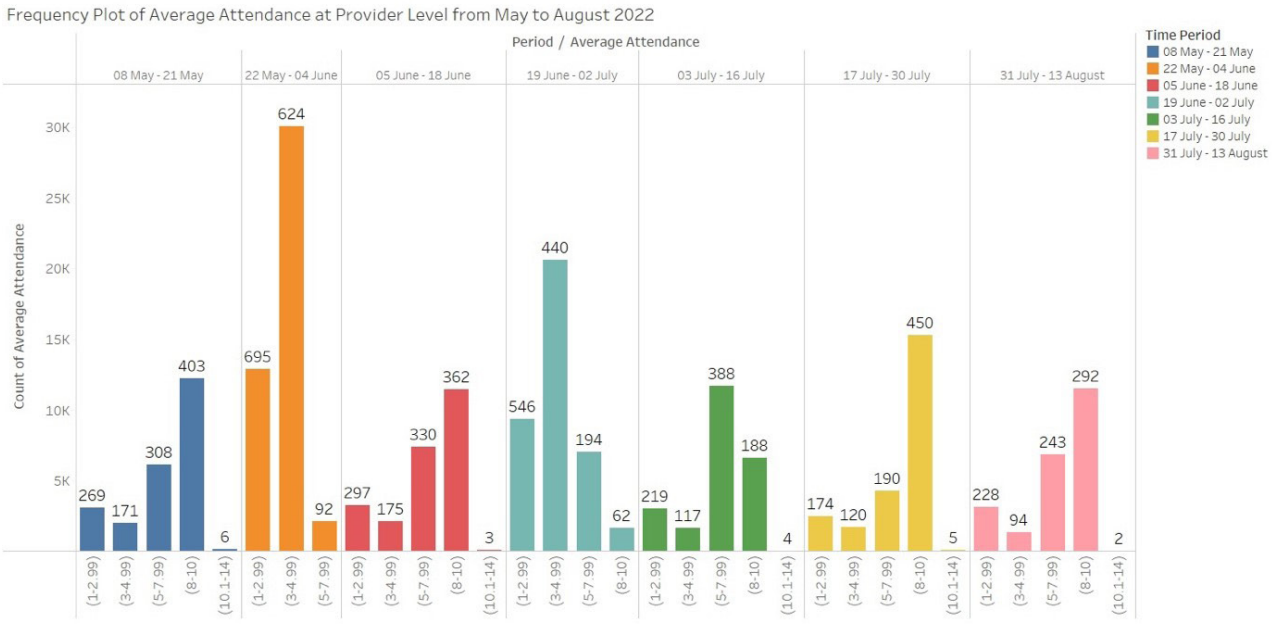
Our second analytical approach is based on an examination of payments in the same time period to address the time-related validity issues (i.e., changes due to the pandemic or economy) of our first approach. This second approach is grounded in a simulation analysis of what payments would look like under an attendance-based system and then comparing them to actual payments based on enrollments during the same time period. By focusing on the same time period, we are able to say with more certainty that any difference between the two payments is due to the different ways of calculating the payment amount and not any other changes on the part of providers, families, or overall economic conditions.

For this analysis, we utilized the DFD attendance data collected by the State from providers during March to July 2022 . Providers were informed that the information collected was for

research purposes and would not be used to calculate subsidy payments. DFD and CCR&Rs worked closely with providers to train them in these new procedures and ensure that they understood that the information would not impact their subsidy payments in any way.

Our first step in conducting this analysis was to examine the accuracy of the data collected. Figure 5 presents the average attendance days by child at the provider level in each of the bi-weekly pay periods. As seen below, the results indicate fluctuations over time both in the number of providers reporting the data and in the average attendance days, particularly in the beginning of the data collection effort. For example, the first bar in each colored grouping represents the number of providers who reported that the children in their care attended only 1-3 days on average during the 2-week pay period. This number decreases from nearly 300 in the first two pay periods to closer to 200 in later pay periods. Further investigation into these providers showed that, in some cases, providers reported that all of the children in their care attended on the same day(s). Because this is an unlikely scenario and based on conversations with staff at the CCR&Rs, we concluded that some child-care providers did not submit information correctly. We thus used the data in Figure 5 to guide our choice of the pay period of focus and the data-cleaning decisions described below.

Figure 5. Average Child Attendance Days by Provider, May 2022 to August 2022



Source: Authors' calculations

We chose the attendance period of July 17 to July 31, 2022 as the focus for our simulation exercise primarily for two reasons. First, as shown in Figure 5, the distribution of average days attended became more regular later in the data-collection time period, indicating that data from providers were being submitted more consistently compared to earlier periods and less likely to contain data-collection errors. Second, this two-week period contained no holidays, and also avoided the month of August, which is often a time centers close for breaks and families take vacations. We

note, however, that July is a summer month and that concerns with the accuracy of data collection during this pay period remain, so we offer caution in interpreting these data in general. As noted earlier, these attendance data were collected for research purposes only, not payment or program management purposes, and thus the completeness of the data remains a concern.

Before calculating simulated payments based on these attendance data, we completed a number of data-cleaning steps to try to address the limitations noted above. First, we narrowed the July 2022 attendance file to observations associated with the pay period dates of July 17 to July 31, resulting in an analytical file with 204,312 data points that represent individual day records for all children. The records were then filtered to only include those data points with an indicator of "attended" and those with an indicator of "not attended" with "excused" as the reason for the absence. This step brought the count to 186,134 data points. The final step in creating a full analytical dataset was to merge in variables from the State's administrative data sources (including provider ID, provider type, provider accreditation, operating status, child state ID, and care level state ID). We then created two new variables to capture days attended by counting the grouped records and average attendance by taking a mean of that variable. We then matched the providers in this file to their EPPIC payment data for the same time period and dropped those coded as summer camps. Due to small numbers, we also dropped those coded as approved homes. The resulting file included 23,907 data points, representing the children who received subsidies and had an attendance record in the dataset.

For the final cleaning step, the research team dropped observations that were considered to be outliers or likely data collection errors based on the initial descriptive analysis and with advice from DFD. First, we dropped providers (and the children in their care) who reported average attendance days of less than three days during the two-week pay period. Second, we dropped all children with attendance days greater than 10 because, under state regulations, children cannot be in care beyond the maximum number of 10 days. After completing these steps, we were left with 21,329 data points or children in the file. This reflects a drop of 2,578 data points or 10.7 percent of the children from the full analytical sample. Looking across provider types, we see that only 1 percent (n=2,321) of the children at licensed centers were dropped in this step. In contrast, 56.5 percent (n=257) of children in registered family providers were dropped.

Using this final sample file, we matched the appropriate subsidy rate by age of child, provider type, quality rating, and full or part-time status. We then calculated a simulated attendance-based payment using the following two rules:

- Full rate –The payments equaled the full period amount if children had two or less unexcused absences in a pay period. In other words, we match the full subsidy payment for all children if they were in attendance or had an excused absence for illness for 80 percent of the time.
- Daily rate -The payment for children who had three or more unexcused absences or who attended for seven or fewer days not including excused absences was calculated based on the daily rate. Specifically, we multiplied the days in attendance or excused, which by definition were between 3 and 7, by the appropriate daily rate.

