



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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SEPTEMBER 25, 1979

B-163762

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

The Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate

RELEASED

^{Bob}
The Honorable Robert Packwood
Committee on Finance
United States Senate

You requested that we make several studies comparing ^{Comparison of} the ~~per unit or per capita~~ cost of various services performed by the Federal Government with the cost of comparable services provided by private companies. This letter discusses day care services.

During the conduct of our work, we advised you of the National Day Care Study sponsored by the Department of Health, Education, and Welfare and published in March 1979. This study was an intensive 4-year effort costing about \$8 million which investigated the benefits and costs of critical day care features for children age 5 and under. Rather than replicating this extensive work, we reviewed and analyzed this study, as well as a previous GAO report--"Opportunities for HEW to Improve the Administration of Day Care Programs" (HRD-78-81, Mar. 22, 1978)--and other pertinent reports in order to formulate our conclusions.

The National Day Care Study demonstrated that the cost of non-federally-funded centers operated primarily by the private sector is substantially less than the federally-funded centers which are operated primarily by federally-subsidized nonprofit organizations. This contrast in costs is obvious in the following table, which was developed based on our independent analysis of the data in the final report of the day care study.



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Percentage of Total Children in Day Care Centers
and Monthly Cost Per Child

<u>Program</u>	<u>Percentage of total children in day care centers</u>	<u>Monthly cost per child</u>
Federally-funded:		
Profit	7	\$120
Nonprofit	30	188
Non-federally-funded:		
Profit	26	102
Nonprofit	27	118

Differences in monthly costs per child are explained by several factors identified in the day care study. That study said that federally-funded centers:

- Maintain higher ratios of caregivers (teachers and aides) to children.
- Pay higher wages.
- Employ more staff who are not caregivers.
- Offer more supplemental services, such as counseling, to children and families.
- Have additional administrative responsibilities, such as arranging for health care.

In 1975 the amended Federal Interagency Day Care Requirements were, subject to certain exceptions, incorporated in title XX of the Social Security Act for day care funded under that title. The title XX requirements prescribe staff-to-child ratios of one to four for children from 6 weeks to 3 years, one to five for 3-year-olds, and one to seven for 4- and 5-year-olds. Maximum group sizes are 15 for 3-year-olds and 20 for 4- and 5-year-olds. No group size ceiling is set for children under age 3. Concerning staff qualifications, no specific requirements are set forth.

The National Day Care Study found that higher quality care results from the combination of two low-cost factors: (1) small groups of children and (2) appropriately trained staff. It found that the current Federal caregiver ratios for day care centers, as spelled out in the Federal Interagency Day Care Requirements, are too stringent and can be

relaxed without harming the growth and development of children. Also, although the high staff-to-child ratio did not increase quality, it did increase cost. Thus, the study concluded that certain revisions of the interagency requirements would allow the Federal Government to buy better care at a slightly lower cost. The two principal changes recommended by the study are:

- Alter group composition by tightening the ceiling on the number of children permitted in each group, while relaxing the number of staff required per group.
- Require that staff providing direct care have appropriate training.

For regulations governing group composition for children under age 3, the National Day Care Study recommended maintaining the current staff-to-child ratio and adding a group size requirement more stringent than that selected for 3-, 4-, and 5-year olds.

Enclosure I to this letter summarizes the day care study's recommended revisions to the Federal Interagency Day Care Requirements.

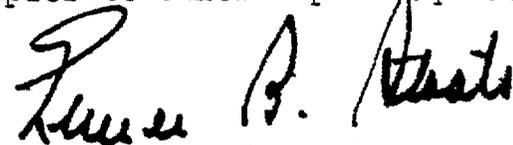
The study's findings and recommendations on staff-to-child ratios agree with the findings in our report mentioned earlier. We found that the developmental needs of most children could be met with less staff than mandated by the interagency requirements.

Also, our review and analysis of the data collected for the National Day Care Study reaches the same conclusion that study reached regarding group size, staff-to-child ratios, and caregiver qualifications. We concur that relaxing the staff-to-child ratios would reduce costs without harming the development of the children.

We believe that if the Department of Health, Education, and Welfare adopts and implements the recommendations in the National Day Care Study, more children can be cared for with current Federal outlay. We recognize that adopting these recommendations may require amendment of title XX. The findings and recommendations contained in the study should give you a basis for discussing the Federal Interagency Day Care Requirements with HEW. We would be glad to brief you on our findings if you desire. I am enclosing, for your information, the executive summary of the National Day Care Study and our 1978 report on day care programs.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its date. Then we will issue it to interested parties and give copies to others upon request.



Comptroller General
of the United States

Enclosure

SUMMARY OF RECOMMENDED REVISIONS TO THE
FEDERAL INTERAGENCY DAY CARE REQUIREMENTS ^{1/}
REGULATIONS FOR 3-, 4-, AND 5-YEAR-OLDS

For 3-, 4-, and 5-year-olds, the following revisions are recommended.

Classroom composition: Group size and caregiver-child ratio are inextricably related and should be regulated jointly in a single provision. Because links between classroom composition and indicators of quality are equally strong for 3-, 4-, and 5-year-olds, the same regulations should apply to all three ages. Three policy options emerge--any of which would be consistent with the National Day Care Study findings.

	<u>Maximum group size</u>		<u>Maximum caregiver-child ratio</u>	
	<u>Attendance basis (note a)</u>	<u>Enrollment basis</u>	<u>Attendance basis</u>	<u>Enrollment basis</u>
Policy A	14	16	1:7	1:8
Policy B	16	18	1:8	1:9
Policy C	18	20	1:9	1:10

a/Differences between attendance-based and enrollment-based regulatory levels assume the national 12-percent child absence rate and also assume that absent staff will be replaced by substitutes.

An evaluation of the three policies indicates:

- Policy A would provide for the highest quality day care with public funds.
- All three policies would provide for higher quality for 4- and 5-year olds than current Federal Interagency Day Care Requirements. Policy A would provide higher quality for 3-year-olds as well.

^{1/}Based on the executive summary of the final report of the National Day Care Study, March 1979.

- All three policies would reduce the cost of care--by an estimated minimum of 6 percent for policy A to an estimated maximum of 16 percent for policy C. The cost reduction would allow an increase of up to 19 percent in the number of children served at current cost.
- Between 75 and 90 percent of centers which provide publicly-funded care already are in compliance with all three policy options.
- Depending on the policy chosen, between 30 and 60 percent of the centers not now publicly funded would immediately be eligible to provide care.

REGULATIONS FOR INFANTS AND TODDLERS

For children 6 weeks to 3 years old, the following revisions are recommended.

Classroom composition: The current minimum caregiver-child ratio should be maintained (one to four observed, one to five on an enrollment basis). A group size limit should be established and should be more stringent than that for 3-, 4-, and 5-year-olds.

CAREGIVER QUALIFICATIONS

Child-related education/training should be required for direct-care staff and such training should be provided by the States. Requirements should not be framed in terms of either formal education or work experience in day care.