For the July 17-30, 2022 payment period, providers received an average EPPIC payment of $588.40 per child. In contrast, using the pilot attendance data, we calculated that providers would have received an average payment of $480.20 per child, or about $100 less per child. We also examined the average simulated attendance-based payments by provider type and present these findings in Appendix D. Findings by provider type are complicated since data points that were dropped due to errors were unequally distributed across types. Simulated attendance-based payments indicate that licensed centers are less impacted by the choice of payment mechanism and were also more likely to participate in the pilot data collection effort.

Considering the historical and simulated analyses in tandem, our findings confirm that providers are paid more under an enrollment-based payment system compared to an attendance-based system. Looking historically, providers are paid for about one day more per pay period (11.7 percent more) under the enrollment-based system compared to the attendance-system, and this difference was consistent across provider types. This one-day difference impacts the amount of money a provider receives as their normal payment. To understand the impact of the subsidy payment mechanism on total payments (normal plus adjusted payments), we consider the relative amount of money paid in adjusted payments in the two time periods. Using both sets of these findings, days paid and relative adjusted payment costs, from the historical analysis, we estimate that operating under an attendance-based system results in an estimated reduction in cost of approximately 5 percent compared to the enrollment-based system.

The simulation analysis using July 2022 data also shows that providers receive more under the enrollment-based system. However, using these more recent data, we see differences in both data collection errors and average payments by provider type. Licensed centers participated more fully in the data collection effort than registered homes. Based on our analysis, licensed centers also experienced a smaller impact on average payments than registered homes. We cannot confidently determine whether this calculated difference in average payments is due to data-quality differences or differences in the attendance patterns of children at the different types of provider facilities. In other words, it is possible that findings reflect greater data collection errors on the part of registered home-based centers compared to licensed providers. Based on our lack of confidence in the accuracy of the data, we do not present cost estimations based on these findings. For additional insights on provider experiences, we turn to our qualitative data analysis presented in the next section of this report.

Qualitative Insights from Stakeholders

This section of the report presents our findings from in-depth focus groups and interviews with five groups of stakeholders: a) CCR&R staff, b) child-care providers, c) parents/guardians participating in the program, d) New Jersey child-care advocates, and e) DFD staff. These data were collected from August to October 2022. In total, 87 individuals participated in this aspect of the project. The research team also met periodically with staff from DFD to gain further insights on the subsidy payment mechanisms. Data collection, sample descriptions, and in-depth findings from each stakeholder group are discussed separately in the project's companion document, Child-Care Provider Subsidies in New Jersey: Supplementary Qualitative Analyses.

The focus group and interview data allow us to explore experiences and insights from various perspectives and thus serve as an important complement to the quantitative administrative data analyses presented in the previous section. The State's administrative program and payment data measure the financial cost of the subsidy payments made to providers. The qualitative component allows us to investigate questions related to other costs and benefits experienced by providers, families, and county staff under the two different payment policies. For these questions, we turn to our focus group and interview data.

Across the stakeholder groups interviewed, all participants stated that child-care subsidies in the State of New Jersey play a vital role in supporting low-income parent's ability to work, while ensuring the safety and well-being of children. Participants emphasized how subsidies support vulnerable families, particularly mothers, by improving opportunities and facilitating access to resources.

In addition to these core observations, we present a summary of three common themes that emerged across the stakeholder groups related to the way child-care subsidies are paid.

1. **The child-care subsidy payment mechanism (i.e., attendance vs. enrollment-based) impacts provider financial stability and program operations**

Child care providers, advocates, and county and state staff all discussed the ways that the subsidy payment mechanism impacts provider financial stability and program operations. Under this larger theme, two crosscutting subthemes emerged.

The first subtheme deals with provider financial stability attributable to the enrollment-based system. Most participants, irrespective of the particular stakeholder group they represented, noted that the enrollment-based payment system affords providers a more predictable and stable revenue stream when compared to attendance-based system (where establishing a regular cadence of payments is significantly influenced by factors beyond the direct control of

providers). Specifically, providers and CCR&R staff noted that the revenue stability offered by the enrollment system allows providers to ensure much of their fixed costs are met on time and that staff are paid regularly. It also enables providers to forego entirely the process of reconciliation and adjusted payments for children with excused absences or children who attended but their parents/caregiver did not swipe in/out properly. DFD participants acknowledged this instability in payments under the attendance-based system, but qualified these observations, noting that as life returns to normal student attendance will likely also become more stable, tempering this advantage of the enrollment-based system when compared to the attendance-based system. DFD staff also noted that under an attendance-based payment system funds can be stretched to serve additional children.

The second subtheme presented here relates to accountability under the attendance-based system. Here, there was consensus among providers, CCR&R staff, and DFD staff on the accountability benefits of an attendance-based system. CCR&R staff noted that under an enrollment-based system, attendance records are not submitted to the State and the lack of oversight creates the potential for fraud and abuse. DFD staff noted that the attendance-based system, by increasing accountability and improving accuracy of attendance records, resulted in similarly more accurate subsidy payments, freeing up resources for subsidies to serve additional children. Participants all agreed on the importance of accountability and maintaining accurate attendance records. Differences in opinions existed as to whether these records should be used to calculate payments (as noted earlier). Stakeholders also expressed different opinions on the level of difficulties encountered in reporting attendance under the attendance-based system (the subject of the following theme). CCR&R staff and providers highlighted that benefits associated with accountability under the attendance-based system were attenuated by the cumbersome and technologically dated attendance reporting systems most recently used.

2. **Attendance reporting in the attendance-based payment system contributes to various administrative burdens**

The second theme to emerge across our data-collection efforts with the different stakeholder groups was that **daily attendance reporting and the mechanisms of that reporting structure** contributed to various administrative burdens under the attendance-based payment system. Per New Jersey Department of Children and Families guidelines, providers must record and maintain daily attendance records for all children and be able to produce them for reviews or audits. However, these records were not utilized for the attendance-based subsidy system; the mechanism to record the attendance of children receiving subsidies and make corrections to those records were separate and in addition to the DCF attendance requirement. Providers in our study noted challenges with the attendance mechanism used for attendance-based subsidy payments. Participants explained that both the technology used and the frequency (i.e., bi-weekly) with which attendance was reported to the State made the system very burdensome, and that the burden fell disproportionately on parents/guardians. Here, two subthemes were identified.

The first subtheme that emerged across the different stakeholder groups concerns the challenges of conducting "transactions" using swipe cards under the attendance-based system. Under this system, parents were required to register a child's attendance at a child-care facility when they dropped their child off for the day and again when they picked them up. CCR&R staff and child-care advocates both noted that logging attendance using the swipe-card system was stressful for everyone involved in the transaction, from parents to providers to CCR&R staff. Technical errors, broken equipment, and parents who forget to bring their swipe cards were commonly cited challenges.

Related, CCR&R staff, parents, and child-care advocates also noted that the card was a visible marker differentiating low-income families from everyone else, thus serving as a class indicator and source of stress for parents as well as children. Providers also noted that the stigma associated with the swipe card frequently made families receiving child-care subsidies the target of complaints from parents paying the full cost of child care and a scapegoat for other issues experienced by the center.

DFD staff acknowledged these concerns and expressed optimism that the swipe-card system could be replaced by better and more up-to-date technology and that the practice of daily automated attendance taking does not need to be abandoned due to technical difficulties. Subsequent DFD feedback also expressed hope that the stigma associated with some forms of attendance taking could be eliminated by integrating existing attendance systems into a single platform. A final point that was raised in this discussion was that irrespective of the particular payment system in place, maintaining attendance records is necessary. Moreover, the integration of attendance taking under an enrollment system may present different challenges.

The second subtheme identified across the stakeholder groups relates to additional challenges of sharing attendance data with the State beyond those associated with using the swipe-card system. First, study participants cited the extra administrative efforts required for the attendance-based reporting. Some providers noted that they maintained two attendance systems – one for all children in their care and another one for subsidy children that was compatible with the attendance-based transaction system. Providers reported that daily attendance reporting under the attendance-based system often resulted in an allocation of resources away from directly serving children toward administrative tasks focused on ensuring that parents were complying with the system. The eventual outcome of this reshuffling of resources was that providers report a negative impact on overall child-care service quality.

Second, providers and CCR&R staff discussed the process of reconciling reports and issuing adjusted payments. Providers stated that, in the event a parent forgot to bring the swipe card or made a mistake when swiping, the reconciliation process was time-consuming and delayed payments. State child-care advocates provided an additional perspective on the attendance-based system related to equity, noting that while larger centers could likely afford to hire more staff to cope with the increased administrative burdens associated with the daily attendance reporting and adjustments, smaller home-based providers typically could not do so. DFD staff

acknowledged some of these challenges, but also noted that maintaining accurate attendance records is essential to the operation of the attendance-based child-care subsidy program. In particular, they emphasized that unlike parents or providers, the State's role is to establish priorities among competing objectives and achieve a balance that results in the greatest number of children being safely served by the program in the most cost-effective and efficient manner.

3. **There is room for improvement in both payment systems. Many of the concerns of an attendance-based payment system would be attenuated by better attendance reporting procedures**

During the interviews and focus groups, stakeholders consistently noted that the ratio of accountability to administrative ease within the two systems differ – an attendance-based system has high level of administrative burdens and a high level of accountability, while an enrollment-based system is the opposite – low administrative burdens and less accountability. Study participants shared that both types of challenges could be significantly improved for all stakeholders. These proposed improvements comprise the third analytical theme. In merging insights across all stakeholder groups, two specific areas for improvement emerged.

The first area for improvement relates to embedding more accountability into the enrollment-based system. Across all focus groups and many interviews, a consistent suggestion was to utilize some type of attendance reporting to verify enrollments. Providers acknowledged the importance of maintaining accurate daily attendance records for business operations and child safety. They also noted that communicating this information to the State periodically is important in order to verify enrollment and embed accountability into the system. However, they also note that they encountered significant administrative burdens when required to report attendance daily to the State. CCR&R staff indicated that reconciling attendance records for children who attended, but whose parent/caregiver failed to swipe for a given day was resource intensive. From our interviews, participants indicated that reporting over a longer cycle (e.g., monthly or quarterly) would provide an accountability check that was similar to reporting attendance daily, but with a much lower burden on stakeholders involved in administering an attendance-based payment system. In particular, some noted the possibility of looking to attendance checking within the public schools as a model.

The second suggestion relates to improving the technology used when administering the attendance-based payment system. Providers, CCR&R staff, and parents highlighted that the current technologies used (i.e., the swipe cards and telephone-based reporting) inadequately addressed their needs. Thus, a recurring suggestion among participants was to place a greater emphasis on using technology to streamline efforts to record and report attendance to the State. Alternatively stated, participants believe that record-keeping challenges associated with the attendance-based payment could be ameliorated by better technology used to record and report attendance. Many suggested that changes in the swipe-card system are needed.

Conclusions

This final section of the report is divided into three parts: 1) a summary of our findings, 2) report limitations and suggestions for further research, and 3) policy implications for New Jersey. The research project as a whole was guided by two questions:

a. **What are the relative costs associated with attendance-based and enrollment-based subsidy payment systems, and**

b. **What are the experiences of various stakeholders, including families, providers, and public and non-profit agency staff in operating under these systems?**

Before summarizing our findings (as well as their limitations and implications), we note that per New Jersey Department of Children and Families regulations all child-care providers are required to take attendance for business operation and child safety reasons. The public policy question at hand is thus related to whether attendance records should be utilized by the Division of Family Development (DFD) to calculate child-subsidy payments. Closely related to the option of an attendance-based system is how to best implement the administrative process of reporting attendance.

Summary of Findings

Informed by the analyses of both quantitative and qualitative data, we summarize findings across four criteria: 1) cost to the State of New Jersey budget, 2) program capacity in terms of the number of children potentially served by the child-care subsidy program, 3) accountability in terms of the extent of compliance by both parents and providers, and 4) sustainability in terms of how the payment system employed likely affects the long-term stability of the child-care industry.

Cost to the State of New Jersey

To determine the relative cost difference to the State of New Jersey, we need to consider the "normal" payment plus the "adjusted" payment under each payment system, attendance-based and enrollment-based and how these totals compare to each other. Normal payments are those made to a provider to reflect the number of subsidized children in attendance or with excused absences. Adjusted payments are those payments made to providers to correct for oversights or errors made in complying with the confirmation that a child was actually in attendance at a facility, but their attendance was not properly recorded. The relative budgetary cost of an attendance-based system versus an enrollment-based system is the difference between the total of normal and adjusted costs of an attendance-based system per pay period relative to those of an enrollment-based system per pay period.

Our analyses, using the administrative program data, indicate that the enrollment-based system is more expensive in terms of the expenditure of federal and State funds. Based on our historical analysis of data from payment periods in November 2019 and November 2021, we found that providers were paid for an average of one additional day for the 2-week payment period under the enrollment system compared to the attendance system. To complete this estimation and understand the impact of the choice of payment system on total payments (normal payments plus adjustments), we further estimated the difference in adjusted payments by applying the November 2019 data findings, which showed that adjusted payments were 9.38 percent of normal payments (a higher percentage than is seen in November 2021 under the enrollment-based system).

Adding the estimated normal (based on changes in the days paid under the two systems) and the estimated adjusted payments (based on the relative amount of adjustments under the two systems), we estimate that the total payments under an attendance-based system would have been $14,980,696.30. Compared to the actual enrollment-based payment total of $15,746,514 paid on November 7, 2021, this estimated payment is $765,818 (or $0.77 million) less for this one illustrative pay period, or about a 5 percent difference. This estimate represents the relative cost of operating the two different systems at any given point in time. In other words, we can use this figure to estimate what costs would be for the same time period using a different subsidy payment mechanism.

Further extrapolating from this analysis, we can apply this 5 percent cost estimate to more recent budget figures. Specifically, applying this estimate to the annual cost of the program in FY2022, which was just under $586.2 million, we would expect a cost reduction of $29.3 million if the program used attendance-based instead of enrollment-based payment rules. Similarly, we can conclude that if demand for the subsidy program increased, this cost difference could create capacity to serve approximately 5 percent more children with subsidies. It is important to note that our application of the 5 percent estimate is not meant to indicate the total subsidy program cost changes over time, but rather is an estimate of cost differences during the same time period. The future costs of operating the subsidy program using either payment mechanism is also subject to other considerations such as caseload size and market rates, both of which are likely to continue to increase.

Qualitative findings from our interviews and focus groups add insight to the higher amount of adjusted payments under the attendance-based versus the enrollment-based system. Specifically, the reasons for adjustments are different under the two payment systems, mostly due to the reconciliation process inherent in the attendance-based system. According to our qualitative data, the process of making adjustments is costly to providers and burdensome to parents. Findings based on focus groups with stakeholders, though not readily quantifiable, further suggest that the attendance-based system overall, not just in terms of adjustments, is more expensive in terms of financial costs to providers (e.g., staff time used to monitor the swipe-card process) and compliance burdens to parents.

Program capacity

Questions related to program capacity, or ensuring that program is able to meet the demand and needs of eligible families, are complex. On one hand, based on the average daily costs per child served, the lower direct cost in terms of public spending under the attendance-based system means that the number of child-care subsidies could conceivably be increased. In other words, the program could potentially serve more families under the attendance-based payment system. Assuming that the 5 percent cost difference in operating an attendance-based system compared to an enrollment-based system is used to serve additional children, that number could be similarly increased by about 5 percent. This is a critical consideration given recent increases in the number of children receiving subsidies, which while currently below pre-COVID numbers, are predicted to rise. Currently, there is no waiting list for child-care subsidies, but the State did maintain such a list in the early 2000s.

On the other hand, our qualitative findings indicate that the attendance-based system could conceivably result in a reduction in the number of child-care providers who accept subsidies or in lower quality services. This may stem from two reasons. First, the attendance-based system can result in greater revenue unpredictability, as payments vary from one period to the next based on child attendance, a factor that is beyond the immediate control of providers. Thus, providers may choose to accept private paying families instead of children with subsidies for financial stability. A second concern is that providers in our focus groups report that the administrative costs associated with implementing an attendance-based system can result in redirecting resources away from instructional or developmental child-care activities toward activities to ensure that parents correctly register their child's attendance and process reconciliations for cases where parents failed to swipe their card on days when their child was in attendance.

Accountability

Regarding system accountability, qualitative findings indicate that an attendance-based payment system has a greater level of accountability of public funds, in that the system calculates payments directly based on verified attendance. Thus, a key justification for the attendance-based enrollment system is that it will improve monitoring, increase accuracy of reporting, and prevent erroneous payments. At the same time, suggestions from stakeholders to improve the overall system included technological (i.e., adopting easier to use technology) and data-sharing changes (i.e., integrating different attendance reporting systems) that could also improve accountability in the enrollment-based system.

Sustainability

The criterion of sustainability can be applied to different aspects of the child-care system and is also heavily influenced by outside factors related to predicted demand and uncertain funding sources. From the point of view of providers, the strengths of an enrollment-based system are that it addresses short- and long-term revenue instability and administrative concerns associated with

attendance based-systems by tying payments to enrollment numbers. This way of determining payments, in theory, allows providers to invest available resources into activities that expand child-care services, while also contributing toward greater financial stability for providers. Our qualitative findings, coupled with the July 2022 data collection review and simulation analysis, suggest that the relative compliance cost of operating the attendance-based system may be greater for home-based providers than larger centers.

In contrast, from a State subsidy program perspective, the limited oversight associated with the enrollment-based system can result in the State paying for child care even if it is not being used by eligible families, e.g., if a family moves or stops sending their child without reporting the change to the CCR&R. This could further result in overpayments that could otherwise been used to expand access to childcare by assisting other low-income families. Moreover, as temporary COVID-related funding sources end, the system will be supported by fewer federal dollars, making the generally costlier enrollment-based subsidy system more challenging to continue, especially if the number of children eligible for subsidies rises and eventually returns to (or exceeds) pre-COVID numbers as predicted by DFD.

Report Limitations and Suggested Next Steps

In general, administrative data are not gathered for the purpose of evaluating the efficacy of an attendance-based versus an enrollment-based child-care subsidy system. Moreover, much of the family-level and provider-level data that would prove helpful in conducting such an evaluation are simply not available. As such, these data limitations compromise our ability to address many of the important policy research questions related to the choice between an attendance-based and an enrollment-based payment policy. Our qualitative data analysis provides some insights into the experiences of providers and families, but those data are not readily quantifiable or generalizable.

The quantitative data analysis is associated with other limitations. The historical findings do not account for changes over time and external influences such as changes in the macro economy and the scope of the COVID pandemic. The July 2022 simulation findings, originally designed to address the challenges with the historical data and serve as a robustness test, proved limited from a quantitative perspective. First, July is not considered to be a typical month in the child-care industry, but was chosen because of the availability of the attendance simulation data. Second, descriptive analysis of the data indicated that data collection was likely flawed resulting in inaccurate and incomplete records. While the findings from the July 2022 analysis did echo those from the historical data, they are also useful in another way and provide insights on data collection and reporting burdens. The distribution of outliers in the dataset as well as the analytical findings point to variation in provider experiences between licensed centers and registered family providers. Due to the limitations discussed, however, these findings should not be used to estimate cost differences.

To fully understand the costs of either system, a more comprehensive cost-benefit analysis is needed. However, the data for a true cost-benefit analysis of alternative policies are lacking. For example, we would need information that disaggregates provider costs, such as which are fixed and which are at least to some extent variable. We would also need data on the average amount of staff time needed to comply with the attendance-based policy, such as processing reconciliations.

Beyond this type of cost-benefit analysis, our findings lead to other research questions, particularly related to the long-term functioning and impacts of each policy. For example:

- What are the effects of business cycle(s), pandemics, and other significant disruptions on child-care subsidy payments under both systems?
- What factors affect long-term stability of the child-care provider industry?
- How can we best measure child-care program quality?
- How are providers (by type) and State child-care subsidies allocated across regions of the state, and how does this allocation match to need?

Future research on the child-care subsidy program should consider these types of questions.

Implications for New Jersey

A key conclusion emanating from our quantitative and qualitative analyses is that, while discussions of attendance-based and enrollment-based payment systems to date often place all providers in the same group, these systems tend to function differently depending upon the type of provider. Specifically, when parsing out implications according to provider-type, what becomes apparent is that there is no panacea or silver bullet– the costs and implications associated with operating the two systems will be different.

Thus, an important implication from this study is that no one size fits all -- there is unlikely one best solution that would maximize enrollments and high-quality child care while minimizing both pecuniary and non-pecuniary costs across the spectrum of providers, as well as to the State and participating families. Acknowledging that the benefits and costs of shifting from one payment system to another will likely vary according to provider, efforts to evaluate whether such a shift should take place (or not) must carefully consider several questions, including which types of providers the State relies most heavily on for child-care provision, for which families and in which areas of the state. While this conclusion is consistent with the findings from our qualitative analysis, as well as the July 2022 data collection review and simulation analysis, we did not have the appropriate data to examine this issue to a degree that enables generalizability or an estimation of the magnitude of the impact.

Other findings offer clearer implications related to improvements in program operations. Overall, the stakeholders in our study struggled with the appropriate balance among greater

accountability, lower administrative costs, and reduced compliance burdens to both families and providers. Under the enrollment-based system, stakeholders identified the lower level of accountability as a critical challenge and offered a suggestion to utilize and embed a periodic, but less frequent, reporting of the existing State-mandated attendance records to the State to verify enrollment records. Under the attendance-based system, stakeholders identified the high level of administrative burdens as the greatest challenge and offered suggestions related to improved user-friendly technology, including (and perhaps most importantly) a change to the current use of swipe cards. Both sets of these challenges and improvements underscore the need to investigate and consider the feasibility of a universal attendance platform for the State designed to balance the need for both accountability and ease of compliance for families and providers. Moreover, any change made to the operations of either system should be user-friendly and make use of increasingly advanced technologies. We acknowledge here, that while these suggestions, if implemented, will likely translate into better user experiences with the system, they do not necessarily lead to a clear policy choice between the two payment systems. They may also come with a different set of direct and indirect costs to families receiving child-care subsidies, child-care providers, CCR&R staff that provide oversight, and to the State.

Ultimately, deciding between the two child-care subsidy payment options depends on figuring out the appropriate criteria to judge the impact of the policy, particularly as they relate to program costs and program capacity. Specifically, for questions related to program costs, how costs should be prioritized, including the need to serve the most eligible children, the resulting financial cost to the State, the fixed and variable operating cost of centers, or any compliance burdens to families? Uncertainty related to future demand (especially in terms of changes in family structure, the number and ages of children per household, the demand for labor throughout the State's economy, etc.) and the on-going availability of federal funds add to the difficulties. The research team thus recommends that future research on the childcare landscape and demand for subsidies pays attention to potential differences by provider type.

Appendix A: New Jersey Subsidy Rate Schedule for Providers

(Appendix attached on following page.)

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES
MAXIMUM CHILD CARE PAYMENT RATES

Effective: March 1, 2022

LICENSED CHILD CARE CENTER RATES
*INCLUDING TEMPORARY COVID-19 FAMILY DIFFERENTIAL PAYMENT**

	LICENSED CHILD CARE CENTERS			3-STAR GROW NJ KIDS RATED LICENSED CHILD CARE CENTERS			4-STAR GROW NJ KIDS RATED LICENSED CHILD CARE CENTERS			5-STAR GROW NJ KIDS RATED LICENSED CHILD CARE CENTERS		
	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY
INFANTS												
Birth to 17 Months												
Full Time Care (6 hrs or more)	1,524.25	352.02	70.40	1,626.31	375.59	75.12	1,671.68	386.07	77.21	1,730.25	399.60	79.92
Part Time Care (less than 6 hrs)	762.13	176.01	35.20	813.16	187.80	37.56	835.84	193.03	38.61	865.13	199.80	39.96
INFANTS												
Birth to 17 Months w/Special Needs												
Full Time Care (6 hrs or more)	1,769.10	408.57	81.71	1,891.57	436.85	87.37	1,946.01	449.42	89.88	2,016.30	465.66	93.13
Part Time Care (less than 6 hrs)	884.55	204.28	40.86	945.79	218.43	43.69	973.01	224.71	44.94	1,008.15	232.83	46.57
TODDLERS												
18 to 29 Months												
Full Time Care (6 hrs or more)	1,350.74	311.95	62.39	1,393.60	321.85	64.37	1,429.50	330.14	66.03	1,475.98	340.87	68.17
Part Time Care (less than 6 hrs)	675.37	155.97	31.19	696.80	160.92	32.18	714.75	165.07	33.01	737.99	170.44	34.09
TODDLERS												
18 to 29 Months w/Special Needs												
Full Time Care (6 hrs or more)	1,560.89	360.48	72.10	1,612.31	372.36	74.47	1,655.40	382.31	76.46	1,711.18	395.19	79.04
Part Time Care (less than 6 hrs)	780.45	180.24	36.05	806.16	186.18	37.24	827.70	191.15	38.23	855.59	197.60	39.52
PRESCHOOL												
30 Months to 5 Years												
Full Time Care (6 hrs or more)	1,207.36	278.84	55.77	1,263.82	291.88	58.38	1,294.45	298.95	59.79	1,334.17	308.12	61.62
Part Time Care (less than 6 hrs)	603.68	139.42	27.88	631.91	145.94	29.19	647.23	149.47	29.89	667.09	154.06	30.81
PRESCHOOL												
30 Months to 5 Years w/Special Needs												
Full Time Care (6 hrs or more)	1,452.35	335.42	67.08	1,524.05	351.97	70.39	1,562.95	360.96	72.19	1,613.39	372.61	74.52
Part Time Care (less than 6 hrs)	726.18	167.71	33.54	762.03	175.99	35.20	781.48	180.48	36.10	806.70	186.30	37.26
SCHOOL-AGE												
5 to13 Years												
Full Time Care (6 hrs or more)	1,150.13	265.62	53.12									
Part Time Care (less than 6 hrs)	575.07	132.81	26.56									
SCHOOL-AGE												
5 to 19 Years w/Special Needs												
Full Time Care (6 hrs or more)	1,379.67	318.63	63.73									
Part Time Care (less than 6 hrs)	689.84	159.32	31.86									

The amounts listed above represent the maximum authorized rates for Licensed Child Care Centers. The parent/applicant may select a provider with a cost higher than these maximum rates; however, in such instances, the parent/applicant will be responsible for all expenses over these maximum state payment rates.

*Temporary COVID-19 Family Differential Payments provide up to $300 for full-time care, or $150 for part-time care, per eligible child, per month on top of the child care assistance rate paid by the state. Family Differential Payments will be made through the end of 2023. To calculate the state's base rate, without the Temporary COVID-19 Family Differential Payment, subtract $300 from full-time rates and $150 from part-time rates.

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES
MAXIMUM CHILD CARE PAYMENT RATES

Effective: March 1, 2022

REGISTERED FAMILY CHILD CARE RATES
INCLUDING TEMPORARY COVID-19 FAMILY DIFFERENTIAL PAYMENT*

	REGISTERED FAMILY CHILD CARE			3-STAR GROW NJ KIDS RATED REGISTERED FAMILY CHILD CARE			4-STAR GROW NJ KIDS RATED REGISTERED FAMILY CHILD CARE			5-STAR GROW NJ KIDS RATED REGISTERED FAMILY CHILD CARE		
	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY	MONTHLY	WEEKLY	DAILY
INFANTS												
Birth to 17 Months												
Full Time Care (6 hrs or more)	1,170.28	270.27	54.05	1,345.00	310.62	62.12	1,395.00	322.17	64.43	1,454.00	335.80	67.16
Part Time Care (less than 6 hrs)	585.14	135.14	27.03	672.50	155.31	31.06	697.50	161.09	32.22	727.00	167.90	33.58
INFANTS												
Birth to 17 Months w/Special Needs												
Full Time Care (6 hrs or more)	1,314.04	303.47	60.69	1,364.04	315.02	63.00	1,414.04	326.57	65.31	1,464.04	338.12	67.62
Part Time Care (less than 6 hrs)	657.02	151.74	30.35	682.02	157.51	31.50	707.02	163.28	32.66	732.02	169.06	33.81
TODDLERS												
18 to 29 Months												
Full Time Care (6 hrs or more)	1,170.28	270.27	54.05	1,270.28	293.37	58.67	1,320.00	304.85	60.97	1,379.00	318.48	63.70
Part Time Care (less than 6 hrs)	585.14	135.14	27.03	635.14	146.68	29.34	660.00	152.42	30.48	689.50	159.24	31.85
TODDLERS												
18 to 29 Months w/Special Needs												
Full Time Care (6 hrs or more)	1,314.04	303.47	60.69	1,320.28	304.91	60.98	1,370.28	316.46	63.29	1,429.28	330.09	66.02
Part Time Care (less than 6 hrs)	657.02	151.74	30.35	660.14	152.46	30.49	685.14	158.23	31.65	714.64	165.04	33.01
PRESCHOOL												
30 Months to 5 Years												
Full Time Care (6 hrs or more)	1,026.52	237.07	47.41	1,220.28	281.82	56.36	1,270.00	293.30	58.66	1,329.00	306.93	61.39
Part Time Care (less than 6 hrs)	513.26	118.54	23.71	610.14	140.91	28.18	635.00	146.65	29.33	664.50	153.46	30.69
PRESCHOOL												
30 Months to 5 Years w/Special Needs												
Full Time Care (6 hrs or more)	1,170.28	270.27	54.05	1,270.28	293.37	58.67	1,320.00	304.85	60.97	1,379.00	318.48	63.70
Part Time Care (less than 6 hrs)	585.14	135.14	27.03	635.14	146.68	29.34	660.00	152.42	30.48	689.50	159.24	31.85
SCHOOL-AGE												
5 to13 Years												
Full Time Care (6 hrs or more)	1,026.52	237.07	47.41									
Part Time Care (less than 6 hrs)	513.26	118.54	23.71									
SCHOOL-AGE												
5 to 19 Years w/Special Needs												
Full Time Care (6 hrs or more)	1,170.28	270.27	54.05									
Part Time Care (less than 6 hrs)	585.14	135.14	27.03									

The amounts listed above represent the maximum authorized rates for Registered Family Child Care. The parent/applicant may select a provider with a cost higher than these maximum rates; however, in such instances, the parent/applicant will be responsible for all expenses over these maximum state payment rates.

*Temporary COVID-19 Family Differential Payments provide up to $300 for full-time care, or $150 for part-time care, per eligible child, per month on top of the child care assistance rate paid by the state. Family Differential Payments will be made through the end of 2023. To calculate the state's base rate, without the Temporary COVID-19 Family Differential Payment, subtract $300 from full-time rates and $150 from part-time rates.

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES
MAXIMUM CHILD CARE PAYMENT RATES

APPROVED HOME RATES

Effective: March 1, 2022

	FAMILY FRIEND AND NEIGHBOR (FFN) AND IN-HOME PROVIDERS		
	MONTHLY	WEEKLY	DAILY
INFANTS			
Birth to 17 Months			
Full Time Care (6 hrs or more)	**603.56**	**139.39**	**27.88**
Part Time Care (less than 6 hrs)	**301.78**	**69.70**	**13.94**
INFANTS			
Birth to 17 Months w/Special Needs			
Full Time Care (6 hrs or more)	**687.56**	**158.79**	**31.76**
Part Time Care (less than 6 hrs)	**343.78**	**79.39**	**15.88**
TODDLERS			
18 to 29 Months			
Full Time Care (6 hrs or more)	**603.56**	**139.39**	**27.88**
Part Time Care (less than 6 hrs)	**301.78**	**69.70**	**13.94**
TODDLERS			
18 to 29 Months w/Special Needs			
Full Time Care (6 hrs or more)	**687.56**	**158.79**	**31.76**
Part Time Care (less than 6 hrs)	**343.78**	**79.39**	**15.88**
PRESCHOOL			
30 Months to 5 Years			
Full Time Care (6 hrs or more)	**514.36**	**118.79**	**23.76**
Part Time Care (less than 6 hrs)	**257.18**	**59.39**	**11.88**
PRESCHOOL			
30 Months to 5 Years w/Special Needs			
Full Time Care (6 hrs or more)	**603.56**	**139.39**	**27.88**
Part Time Care (less than 6 hrs)	**301.78**	**69.70**	**13.94**
SCHOOL-AGE			
5 to13 Years			
Full Time Care (6 hrs or more)	**514.36**	**118.79**	**23.76**
Part Time Care (less than 6 hrs)	**257.18**	**59.39**	**11.88**
SCHOOL-AGE			
5 to 19 Years w/Special Needs			
Full Time Care (6 hrs or more)	**603.56**	**139.39**	**27.88**
Part Time Care (less than 6 hrs)	**301.78**	**69.70**	**13.94**

The amounts listed above represent the maximum authorized rates for Approved Homes (Family, Friend and Neighbor and In-Home Providers). The parent/applicant may select a provider with a cost higher than these maximum rates; however, in such instances, the parent/applicant will be responsible for all expenses over these maximum state payment rates.

As of December 31, 2021, Approved Homes (FFN & In-Home Providers) no longer receive the $300 Temporary COVID-19 Family Differential Payment.

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES
MAXIMUM CHILD CARE PAYMENT RATES

SUMMER YOUTH CAMP RATES

INCLUDING TEMPORARY COVID-19 FAMILY DIFFERENTIAL PAYMENT*

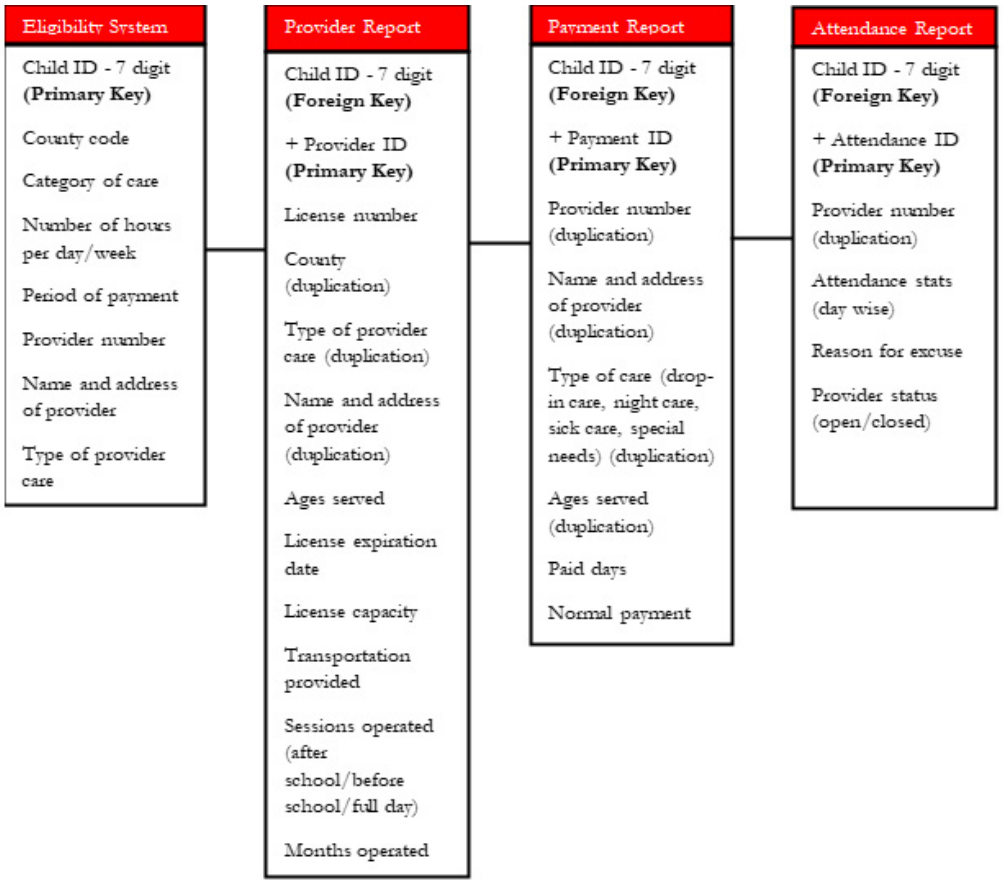
Effective: March 1, 2022

	AMERICAN CAMPING ASSOCIATION (ACA) SUMMER YOUTH CAMP		
	MONTHLY	WEEKLY	DAILY
SCHOOL-AGE			
5 to13 Years			
Full Time Care (6 hrs or more)	**1,192.64**	**275.44**	**55.09**
Part Time Care (less than 6 hrs)	**596.32**	**137.72**	**27.54**
SCHOOL-AGE			
5 to 19 Years w/Special Needs			
Full Time Care (6 hrs or more)	**1,433.65**	**331.10**	**66.22**
Part Time Care (less than 6 hrs)	**716.83**	**165.55**	**33.11**

The amounts listed above represent the maximum authorized rates for American Camping Association (ACA) Summer Youth Camps. The parent/applicant may select a provider with a cost higher than these maximum rates; however, in such instances, the parent/applicant will be responsible for all expenses over these maximum state payment rates.

*Temporary COVID-19 Family Differential Payments provide up to $300 for full-time care, or $150 for part-time care, per eligible child, per month on top of the child care assistance rate paid by the state. Family Differential Payments will be made through the end of 2023. To calculate the state's base rate, without the Temporary COVID-19 Family Differential Payment, subtract $300 from full-time rates and $150 from part-time rates.

Appendix B: New Jersey Child-Care Data Systems



Appendix C: Historical Analysis Supplement - Dec 2019 & Dec 2021

This Appendix presents results from additional quantitative analysis of the subsidy historical financial data. Specifically, to increase our confidence in the results of the historical analysis presented for November 2019 and November 2021 on pp. 26-30 of the report, we repeated the approach with additional data. Here we present results for payments made on December 8, 2019 for the period of November 10-23, 2019 and on December 5, 2021 for the period of November 7-20, 2021. Results using the December payment data are very similar to those using the November payment data.

Table C.1. Enrollment and payments for December 2019 and December 2021 pay periods

	Children Served	Unique Providers	Total Normal Payments	Total Adjusted Payments	Total Payments (Normal + Adjusted)
Nov 10-23, 2019	59,684	3,999	$12,351,396	$879,794	$13,231,190
Nov 7-20, 2021	43,900	3,462	$19,535,968	$390,164	$19,926,132

Figure C.1: Average Paid Days by Age of Child, Dec 2019 vs. Dec 2021

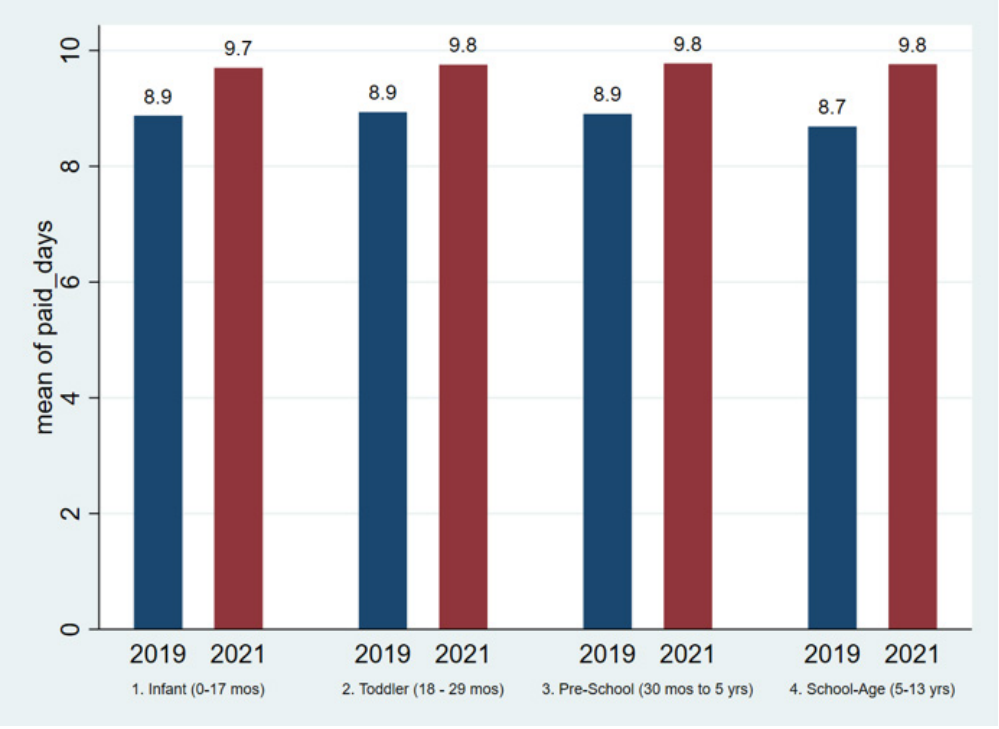
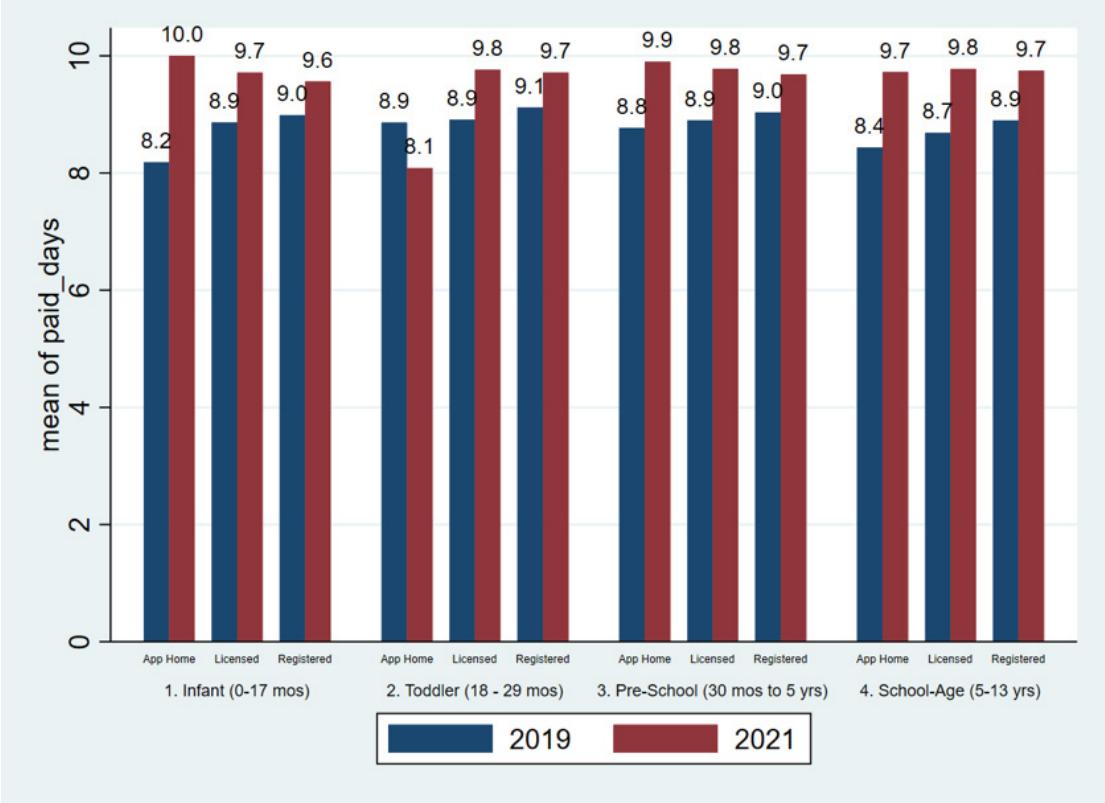


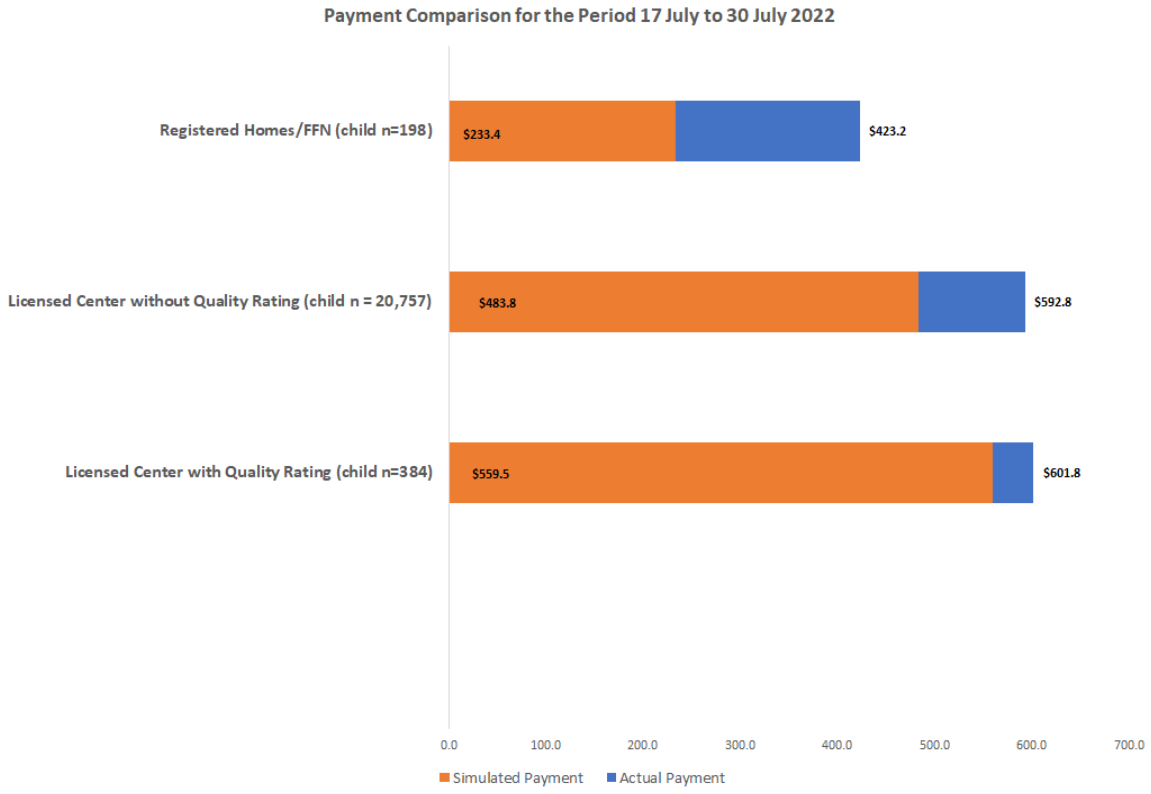
Figure C.2: Average Paid Days by Age of Child and Provider Type, Dec 2019 vs. Dec 2021



Appendix D: Payment Analysis for July 17-30 Pay Period by Provider Type

This Appendix presents further analysis comparing the average simulated child-subsidy payment with the average actual EPPIC payment for the July 17-30, 2022 by provider type. We present the payments for three groups of providers, registered homes, licensed centers with a quality rating, and licensed centers without a rating. For all three groups, the simulated attendance-based payments are lower than the actual enrollment-based payments. The providers with the smallest difference are licensed centers that participate in the quality-rating system and thus also receive the highest payment rate. These providers received an average payment of $601.80 per child in this pay period. Under our simulation attendance-based rules, they would have received $559.50, approximately 7 percent less. Centers without a quality rating had the second smallest difference between their average actual payment ($592.80) and the corresponding simulated payment ($483.80), a payment difference of 18 percent. Finally, registered home providers received an average payment of $423.20 for each child in their care. Using the attendance-based payment rules, however, their payment would have been reduced by close to half (45 percent) to only $182.10. It is also important to note that, because of the data cleaning steps described earlier, the estimates presented for the registered home providers are based on data using less than half of the children in the original DFD dataset.

Figure D.1. Actual EPPIC Payments and Simulated Attendance-based Payments for July 17-30 Pay Period



Source: Authors' calculations, based on 99 percent of children in licensed centers and 43.5 percent of children in registered homes from the full dataset.

Resources

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